

# **Fragile States: Defining Difficult Environments for Poverty Reduction**

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This working paper is intended to stimulate public discussion.  
It is not necessarily DFID or UK Government policy.

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## **Abbreviations**

AusAID	Australian Agency for International Development
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee of the OECD
DFID	UK Department for International Development
IDA	International Development Association
LICUS	Low Income Countries Under Stress
MDGs	Millennium Development Goals
OECD	Organisation for Economic Cooperation and Development
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

## Summary

- In recent years, there has been a growing concern over the impact of weak or ineffective states. The range of problems associated with such states is broad, including poverty, conflict and humanitarian crises, human rights violations, global security threats and weakened international systems.
- Fragile states take many forms, and have been defined in various ways. This paper adopts a definition of ‘difficult environments’ grounded in the role of the state in development effectiveness. Difficult environments are defined as *those areas where the state is unable or unwilling to harness domestic and international resources effectively for poverty reduction*. This approach is intended to complement other analytical approaches to fragile states, including the work of the UK Prime Minister’s Strategy Unit project on Countries At Risk of Instability.<sup>1</sup>
- Our definitional approach to state fragility looks specifically at the challenges for development and poverty reduction. It is firmly located in the so-called Monterrey model of development, which calls for better international partnerships to resolve today’s global human development challenges. Although looking at specific responses to difficult environments is beyond the scope of this paper, we assume that states outside the Monterrey model will require different aid instruments and approaches.
- The key challenge highlighted by this definition of difficult environments is how to make development aid effective in places that lack basic levels of state capacity and commitment to poverty reduction.
- By *capacity* we mean the core features that most strongly influence the state’s ability to mobilise and use resources for poverty reduction, including territory control and presence, the effective exercise of political power, basic competence in economic management and sufficient administrative capacity for implementation.
- When assessing the *willingness* of a state to engage in partnerships for poverty reduction, we are specifically looking at two closely related notions. First, an explicit political commitment to policies aimed at promoting human welfare should be reflected in actions and outcomes. In short, political will for poverty reduction. And second, an inclusive approach that does not exclude particular social groups from the benefits of development.
- Based on these two key concepts, we present an indicative typology of four broad types of environments: 1) the ‘Monterrey’ cases of strong capacity and reasonable political will, 2) the ‘weak but willing’ category where government capacity is an obstacle to implementing policy, 3) the ‘strong but unresponsive’ states where state capacity is directed to achieving development goals, and 4) the ‘weak-weak’ governments where

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<sup>1</sup> <http://www.strategy.gov.uk/output/Page5426.asp>

both state capacity and political will are lacking. Real cases will be mixes of these stylised types, and a typology does not substitute for context-specific political analysis. In real cases, an awareness of political cycles and the linkages between political, social and economic institutions can be key issues for donors. Yet a typology may help point out distinguishing features: different types of difficult environments will warrant different policies and approaches.

## **I. The problem of ineffective states**

1. *A growing interest in fragile states.* In recent years, there has been growing concern over the impact of weak or ineffective states. Sovereign states are expected to perform certain minimal functions for the security and well being of their citizens, as well as the smooth working of the international system. In simple terms, people need states to work. States that fail to meet these minimal standards have been characterised as ‘weak’, ‘fragile’, or ‘poorly performing’.<sup>2</sup> More extreme cases have been labelled ‘failed’ or ‘collapsed’. The proliferation of labels – ranging from ‘crisis states’ to ‘countries at risk of instability’ and ‘countries under stress’ – reflects the range of ways in which the core problem has been conceived.<sup>3</sup> There has been much debate over terminology and analytical frameworks. Yet despite questions of definition and approach, the experience of people who are the victims of state failure underlines the urgency of the questions.
2. *Impact of ineffective states.* The range of problems associated with such states is broad (see Box 1). In areas where states are weak, basic protections and services break down. Also, the state is unable to play its full role in international systems, and has negative spill over effects on near neighbours. Some of the problems are more prevalent than others, and the incidence of these features in weak states has yet to be explored empirically.
3. *Diversity of situations.* The causes and symptoms of ineffective states vary. The features of weakness combine in different ways and can change over time, but include the following:
  - **State collapse:** The most extreme case is one of state collapse, where the central state has effectively ceased to function (e.g. Somalia).
  - **Loss of territorial control:** In less extreme cases the state may have only partial territorial control or deeply contested authority due to civil conflict (e.g. Nepal, Sudan). Incomplete control of the territory may have a long history, or be a sign of a low level of state penetration linked to the enduring power of local or intermediary authorities (e.g. Pakistan’s Federally Administered Tribal Areas).
  - **Low administrative capacity:** States with very low administrative capacity, even where there is no conflict or loss of territorial control, may be unable to implement policies simply due to the lack of resources, staff, and administrative systems (e.g. Guinea-Bissau). The

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<sup>2</sup> The security and international relations communities have been inclined to refer to weak, failing, or failed states (e.g. Helman and Ratner (1992-93), Dorff (2002), Rice (2003), Commission on Weak and Failing States (2004)). The international development literature has tended to focus on a slightly different set of states that are ‘poor performers’ in terms of development policy or outcomes (e.g. OECD DAC 2001, Ayres 2002).

<sup>3</sup> Some of the main definitions are set out in Annex 2 to this paper.

challenges of administrative capacity are likely to be exacerbated in states where HIV/AIDS is prevalent.

- **Political instability:** In other states, the government's ability to rule is compromised by political instability shown in frequent change in leaders through either constitutional or unconstitutional means, including coups d'état (e.g. Central African Republic 2003).
  - **Neo-patrimonial politics:** In states where administrative systems have become dominated by informal or neo-patrimonial politics, the state institutions may be unable to project sufficient administrative capacity to carry out even basic state functions (e.g. Indonesia under Soeharto). In such cases of pervasive clientelism, the political logic of the system diverts state authority from the stated policy goals to the pursuit of private wealth and power.<sup>4</sup>
  - **Conflict:** In states with fragile political institutions, governments may have difficulty managing the increasing, and often conflicting, demands placed upon them.<sup>5</sup> Where political processes break down, either sporadic or persistent civil conflict can arise, which can further undermine public institutions and political processes.
  - **Repressive polities:** Finally, there are states that are highly effective in some senses, but repressive or unresponsive to their people, thus undermining sustainable development and sowing the seeds for future failure. These different types of state weakness overlap and interact; yet it is important to draw analytical distinctions where possible to formulate more effective policy responses.
4. *Multiple definitions.* It is easier to list the problems associated with state weakness than to produce a definitive and agreed list of ineffective states. There is a consensus<sup>6</sup> that states fall on a continuum from stronger to weaker performance, and that states can move quickly in and out of crisis. Which states are defined as weak, and the factors by which weakness is recognised will depend in part on the observer's policy agenda. Some states are ineffective at controlling terrorism but reasonably good at providing basic health care; other states maintain excellent diplomatic relations but are unable to contain internal civil unrest. Some definitions of have focused narrowly on those states affected by armed conflict, while other definitions include states affected by poor governance, corruption, and low administrative capacity. In many cases, governments enduring the strains of a hostile international environment and weak capacity at home have struggled just to ensure state survival, so survival alone may be seen as an accomplishment.<sup>7</sup> At a time when forces of globalisation

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<sup>4</sup> Cf. van de Walle (2001), Bayart, Ellis and Hibou (1998), and Chabal and Daloz (1998).

<sup>5</sup> Putzel (2003).

<sup>6</sup> Although some authors (e.g. Bilgin & Morgan 2002) have argued that the terminology of state weakness or failure is unhelpful, they do not offer an analytically superior alternative.

<sup>7</sup> Clapham (1996).

and new concepts of sovereignty<sup>8</sup> challenge traditional notions of statehood, the core components of statehood can be lost in the debate over definitions.

5. *State effectiveness lies at the heart of most definitions.* Underlying most of these definitions is the idea that the state should perform certain essential functions. Whatever differences of scope and emphasis, observers agree that effective states should be able to exercise power to achieve public goods.<sup>9</sup> Thus, 'difficult environments', 'fragile states' and 'poor performers', are broadly synonymous concepts in that they refer to states that fail, in various ways, to provide adequate public goods to their people, including safety and security, public institutions, economic management, and basic social services such as roads and water. These are the minimal or core functions of the state rather than more elaborate policy roles.
6. *A state's core functions depend on two structural features.* First, that the government is able to exercise effective authority over its sovereign territory.<sup>10</sup> Second, that the state possesses adequate administrative capacity, including the personnel, skills, systems, and infrastructure to carry out its core functions.<sup>11</sup> What is at issue here is what is often referred to as the state's 'empirical statehood' – its ability to project administrative and regulatory power – rather than its 'juridical statehood' as an entity recognised under international law.<sup>12</sup> States that are legally contested in their boundaries or sovereign status may nevertheless be able to carry out their core functions. On the other hand, there are a number of entities that fulfil the criteria for statehood under international law<sup>13</sup>, but are unable or unwilling to deliver basic public goods.

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<sup>8</sup> Sørensen (2001), International Commission on Intervention and State Sovereignty (2001), Cooper (2003).

<sup>9</sup> Rotberg refers to the delivery of 'political goods': 'those intangible and hard to quantify claims that citizens once made on sovereigns and now make on states.' (Rotberg (2004a), 2-3).

<sup>10</sup> This is a restatement of the classic definition of Max Weber: the state is a political community that successfully claims 'the monopoly of the legitimate use of physical force within a given territory' (Weber, 1919).

<sup>11</sup> Cf. Forrest (1994).

<sup>12</sup> Jackson (1990); see further ODI (2004b)

<sup>13</sup> The criteria for statehood in international law are expressed in Article 1 of the 1933 Montevideo Convention on the Rights and Duties of States: 'The state as a person of international law should possess the following qualifications: (a) a permanent population; (b) a defined territory; (c) government; and (d) capacity to enter into relations with the other states.'

### Box 1: Global and Local Impact of Fragile States

Weak and fragile states are associated to varying degrees with the following impacts.

<b>Poverty</b>	<ul style="list-style-type: none"> <li>• Little or no progress in achieving the Millennium Development Goals</li> <li>• Unable to deliver basic social services including water, education, and healthcare</li> </ul>
<b>Conflict and Humanitarian Crises</b>	<ul style="list-style-type: none"> <li>• Weak and unresponsive government can lead to civil conflict and inter-state wars</li> <li>• Particularly vulnerable to humanitarian crises caused by civil war, food insecurity, or natural disasters</li> <li>• Sources of chronic refugee flows placing strain on neighbouring states and international humanitarian response</li> <li>• Fuelling proliferation of conventional weapons and stoking regional conflict</li> </ul>
<b>Human Rights Violations</b>	<ul style="list-style-type: none"> <li>• Unable to protect the basic human rights of their citizens, giving rise to unchecked opportunities for murder, rape, slavery, mutilation, extortion, theft, intimidation, and discrimination</li> <li>• Weak but repressive regimes may violate rights to stay in power</li> </ul>
<b>Global security threats</b>	<ul style="list-style-type: none"> <li>• Providing safe havens for international terrorists and illicit arms trade</li> <li>• Lacking capacity to detect, investigate, and counter terrorist activity</li> <li>• Ineffective controls on biological, nuclear and radioactive materials</li> </ul>
<b>Organised Crime</b>	<ul style="list-style-type: none"> <li>• Serving as bases for international criminal activity, including the trafficking of drugs, people, and illegal goods</li> <li>• Production sites for narcotics</li> </ul>
<b>Reduced global prosperity</b>	<ul style="list-style-type: none"> <li>• Depressing international trade and investment</li> <li>• Unable to provide the regulatory framework and basic security required to promote economic growth</li> <li>• Threats to global energy security where energy production or transmission is disrupted</li> </ul>
<b>Weakened international systems</b>	<ul style="list-style-type: none"> <li>• Unable to fulfil international obligations -- to protect the global environment, counter infectious disease, contain money laundering, and so on</li> <li>• Unable to fulfil obligations to other states in protecting foreign nationals, maintaining effective diplomatic relations, and co-operating to address global challenges</li> </ul>

7. *Unit of analysis.* Even where there is agreement on state effectiveness as the central question, problems of definition also arise from taking the state as the unit of analysis. States such as Uganda, Colombia, and Pakistan have fairly strong government capacity and control over most of the territory, and yet do not have effective control over particular geographical regions. While the government in Kampala is effective in most Ugandan territory, and is indeed regarded as one of the 'good performers' by most development agencies, it has been unable to exert its authority in northern Uganda for more than a decade. Thus some areas of state weakness operate at the *sub-state* level. Similarly, the political economy of conflicts in West Africa (Liberia, Sierra Leone, Guinea, and Ivory Coast) in recent years has involved the flow of combatants, money, and arms across borders in a systematic way. No attempt to understand or address state weakness in the region can ignore the cross-border dimensions. Since the geographical scope of state weakness is not always coterminous with national borders, it makes sense to consider the *regional* or *supra-state* aspects of the conflict. Similar arguments have been advanced in respect of the South Caucasus and African Horn and African Great Lakes regions.
8. *Toward a development-oriented definition.* Given the wide range of policy concerns, diverse state experience, and multiple definitions that are currently in use, the purpose of this paper is to set out an approach to state fragility that has a high degree of analytical utility for the challenges of development and poverty reduction. It does not offer an approach that will suit all purposes, but it does aim to formulate a definition that is compatible with the objectives and activities of development agencies. In sum, the question asked here is: what kind of state functioning is required to be effective in achieving the Millennium Development Goals? State functioning can be affected by a variety of different problems, and can be evaluated at the sub-national as well as supra-national levels. The key issue is identifying those aspects of state capacity and government policy that are vital for basic development effectiveness. Poor developmental performance is thus not the defining problem, but rather it is the absence of a strong and/or legitimate state with which to engage. This approach is intended to complement rather than displace other analytical approaches to fragile states, including the analytical approach of the UK Prime Minister's Strategy Unit project on Countries At Risk of Instability.<sup>14</sup>

## **II. The importance of difficult environments in achieving development goals**

9. *Difficult environments are a challenge to global development.* State weakness tends to be correlated with poverty. Fragile states are generally the countries with the lowest levels of life expectancy, literacy and access to basic services, and with the highest levels of infant and maternal mortality, crime and corruption. Since many of the world's poorest and most vulnerable people live in these states, they are of vital importance in

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<sup>14</sup> <http://www.strategy.gov.uk/output/Page5426.asp>

reducing poverty. This is particularly true of Africa, where weak governance, conflict and HIV/AIDS are reversing the development gains of previous decades. But state weakness, poor governance and downward economic trends are also major problems in parts of Latin America and the Caribbean, South Asia, Central Asia and the former Soviet Union states, and some Arab states. There is evidence that the causal relationship between difficult environments and poverty is bi-directional. Stronger institutional and policy environments are more effective in using aid to generate growth,<sup>15</sup> whereas states with lower levels of income per capita are more likely to experience conflict or adverse regime change.<sup>16</sup>

10. *Effective states are required to make development aid effective.* Without effective state authority, regulation, and service delivery, the aspirations of economic growth and improved human development are elusive. There is now consensus that development aid is more effective where there are good policies and strong institutions.<sup>17</sup> At the same time, the consensus on a partnership approach to aid based on country-owned poverty reduction strategies requires a fairly high degree of state effectiveness to lead on policy and implement donor-supported programmes.
11. *The partnership model of aid effectiveness.* While there is no full unanimity among donors on a partnership model of development, the Monterrey Consensus – the International Conference on Financing for Development held in Mexico in 2002 – went some way towards consolidating a dominant set of policy aspirations.<sup>18</sup> The partnership approach to development has been developed around the key themes of increased and more effective aid, giving developing countries a stronger voice in the international arena, supporting enabling policies for growth and poverty reduction, and strengthening country ownership alongside donor alignment. Aid allocation trends that favour states with strong institutional and policy environments have been apparent since 2000<sup>19</sup>, and are now embodied in the World Bank's Performance Based Allocation system for IDA countries as well as the US Millennium Challenge Account. At the same time, the focus on alignment and partnership has shifted aid disbursements from projects and programmes to sector wide approaches and more direct budget support. These aid instruments require the recipient state to take a stronger policy lead, and also to have in place capable public institutions to deliver basic services.
12. *The partnership model assumes what most difficult environments lack: basic levels of state capacity and commitment.* For this model and its mechanisms, particularly the PRS (Poverty Reduction Strategy), to be effective, a basic set of requirements are clearly being assumed:

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<sup>15</sup> Dollar and Pritchett (1998).

<sup>16</sup> The State Failure Task Force found that countries with high infant mortality rates are roughly twice as likely to experience state failure as control states. (State Failure Task Force (2000), vi).

<sup>17</sup> Collier and Dollar (2002).

<sup>18</sup> An early and seminal statement of the approach is set out in OECD DAC (1996).

<sup>19</sup> Dollar and Levin (2004).

- a. Authority over defined territory;
- b. A stable political system;
- c. Basic competence in economic management;
- d. Some level of pro-poor commitment by the political leadership;
- e. Sufficient administrative capacity to formulate and implement programmes with donor assistance

Most – if not all – difficult environments have deficiencies in one or several of the basic requirements for a PRS approach. Countries where there is no political will to tackle poverty may nevertheless produce a convincing PRSP or similar strategy that will have very little impact on the ground. Conversely, a PRS will be severely hampered in countries with limited capacities, of the type outlined above, in terms of state control or unstable political institutions.

13. *How can donors such as DFID assist countries where the state is not able or willing to form development partnerships?* An assessment of DFID's implementation of support to poverty reduction strategies in 2003 indicates that, 'in conflict countries and weak governance environments, support for PRS processes still accounts for less than five percent of total DFID assistance, and there is little optimism that this will increase in the immediate future<sup>20</sup>.' Acknowledging that a PRSP may not be the best aid mechanism in a difficult environment does not imply that the partnership principles underpinning it are inapplicable. The principle of partnership and country-led development remains the only promising model in the medium term, but it requires support for processes to build capable states with governments committed to poverty reduction policies. Experience has shown that few alternatives to partnership have worked. Private sector investment tends to decline with poor governance and cannot be relied upon to fill financing gaps. Conditionality policies have a very poor record, and are not substitute for country-owned strategies. Humanitarian assistance is vital to provide immediate relief and can lay the basis for development efforts, but is not intended to produce – on its own – transformational development. The absence of a PRS node for donor alignment is likely to exacerbate conflicting and multiple donor policy goals that have high transaction costs and which can undermine rather than support government effectiveness. If it is correct to agree with the OECD DAC conclusion that 'development assistance will only work where there is a shared commitment of all the partners',<sup>21</sup> then the question of aid effectiveness in difficult partnerships is one of finding ways to build partnerships in the medium term.

14. *The relational aspects of partnerships.* Difficult environments are really a relational quandary: how should partnerships for development be formed over time? As in most relationships, both partners can contribute to difficulties. The policies and actions of donors may be an important factor

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<sup>20</sup> Overseas Development Institute (2004), 24.

<sup>21</sup> OECD DAC (1996), 1

in causing or perpetuating ineffective governance. The problem, although understood here to be centred on state effectiveness, is not only located within a country but is indeed a relational one, including the regional dimension, the role of donors and aid, and the global factors such as trade, economic shocks, and transnational systems such as money laundering that support unresponsive leaders. The donor actions and global systems that contribute to difficult partnerships lie beyond the scope of this paper, but the analysis of these factors is likely to be critical for developing effective donor strategies in responding to fragile states.<sup>22</sup>

### **III. Defining difficult environments for poverty reduction**

15. *Partnership and the mobilisation of resources.* Areas where the state lacks the jurisdiction, authority, or capacity to exercise effective control and implement programmes are clearly areas where a poverty reduction partnership is difficult for donors and other actors. In such areas the state is unable to put in place the institutions and policies required to either sustain a favourable regulatory framework or supervise the delivery of basic services. In such areas, the state is generally too weak to extract domestic revenue needed for state programmes. Nor will international aid be effective if it lacks the institutional strength to apply those resources to investment and service delivery programmes. Similarly a government that is not committed to sound regulatory policies and programmes aimed at poverty reduction may lack the political will to use resources effectively for development. Where genuine state capacity and political will are present, statements of policy objectives are followed with programmes that mobilise resources – particularly finance, staff, and partner contributions. Where partnership works, resources flow to effective programmes. If resources do not flow, then the partnership is not achieving its objective.

16. For donors focused on furthering development through partnerships, the following is proposed as a **working definition**: *difficult environments are those areas where the state is unable or unwilling to harness domestic and international resources for poverty reduction.*

17. *Both capacity and political will are required for development effectiveness.* Some governments possess the political will for poverty reduction but are hindered by low state capacity. Other governments command state structures that are able to secure a high degree of social and territorial control, but are not primarily committed to policies of growth and poverty reduction. Moreover, many states fall somewhere in between these extremes. Figure 1\* provides a visual approach to the definition, while stressing its dynamic nature. Although the two axes of willingness and

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<sup>22</sup> The OECD DAC Learning and Advisory Process on Difficult Partnerships is carrying out analytical policy work on how donors can be more effective partners for fragile states, particularly in respect of aid allocation, donor co-ordination, and service delivery.

\* Adapted from Figure 1 in 'The Politics of Pro-Poor Policy Change in Asia', 6. We are grateful to Graham Teskey for drawing this framework to our attention.

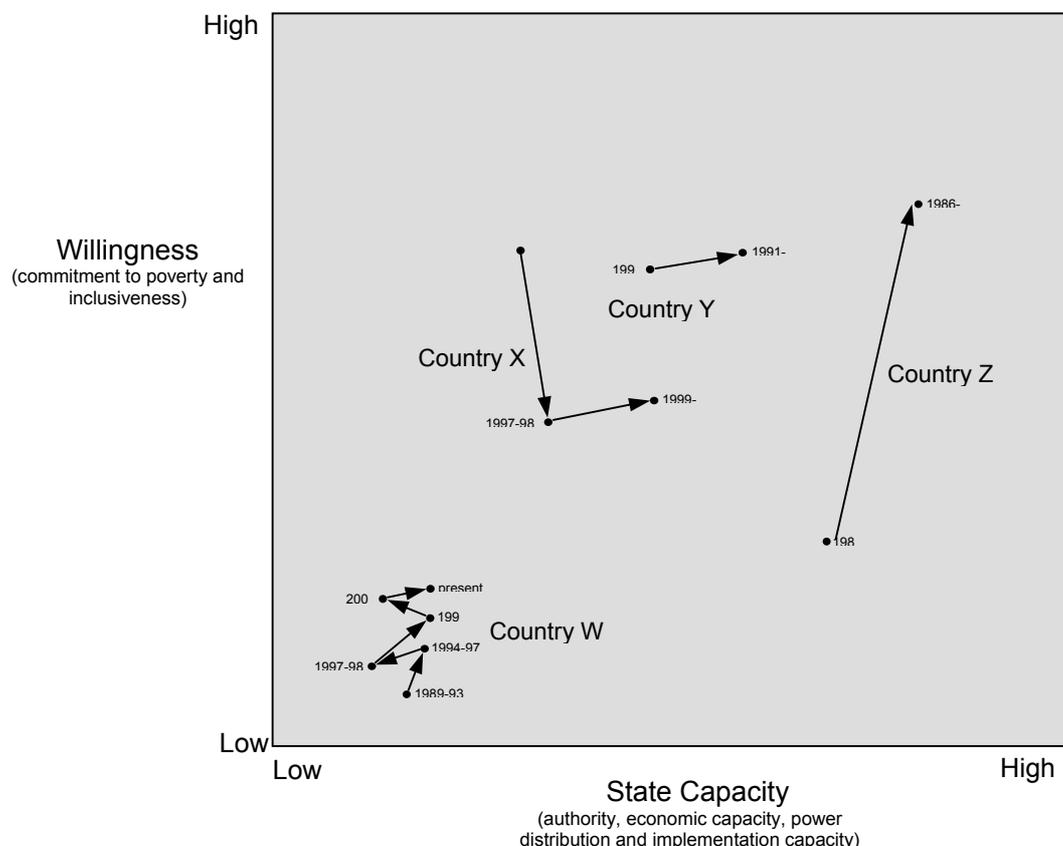
capacity are here presented as equally important, this may not always be the case and will depend on the specific context.

18. *What do we mean by the state?* The state is understood in a generic sense to be the system of social control capable of maintaining a monopoly of violence over a defined territory with international recognition. We therefore include in the concept, unless explicitly stated, the notions of government and regime (the specific political institutions and agents by which power is exercised). Strong states may be distinguished from weak ones according to the effective delivery of basic public goods, including security, social coherence, basic services, and the ability to raise and spend revenue. But, although not all these functions necessarily further development directly, their absence will hamper any efforts to reduce poverty in a given territory. Additionally, the ability to achieve security, raise revenue, assert political autonomy and control is profoundly influenced by economic conditions and social mobilisation as well as by the legitimacy and the internal cohesion of the state itself. The definition of difficult environments developed here is grounded in the assessment of a state's *development effectiveness*, particularly to engage in partnerships, not its coercive or cohesive power. We must, nonetheless, accept the conceptual and operational difficulty that entails advocating for state effectiveness (understood as capacity and willingness) as a necessary ingredient for reducing widespread poverty whilst at the same time accepting that it is not an independent variable and that it may not even be enough for sustainable development gains. Governments and state agents are not monolithic. States may be strong in one ministry but weak in another, or strong at the centre but weak in local administration.<sup>23</sup> Thus, capacity and willingness to form partnerships for poverty reduction will undoubtedly vary across different parts of government. Donors tend to regard the central Ministry of Finance as the key partner, but other parts of government are also important for overall state effectiveness.

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<sup>23</sup> Grindle (1996), 3-4

**Figure 1: State Capacity and Willingness**



19. *What do we mean by harnessing resources for poverty reduction?* The definition tries to ultimately answer the following question: as development partners, what do we need states to be able to do to promote growth and reduce poverty? In order to establish developmental partnerships, donors need the state to be able and willing to harness both international and domestic resources, that is, to control and employ them for poverty reduction goals. This involves mobilising people, skills, and ideas as well as money. Domestic resources include revenues levied through the state, as well as costs reduced through anti-corruption measures. International resources refer mainly to Official Development Assistance, but can also include private capital, the application of ideas, as well as co-operation with non-state actors such as businesses and international non-governmental organisations. A state that mobilises resources does not necessarily need to channel resources through a government budget; mobilisation can involve creating the right regulatory frameworks to facilitate action by businesses, community based organisations, and international partners. The question of what policies or models are most effective for reducing poverty is not one that directly concerns us here, but it is worth noting that a wide range of development strategies are capable of producing growth and enhancing human development.<sup>24</sup>

<sup>24</sup> Rodrik (2003), Unsworth (2003).

#### **IV. Understanding a state's developmental capacity and willingness**

20. *Why capacity and willingness?* An important aspect of state crisis, particularly during transitions or transformation periods, is the failure to enforce any institutions, understood widely as the rules of the game that set incentives, opportunities and limitations for individuals and organisations. One of the most persistent types of state weakness occur because of an inappropriate match between willingness and capacity, or between the political conditions and a state's exercise of transformational capacities<sup>25</sup>. Effective development requires both institutional capacity to design and implement pro-poor policies and a degree of responsiveness of powerful social and political groups to alleviating poverty. By focusing on capacity and willingness to engage in development partnerships, we are arguing that these two concepts are important for poverty reduction. Needless to say, capacity and willingness influence each other in most difficult environment contexts and, although we have separated them for presentational and conceptual clarity, it is important to keep in mind the dynamics between them. We leave out of our definitional approach all other aspects that may be key for state effectiveness in other dimensions, whilst acknowledging that they are likely to influence development outcomes in the long run. Poor developmental performance is thus not the defining problem, but rather it is the absence of a strong and/or legitimate state with which to engage.
21. *What do we mean by state capacity and willingness?* Capacity and willingness often seem intuitively obvious to casual observers. And they represent the lowest common denominator for a minimally effective state on many dimensions (security, law enforcement, macroeconomic management)<sup>26</sup>. Yet when used as criteria for an operational definition, their features become much less clear. We set out to address this challenge by explaining what these two concepts mean in the context of difficult environments (please see Annex 1 for a detailed table of criteria). This stylised typology is not a substitute for context-specific analysis, so the performance against these core criteria should be taken as a very rough approximation of state effectiveness, to be corrected and refined by more contextual understandings. Moreover, we recognise that a wide variety of institutional arrangements and policy agendas have resulted in economic development.<sup>27</sup>
22. *The concept of state capacity.* When assessing the developmental capacity of the state, we are looking to the core features that most strongly

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<sup>25</sup> Khan (1999), 5

<sup>26</sup> The *World Development Report 1997* set out the minimal functions of the state as: 'the provision of pure public goods such as property rights, macroeconomic stability, control of infectious disease, safe water, roads, and protection of the destitute.' (World Bank (1997), 27-8). The Report goes on to identify a range of 'intermediate' and 'activist' functions beyond the minimum core functions.

<sup>27</sup> Rodrik (2003).

influence the state's capacity to mobilise and use resources for poverty reduction. If these essential features are missing or are met to a limited extent, then the capacity of the state to engage with others to reduce poverty will be seriously affected:

- a. *The foundations of state authority*, which guarantee a state's functionality. The two key criteria are territory control and presence, and international sovereignty. The first includes gauging the extent to which a state controls its external borders and internal territory. It also refers to the extent to which the state is able to provide human security and monopolise or regulate the legitimate use of force in a given territory. State authority may also be affected by juridical statehood, or the recognition of a territorial and political entity as a member of the international system.
  - b. *The effective exercise of political power*, which is required to maintain lines of command and control, to contain political competition within manageable boundaries, and to ensure there is a relationship between the rulers and the ruled. Three dimensions are important: first, the mechanisms to distribute power, including formal and informal divisions power, and the existence of checks on unlimited power. Second, the autonomy and stability of political institutions vis-à-vis private interests and political or social conflict. Third, the capacity for the state to engage with the population.
  - c. *Basic competence in economic management* is indicated by institutional capacity to assess and regulate both fiscal and monetary policy. A further key component is a minimal regulatory framework to facilitate legitimate economic activity while prohibiting economic crime.
  - d. *The administrative capacity for implementation* requires sufficient infrastructure, human resources, and systems to implement to the most basic decisions of government. Linkages between objectives, policies, planning, and budgeting indicate a system for translating goals into resource mobilisation. A sector-specific criterion looks at the capacity gaps for service delivery.
23. *The concept of state willingness*. Although the word 'willingness' seems to somehow imply that those in power have a straightforward choice or decision about implementing policy goals, there may be complex social and political factors at work. Political will to reduce poverty at the apex of government may be frustrated by local officials who lack the will to implement policies that run counter to their personal interests. So too rulers who see the long-term value of pro-poor policy choices may be nevertheless be deterred by the short-term need to maintain political support among client groups. Good policies often make bad politics. In difficult environments, a lack of willingness may be an inability for governments and their agents to reconfigure their incentives because patrimonial or self-interested demands are more powerful. When

assessing the willingness of a state to engage in partnerships for poverty reduction, we are specifically looking at two closely related notions:

- a. *Commitment* looks at whether or not there is an explicit political statement that signifies an obligation or a promise to reduce poverty. Having the statement or the goal is not enough, and attention needs to be paid to the existence of a strategy and the means and incentives to implement it. Indeed, service delivery may be taken as a sector-specific example of pro-poor commitment to human development.
- b. *Inclusiveness* assesses whether or not the political commitment to development and poverty reduction is in fact for all populations and social groups in a country. Coming back to the example of service delivery, it is a key indication of willingness that government programmes exist. But also that they do not discriminate against certain groups or certain territories, even whilst giving priority to the poorest or those in most need.

24. *Why not legitimacy?* Much of the work on weak and fragile states emphasises that weak states are often unable to generate popular support among their people. Some definitions treat state legitimacy as a core criterion to identify state weakness or fragility. But measures of legitimacy are unreliable and contentious. Furthermore, legitimacy has an ambiguous relationship to aid effectiveness so that it is problematic to base decisions about aid on legitimacy. It is certainly the case that in the long run stable and effective states are those in which government policies and public institutions are able to generate public support<sup>28</sup>. It is also true that many weak regimes lapse into conflict or failure due to crises of legitimacy. Yet weak legitimacy cannot be considered a necessary characteristic of difficult environments for two reasons. The first is that some regimes can acquire legitimacy without political inclusion or policies to support growth and poverty reduction. It is possible to use rhetoric, religion, charisma, war, or populist policies to mobilise political support. Despots can enjoy legitimacy even as the structures of the state crumble around them. The second problem is many commentators have equated legitimacy with voice and accountability in public institutions. But it is not clear that legitimacy actually derives from political participation in formal political processes. Indeed, a number of commentators have argued that there is often a mismatch between formal political institutions and endogenous concepts of legitimacy.<sup>29</sup> It is arguable in many neo-patrimonial states that it is precisely the pursuit of legitimacy that has made the state a weak partner in poverty reduction. Also, the policies that can bring short-term legitimacy may contribute directly to long-term instability and economic decline.

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<sup>28</sup> Lipset (1981), 64

<sup>29</sup> See, among others, Englebert (2000), Chabal and Daloz (1998).

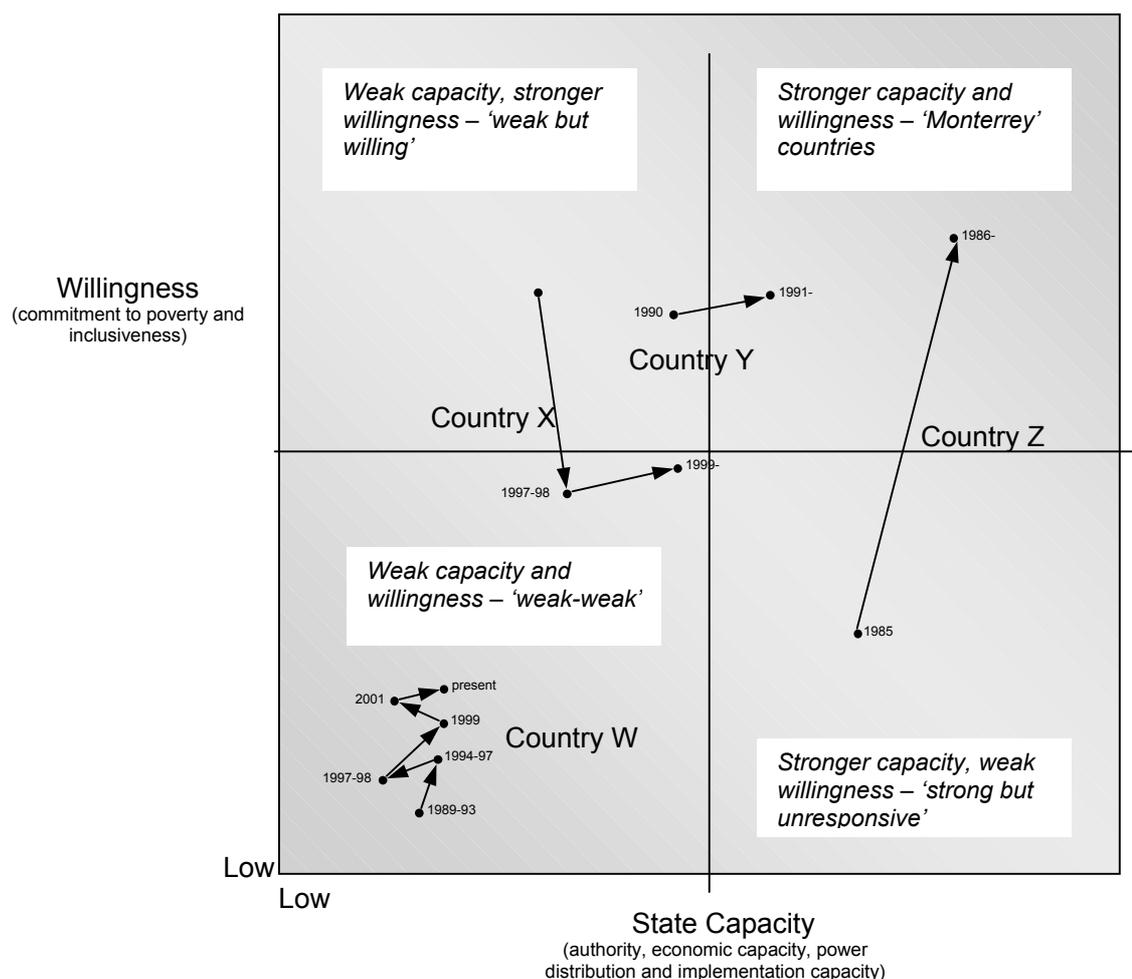
## **V. Operational implications**

25. *A typology for good policy responses.* The definition presented here raises several operational implications. Foremost among these is the need for a typology of difficult environments that helps in the selection of aid instruments. This idea will be further developed elsewhere; what follows is a brief discussion of the main implications that derive from the definition. It is by no means an exhaustive list but presents some key issues to be considered when formulating operational responses. The aim is to produce a typology that is differentiated enough to assist with good policy responses but does not oversimplify the specific characteristics of each case or ignore the dynamic aspects. Particularly important is an understanding of historical trajectories, including the factors that predispose states to institutional decline as well as the variables that promote recovery. Setting up early risk assessment mechanisms should contribute to more integrated and effective international responses.

26. A simple typology, based on Figure 1, is presented below. In simple terms, *four broad types of states* can be discerned:

- *States with willingness and weak capacity* may be challenged in their mobilisation of resources for poverty reduction due to any or several of the following: contestation to the state's territory control and presence; lack of basic fiscal and monetary building blocks; and unstable or weak (but legitimate) political institutions with a commitment to poverty reduction. Malawi or Zambia could be seen as examples of states with some willingness but low capacity. The challenge here will be to build capacity rather than transfer resources that may not be effectively put to use.
- *States with weak willingness and weak capacity* may suffer from lack of international recognition or a contested territory; limited administrative capacity for policy development and implementation; and may be seen as unresponsive to the needs of certain groups (including the poor). Sudan, Somalia and Burma can be considered examples in point. In this case, sequencing issues are key, and incentives are likely to play an important role.

**Figure 2: Towards a policy-relevant typology**



- *States with willingness and stronger capacity* may have strong state presence and territory control; some degree of competence in fiscal and monetary policy or a strong administrative capacity and public institutions that are fairly committed to development. These states are good partners for poverty reduction, and are likely to have PRSPs in place, but may have structural risk factors for state weakness that warrant specific attention.
- *States with weak willingness and stronger capacity* may have a strong state in terms of administrative capacity and territorial control, but one that is unresponsive to the needs of the poor, either because of the neo-patrimonial nature of state politics (as in the case of Zimbabwe) or because a real or perceived external threat diverts the use of resources for other aims that do not tackle poverty in country (as in North Korea). The key here may be for external actors to be realistic and to look at long-term drivers of change when weighing the options for engagement.

27. *The importance of context and the political economy.* This is an era when more is expected from the state than ever before. But state strength is a complex, multifaceted concept that involves political motivation as well as institutional capacity and willingness. A typology is a tool that does not substitute for context-specific political analysis, where awareness of

political cycles and linkages between political, social and economic institutions and structures can be key. To understand the effectiveness of a state, it is necessary to realise that a state is not merely the inevitable result of historical evolution, but an evolving quality that cannot be meaningfully assessed independent of context, particularly in terms of international factors and the dynamics of society-state relations.<sup>30</sup> A separate paper will look at the international factors affecting difficult environments. With regards to the dynamics of society-state relations, knowing the informal political setting is important to understand who benefits from a weak or failed state.<sup>31</sup> As donors, we also need to understand that reforms may be very much part of the government's programme for reasons other than real commitment to sustainability or change: to please donors and secure funding, or because they can be implemented in ways that yield financial benefits or are advantageous politically. Where non-state actors are stronger, or where the constitution and the electoral system are such that unstable multi-party coalitions are common, links between state and society become much more relevant, and the question of state capacity and policy commitment may well be based in networks of patronage. Institutions are not necessarily set up to be socially efficient<sup>32</sup>.

28. *The measurement challenge*: Assessing both state capacity and willingness is a difficult task and ultimately a question of political judgement on a case-by-case basis. There are no internationally agreed criteria by which to measure state performance that are applied consistently. Moreover, many of the existing measures (e.g. Freedom in the World) apply standards that assess a governments' ability to reproduce particular institutional forms such as multiparty democracy rather than its ability to deliver on generic political and social functions. Unfamiliar political processes may nevertheless be effective, and even popular. Yet the basic problems of subjectivity and political partiality (judging by external standards) will not disappear and we need to be careful to take this into account. Whereas the tables in Annex 1 may provide some indication of the areas that might give rise to proxy measures for state capacity and willingness, the topic of measurement will be covered in a separate paper.
29. *The need for "good donorship"*. The institutional structures and practices of donors, including DFID, create their own patterns of incentives and capacities in countries. Foreign aid, both bilateral and multilateral, has occasionally contributed to reinforcing the reproduction of weak states through the transfer of resources, the continued recognition of statehood, and the use of aid by recipient governments for legitimising purposes. Donors should be aware of potential unintended consequences of engaging with difficult environments. The timing of donor responses is also

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<sup>30</sup> Chabal and Daloz (1999), 4-5

<sup>31</sup> Englebert has pointed out: 'The capacity to use the weak state as an instrument of predation is the most crucial element of the logic of its survival and reproduction.' Englebert (2003), 7

<sup>32</sup> David Dunham (2003), 14-17

key: many donors and governments at large still perceive the “cost of neglect” as bearable by comparison to the cost of prevention, given there is no absolute certainty that a country will fail until it does. The lack of coherence between aid and other policies, notably trade, means some of our interventions as donors are self-defeating. How can we change these realities? Donors need to commit to being effective partners in turn and this requires better understanding and increased sensitivity to different contexts. The typology presented here can be considered a useful tool for donors to think about the challenges of supporting poverty reduction in diverse settings, not just in terms of the reality in recipient countries but also in terms of the need to adjust their own operations to country contexts. If we are to meet the challenge of difficult environments we need “good donorship” as well as good partnerships.

## **VI. Conclusion**

30. *Next steps.* This paper’s objective was to discuss a working definition of difficult environments that is both linked to the wider debate about fragile states but at the same time focuses the challenge on donor-recipient relationships for poverty reduction. This paper has not tackled the important problem of how to predict, prevent, or respond to state fragility. Nor has it attempted to disaggregate problems arising from conflict, external intervention or dysfunctional political systems. We assume that state effectiveness is important for growth and human development, and that it is also important for aid effectiveness. Where governments are lacking in either capacity or political will, or both, traditional aid partnerships will be more difficult to sustain. Aid effectiveness in those environments may depend on different donor instruments and policies. Discerning the most important elements of state effectiveness is the first step in setting out more effective donor engagement strategies.

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## **Annex 1: Core Elements of Developmental Capacity and Willingness**

The following tables present some key criteria for assessing state capacity and willingness. They are not measurement checklists or determinants of causality for difficult environments. They are intended as lists of factors that indicate to what extent a state lacks the capacity and/or willingness to mobilise resources for poverty reduction. They may also serve as a first step towards quantitative proxy indicators for measurement.

**Table 1: Indicators for the developmental capacity of a state**

<b>A) FOUNDATIONS OF STATE AUTHORITY</b>	
▶ Territory control and presence	<ul style="list-style-type: none"> <li>• Control of external borders and internal territory</li> <li>• Monopoly over legitimate use of violence and coercion</li> <li>• Provision of human security</li> </ul>
▶ International sovereignty	<ul style="list-style-type: none"> <li>• Juridical statehood: recognition of an entity (territorial and political) as a member of the international system</li> </ul>
▶ Rule of law	<ul style="list-style-type: none"> <li>• Ability to assert and enforce the primacy of national policies, laws, and norms of social and political behaviour over all groups</li> <li>• Access to justice, particularly for the poor</li> </ul>
<b>B) EFFECTIVE EXERCISE OF POLITICAL POWER</b>	
▶ Formal and informal distribution of power	<ul style="list-style-type: none"> <li>• Existence of effective checks (explicit or otherwise) on executive power</li> </ul>
▶ Autonomy and stability of political institutions	<ul style="list-style-type: none"> <li>• Autonomy: public institutions not used primarily for private gain</li> <li>• Stability: ability of public institutions to manage conflict (both at elite and wider social levels)</li> </ul>
▶ Engaging with the population	<ul style="list-style-type: none"> <li>• Ability of public institutions to engage with population through some link of representation.</li> </ul>
<b>C) COMPETENCE IN MACRO-ECONOMIC MANAGEMENT</b>	
▶ The building blocks for monetary and fiscal policy	<ul style="list-style-type: none"> <li>• A credible currency</li> <li>• A central bank (or similar authority with competence over monetary policy)</li> <li>• A ministry of finance (or equivalent organ with authority over policy and distribution of resources within government)</li> <li>• A consolidated and transparent budget process (formulation and execution)</li> <li>• A revenue base (budget envelope and some form of tax system)</li> </ul>
▶ Regulatory framework that facilitates economic activity	<ul style="list-style-type: none"> <li>• Predictability in the use of productive assets for economic activity</li> </ul>

<b>D) ADMINISTRATIVE CAPACITY FOR IMPLEMENTATION</b>	
▶ Linkages between policy making, planning and budgeting	<ul style="list-style-type: none"> <li>• Extent to which there is human/technical capacity to develop and own policy at any of the following levels: sector, central, and regional</li> </ul>
▶ Human resources	<ul style="list-style-type: none"> <li>• Existence of a functioning civil administration with a minimum set of skills</li> <li>• Incentive structure: regularity and predictability of government salaries, staff morale, and autonomy between bureaucratic institutions and informal power networks</li> </ul>
▶ Delivery of basic services at local or central level	<ul style="list-style-type: none"> <li>• Capacity to oversee: existence of accountability links between providers and public authorities</li> <li>• Capacity to target: information</li> <li>• Capacity to reach: territory control/presence</li> </ul>

**Table 2: Indicators for the developmental willingness of a state**

<b>E) POLITICAL COMMITMENT TO POVERTY REDUCTION</b>	
▶ Existence of a national poverty reduction goal	<ul style="list-style-type: none"> <li>• Explicit political commitment to poverty reduction for all population/social groups</li> <li>• Existence of a credible strategy for poverty reduction.</li> </ul>
▶ Implementation of anti-poverty policy or programme	<ul style="list-style-type: none"> <li>• Government expenditure allocated to achieve poverty reduction goal through a strategy</li> <li>• Consideration of links between long-term poverty reduction policies and more immediate measures</li> </ul>
<b>F) INCLUSIVENESS</b>	
▶ Inclusive service delivery	<ul style="list-style-type: none"> <li>• State providing or overseeing service delivery that is inclusive of all groups</li> </ul>

## **Annex 2: Review of Existing Definitions and Approaches to Difficult Environments**

There are many different approaches to defining and responding to the complex development situation referred to under such diverse names as 'weak and failing states', 'poor performers', 'low-income countries under stress', 'countries at risk of instability', 'fragile states', etc. Difficult environment countries matter, for different reasons, to a wide range of development actors, including NGOs, bilateral donors and international organizations, as well as government agencies such as foreign and defence ministries. It is important to state at the outset that existing terminology, in English and in other languages, does not necessarily refer to states that are unresponsive to the poor. Some may be simply poor performers, some may be autocratic, some may be conflict-ridden.

For clarity and brevity, the following approaches and definitions are organized around three broad categories, based on their central themes or assumptions:

- a) *Fragile, failed, or crisis states*: these approaches are based on the assessment of a state's strength around issues of capabilities, sovereignty and conflict. The USAID's Fragile States Strategy is an example of this approach.
- b) *Poor performing countries*: most of the international financial institutions focus their approach to difficult environments around how well a country performs in terms of development outcomes, taking into account the quality of governance and policy choices. The World Bank's Low Income Countries Under Stress is the best-known initiative.
- c) *Difficult aid partners*: in this approach the emphasis is placed on the poor aid relationships between donors and recipient states, due to a combination of: a) lack of political interest in poverty reduction, and b) weak state and non-state institutional capacity to implement policy. The OECD's Development Assistance Committee (DAC) was a pioneer of this approach.

DFID's core approach is very much in the third stream, focused around issues of partnership, although it is contributing to the first stream as part of the HMG strategy lead by the Cabinet Office's Project on 'Countries at Risk of Instability'. It is important to note that definitions and approaches inevitably depend on a variety of endogenous factors of those organizations trying to come up with them: national interests, view on sovereignty and international jurisdiction, stance on impartiality versus effectiveness, institutional mandates and incentives, tools and practices, regional scope and others.

### **A. Fragile, failed or crisis states**

#### **USAID**

*Failing states are characterized by a growing inability or unwillingness to assure provision of even basic services and security to their populations.*

The US Aid Agency has recently come up with a 'Fragile States Strategy' that offers three operationally relevant definitions for failing, failed and recovering states. The approach to assessing state fragility focuses on a state's effectiveness (the degree of administrative capacity and resources) and legitimacy (the degree of perceived justice or fairness in the exercise of power), by measuring four key dimensions: political, economic, social and security. Although this approach provides a dynamic explanation for state crisis, and points to the need for linkages between integrated sector analyses (in a so-called 'Fragility Framework') and decision-making, the emphasis seems to be placed on security, conflict management and state capacity building. Additionally, by integrating legitimacy into the assessment model, issues of inclusion and equity are brought to the forefront in trying to address causes and incentives. But a disadvantage is that effectiveness does not seem to be sufficiently disaggregated to understand the difference between ability and willingness.

For more information see: <http://www.usaid.gov/policy/pdabz3221.pdf>

### **European Council**

*In many parts of the world bad governance, civil conflict, and the easy availability of small arms have led to a weakening of state and social structures. In some cases, this has brought about something close to the collapse of state institutions.*

The European Council's Security Strategy of December 2003, titled 'A Secure Europe in a Better World', explicitly recognises state failure as a key threat to Europe's and the world's security, but offers no definition. It refers to bad governance, civil conflict and, in some cases, collapse of state institutions. In order to address this threat, the EU sees itself well positioned to respond to 'multi-faceted situations' through military instruments, regional political solutions, economic aid and civilian crisis management.

For more information:

<http://register.consilium.eu.int/pdf/en/03/st10/st10881en03.pdf>

### **The Crisis States Programme**

*Crisis states are those political, economic and social systems confronted with challenges with which the existing institutions and organisations are potentially unable to cope.*

The Crisis States Programme of the London School of Economics defines fragile or crisis states are those in which political systems and communities have broken down to the point of conflict. Their policy approach is to provide new understanding of the causes of crisis and breakdown in the developing world and the processes of avoiding or overcoming them, with a particular focus on whether processes of globalisation have precipitated or helped to avoid crisis and social breakdown. The main advantage is that this study provides an in-depth analysis of many governance themes including crisis in

representation, political and social impact of liberalization, the politics of conflict management and democratic reform, and institutional innovations from bottom up. The main disadvantage is that the crisis states programme has a conflict focus, which implies that strong but unresponsive states may be ignored. Additionally, the research does not have a developmental, pro-poor focus.

For more information see: <http://www.crisisstates.com/>

### **The State Failure Task Force**

*State failure is defined to include four types of events, each of which indicates severe political instability: revolutionary wars, ethnic wars, adverse regime changes, and genocides and politicides.*

This US-based Task Force, now called the Political Instability Task Force, is led by researchers in the University of Maryland and a panel of distinguished scholars. It defines 'state failure' as an instance where central state authority collapses for several years. This includes four types of events: revolutionary wars, ethnic wars, adverse regime changes and genocides/politicides. The key drivers identified are: quality of life, regime type, international influences, ethnic or religious composition and other additional factors such as types of ideology, patterns of development, number of years of a political leader. The task force seeks to identify the underlying or structural conditions associated with the occurrence of state failure, first at the global level then focusing on specific geographic regions and types of failure of particular interest to US policy makers: a) sub-Saharan Africa, b) predominantly Muslim countries, c) ethnic wars, d) genocides/politicides. One of the main advantages is that it aims to identify risks in international trade and other types of alliances that affect state failure, but it lacks a development focus.

For more information see: <http://www.cidcm.umd.edu/inscr/stfail/>

### **The German Institute for International and Security Affairs**

*States at risk are those where the three central government functions (security, welfare and legitimacy/the rule of law) are being seriously eroded, with potential consequences to other parts of the world with regard to security and development*

The *Stiftung Wissenschaft und Politik* (SWP) currently has a project on 'States at Risk' based on the idea that the breakdown or failure of states poses a problem to other parts of the world with regard to security and development, and that this can have significant regional and international ramifications. The project draws primarily on analyses by state players and institutions, not just the executive in the narrow sense, but also the legislative, the justice system and public administration, from national right down to local level. The common concept underlying the project comprises four key elements: a) the distinction between three central government functions (security, welfare and legitimacy/the rule of law); b) the use of this distinction to build up a profile of

fragile statehood which can then be used to categorise individual cases; c) the development of a conceptual framework for analysing factors that can lead to the erosion of statehood; and d) the development of a conceptual framework for potential forms of external intervention.

For more information see: <http://www.swp-berlin.org/projekte/projekt.php?id=2535&active=states+at+risk&lang=en>

## **B. Poor performing countries**

### **The World Bank**

*Low-income countries under stress (LICUS) are characterized by very weak policies, institutions, and governance. Aid does not work well in these environments because governments lack the capacity or inclination to use finance effectively for poverty reduction.*

The World Bank's LICUS initiative (Low Income Countries Under Stress) defines these as characterized by very weak policies, institutions, and governance. Aid does not work well in these environments because governments lack the capacity or inclination to use finance effectively for poverty reduction. The LICUS approach entails engaging in a dialogue with the government, anchoring strategies in stronger political and economic analysis, promoting domestic demand and capacity for positive change, supporting simple and feasible entry-level reforms, and exploring innovative mechanisms for social service delivery. There seems to be two distinct LICUS environments: post-conflict and non post-conflict, but there is no definitive list of LICUS countries. The main advantages to this approach are that it emphasises engaging with these countries differently and also stresses the importance of measurable indicators for donor decision-making. The main disadvantage of the Bank's LICUS classification is that the LICUS list is not publicly available, and the classification is based on the Bank's own Country Policy and Institutional Assessment (CPIA) system.

For more information see: <http://www1.worldbank.org/operations/licus/>

### **Asian Development Bank**

*Since governments in weakly-performing countries either have weak capacities and/or are not committed to reform, key initial conditions under which aid conditionality can be effective are likely to be missing.*

The Asian Development Bank, as other regional development banks, has articulated specific positions on the difficult environments agenda. There is a general tendency to view low-income countries as having a particular set of challenges that need to be addressed through a multi-pronged approach that includes governance (understood in many cases in a limited public sector reform way) alongside growth and human development. Important principles underpinning the ADB approach are its emphasis on the quality rather than quantity of assistance; the need for innovative and highly focused approaches

to dialogue, strategies and operations; supporting and leveraging demand for positive change, and a reliance on deep partnerships with donors, other development agencies and civil society.

For more information see:

[http://www.adb.org/Documents/Reports/ADF/IX/weakly\\_performing.pdf](http://www.adb.org/Documents/Reports/ADF/IX/weakly_performing.pdf)

## **UNDP**

The United Nations Development Programme has adopted the LICUS definition and approach, although emphasizing outcomes in terms of human development indicators and MDGs. The main advantages to the UNDP approach are: a) it acknowledges the externalities of difficult environment countries in regional settings; b) it unbundles the notion of governance capability, c) explicitly seeks to strengthen the nexus between development and peace building. The disadvantage is that by focusing too much on MDGs, sub-national problems may receive little attention.

For more information see: <http://www.undp.org/eo/DER/2003/chapter6.pdf> and <http://www.undp.org/dpa/statements/administ/2002/october/21oct02.html>

## **AusAID**

*Poor performing countries are those with weak policies and institutions and where there is little chance of sustainable development.*

The Australian Development Agency, in its 2002 Statement to Parliament on the country's Development Cooperation Programme, stresses the need for continued engagement with poor performing states. Such an objective is understood mainly in terms of poor development outcomes, although embedded in wider concerns about humanitarian crises and national security concerns in Australia's neighbourhood. Attention is paid to the importance of conflict prevention and the role of service delivery with an understanding that political will plays a fundamental role in the improvement of the governance environment in such countries.

For more information see: <http://www.ausaid.gov.au/about/summary11.cfm>

## **C. Difficult aid partners**

### **OECD-DAC**

*Difficult partnerships where the usual DAC country-led model does not apply; we distinguish 'difficult partnerships' from cases where the partner government is making its best efforts but 'performance', in the sense of outcomes, is weak.*

The Organisation for Economic Cooperation and Development's Development Assistance Committee refers to a continuum of countries considered 'difficult partnerships' due to a combination of: a) lack of political interest in poverty

reduction, and b) weak state and non-state institutional capacity to implement policy. This means the usual DAC partnership model does not work, and results in poor aid relationships between donors and recipient states. The DAC approach explains difficult partnerships as arising when 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. The response needs to be focused around three priority areas: a) promoting pro-poor change, b) maintaining development activities, and c) adopting donor co-ordination and enhancing policy coherence. This approach is not restricted to any specific group of countries, and common characteristics include: a) poor governance (conflict or post-conflict situations, corruption, lack of transparency, human rights violations); b) lack of political commitment to pursue poverty reduction; c) lack of capacity to develop and implement policies (both nationally and internationally); d) poor working relationship with donors. The main advantage is its emphasis on partnerships and incentives for better aid. Its disadvantage is a lack of objectively measurable criteria.

For more information see: <http://www.oecd.org/dataoecd/26/53/21682588.pdf>  
and <http://www.oecd.org/dataoecd/26/56/21684456.pdf>

### **European Commission**

*Difficult partnerships are characterised by a lack of commitment to good governance. They differ from weak governance cases, where the Government makes efforts and is committed, but capacity is weak and outcomes are limited.*

The European Commission in its October 2003 communication on 'Governance and Development', offers a number of measures to promote governance under three different scenarios: effective partnerships, difficult partnerships, and post-conflict situations. Difficult partnerships are characterised by a lack of commitment to good governance, and the reasons to stay engaged include: solidarity, security, and aid effectiveness. The communication proposes some entry points for a range of difficult partnerships, from the most to the least difficult. The paper does not offer any clear criteria for the definition of these states, but makes an explicit differentiation between them and governments where capacity is weak and outcomes are limited, but where political willingness is present.

For more information see:  
[http://europa.eu.int/eur-lex/pri/en/dpi/cnc/doc/2003/com2003\\_0615en01.doc](http://europa.eu.int/eur-lex/pri/en/dpi/cnc/doc/2003/com2003_0615en01.doc)