

# Fragility, Aid, and State-building

Fragile states pose major development and security challenges. Considerable international resources are therefore devoted to state-building and institutional strengthening in fragile states, with generally mixed results. This volume explores how unpacking the concept of fragility and studying its dimensions and forms can help to build policy-relevant understandings of how states become more resilient and the role of aid therein. It highlights the particular challenges for donors in dealing with ‘chronically’ (as opposed to ‘temporarily’) fragile states and those with weak legitimacy, as well as how unpacking fragility can provide traction on how to take ‘local context’ into account. Three chapters present new analysis from innovative initiatives to study fragility and fragile state transitions in cross-national perspective. Four chapters offer new focused analysis of selected countries, drawing on comparative methods and spotlighting the role of aid versus historical, institutional and other factors. It has become a truism that one-size-fits-all policies do not work in development, whether in fragile or non-fragile states. This should not be confused with a broader rejection of ‘off-the-rack’ policy models that can then be further adjusted in particular situations. Systematic thinking about varieties of fragility helps us to develop this range, drawing lessons – appropriately – from past experience.

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# **Fragility, Aid, and State-building**

## Understanding Diverse Trajectories

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# Varieties of fragility: implications for aid

Rachel M. Gisselquist

Aid to fragile states is a major topic for international development. This article explores how unpacking fragility and studying its dimensions and forms can help to develop policy-relevant understandings of how states become more resilient and the role of aid therein. It highlights the particular challenges for donors in dealing with chronically fragile states and those with weak legitimacy, as well as how unpacking fragility can provide traction on how to take 'local context' into account. It draws in particular on the contributions to this special issue to provide examples from new analysis of particular fragile state transitions and cross-national perspectives.

Aid to fragile states and situations has become a major topic for international development, with clear relevance to Third World Studies. Recent statistics show that fragile states received 38% of overseas development assistance (ODA) (or US\$53 billion) in 2011.<sup>1</sup> Indeed, support for institutional strengthening in fragile states – ie state building – has become so central to the field that Marquette and Beswick consider it 'a new development paradigm'.<sup>2</sup> Donor agencies highlight the fact that fragile states as a group also pose some of the most pressing development challenges. Collectively they have had especially poor performance on the Millennium Development Goals (MDGs) and are thus expected to remain a focus of the international development agenda post-2015.<sup>3</sup>

Continued discussion also centres on issues of aid effectiveness in fragile states, including both how best to deliver any kind of aid in fragile contexts and whether and how donors might support the transformation of fragile states into more 'resilient' ones.<sup>4</sup> Yet, despite all the attention paid to fragile states in the literature, practitioners and scholars alike frequently express dissatisfaction with the concept of fragility itself. Fragile states have very diverse characteristics.<sup>5</sup> Meanwhile some observers emphasise the deeply political nature of the concept, satisfying the needs of development and security actors alike, but more useful as a catchall than a precise category for analytical examination.<sup>6</sup>

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This article explores how unpacking state fragility and studying its dimensions and forms can help us to better develop and examine policy-relevant hypotheses about how aid-recipient states become more resilient. In particular, it reviews insights drawn from new analysis along these lines, drawing on the contributions to this special issue. This analysis builds both on focused and comparative study of particular countries and on analysis within a broader cross-national perspective.

The rest of the article first provides an overview of the contributions to this special issue and then briefly discusses four key points in turn. First, it discusses the value of unpacking the fragility concept and ways to do so, building on the studies in this collection to highlight its dimensions, degree and duration. Second, in the context of such conceptual unpacking, it discusses the value of distinguishing in particular between ‘temporary’ and ‘chronic’ fragility in appropriately setting expectations for aid, and in identifying and applying best practices and lessons learned. As the studies underscore, we should not expect the experience of state building in chronically fragile states to follow that in temporarily fragile states, nor are lessons learned from the experience of aid to temporarily fragile states necessarily applicable in aid to chronically fragile states. Third, the article considers the particular challenges of dealing with fragile states with weak legitimacy, including inherent tensions faced by donors committed to country ownership of aid initiatives. Finally, the article proposes that these discussions might also help us to be more systematic about the role of ‘local context’ in designing aid policy. The oft-cited advice to ‘take context into account’ is of course correct, but the related suggestion that all factors commonly labelled as such are *sui generis* is not. Similarities in many factors discussed in terms of local context, such as post-conflict situation, colonial legacies and the nature of the ruling party, are clearly shared across multiple countries and call for more systematic exploration in aid discussions, which is facilitated by consideration of the varieties of fragility.

### **The articles in this collection**

This special issue has its origins in work conducted under the Governance and Fragility theme of UNU-WIDER’s Research and Communication on Foreign Aid (ReCom) programme (2011–13), and particularly the project on ‘Aid and Institution-building in Fragile States: Findings from Comparative Cases’. The majority of the case studies prepared under the latter were published in a 2014 volume of the same name in the *ANNALS of the American Academy of Political and Social Science*. The *ANNALS* volume explored what focused comparative analysis can contribute to the study of aid and institution building, drawing on comparative cases from the end of the Second World War to the present. This set of studies in turn highlighted the value of additional work on the varieties of fragility, including ‘chronic’ versus ‘temporary’ fragility, and its implications for aid policy making – the focus of this special issue.

The issue comprises eight articles, including this introduction. It begins with three articles representing new and innovative efforts on how to unpack the concept of fragility and to consider fragile state transitions within a broader cross-national perspective. Jörn Grävingholt, Sebastian Ziaja and Merle Kreibaum’s

article begins the discussion with a critique of existing fragility measures and an argument for a new multidimensional empirical typology, highlighting distinctions between autonomy, capacity and legitimacy. Their approach can identify clusters of countries with similar values across the measured dimensions, as well as allow for disaggregated examination of each dimension. In the next article Daniel Lambach, Eva Johais and Markus Bayer turn to the most extreme form of fragility, state collapse. Focusing on its conceptualisation and measurement, they identify for further study 17 such cases in the postcolonial era. David Carment, Joe Landry, Yiagadeesen Samy and Scott Shaw's article then draws on the Country Indicators for Foreign Policy (CIFP) fragile states framework to study fragile state transitions. Using the CIFP, they identify three types of countries: Type 1 countries caught in fragility traps; Type 2 countries, which have exited fragility; and Type 3 countries, which have moved in and out of fragility. Building on this approach, they explore three country cases, one of each type – Yemen, Bangladesh and Laos – to build and consider hypotheses on state transition.

The next four articles in the collection draw on focused analysis of selected cases to consider the role of aid versus historical institutional and other factors in explaining fragile state transition outcomes. Particular attention is paid in these articles to key sub-Saharan Africa cases, given that a disproportionate share of the states currently considered fragile fall in the region.<sup>7</sup> Standard listings of fragile states used by the World Bank and OECD, for instance, suggest that sub-Saharan Africa has both a higher share of fragile states than any other region and a larger number of fragile states than all other regions combined.<sup>8</sup> The classifications presented by Lambach et al and Carment et al (this volume) also suggest that a relatively high proportion of currently fragile states are in the region.

Articles by Jiyeon Kim and Ahmed Helmy Fuady reconsider paired comparisons with Asian Tigers. Since the 1990s a large literature has explored what lessons these rapidly growing economies offer for aid and development.<sup>9</sup> More recently, as work on fragility has boomed, it has been noted that the Asian Tigers were arguably 'fragile' in today's terms when their periods of development take-off began. Observers have thus begun to consider lessons for fragile states in particular.<sup>10</sup> Kim's and Fuady's articles speak to the need for more systematic research in this area. Kim provides historical analysis of post-independence Ghana and post-war South Korea. As Werlin and others have noted, in 1957 both countries had similar levels of GDP per capita and what appeared to be arguably similar development prospects, but Ghana subsequently failed to match South Korea's rapid economic growth and transformation.<sup>11</sup> Fuady also builds on previous comparative analyses to focus on Indonesia and Nigeria, exploring the roots of development divergence during the 1970s and 1980s of these two oil-rich countries.

One often cited explanation for weak statehood in sub-Saharan African states points to their relative youth and the fact that historical and contemporary political boundaries differ. Devon Curtis's article considers two exceptions, Rwanda and Burundi, each with centralised, pre-colonial kingdoms in their respective regions, as well as multiple other similarities. Controlling for these various factors helps Curtis to isolate and consider the role of aid and other local contextual factors in the two states' differing experiences with post-war reconstruction.

In the final article Berhanu Abegaz's analysis highlights weak legitimacy as a core component of fragility, exploring donor efforts at institution building in contemporary Ethiopia, consistently among sub-Saharan Africa's largest aid recipients.<sup>12</sup> While Ethiopia is a standard inclusion on lists of fragile and conflict-affected states, it has also been labelled a 'developmental state' and 'Africa's tiger' as it moves toward middle income, spotlighting how a country can be fragile in some respects and not others at the same time.<sup>13</sup>

### Varieties of fragility

A large literature offers excellent discussion and critique of the concept of state fragility and its earlier incarnations – weak states, failed states and collapsed states.<sup>14</sup> In spite of a broad scholarly discomfort with the concept of fragility, however, what to do in 'fragile states and situations' remains central and of increasing importance to development policy, underscored by multiple policy statements and initiatives, from the *New Deal for Engagement in Fragile States* (2011) to recent discussion surrounding the post-2015 development agenda and the Sustainable Development Goals.<sup>15</sup> As Brinkerhoff proposes, considering fragility as a 'wicked problem set' – inherently complex, ill-defined and interdependent – may help to explain why this label remains in such widespread use, despite its analytic weaknesses.<sup>16</sup>

Considering fragility in this way, Brinkerhoff highlights the value of a 'problem-solving' approach as most useful for development policy making, focused on 'incorporating lessons from the implementation literature and international development practice', rather than on more work at 'naming and taming' of the fragility concept.<sup>17</sup> However, there is also considerable middle ground between these two positions. In particular, if we acknowledge the validity of an 'ordinary language' approach to defining state fragility, we might effectively adopt definitions in common use, while exploring at the same time the diversity of the phenomena that they group together.<sup>18</sup> Unpacking fragility in this way can in turn inform consideration of how aid-recipient states become more resilient, and can encourage more systematic thinking on lessons learned from implementation. Such an approach does involve some of what Brinkerhoff labels 'taming' – using indicators to simplify the wickedness of the fragility problem set – but the focus is different. Consideration of indicators, along with other data, is directed towards exploration of how variations in fragility may contribute, along with aid and other factors, to different pathways to resilience.

This issue includes two articles that spotlight work towards 'taming' the fragility concept. Grävingholt et al discuss a new multidimensional measure, while Lambach et al conceptualise and measure state collapse. As both discuss, beyond naming and taming, such efforts have direct relevance to theory building on the causes of state fragility (and collapse) and to policy making. Carment et al also draw on a 'taming' initiative, the CIFP fragile states framework, using it to identify and explore types of fragile state transition paths.

These studies, along with the other four articles in the collection, highlight at least three ways to map varieties of fragility. The first focuses on its *component dimensions*. Grävingholt et al provide a useful overview of some of the ways in which component dimensions have been conceptualised in the literature,<sup>19</sup>



turning in their analysis to three: authority or ‘the control of violence by the state’; capacity or the provision of basic services to the people; and legitimacy or ‘the state’s claim to be the only legitimate actor to set and enforce generally binding rules’.<sup>20</sup> Each of these dimensions in turn is seen to represent a particular type of state–society relationship and draws on alternate strands of political theory – corporatist, contractualist and constructivist, respectively.

The terminology used in Grävingholt et al coincides with that used in Carment et al. Authority, legitimacy and capacity in the CIFP’s ‘ALC’ approach, however, are conceived slightly differently. In this approach authority is more broadly ‘the extent to which a state possesses the ability to enact binding legislation over its population, to exercise coercive force over its sovereign territory, to provide core public goods, and to provide a stable and secure environment to its citizens and communities’, while capacity is ‘the potential for a state to mobilise and employ resources towards productive ends’ and legitimacy is ‘the extent to which a particular government commands public loyalty to the governing regime’ and support for its legislation and policy. This approach also draws in each dimension on different theoretical foundations: in conflict, development and security, respectively.<sup>21</sup>

As both studies suggest, varying degrees of authority, capacity and legitimacy are evident across fragile states. Carment et al use these to explore how different dimensions of fragility play out in state transition paths, while Grävingholt et al point to the policy relevance of using different configurations to identify types of fragility. As above, the value of considering fragility’s underlying dimensions independently – including whether a state can be fragile in one area and not in others – is underscored in Abegaz’s analysis of the Ethiopian case in this issue.

A second key way to map varieties of fragility is in terms of *degree*, both overall and across each dimension. As Lambach et al suggest, collapse is one, relatively rare extreme. While standard metrics name several dozen currently fragile states, Lambach et al identify 17 cases of collapse in the post-colonial era. Of these, nine occurred in sub-Saharan Africa (Angola 1992, Chad 1979, Congo-Kinshasa 1960 and 1996, Guinea-Bissau 1998, Liberia 1990, Sierra Leone 1998, Somalia 1991 and Uganda 1985) and the rest in other regions (Afghanistan 1979 and 2001, Bosnia and Herzegovina 1992, Georgia 1991, Iraq 2003, Laos 1960, Lebanon 1975 and Tajikistan 1992).

A third key way to map varieties of fragility points to its *duration* or history. In the simplest approach, as discussed further in the next section, we might think of ‘chronic’ versus ‘temporary’ fragility, highlighting the distinction between a state that has never been functional versus one that was once functional and then became fragile as the result of a shock such as war.

### **Chronic versus temporary fragility**

Building on lessons learned from past experience is a natural way to design policy. The 1948 European Recovery Program (ERP or Marshall Plan) in particular has become a touchstone for development thinkers.<sup>22</sup> The idea that similarly massive investment and attention can spur development underlies calls for a Marshall Plan for Africa, for instance.<sup>23</sup> The experience of post-Second World War US military occupation and assistance to Germany and Japan has also been drawn on explicitly in thinking about contemporary state building in Iraq,

Afghanistan and beyond.<sup>24</sup> Yet the achievements of recent externally supported state building have been notably more modest.

This divergence stems in part from the misapplication of lessons and expectations from past experience. While post-war Germany and Japan may be ‘fragile and conflict-affected states’ in contemporary terminology, the diversity of phenomena lumped together under this broad category contributes to such misapplication. A key distinction illustrated in the ‘Aid and Institution-building’ project from which this special issue emerges is that between temporarily and chronically fragile –post-war Japan as compared to Afghanistan,<sup>25</sup> South Korea and Taiwan as compared to South Vietnam,<sup>26</sup> and South Korea as compared to Ghana (see Kim, this volume). As these cases suggest, supporting the *rebuilding* of a once capable state (even a colonial one) is different from *building* a capable state where one has never existed. The simple – but often ignored – policy implication is that lessons and expectations from temporarily fragile states are most relevant to other temporarily fragile states and not necessarily relevant to chronically fragile states.

Carment et al’s discussion of three types of state transitions adds additional nuance to consideration of duration. In distinguishing between states caught in fragility traps and those that have moved in and out of fragility, their analysis can help to build further intuitions about chronic versus temporary fragility in this sense. The CIFP dataset reveals notable continuity in fragility – half of the 20 most fragile states in 1980 are still in the top 20 in 2012 – suggesting a hard core of states caught in fragility traps. Analysis reveals that relatively weak ‘authority’ is among the emblematic characteristics of such trapped states, suggesting that in fragile states of this type ‘focusing first on interventions that bolster authority structures are the best strategy for moving these states along the path to stability’. More broadly Carment et al’s analysis suggests that different strategies of intervention, prioritisation and sequencing may be advisable for countries with different durations or histories of fragility.

### **Weak legitimacy and country ownership**

Donor commitment to country ownership of aid initiatives since the Paris Declaration in 2005 has added new layers of complexity to discussions of aid to fragile states. On the one hand, it is a truism of the aid effectiveness literature that ‘country owned’ initiatives are more likely to succeed. The role of development-minded local policy makers in managing aid investments is well illustrated in this special issue in both Kim’s analysis of South Korea and Fuady’s of Indonesia. On the other hand, fragile states are regularly defined by the challenges they face in terms of the capacity or commitment of state authorities to support national development, which highlights inherent tensions with the idea that donors can expect to work through country-owned reform in these situations.<sup>27</sup>

Supporting country-owned reform is particularly problematic in situations where the legitimacy of the state or of the governing regime is weak. Country ownership as conceived under the Paris Agreement was effectively treated as synonymous with domestic government ownership, particularly by the executive branch.<sup>28</sup> While public opinion in any country is far from homogeneous and no

national government reflects the views of all those living within its borders, this approach would appear basically sound when the state and governing regime have broad legitimacy to make decisions and enforce rules on behalf of the population, particularly when such legitimacy is demonstrated through the results of free and fair elections. Imperfect as it may be, this approach may also help in such situations to guard against the dangers of international actors meddling in the political affairs of sovereign countries and undermining local accountability.

In fragile states, as well as in many non-fragile developing countries, however, this sort of broad legitimacy is far from the norm. Leaderships may not be selected through accountability mechanisms such as free and fair elections, and elections, if held, may be flawed. The state and its governing regime may then represent the interests of but a small fraction of the country's population. When the legitimacy of the state and governing regime is weak or contested, how to support country ownership is far less clear. In light of such issues, the list of actors involved in 'democratic ownership' was expanded under the Accra Agreement (2008) to include parliamentarians, civil society and local government, and, in the Busan Partnership (2011), the private sector.<sup>29</sup> In such situations a strong case may be made, for instance, for supporting democracy and human rights criteria for assistance and for providing aid directly to local (subnational) governments and nongovernmental organisations. We may also ask what role donors can play proactively in supporting the emergence of more legitimate and development-minded local leaderships.<sup>30</sup>

At the same time, particularly in fragile states, donors face apparent trade-offs over how much to prioritise attention to legitimacy in the face of other pressing development needs. Should donors condition the provision of assistance on some minimal degree of legitimacy even if this position negatively affects their ability to assist particularly needy populations? Should donors provide assistance to governments that have been effective in supporting some areas of national development, while at the same time infringing upon the civil and political rights that allow populations to hold their governments accountable? Will support for illegitimate governments ultimately undermine developmental objectives, or should we expect development to support the emergence of more legitimate (democratic) governance?<sup>31</sup>

Abegaz's discussion of the Ethiopian case in this issue highlights such tensions well. Focusing on the period 1991 to 2014, he identifies an 'aid-institutions paradox' in which aid at once boosted the technocratic capacity of state institutions while weakening the private sector and independent civic and political organisations. Despite professed commitments, Abegaz argues, donors turned a blind eye to issues of governance and human rights that went against the interests of the Ethiopian governing regime, using aid primarily to support geostrategic and poverty reduction objectives shared with the regime. This approach, he suggests, has ultimately meant that aid has done little to support the real strengthening of state legitimacy and the greater overall resilience of the state.

Rwanda is another case frequently cited in discussions of aid and legitimacy. While Rwanda has made clear progress since the genocide in 1994 in terms of economic growth, public sector management and regulatory reform, its record with respect to democracy and respect for civil and political rights receives strong criticism. Organisations such as Human Rights Watch have thus sharply

criticised major donors to Rwanda.<sup>32</sup> Curtis's analysis of post-war Burundi and Rwanda in this issue adds further nuance to such discussions. In particular, Curtis finds that, through the Rwandan Patriotic Front (RPF), the Rwandan state has been able to better manage donors, thanks in part to its more centralised control, image as an effective moderniser and effective use of the language of local ownership. The more fractured ruling party in Burundi, by contrast, has been less effective in donor relations – despite what has been arguably greater emphasis on democracy and inclusivity. This has 'worrying implications', Curtis notes, 'as it suggests that, under some conditions, more monolithic, authoritarian and repressive regimes can better manage and influence donors'. Donors should be careful of this possibility, particularly in adopting an approach to country ownership focused on the executive branch.

### **Unpacking local context: considering similarities across fragile states**

A final way in which unpacking fragility may help to improve aid to fragile states and situations is in relation to 'local context'. A major principle in the policy literature on aid effectiveness, particularly in fragile states, is that 'context matters' and should be taken into account.<sup>33</sup> Few would disagree with this principle, but without refinement it is not especially useful. Context can refer to a wide range of structural, institutional, cultural, individual and historical factors. Which contextual factors do we expect to be most important? How specifically do we expect them to influence aid effectiveness? What insights can be gleaned from past experience in terms of what donors can do, if anything, to mitigate the negative influences of contextual factors on aid effectiveness?

Analysis of fragile state transitions within a comparative and cross-national perspective can be especially useful in providing a way forward to address these questions. In this issue, for instance, Kim's analysis of Ghana and South Korea highlights the long-running influence of colonial legacies in shaping the capacities and authority of modern states. This contextual factor, combined with the specific characteristics of foreign assistance in these two cases, she argues, are key to understanding the divergent development trajectories of the two countries since the late 1950s. Focusing on two cases with much more similar colonial legacies, Curtis's analysis of Burundi and Rwanda explores other key local contextual factors: how ruling parties were established and evolved, and how each country's civil war ended. Fuady's analysis of Indonesia and Nigeria also spotlights the role of political elites, exploring how consideration of 'domestic policy preference' and the domestic management of foreign aid can help to explain development divergence. Fuady's analysis similarly builds on a rich comparative literature on these two countries; as he notes, this literature has highlighted the role of structural and institutional factors – in particular, Nigeria's ethnic, religious and political fragmentation – in explaining divergent experiences, and his analysis complements these discussions.

In another vein, as the discussion above highlights, the distinctions that Kim in particular draws between the historical legacies of the state in post-independence Ghana and post-war South Korea are also closely tied to chronic versus temporary fragility. Thus unpacking fragility can help us to narrow down what can be addressed in terms of identified varieties of fragility versus 'local context'. In a similar way Carment et al's consideration of three types of fragile state transitions,

and the different configurations of authority, legitimacy and capacity that may characterise each, speak to another approach at systematising our consideration of fragile local contexts.

Do these experiences provide any insights in terms of what donors can do to mitigate the ‘negative’ influence of contextual factors? At first glance these discussions do not give much cause for optimism. In Kim’s and Fuady’s analyses, for instance, deep historical and structural legacies are shown to have long-running effects on development prospects, even in countries that have received substantial foreign assistance. However, each analysis also suggests some points for further consideration: Kim’s analysis of the different characteristics of foreign aid in South Korea and Ghana, for instance, is consistent with the potential of greater harmonisation to improve aid effectiveness. Fuady’s discussion illustrates, among other points, how the Inter-Governmental Group on Indonesia (IGGI) lent external technical support to Indonesian technocrats in pursuing developmental reforms, an approach that might be considered elsewhere. More broadly Carment et al’s discussion supports further consideration of different sequencing of policy interventions in different types of fragile contexts.

## Conclusion

Unpacking state fragility and considering its dimensions and forms can help us to better develop and test hypotheses about how aid-recipient states become more resilient, a process of theory building that in turn can inform (evidence-based) aid policy making. This article has spotlighted four points supported by the studies in this special issue: (1) varieties of fragility can be identified in terms of dimensions, degree and duration, with major implications for policy beyond ‘naming’ and ‘taming’; (2) it is particularly important to distinguish between temporary and chronic fragility in appropriately setting expectations for aid and identifying and applying best practices; (3) there are serious challenges in dealing with fragile states with weak legitimacy, including inherent tensions faced by donors committed to country ownership of aid initiatives; and (4) consideration of varieties of fragility can help us to better ‘take context as the starting point’, a key principle for aid to fragile states.

It has become a truism that one-size-fits-all policies do not work in development and aid, whether in fragile or non-fragile states. While this is certainly the case, it is sometimes confused with a broader claim that ‘off-the-rack’ policies should be entirely avoided. In contrast, the approach outlined in this article points us towards paying more attention to developing our off-the-rack range. Through systematic thinking about the varieties of fragility and the sorts of policies that have worked and could work in each, we can aim towards elaborating a range of policy models geared to different types. Such models could then be tailored to particular situations for a more bespoke fit. In other words, ‘local context’ surely matters, but not all contextual factors affecting aid effectiveness are *sui generis*. A number of factors, such as post-conflict situation, colonial legacies and the nature of the ruling party lend themselves to more systematic investigation. Countries in particular regions may also be more likely to share certain contextual characteristics. The more we can develop our intuitions about similarities across cases and build – appropriately – on approaches that have worked, the better.

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## Notes

1. OECD, *Fragile States 2014*, 24.
2. Marquette and Beswick, “State Building, Security and Development.”
3. OECD, *States of Fragility 2015*.
4. For example, World Bank, *World Development Report*; OECD, *Concepts and Dilemmas*; Manning and Trzeciak-Duval, “Situations of Fragility”; Baranyi and Desrosiers, “Development Cooperation”; Cammack et al., *Donors and the ‘Fragile States’ Agenda*; Gisselquist, “Aid and Institution-building”; and OECD, *States of Fragility 2015*.
5. Addison, “The Political Economy of Fragile States.”
6. Grimm et al., “‘Fragile States’.”
7. Jackson and Rosberg, “Why Africa’s Weak States Persist”; and Englebert and Tull, “Postconflict Reconstruction in Africa.”
8. Gisselquist, *State Capacity*.
9. Stiglitz, “Some Lessons”; Lin and Vu, *The Practice of Industrial Policy*; Rodrik, “Getting Interventions Right”; and Page, “The East Asian Miracle.”
10. Briscoe, *Chasing the Tigers*.
11. Werlin, “Ghana and South Korea.”
12. Easterly, *The Tyranny of Experts*.
13. Feyissa Dori, “Ethiopia’s ‘African Tiger’.”
14. For example, Engberg-Pedersen et al., *Fragile Situations*; Call, “The Fallacy of the ‘Failed State’”; Gros, “Towards a Taxonomy”; Grimm et al., “‘Fragile States’”; and Carment et al., “The Causes and Measurement.”
15. IEG, *World Bank Group Assistance*; and OECD, *States of Fragility 2015*.
16. Brinkerhoff, “State Fragility and Failure.”
17. *Ibid.*, 333.
18. See Fearon and Laitin, “Ordinary Language,” 65–86; and Gerring, *Social Science Methodology*.
19. For example, Call, “Beyond the ‘Failed State’”; Milliken and Krause, “State Failure, State Collapse”; Carment et al., *Security, Development*; and Stewart and Brown, *Fragile States*.
20. This approach resembles that of Call, “Beyond the ‘Failed State’”; and the Commission on Weak States and US National Security, *On the Brink*.
21. Carment et al., “State Fragility.”
22. See Eichengreen et al., “The Marshall Plan.”
23. Hubbard, “Think Again.”
24. Jennings, *The Road Ahead*; Dobbins et al., *America’s Role in Nation-building*; Serafino et al., *US Occupation Assistance*; and Hubbard and Duggan, *The Aid Trap*.
25. Monten, “Intervention and State-building.”



26. Gray, "US Aid and Uneven Development."
27. Booth, "Aid Effectiveness."
28. Lekvall, *Development First*, 66.
29. Ibid.
30. Booth, "Aid Effectiveness."
31. Easterly, *The Tyranny of Experts*.
32. Human Rights Watch, "Human Rights Watch Submission."
33. See, for example, OECD, *Fragile States Principles*.

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# Disaggregating state fragility: a method to establish a multidimensional empirical typology

Jörn Grävingholt, Sebastian Ziaja and Merle Kreibaum

This conceptual and methodological article makes the case for a multidimensional empirical typology of state fragility. It presents a framework that defines fragile statehood as deficiencies in one or more of the core functions of the state: authority, capacity and legitimacy. Unlike available indices of state fragility, it suggests a route towards operationalisation that maintains this multidimensionality. The methodology presented should help in future research to identify clusters of countries that exhibit similar constellations of statehood, whereby ‘constellation’ refers to the specific mix of characteristics across the three dimensions. Such an identification of empirical types would fulfil a demand that exists both in academic research and among policy circles for finding a more realistic model of fragility at an intermediate level between single-case analyses and the far-too-broad category of state fragility.

## Introduction

The weakness, fragility or failure of states has evolved into one of the major narratives of politics and international relations in the post-cold war era. State fragility is assumed to have a profound impact on how key issues of global concern, such as climate change, poverty and violent conflict, can be addressed.<sup>1</sup>

Since as early as the mid-1990s state failure has been a topic of concern in the pages of *Third World Quarterly*. In a 1996 article Jean-Germain Gros developed a taxonomy of failed states, distinguishing anarchic, phantom, anaemic, captured and aborted states.<sup>2</sup> This distinction had no lasting effect on the debate, however, and was never fully operationalised. Twelve years on, Charles Call attempted to

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end the debate about state failure with the conclusion that the terminology was analytically useless and even harmful, because it ‘fuelled a tendency towards single, technocratic formulas for strengthening states, which emphasise coercive capabilities’. Call proposed abandoning the concept of state failure and all related terminologies, not least because of their state-centric implications.<sup>3</sup>

Yet the policy world began to breathe new life into the debate, diplomatically adopting the slightly less offensive term, ‘fragility’. Major development actors launched initiatives to analyse the character, consequences and policy implications of state fragility from a developmental perspective. As a consequence, state fragility – often coupled with violent conflict – has received high visibility in recent development policy documents, such as the *European Report on Development* 2009, a 2011 policy guidance paper by the OECD Development Assistance Committee, and the *World Development Report 2011*.<sup>4</sup> At the Fourth High-Level Forum on Aid Effectiveness in Busan in November 2011 41 countries and multilateral organisations, including 17 fragile states, adopted a ‘New Deal on Engagement in Fragile States’. The prominent place the document was granted at this international forum underscored the perception of state fragility as a major barrier to achieving development objectives.<sup>5</sup> Above all, however, these reports demonstrate a significant demand on the part of policy makers in international development for orientation in dealing with fragile states.

A rising number of fragility indices that have emerged over the past few years have tried to provide some of this orientation. Examples include the Fragile States Index (formerly ‘Failed States Index’), the Index of State Weakness, the State Fragility Index, the Political Instability Index and many others.<sup>6</sup> All of them, however, share one weakness: they simplify the complicated reality behind the stability or decay of statehood to such an extent that they are of very limited use for the operational task of crafting policies to counter state fragility. The main issue with these indices is not so much the ever-difficult challenge of measurement but rather their common conceptual assumption that such a multidimensional concept as statehood can be aggregated and projected onto a one-dimensional scale, thereby allowing different dimensions to compensate for each other, without a substantial distortion of information.<sup>7</sup> As an illustration, such diverse countries as Haiti, Pakistan and Zimbabwe end up in close proximity to each other in the 2014 Fragile States Index, although the respective challenges they face are rather different in nature.<sup>8</sup>

In general the authors of fragility indices are well aware of the limitations innate to their instruments: some of them recommend their index as a crude ‘early-warning’ tool that warrants further analysis of any given case, and they caution against too far-reaching interpretations based on their data. Others emphasise explicitly that ‘some of the weakest states perform poorly across the board, whereas others exhibit weakness in just one or two functions’.<sup>9</sup> No attempt, however, has yet been made to incorporate the insight that state fragility is inherently multidimensional directly into the mapping exercise itself. Instead, authors only refer to the necessity to supplement their indices with detailed case-by-case analyses, thus *de facto* giving up on the opportunity to find larger patterns.

Yet policy makers ask for more. They know that individual case studies alone, without the methodological advantage of full comparative analysis, are

unable to provide the larger pattern – which is why indices are so popular, despite their obvious limitations. Aid bureaucracies in particular usually develop and prepare their instruments, ie the tools they either finance or implement themselves, not on a case-by-case basis. Instead they develop sets of instruments, or tool boxes, to which they resort when programming individual country assistance strategies. As a result of budget constraints and other bureaucratic incentives, to which aid agencies are subject like most large organisations, it would be unrealistic to expect aid organisations to develop their tool boxes for fragile states in every case as if ‘from scratch’.<sup>10</sup>

From an academic point of view strict case-by-case approaches are not desirable either. Every external policy intervention in fragile states is based on assumptions about causes and effects, representing lessons that actors at different levels of the policy-making system draw from other cases which are deemed comparable. Obviously the quality of such learning depends significantly on the degree to which the cases used as points of reference are indeed sufficiently similar to the problem at hand. The very concept of ‘fragile states’ derived its traction from the compelling argument that aid to this group of countries had to be planned and delivered differently from development assistance to other places in the world. While this message was important, sufficient evidence exists today that fragility itself is far too broad a term, and encompasses too broad a range of countries and contexts, to allow for useful generalisations across the full population of this category – almost irrespective of how exactly the term is defined. However, if strict case-by-case decisions are logically not a way out of this conundrum, the inevitable challenge for policy-oriented research is to establish better categories of countries or contexts that allow for more suitable comparisons. This paper contributes to this task by suggesting a methodology for a data-driven typology of state fragility. As the underlying concept of fragility is multidimensional, and the typology would be derived from empirical data (rather than ‘ideal-typical’ theorising), we refer to this approach as a ‘multidimensional empirical typology’ of state fragility. The methodology presented should help in future research to identify clusters of countries exhibiting similar *constellations* of statehood, where ‘constellation’ refers to the specific mix of characteristics across a set of core dimensions of statehood.

Such a typology can then form the basis for further research into causal mechanisms of state weakness and external development interventions at a level of analysis that unpacks the broad category of fragility without sacrificing the heuristic advantage of comparison across cases. By introducing an ‘intermediate’ level of generalisation between the single case and the broad category of fragility, we do not mean to deny the importance of case-specific analyses. Rather, we assume that farsighted policies require analytical instruments that order reality according to both well founded theoretical assumptions and empirical observations. A more precise grasp of existing, typical forms of fragility should help development agencies and other actors to better prepare for the types of real-world situations they are most likely to be confronted with.

The article is structured as follows. The first section reviews the conceptual debate on state fragility, concluding that the multidimensional character of statehood should be taken more seriously, and specifies methodological conditions of data handling required to derive an empirical typology. In a second section we

argue that three functions in particular can be considered core dimensions of statehood and introduce attributes characterising each of them. The third section presents innovative methods of how empirical data could be used to first operationalise the measurement of each dimension of statehood and then identify clusters, or ‘real’ (ie empirical) types of state fragility. In a concluding section we discuss potential applications for such an empirical typology.

## **The conceptual debate on state fragility**

### ***The multidimensional character of statehood***

All further debate depends, obviously, on the conceptual definition of state fragility. A closer look at most of the literature cited above reveals that the actual concept in question is not so much the fragility of the state as such in a legal or even ontological sense as it is the state’s ability to fulfil its basic functions, something that is also denoted as statehood. (This is why, in this paper, we use the concepts of state fragility and fragile statehood interchangeably.) As the state’s basic functions depend on its interaction with a given society, statehood is all about state–society relations.

Fragile statehood is characterised by a wide range of dysfunctional state–society relations – states not being able to control their territory, states not being able to support their population, and states failing to convince the population that they have legitimate claims to dominate a given territory. Thus, fragility is to some degree the antipode of state strength, but the focus is on state–society relations, and not on a state’s ability to fight other states. If fragility denotes the negative occurrence of statehood, the positive one is usually referred to as resilience. Empirically, however, fragility and resilience are not binary antipodes but only two ends of a logical field.

Both in its academic and its policy-oriented strands the literature on state fragility abounds in studies investigating the causes and consequences of fragility and internal conflict and discussing possible contributions towards making states more resilient. Parts of this literature are of a more general, conceptual nature.<sup>11</sup> Others rely on in-depth case studies.<sup>12</sup> Yet others use cross-country data to compute correlations and infer causality.<sup>13</sup> In part to assist these latter efforts, and in part in order to satisfy public interest in easily accessible overviews of the ‘state of state fragility’ in the world, the plethora of indices that classify countries according to their statehood has emerged.<sup>14</sup>

Despite the methodological weaknesses discussed in the introduction, most of these indices are in agreement with an increasing body of qualitative research that fragile states take very different forms and fragility should thus be analysed as a multi-faceted problem. Many authors would also argue that fragility problems – although varying in their scope and nature – revolve around a limited number of ‘functions’, ‘gaps’ or, as we prefer to refer to them, ‘dimensions’. Authors disaggregating fragility in two, three, four or more dimensions include Milliken and Krause; the Commission on Weak States and US National Security; Schneckener; Ghani et al; Patrick; Cliffe and Manning; Carment et al; Call; Stewart and Brown; and several others.<sup>15</sup> All available attempts to map the degree of fragility of states in the world, however, have to date failed to incorporate this assumption of multidimensionality into their methodology.

By collapsing all data into one single measure per country (and, usually, year), most indices render the prior exercise of distinguishing different dimensions *ex post* useless.

### ***The case for keeping dimensions distinct***

A few recent contributions have highlighted the importance of disaggregating state fragility into key dimensions that need to be considered in their own right as well as in their interaction. Carment et al, proposing a three-dimensional view of statehood distinguishing between authority, legitimacy and capacity, present their Country Indicators for Foreign Policy not only in an aggregated form but also for each of the dimensions separately.<sup>16</sup> Unfortunately the reader is left with the – crucial – task of structuring the resulting list of country scores in a meaningful way.

Similarly to Carment et al, Charles Call proposed considering ‘gaps’ in the areas of capacity, security and legitimacy as key factors driving state fragility (thus far relying on the Commission on Weak States and US National Security), but keeping them as distinct as possible rather than aggregating them in one measure.<sup>17</sup> ‘Overlaps’ of two or three gaps in any given country should lead to interesting insights into their respective interaction, and policy responses in those cases should tackle the challenge of ‘balancing the gaps’. Call’s assertion is more than convincing. His model of intersecting circles, for instance, is well able to illustrate the difference between the exemplary cases mentioned above, Haiti and Zimbabwe.

Yet, when Call applies his model to the empirical world, his categorisation of states is based on an implicit binary logic: a gap exists or does not exist, depending on the arbitrary choice of a threshold. The consequence is two-fold: first, the classification of individual countries may be misleading because different thresholds might yield a completely different result. Second, the distinction of eight possible combinations is purely ideal-typical.<sup>18</sup> It says nothing about the distribution of real-world phenomena along the three dimensions. In particular, this instrument is unable to shed light on the distribution of statehood in the broad ‘midfield’ of fragility. Yet it is precisely this midfield that policy makers should take an increasing interest in if they want to help prevent countries from slipping into a decay of statehood.

We therefore need an approach to mapping state fragility that fulfils two conditions. First, for every country and period of time, the approach measures each dimension of statehood separately along a continuum of values between ‘perfect’ and ‘fully defunct’. Second, the approach is able to identify clusters of countries that display ‘similar’ constellations of statehood across all measured dimensions.

One important consequence of this approach is obvious: it will not necessarily provide an answer to the question of which states should usefully be considered fragile, because the identification of types that differ along multiple dimensions will usually not allow the ordering of the resulting groups according to a joint fragility measure, and likewise, the ordering of countries within a group. The focus of this paper instead is on a methodology to identify patterns of statehood across countries rather than on labelling individual countries as fragile or not.

### Three core dimensions of fragility (and statehood)

Which are the core dimensions that an analysis of state fragility should measure separately and treat as distinct characteristics of statehood? As we have seen in the previous section, different authors present several possible answers. However, the underlying concepts of state functions are not so dissimilar. As Call has observed, much of the literature has focused on two concepts: effectiveness and legitimacy.<sup>19</sup> Others, such as Carment et al and Call himself, have argued that the provision of security is a capability that is different in nature from the delivery of services such as water supply and sanitation or primary schooling, since it is intimately related to the state's ability to protect its authority *vis-à-vis* competing actors. These authors have thus proposed the distinction of three main dimensions.<sup>20</sup> Cliffe and Manning, in turn, add public finance functions as an additional, analytically distinct fourth dimension (rather than viewing them as a subset of effective state capacity).<sup>21</sup> In a similar vein Rice and Patrick propose economic, political, security and social welfare functions as the main pillars of statehood.<sup>22</sup>

In sum, there exists broad agreement on the attributes of statehood (and its lack); it is only the organisation into dimensions that is disputed. As most authors who measure fragility, however, do so by aggregating all data *across* all dimensions, the exact delineation of these very dimensions does not make a substantial difference. For our purpose, this is not true. We show that theoretical considerations speak in favour of a three-dimensional conceptualisation of statehood. Additionally, while success or failure on each dimension can have direct or indirect effects on the other dimensions, we argue that empirical cases show that none of these effects is automatic or linear.

In line with many of the authors discussed above, we propose to conceptualise statehood as a phenomenon that is constituted of three distinct, though interrelated, dimensions: state authority, capacity and legitimacy (ACL). This terminology is closest to those used by Carment et al, Call, and the Commission on Weak States.<sup>23</sup> The exact focus of each of these dimensions is then derived from general conceptual considerations. Each of the three categories of authority, capacity and legitimacy represents a fundamental type of state–society relation and can be traced back to separate strands of political theory.

As Figure 1 illustrates, authority refers to the control of violence by the state, which, for this purpose, takes the freedom to use violence away from the

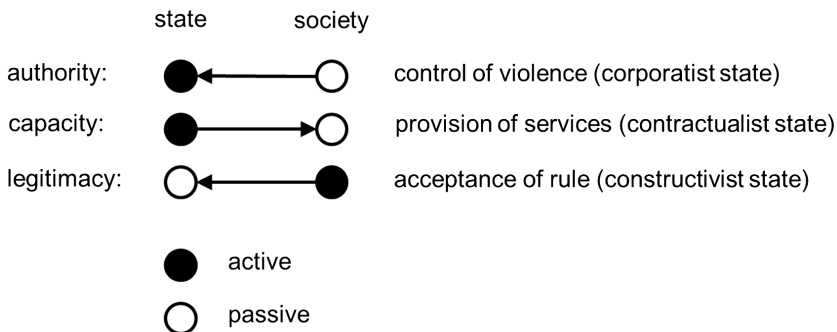


Figure 1. Three dimensions of statehood as distinct types of state–society relations.



people. This coincides with a corporatist strand of political theory that views the state as a violence entrepreneur. It can be traced back to Thomas Hobbes' idea of the state as the Leviathan, and was developed, among others, by Charles Tilly.<sup>24</sup> More recently, North et al have contributed to this type of thinking.<sup>25</sup> The authority dimension refers to the extent to which the state holds the monopoly of violence and can secure its claim on this monopoly against competitors. A diminished authority reduces the state's ability to define and execute rules and protect citizens from wilful violence. By implication, authority is thus related to the degree that the state can guarantee the physical integrity of its citizens. However, a certain degree of violent crime seems to be unavoidable in any society, without necessarily calling the state's monopoly of violence into question.

Examples of countries that exhibit particular challenges along the authority dimension include cases of civil war, violent insurgency or widespread criminal violence, such as Afghanistan and Iraq, but also some Central American countries.

State capacity, in turn, represents a state–society relationship that is characterised by the state giving basic services to the people. The exact scope of 'basic' services is not a definitional given, but can be assumed to include basic education, health care and a basic administration regulating social and economic activities sufficiently to increase collective gains and avoid massive negative externalities.<sup>26</sup> Failure to perform in one or more of these areas diminishes the life chances of large parts of the population. The perspective of the state as a provider of services is that of a contractual relationship between state and society, as was developed by the 17th-century philosopher, John Locke.

Low state capacity is typical of many 'classical' developing countries, such as Senegal, Tanzania and Malawi, but also Haiti.

Finally, legitimacy is about a type of state–society relationship in which society itself is active, in that it accepts, or refuses to accept, the state's claim to be the only legitimate actor to set and enforce generally binding rules.<sup>27</sup> As legitimacy is closely linked to the forging of a sense of identity within a society, this concept can be viewed as stemming from a constructivist perspective on the state.<sup>28</sup> Legitimacy is notoriously complicated to measure. In line with our conceptualisation of legitimacy as acceptance of rule, we are interested in empirical rather than normative legitimacy. In theory, it should suffice to use mass surveys asking whether an individual accepts the rule exerted by the state authorities of their country as legitimate. In practice, the results of such surveys – if feasible in the first place – are that much less reliable the more illegitimate a state is. Any result would therefore suffer either from a systematic measurement error produced by exactly the property to be measured in the first place or at least from a strong theoretical assumption that such a bias should exist.

Countries with low levels of legitimacy certainly include some of the most repressive regimes in the world, such as North Korea, Uzbekistan and Turkmenistan, but low degrees of state legitimacy can also be the consequence of a breakdown of state services or of the provision of basic security.

Table 1 summarises our three-dimensional concept of statehood and the attributes related to each dimension. On the basis of this conceptualisation we can now turn to outlining a way of operationalising our proposed method.

Table 1. Conceptualisation and measurement of state fragility.

Concept		State fragility (or, inversely, statehood)		
Dimensions	Authority	Capacity	Legitimacy	
Attributes	Monopoly of violence: <ul style="list-style-type: none"> <li>• no (effectively) competing claims;</li> <li>• no large-scale (organised) violation of physical integrity of persons</li> </ul>	Provision of basic life chances: <ul style="list-style-type: none"> <li>• protection from easily avoidable diseases;</li> <li>• basic education;</li> <li>• provision of basic administration</li> </ul>	Acceptance of rule: <ul style="list-style-type: none"> <li>• no resort to state repression as a means to achieve obedience;</li> <li>• no politically motivated emigration</li> </ul>	

### Potential operationalisation

Our goal, as exposed above, is the identification of constellations of deficiencies in the core functions of the state, ie authority, capacity and legitimacy. We conceptualised these core functions as latent traits, whose distribution will help identify existing constellations of fragility. We thus employ a two-stage procedure: the first stage generates continuous scores for each of the three dimensions; the second stage identifies fragility constellations by running a cluster analysis of this data.

### *Measuring the latent dimensions of state fragility*

In order to obtain both reliable and valid scores for our latent dimensions, we suggest employing a small number of complementary indicators per dimension, transforming these indicators to reflect our theoretical expectations about the impact of the indicators on the dimension scores and aggregating the transformed indicators with a procedure that minimises measurement error.

The reason to settle for a small number of selected indicators is determined by the desire to reflect all the theoretical attributes of our fragility dimensions and by severe data limitations. As will be explained in detail below, it is difficult to identify more than a few indicators per dimension that validly represent our concepts of interest. We refrain from compromising validity by adding less satisfactory variables for the sake of reliability.<sup>29</sup>

Opting for an approach that relies on a few indicators only, however, we have to choose an aggregation method that explicitly takes measurement error into account. Approaches that employ many indicators often argue that measurement error will cancel out on average.<sup>30</sup> Since we intend to use few indicators, which at the same time represent necessary conditions for each of their dimensions, we opt for a ‘minimum approach’: the ‘weakest link’, ie the smallest value among the indicators within each dimension, represents the best proxy for a country’s performance in a given year and is thus taken as the dimension score.<sup>31</sup> As a result, our dimensions are immune to upward measurement error, unless it occurs in all indicators of one dimension at once.



The minimum approach also serves as a buffer against problems of missing data, as explained below.

The minimum approach requires that individual indicators are carefully aligned with each other, setting minimum and maximum values and the shape of the function between these extremes. A first step is the harmonisation of the direction of the indicators: lower scores correspond to deficiencies, higher scores to good performance. The second step is the standardisation of the indicators to a common scale – we propose one that ranges from 0 to 1. Setting the naturally occurring minima and maxima of potential indicators at 0 and 1 would not be practical, as different indicators might be considered to vary in their severity.<sup>32</sup> It is thus essential to calibrate indicators theoretically, a task that is often neglected by fragility indices.<sup>33</sup>

Setting the endpoints with theoretical justification will also remove extreme outliers that would otherwise skew the distribution of the indicators. Being skewed may, however, remain a problem after setting the endpoints. Logging the variables is the most popular and usually sufficient transformation in order to mitigate this issue. In theoretical terms this corresponds to modelling decreasing marginal effects. Any transformation must retain or improve the conceptual meaning of the indicator, not decrease it.<sup>34</sup>

Finally, whatever indicators are chosen, they must most probably be treated for missing data. Some types of lack can be treated theoretically. For example, indicators reporting comparatively rare events, such as battle deaths, can usually be assumed to be zero where no information is given. The missing data that remain must be addressed with statistical methods. Case-wise deletion is not an option, as it would significantly reduce the final sample and probably bias the results.<sup>35</sup>

Instead, there are two options for dealing with incomplete information that one could apply here. The first is linear imputation and related approaches, such as moving averages. These techniques rely uniquely on the extant values in a country's time series. They would be valid for the variables that can be expected to move rather slowly and with a high degree of path dependency. Nevertheless, this does not seem to be a valid approach if an indicator can be expected to react quickly to crises in a country. Nonetheless, the minimum approach would ignore the upward measurement bias of the wrongly imputed variable if any of the other indicators in a given dimension picked up the crisis and thus determined the dimension score.

A more sophisticated approach could possibly provide better replacements for missing data. So-called 'multiple imputation' incorporates a large number of additional socioeconomic variables (eg GDP per capita or inequality) for identifying correlations between them and our indicators of interest and thus for estimating missing information.<sup>36</sup> While we do not implement the proposed typology here, the following sections discuss several options for indicators from existing datasets that could serve to measure the dimensions of state fragility, as well as making some suggestions for valid transformations. Issues such as the final selection of indicators, fine-tuning the transformations and calibrating the indicators among each other go beyond the scope of this paper.

***Authority***

As argued above, authority comprises the absence of competing claims to the monopoly of violence and the absence of large-scale occurrence of violence.

A promising option for measuring the former is the ‘monopoly of violence’ indicator from the Bertelsmann Transformation Index (BTI). It is based on expert judgement and ranges from 0 to 10.<sup>37</sup> BTI data is available only for about 125 countries and only for every other year since 2006.

An expert assessment that offers wider coverage is the ‘political stability and the absence of violence’ indicator from the Worldwide Governance Indicators (WGI).<sup>38</sup> This indicator is a meta-index of various expert assessments on trends in political violence. It is thus potentially more reliable than the BTI variant, which is based on the assessments of a few experts only, but not as good a match in terms of concept validity. The WGI’s methodology also sets the indicators’ averages to zero each year, thus removing global time trends.

Since experts may err, it is recommended to also draw on observational statistics. One option is battle-related deaths, taken from the database of the Uppsala Conflict Data Program. These include all casualties directly related to combat – civilians *and* military – on the territory of a specific country.<sup>39</sup> This measure reflects the intensity of internal and external attacks on the integrity of a state and thus the degree to which the state faces organised (but only acute) challenges to its monopoly of violence. Whereas war size is usually defined by absolute battle deaths, it might be more suitable to employ battle deaths per capita for our purpose.

Another useful observational indicator is intentional homicides, ie ‘unlawful death purposefully inflicted on a person by another person’.<sup>40</sup> The United Nations Office on Drugs and Crime (UNODC) collects information from international and national institutions on a yearly basis, stemming from the health or criminal justice sector. While individual instances of homicide do in the vast majority of cases not stem from explicit challenges to the dominance of the state, widespread lethal crime can be considered an indicator of organised crime in conflict with governing authorities or of a police force unable to stop rampant non-organised crime – both indicators of deficient state authority.

The range of authority issues is, of course, much wider than war and homicide. Other forms of violence, such as riots and guerrilla attacks, could add information to the dimension. One of the most prominent sources for this type of information is the Cross-national Time-series Data Archive.<sup>41</sup> However, an incredibly low riot count for China, reaching a maximum of four riots per year during the past two decades, nurtures scepticism about the reliability of this source.

***Capacity***

Capacity comprises the ability of a state to provide its citizens with basic life chances. Useful indicators of protection from disease are access to improved drinking water sources, which is known to have a massive positive impact, as well as a low rate of under-five mortality per 1000 births. Eizenstat et al emphasise the merits of immunisation rates as indicators of general health policy efforts.<sup>42</sup> Vaccination rates may, however, be easily biased, since religious or personal beliefs can lead to low compliance, despite a high ability of the state.

In terms of basic education, we would consider primary enrolment an appropriate measure, ie the ‘ratio of children of official school age [...] who are enrolled in school to the population of the corresponding official school age’.<sup>43</sup> This variable is also available from the WDI database.

As for basic administration, the BTI offers an expert-coded indicator that measures the existence of fundamental structures of a civilian administration, such as a basic system of courts and tax authorities. While it does not assess their quality, a minimum degree of professionalism and meritocracy has to exist for a civilian state apparatus to be maintained.<sup>44</sup> Just as with other BTI indicators, its limited coverage is problematic. Another indicator for administrative capacity is ‘bureaucracy quality’ from the International Country Risk Guide.<sup>45</sup> However, the indicator is not freely available, which would limit the replicability of our model, and its methodology is not fully transparent, making validation an issue. In addition, it only ranges from 0 to 4, so that it does not offer a great deal of variation and, consequently, does not allow sufficiently for the differentiation of countries’ performances.

### *Legitimacy*

As outlined above, legitimacy is difficult to measure. Lacking the nearly direct observations that reliable survey data would yield, we propose to use indirect measures based on the theoretical assumption that legitimate rule requires a lower degree of state repression to achieve obedience and drives fewer citizens out of their country for political reasons. With regard to the first aspect, the argument is that, because of its high cost, repression is only the second-best option for a state to resort to. Consequently a state will keep it at its lowest possible level: the less legitimate the state, the more it will depend on such measures.<sup>46</sup>

One example of an indicator that measures repression is the Political Terror Scale (PTS). It assesses the degree to which a state resorts to violence (via ‘physical integrity violations’) in order to preserve its power.<sup>47</sup> The drawback of this indicator is its ordinal scale, with only five levels. An indicator that – at first sight – offers a slightly more nuanced scale is the Cingranelli–Richards (CIRI) Human Rights Dataset’s indicator of physical integrity, which has a similar thrust to the PTS and uses the same raw data.<sup>48</sup> However, CIRI aggregates repression across four equally weighted dimensions, which can theoretically result in extreme but one-dimensional repression being judged less severe than mild repression in several dimensions.<sup>49</sup>

Our argument that a state which restricts media freedom has issues with legitimacy is based on the same reasoning as for physical integrity. Restricting media incurs costs and will only be attempted when free media would undermine the state’s ability to claim the support of the wider population. Reporters without Borders provide reasonable data on press freedom; however, since their change in methodology in 2012, they no longer offer a complete time series.<sup>50</sup> An alternative measure, despite allegations of an ideological bias, is Freedom House’s Freedom of the Press indicator, as it covers a wide range of countries and is comparable across time.<sup>51</sup>

In addition to degrees of repression, a more legitimate state can be expected to drive fewer citizens into political exile. From the population’s point of view,

even if they have no possibility of expressing their opinion publicly, they (usually) still have the option of ‘voting with their feet’, that is, of emigrating and seeking asylum for political reasons, or, in Albert Hirschman’s famous terminology, ‘exit’.<sup>52</sup> In order to better distinguish political motivations for emigration from other causes, we suggest considering only the number of granted (not requested) asylums by country of origin.<sup>53</sup> Again, absolute values should be transformed into asylum seekers per capita.

Legitimacy and related concepts have also been measured with composite indices, some of them with sufficient temporal and geographical reach. However, they usually incorporate strong normative components and bind legitimacy closely to the concept of Western democracy. This is the case, for example with ‘legitimacy of the state’ from the Fund for Peace’s Fragile States Index or with the WGI’s ‘voice and accountability’.

### *Identifying fragility clusters*

Once the authority, capacity and legitimacy scores are generated, we will obtain a three-dimensional data space with continuous variables ranging from 0 to 1, as described above. Conventional fragility indices would now aggregated these dimensions with arithmetic averaging. However, this blurs distinctions between different fragility constellations, particularly in the middle ranges; different dimensions are allowed to compensate for each other. For example, a country that starts a civil war, thus decreasing its authority score, and at the same time increases primary enrolment substantially, thus increasing its capacity score, could end up with zero change on the aggregate in an index employing averages.<sup>54</sup> In order to avoid this scenario, and to be able to distinguish countries with different ‘gaps’, in the words of Charles Call, we suggest identifying clusters with similar fragility issues instead.

In order to do so, we propose using a mixture model.<sup>55</sup> Mixture models have been used extensively in biology and medicine to derive (unobserved) classifications from (observable) properties such as size and colour of animals or symptoms and duration of illnesses. Only recently has clustering via mixture modelling and related techniques become more prominent in political science.<sup>56</sup>

This model-based clustering approach has various advantages over less formal clustering, such as k-means or nearest neighbour clustering. Mixture models provide information about the model fit and help select the best number of groups to consider. For each observation they provide the probabilities of belonging to any group, thus generating a measure of uncertainty that helps improve the interpretation of the results compared to a deterministic classification. While all these technical properties help identify a valid typology of states, Justin Grimmer and Gary King remind us that the analytical utility of a classification should be regarded more highly than an ultimately arbitrary measure of statistical fit.<sup>57</sup>

One final aggregation issue that should be addressed is the time dimension. A country’s condition is clearly dependent upon its condition in the previous year. Modelling this dependence explicitly in a clustering exercise requires algorithms that are not readily available. Calculating separate models for each year in the sample could be one alternative. However, this complicates the comparison of

groups over time. It would require the definition of rules on when to consider a group equivalent to or distinct from a group in the previous year. The most conservative solution would be fixing time and pooling country years. This approach would detect those types of fragility that have materialised over the whole period under examination – not an overly bold assumption given an expected coverage of our main variables of less than 10 years. Furthermore, fixed groups make the analysis of movements of countries between groups over time more fruitful. Pooling country years would also be in line with a general assumption that typical constellations represent relatively stable equilibria across space *and* time.

## Conclusion

In this article we have made the case for a multidimensional empirical typology of state fragility. We presented a conceptual framework derived from seminal theoretical works that defines state fragility as deficiencies in one or more of the core functions of the state: authority, capacity and legitimacy. We suggested a route towards operationalisation that maintains the multidimensional properties of our concept. Some initial suggestions for choosing appropriate indicators were provided.

Our main contribution to the literature on state fragility and the measurement of social science concepts in general is the emphasis on preserving conceptual multidimensionality in the operationalisation of concepts, thus achieving increased content validity.<sup>58</sup> While most fragility indices insist that readers should consider individual dimension scores when using an index, it is usually only the aggregate index that receives substantial attention both in public and in academia. Given the current incentives in political science publishing, however, the step for an index from merely being available to being employed in quantitative regression analysis is a small one – all concerns about the validity of the measure notwithstanding.<sup>59</sup>

The message of multidimensionality is also relevant for policy advice. The current practice of measuring fragility in one-dimensional scores is inherently unable to bring across the message that state fragility is in fact a multidimensional issue. Instead, the eye-catching ranking tables drown nuanced messages, no matter how much the latter are advertised. In addition, representatives of countries that rank low regularly consider these publications an insult instead of an incentive to improve. By contrast, distinguishing constellations of fragility provides much more information than simply defining a list of fragile-state countries. Development practitioners have long recognised that the issue of fragility is more complicated. An empirical typology fulfils the demand for a more realistic model of fragility without adding the complexity of complete disaggregation that would make the concept unmanageable. Information about which countries exhibit similar combinations of dysfunctional statehood will enable practitioners to pre-sort country cases for further analysis and intervention. The typology will not be able to provide an automatic recipe for a given case, but it will provide helpful diagnostics and meaningful pairings for cross-country comparisons on an intermediate level of analysis. Change over time will provide an additional level of information: countries that move from one group to another. The typology can serve to unveil substantial transformations of states, thus

either confirming existing knowledge or pointing at previously understudied cases that merit additional consideration. In a nutshell, a multidimensional empirical typology can make the much-maligned concept of fragility more useful for research and policy making.

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### **Notes**

1. The quality of causal links between state fragility and some of the global threats most commonly referred to, such as terrorism or international crime, is rather dubious. See Patrick, *Weak Links*.
2. Gros, "Towards a Taxonomy."
3. Call, "The Fallacy."
4. European Communities, *European Report on Development*; OECD, *Supporting Statebuilding*; and World Bank, *World Development Report 2011*.
5. These documents and the processes behind them have contributed substantially to a more nuanced understanding of the underlying conflicts in fragile states. The tendency of overly state-centric approaches that Call criticised is increasingly balanced by the recognition that the legitimacy of political institutions, justice and inclusion are key elements in overcoming state fragility.
6. For a comprehensive overview of state fragility indices, see Fabra Mata and Ziaja, *Users' Guide*.



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7. Ibid; Gutiérrez Sanín, “Evaluating State Performance”; Ziaja, “What do Fragility Indices Measure?”; and Gisselquist, “Developing and Evaluating Governance Indexes.” With respect to their widespread ‘use and abuse’, fragility indicators have followed in the footsteps of governance indicators, which were beset with similar problems. See Arndt and Oman, *Uses and Abuses*.
8. <http://www.foreignpolicy.com/fragile-states-2014>.
9. Patrick, *Weak Links*, 31.
10. For a discussion of the bureaucratic logic of aid organisations using the example of donor fragmentation, see Knack and Rahman, “Donor Fragmentation.” For an application of this idea to the context of fragile states, see Faust et al., “Foreign Aid,” 12–14.
11. Fukuyama, *State-building*; Hameiri, “Failed States”; Jones et al., *From Fragility to Resilience*; and Kaplan, *Fixing Fragile States*.
12. Rotberg, *State Failure*; Paris, *At War’s End*; Schlichte, *The Dynamics of States*; and Call and Wyeth, *Building States*.
13. Fearon and Laitin, “Neotrusteeship”; Bratton and Chang, “State Building”; and Englehart, “State Capacity”. Most of these studies ignore previous works on state weakness, such as Jackson and Rosberg, “Why Africa’s Weak States Persist”; Migdal, *Strong Societies*; Helman and Ratner “Saving Failed States”; and Gros, “Towards a Taxonomy.”
14. Ziaja, “What do Fragility Indices Measure?,” 44–45.
15. Milliken and Krause, “State Failure”; Commission on Weak States and US National Security, *On the Brink*; Schneckener, *States at Risk*; Ghani et al., *Closing the Sovereignty Gap*; Patrick, “Weak States”; Patrick, *Weak Links*; Cliffe and Manning, “Practical Approaches”; Carment et al., *Security, Development, and the Fragile State*; Call, “Beyond the ‘Failed State’”; and Stewart and Brown, *Fragile States*.
16. Carment et al., *Security, Development, and the Fragile State*.
17. Call, “Beyond the ‘Failed State’.”
18. Giraudy takes a similar methodological approach to suggesting a typology of states by ‘state strength’. Giraudy, “Conceptualizing State Strength.”
19. Call, “Beyond the ‘Failed State’,” 305. It was also a broadly shared view among OECD donor agencies during much of the 2000s that fragile states were those that were either unable or unwilling to carry out key tasks.
20. Carment et al., *Security, Development, and the Fragile State*; and Call, “Beyond the ‘Failed State’.”
21. Cliffe and Manning, “Practical Approaches.” In addition, Cliffe and Manning consider the provision of rule of law to be a crucial aspect closely linked to the security function (rather than to state capacity).
22. Rice and Patrick, *Index of State Weakness*.
23. Carment et al., *Security, Development, and the Fragile State*; Call, “Beyond the ‘Failed State’”; and Commission on Weak States and US National Security, *On the Brink*.
24. Tilly, “War Making.”
25. North et al., *Violence and Social Orders*.
26. OECD, *Service Delivery*.
27. Weber, *Wirtschaft und Gesellschaft*.
28. Anderson, *Imagined Communities*.
29. Adcock and Collier, “Measurement Validity.”
30. Kaufmann et al., *Governance Matters VIII*.
31. Goertz and Mahoney, *A Tale of Two Cultures*, 31.
32. An example from the indicators described below could be that the highest homicide rate to be found anywhere in the world does not necessarily imply the same low degree of authority as the highest rate of battle deaths does.
33. Fabra Mata and Ziaja, *Users’ Guide*.
34. Goertz and Mahoney, *A Tale of Two Cultures*, 150–160.
35. Gleditsch, “On Ignoring Missing Data.”
36. Honaker and King, “What do to about Missing Values.”
37. Bertelsmann Stiftung, *Bertelsmann Transformation Index*, 73.
38. Kaufmann et al., *Governance Matters VIII*.
39. UCDP, *Battle-related Deaths Dataset*.
40. UNODC, *Homicide Counts*.
41. Banks and Wilson, *Cross-national Time-series*.
42. Eizenstat et al., “Rebuilding Weak States.”
43. UNESCO, *Institute for Statistics Web Glossary*.
44. Bertelsmann Stiftung, *Bertelsmann Transformation Index*, 74.
45. The PRS Group, *International Country Risk Guide*.
46. Wintrobe, *The Political Economy*; and Dogan, “Conceptions of Legitimacy,” 120.
47. Gibney et al., *Political Terror Scale*.
48. Cingranelli and Richards, “Respect for Human Rights.”
49. Wood and Gibney, “The Political Terror Scale.”
50. RSF, *World Press Freedom Index*.
51. Freedom House, *Freedom of the Press*. For a critical assessment, see Schneider, *Media Freedom Indices*.
52. Hirschman, *Exit, Voice, and Loyalty*.

53. UNHCR, *UNHCR Statistical*.
54. Munk and Verkuilen, "Conceptualizing and Measuring Democracy."
55. Fraley and Raftery, *MCLUST Version 3*.
56. Ahlquist and Breunig, "Model-based Clustering"; and Grimmer and King, "General Purpose Computer-assisted Clustering and Conceptualization."
57. Grimmer and King, "Clustering and Conceptualization."
58. Gisselquist, "Developing and Evaluating Governance Indexes."
59. Mearsheimer and Walt, "Leaving Theory Behind"; and Schrodt, "Seven Deadly Sins."

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# Conceptualising state collapse: an institutionalist approach

Daniel Lambach, Eva Johais and Markus Bayer

This paper proposes a theoretically grounded and methodologically rigorous conceptualisation of state collapse. It seeks to overcome several key deficits of research into fragile, failed and collapsed states, which is often criticised as normatively problematic and methodologically deficient. We argue that this is a worthwhile topic to study but that scholarly inquiry needs to become more systematic and focus on extreme cases of state collapse. Following a Weberian institutionalist tradition, we disaggregate statehood into three dimensions of state capacity: making and enforcing binding rules, monopolising the means of violence and collecting taxes. We then propose a set of indicators as well as a mode of aggregation based on necessary and sufficient conditions. Our framework identifies 17 cases of state collapse in the postcolonial era.

## Introduction

The state is back. After being out of fashion for decades, the institution of the state is now perceived as a source of peace and well-being. Consequently ‘state fragility’ and ‘state collapse’ are thought to be a challenge to security and development in the global South. However, more work needs to be done to improve the analytical viability of these buzzwords.

This paper takes two recent critiques as points of departure. The first is that looking at state fragility in the broadest sense makes the concept too difficult to operationalise and lumps together very different phenomena underneath the same umbrella. Authors like Call and Ulfelder have therefore advocated a focus on more extreme and clear-cut cases, tightening the scope of inquiry from *fragile* states to *collapsed* states.<sup>1</sup> A second critique holds that current approaches are insufficiently theorised.<sup>2</sup>

To rectify these problems, this paper proposes a conceptualisation of state collapse that is theoretically grounded and methodologically rigorous. We argue that ‘state fragility’ is a worthwhile topic to study but that scholarly inquiry needs to become more systematic. To this end, we develop a concept of state

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collapse that is anchored in a Weberian institutionalist understanding of statehood. We use Goertz's method of concept building to derive a notion of state collapse that is disaggregated into three essential dimensions of state capacity: making and enforcing binding rules, monopolising the means of violence and collecting taxes.<sup>3</sup> We then employ this concept to identify 17 cases of state collapse in the postcolonial era (1960–2007).

The paper proceeds as follows. In the next section we give a brief survey of current debates in the research field. Thereafter we present our concept of state collapse by first elaborating a Weberian theory of the state and deriving a multidimensional operationalisation from it. Next we use our concept of collapse and present results from an empirical survey of the postcolonial world. The concluding part summarises our argument about the merits and limitations of our approach and lays out some directions for future research.

### **Sorting the field of fragile states research**

Ever since the emergence of the research field there have been struggles over how to define, delineate, measure and rank 'fragile', 'failed' or 'collapsed states'. Bueger and Bethke identify four stages in the development of the field:

Only loosely mentioned in academia of the late 1980s (phase one), the concept was extended to numerous disciplines and foreign policy makers in the 1990s (phase two), it was securitised and globalised in the early 2000s (phase three), and in a contemporary phase (phase four) there has been a double trend of homogenisation through quantification and heterogenisation through criticism.<sup>4</sup>

This article engages with the debates in the fourth phase: we first present attempts to quantify and measure state fragility and collapse. As for the heterogenisation dynamic, we present two strands of critique – one analytical, one normative.

### ***Quantification***

There are several projects that strive to quantify state fragility. On the academic side the best-known ones include the *Fragile States Index* (FSI, previously called the Failed States Index), the *Index of State Fragility* (ISF), the *State Fragility Index* (SFI) and the *Index of State Weakness* (ISW).<sup>5</sup> These indices typically employ aggregate data gathered by other researchers. All four indices take a very broad approach to state fragility, using indicators like infant mortality, the rate of deforestation and GDP to assess the capacity of the state.<sup>6</sup>

The problems with these 'kitchen sink' approaches are twofold. First, they overstretch the notion of fragility by lumping a diffuse set of crisis indicators together in the same conceptual basket. Second, they curtail opportunities for causal analysis since most potential explanatory variables are already part of the definition. Furthermore, none of the four projects explicitly deals with issues of weighting. Some are also biased towards democracies.<sup>7</sup> The most important shortcoming is the lack of validity: by subsuming several different sub-indicators within the concept of state fragility, these approaches measure a random amalgamation of conflict potential, level of development and good governance.

In spite of these methodological deficiencies, these indices – particularly the FSI – have received political and public attention and have also been employed in other research.

### *Critique*

In a separate development the entire research field has been subject to two major strands of critique. The first comes from a critical, normative perspective that challenges the discourse as such. The second is more analytical and strives for a re-conceptualisation of state fragility and state collapse.

Critical IR literature problematises the effects of the ‘state-building’ paradigm in international interventions in non-Western states. Some contributions discuss how the dynamics of statehood are globalised by international interventions.<sup>8</sup> Wilén condenses the paradox of these contemporary interventions: while aiming at ‘state building’ they encroach on state sovereignty.<sup>9</sup> With regard to its ontological implications the ‘failed states’ discourse is thought to depoliticise the non-Western state by picturing it as a pathological case, by the ‘creolization of the African world’.<sup>10</sup> The effect of this depoliticisation is the legitimisation of intervention, either by international agencies or by Western states.

A more radical position highlights the normative conception that underlies the research domain of fragile statehood: states are measured with reference to a Weberian, liberal idea of modern statehood. However, this ideal was developed in a very particular political setting in Late Middle Age to Early Modern Europe, whereas power relations in contemporary non-Western states are conditioned by different endogenous and exogenous structures. On the global level the state is the dominant political idea, but it has to compete with other modes of governance on the level of societies.<sup>11</sup> The argument is brought up in particular by postcolonial studies, area studies on non-Western regions and ‘functionalist approaches’ that try to grasp the alternatives to ‘modern statehood’ with concepts such as ‘twilight institutions’ or ‘social orders’.<sup>12</sup> The notion of hybrid political orders catches the simultaneity of the formal – modern state institutions – and the informal - traditional, customary, social institutions.<sup>13</sup> Schlichte even claims that ‘state failure’ is no more than a discursive product without a corresponding empirical phenomenon.<sup>14</sup>

Recently sociological and anthropological views on the state have also joined the debate. Sociological notions point to the embeddedness of ongoing state-building projects in long-term struggles over the institutionalisation of power relations.<sup>15</sup> The anthropology of the state adds an ideational level to the institutionalist and functionalist dimensions of statehood and looks at individuals’ images of the state or state practices.<sup>16</sup>

These critiques highlight important shortcomings in our understanding of fragile states, eg regarding the relation between ideals and institutions of the formal state with social orders, informal institutions and societal norms. However, we believe that state fragility and state collapse are still worthwhile subjects of study, as politically loaded as these terms may be. The cases we identify below are examples of periods of political, social and economic crises that are characterised by excessive intra-societal violence. Similar to Putzel and Di John’s notion of ‘crisis states’,<sup>17</sup> we believe that the reasons for resilience and

catastrophe can be located in the institution of the state. Furthermore, while an institutionalist understanding of the state can be criticised on many grounds, it represents the dominant global ideal of political organisation. Citizens and political elites around the world subscribe to it. Approaching the issue in these widely understood terms has merit for comparative research in particular.

### *Re-conceptualisation*

A second strand of critique does not seek to overturn the entire academic discourse about fragile states, but rather to improve it. Partly motivated by the failure to develop a good index measure of state fragility, several authors have started to rethink the conceptual foundations of the field. Most responses follow two different approaches: the first argues for a significant tightening of the concept to focus on extreme cases of state collapse, the second argues in favour of disaggregating fragility into more specific subtypes. We shall discuss these arguments in turn.

In the first approach Call and Ulfelder argue that concepts of state failure and state fragility should be abandoned entirely, arguing that these are too broad and too vague.<sup>18</sup> This conceptual overstretch is said to produce two problems: first, the line between failed/fragile and non-failed/non-fragile states is impossible to define; and, second, cases within the group of failed/fragile states are too different, making comparison almost impossible. Hence, they argue, scientists should focus on the extreme instances of failure, which they call ‘state collapse’.<sup>19</sup>

For Call, state collapse refers to the all-encompassing failure of state institutions to provide any meaningful output:

It refers to countries whose state apparatus ceases to exist for a period of several months. The concept here does not refer to the inability of some ministries to provide services, or to a state under siege in warfare, nor to an absence of the state in some regions, but to a complete collapse of a national state. Here citizens do not know where to go to obtain a recognised passport, and all services normally provided by the state are provided by sub-state or non-state actors.<sup>20</sup>

By contrast Ulfelder focuses on one particular issue as an indicator of collapse:

A state collapse occurs when a sovereign state fails to provide public order in at least one-half of its territory or in its capital city for at least 30 consecutive days. A sovereign state is regarded as failing to provide public order in a particular area when a) an organised challenger, usually a rebel group or regional government, effectively controls that area; b) lawlessness pervades in that area; or c) both.<sup>21</sup>

The second approach takes a different way to cope with the empirical diversity of ‘fragile states’. In contrast to the first, it does not suggest a re-conceptualisation, but tries to identify the groups of states that make up this amorphous totality. Such an approach can draw on many different attempts to disentangle the constituent parts of (fragile) statehood. Patrick makes a fundamental distinction between the inability and the unwillingness of a state to fulfil its functions.<sup>22</sup> Ghani et al emphasise the need for effectiveness and legitimacy in state



building.<sup>23</sup> Still others, like the Commission for Weak States and US National Security, identify gaps in the ‘three functions that effective governments must be able to perform: ensuring security, meeting the basic needs of citizens, and maintaining legitimacy’.<sup>24</sup> Call furthers this approach by disaggregating state failure into a capacity gap, a legitimacy gap and a security gap.<sup>25</sup> Building upon these earlier contributions, Grävingsholt et al disaggregate functional statehood into the components of authority, capacity and legitimacy and develop an empirical typology that identifies seven major clusters of states.<sup>26</sup>

In practice the differences between the first and the second approach should not be overstated. It is easily possible to use the more fine-grained methodologies of the second approach to identify cases of state collapse, as advocated by the first approach. For instance, Carment and Samy mention that countries with gaps in all three dimensions, like ‘Somalia, Afghanistan, Yemen, DRC and Chad might all be characterised as either failed or collapsed’.<sup>27</sup>

The conceptual debate has infused the research field with a new vitality. However, we see a serious weakness in that key contributions seem to have no underlying theory of the state. While all provide definitions of state fragility or collapse, and many duly refer to the work of Max Weber, the link between their theoretical foundation and their concept of state fragility remains unclear. For example, Grävingsholt et al do not discuss why differentiating statehood into the dimensions of authority, legitimacy and capacity is the best and most logical choice.<sup>28</sup> Without a theory of the state, these choices are arbitrary.

We draw two conclusions from this debate. First, statehood needs to be understood as a multidimensional, multi-causal concept. Second, drawing a distinction between fragile and non-fragile states is challenging. Focusing on extreme cases would reduce the uncertainty somewhat, even though we still need some sort of threshold-based definition. A clear theory of the state is necessary to provide guideposts that help us derive and justify such a threshold.

### Conceptualising state collapse

A definition of state collapse has to proceed from a theory of the state. Hay and Lister offer a genealogy of the concept of the state that places a Weberian understanding at the centre of a heterogeneous mainstream of institutionalist, pluralist, Marxist/Gramscian and public choice theories.<sup>29</sup> In recent decades this mainstream has been challenged by feminist and post-structuralist (Foucauldian and discourse analysis) approaches. The latter posit that the state does not exist *per se* but should be understood as an *effect* of power relations; they criticise the reification of the state as an actor in mainstream theories.<sup>30</sup>

We follow Barrow’s claim that the state is an essentially contested concept and that ‘specific concepts of the state are linked to particular methodological assumptions’.<sup>31</sup> In line with a positivist epistemological position we base our choice of theory on two pragmatic considerations. First, since our main objective is to improve the empirical analysis of state collapse, we need a concept of the state that is amenable to comparative research. To facilitate dialogue, we also prefer concepts that are already being used in research on fragile and collapsed states. Thus we opt for an ideal-type definition of state, which is the (sometimes implicit) standard in the literature on fragile states. Methodologically

this means that cases are measured in terms of their distance from the ideal-type. The contrasting approach would be to identify ‘real-types’ from a comparison of cases. We opt for the more deductive ideal-type approach because of the wealth of theories about the state and state collapse. This does not preclude developing typologies or taxonomies of state collapse after empirical analysis.

According to Eriksen, the literature on fragile states is dominated by two different understandings of the state.<sup>32</sup> The first presents the state as a service provider. In this perspective a state’s primary purpose is to provide public goods like security, the protection of property rights, justice or public health. Depending on the exact definition, welfare issues like access to education, basic social services, opportunities for participation and the rule of law can also be considered part of the state’s core functions.

The second approach views the state in terms of territorial control and the monopoly of violence. This is clearly inspired by Max Weber’s definition of the state, which focuses on the instruments of the state. The Weberian state has a legitimate monopoly over the means of physical coercion, which it employs to implement policies of its political leadership and the bureaucracy within a given territory. Weber strongly objected to a definition that uses aims to distinguish states from other forms of polities:

It is not possible to define a political organisation, including the state, in terms of the end to which its action is devoted. All the way from provision for subsistence to the patronage of art, there is no conceivable end which *some* political association has not at some point of time pursued.<sup>33</sup>

Eriksen rightly points out that the first, output-oriented approach has several drawbacks. First, this approach takes a normative position about which tasks a state *should* engage in. As a result, the definition of a state is very closely tied to the ‘OECD model’ of statehood, which is even more remote from realities in the global South than is a Weberian conception. Moreover, states that do not provide certain public goods out of a conscious political choice will be classified as weak or failing. Conversely, states where non-state actors compensate for the state’s incapacity by providing crucial public goods look more capable than they really are. Finally, these approaches usually exhibit a strong democracy bias by including the rule of law or participation among the definitional elements of statehood. For these reasons we prefer to follow the Weberian tradition and focus on the institutional capacity of the state.<sup>34</sup>

### ***An institutionalist theory of the state***

Weber famously defined the state as follows: ‘A compulsory political organisation with continuous operations [*politischer Anstaltsbetrieb*] will be called a “state” insofar as its administrative staff successfully upholds the claim to the *monopoly* of the *legitimate* use of physical force in the enforcement of its order’.<sup>35</sup> The crucial element that distinguishes a state from other kinds of polities is its ability to make a legitimate claim on the monopoly over the means of violence and to assert and defend its sovereignty within a given territory. Additionally, it shares several characteristics with other forms of political



organisation, like a hierarchical governance structure, an administrative apparatus and social relations based on domination and rule (*Herrschaft*).

Weber's approach lends itself to an understanding that looks at statehood as a variable: 'Even in cases of such social organisation as a state [...] the social relationship consists exclusively in the fact that there has existed, exists, or will exist a probability of action in some definite way appropriate to this meaning'.<sup>36</sup> This means that, within Weber's framework, all institutions and all forms of social relations exist only to the degree that people act in accordance with their orders. The corollary is that if the state only exists as a particular likelihood of certain forms of social action, then there must logically be different degrees of statehood. Weber himself asserts:

The fact that, in the same social group, a plurality of contradictory systems of order may all be recognised as valid, is not a source of difficulty for the sociological approach. Indeed, it is even possible for the same individual to orient his action to contradictory systems of order...Thus for sociological purposes there does not exist...a rigid alternative between the validity and lack of validity of a given order. On the contrary, there is a gradual transition between the two extremes; and [it is] also possible, as it has been pointed out, for contradictory systems of order to exist at the same time. In that case each is 'valid' precisely to the extent that there is a probability that action will in fact be oriented to it.<sup>37</sup>

However, the role of legitimacy in Weber's concept of the state needs to be critically examined. Weber has an empirical understanding of legitimacy that focuses on the impact of legitimacy beliefs on actors' behaviour. In his view legitimacy consists of two components: (1) obedience towards an order given by some authority; and (2) the intellectual or emotional affirmation of this authority and its orders as rightful and justified.<sup>38</sup> This second component is crucial if conformist behaviour resulting from coercion or out of pure self-interest is not to be mistaken for an act of legitimation.

We prefer to exclude legitimacy from our definition of the state. First of all, legitimacy is very difficult to measure, making any assessment vulnerable to *post hoc* rationalisation. By excluding it from the definition we are freed from the burden of having to operationalise and measure it as a component of statehood. Second, Weber's understanding of legitimacy sets a very high bar for a state to be considered legitimate. If we take his two components of legitimacy seriously, a majority of what are generally considered 'states' in the contemporary world would be hard pressed to meet the second criterion in particular. This is greatly at odds with the everyday use of the word 'state' – there are many instances of states with little to no popular legitimacy that nonetheless persist.

Therefore we define the ideal-type of the state as an institution characterised by monopolies on rule making, violence and taxation within a defined territory and among the population living therein. This institution finds its organisational expression in an administrative apparatus, political organs and bodies for collective decision making. It is represented by symbols and social practices that remind citizens of the existence of the political order.

The monopoly of rule-making is inherent in the concept of the state as that institution which makes binding decisions about the allocation of values, to borrow a phrase from Easton.<sup>39</sup> This monopoly is the core element of state

sovereignty. A state's claim to the monopoly of rule-making includes the corollary that no one else is entitled to make binding decisions for another citizen unless he or she has been specifically delegated this authority by the state.

The monopoly of violence follows logically from the monopoly of rule-making and is inextricably tied to it. To make its binding decisions stick, a state has to be able to implement them even in the face of resistance. The state might need to employ violence to get its way but, more importantly, it can never tolerate means of violence in the hands of those who would defy it. Nevertheless, some private means of violence are still acceptable but only insofar as the state explicitly authorises this.

The monopoly of taxation derives from historical experience rather than theory: to finance the means of violence centralised under its control, the state in Early Modern Europe started to monopolise the collection of taxes and duties. Elias has noted that the resources that became available to the state supported the monopoly of violence, and that the means of violence supported the monopoly of taxation.<sup>40</sup> As with the other two, the private collection of binding taxes is outlawed except with the assent of the state.

As discussed above, the state's ability to achieve, enforce and defend this 'holy trinity' of monopolies can vary. This means that states can be fragile in different ways, eg with little capacity to collect taxes but effective security forces that guarantee internal and external stability. We can represent variation in statehood as a three-dimensional space (Figure 1). Theoretically a state can inhabit any point within this space, although some of the extremes are highly unlikely to exist. We would hypothesise that deficiencies in one dimension strongly correlate with deficiencies in the other two – but that is ultimately an empirical question.

### *Operationalising state collapse*

We now derive a concept of state collapse from our definition of the ideal state given in the previous section. We focus on state collapse instead of broader

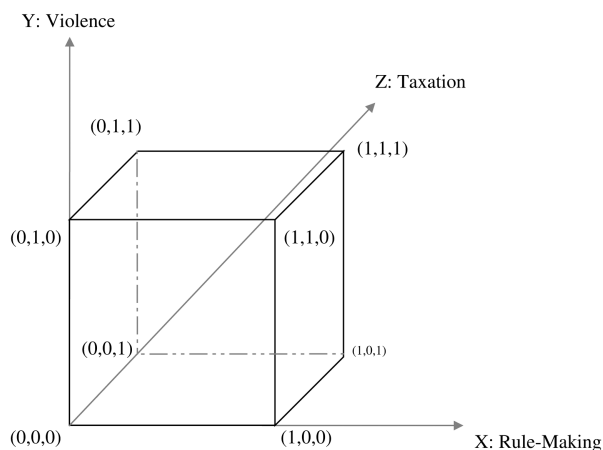


Figure 1. Dimensions of statehood.

notions of state fragility for the same two reasons mentioned earlier. First, setting a threshold is easier when focusing on extreme cases. In the space depicted in Figure 1 we focus on the (0, 0, 0) corner of the diagram and its immediate surroundings. Second, even though cases of state collapse differ from each other, they still recognisably belong to the same class of object. We thus avoid the problem of grouping wildly different phenomena under a single, broadly defined header.

We use Goertz's three-level method of concept formation for the operationalisation of state collapse.<sup>41</sup> The basic level contains the phenomenon itself, eg 'democracy'. This concept needs a definition and it has to be distinguishable from its opposite ('non-democracy'). The second level contains the dimensions that make up the basic phenomenon. For instance, democracy can – depending on its definition – include second-level dimensions like 'competitive elections', 'participation', 'civil rights' and others. These dimensions represent the core aspects of the underlying concept. On the third level dimensions are operationalised through indicators. These provide criteria that answer the question: how do we recognise a certain dimension when we see it?

This multidimensional approach to concept formation is a very useful way of breaking down complex concepts. However, to answer the fundamental question, 'is object A a member of set Y?' (eg 'is Russia a democracy?'), we need a way to aggregate the information from the lower levels. For this Goertz proposes two prototypical logics: The essentialist two-valued logic of sufficient and necessary conditions; and the family resemblance logic.<sup>42</sup> The first of these assumes that all instances of a particular concept are alike in their fundamental aspects. In our example an essentialist understanding of democracy would mean that certain dimensions of democracy (like competitive elections) are considered to be so crucial that political systems without these features would not be classified as democratic. This requires a clear specification of which dimension, or combination of dimensions, are necessary and/or sufficient conditions for a particular concept to be present. The second logic assumes a continuum of cases that are closely related but do not necessarily share a core set of characteristics. A common way of formalising family resemblance is by setting a threshold on how many dimensions of the basic phenomenon have to be present for an object to be an instance of this concept (eg 'a political system is democratic if it meets any three of the following four criteria').

For our purposes the basic level phenomenon is 'state collapse' as the polar opposite of the ideal-type of the state (see the section on institutionalist theory above), which we define as the situation where the state has no meaningful capacities in its three core dimensions of rule-making, violence control and taxation. We then follow an essentialist two-valued logic and define sufficient and necessary conditions of state collapse. This means that we have to establish a threshold between collapsed and non-collapsed states. While this dichotomy might seem to be in conflict with our continuum of statehood (see Figure 1), this is actually not a problem, since our objective is merely to theorise about collapsed states, not about statehood in a more general sense.

Drawing on the three core dimensions of statehood, we define the second-level dimensions of state collapse as:

- (1) no meaningful capacity to make rules;
- (2) no meaningful control over the means of violence;
- (3) no meaningful capacity to extract taxes.

These three dimensions jointly create the necessary and sufficient conditions for state collapse, if they occur continuously over a time span of at least six months.<sup>43</sup>

At the indicator level we use a combination of both logics (Table 1). Every dimension of state collapse – rule making, means of violence and taxation – has primary and secondary indicators. Primary indicators are unambiguous signs of state collapse, eg when the government leaves the capital or when security forces cannot even control the entire capital. These indicators were formulated to be as specific as possible to maximise their objectivity and reliability. The presence of any primary indicator is sufficient for a particular dimension to be coded as collapsed.

Because these events only occur infrequently, even during state collapse, we added a group of three secondary indicators to each dimension.<sup>44</sup> These secondary indicators share two features: (1) they do not only indicate state collapse but can also occur in other phenomena, ie they are not particularly specific; and (2) they do not occur in all instances of collapse, much like the first-level indicators, ie they are not necessary conditions of the outcome. Therefore we use a family resemblance logic: if two out of three of the secondary indicators are present, the dimension is also coded as collapsed.<sup>45</sup> For example, in the ‘means of violence’ dimension, if non-state actors command large parts of the country *and* if the state’s security forces are *de facto* private militias, this is sufficient to diagnose a lack of meaningful control over the means of violence.

### Instances of state collapse

To demonstrate its implications for empirical research, we used the framework elaborated above to identify cases of state collapse in the international system.

Table 1. The concept of state collapse.

Rule making	Means of violence	Taxation
First-level indicators		
<ul style="list-style-type: none"> <li>• Cessation of the work of the High Court</li> <li>• No formal legislation</li> <li>• Government or parliament leaves the capital</li> </ul>	<ul style="list-style-type: none"> <li>• <i>De jure</i> dissolution of the security forces</li> <li>• Security forces do not control the whole capital</li> </ul>	<ul style="list-style-type: none"> <li>• No official government budget is declared</li> <li>• Central bank ceases work</li> </ul>
Secondary indicators		
<ul style="list-style-type: none"> <li>• Massive corruption</li> <li>• Laws are only rarely enforced</li> <li>• Widespread legal pluralism</li> </ul>	<ul style="list-style-type: none"> <li>• Security forces become <i>de facto</i> private militias</li> <li>• Security forces control only small parts of the country</li> <li>• Private non-state actors control large portions of the country</li> </ul>	<ul style="list-style-type: none"> <li>• No organised fiscal administration</li> <li>• Taxation by non-state actors</li> <li>• Tax ratio below 8%</li> </ul>

Since there has been no prior systematic collection of data for most of our indicators, we had to assess potential cases through qualitative case studies. To limit the number of case studies, we culled the number of ‘candidate cases’ in a series of steps.

Our first aim was to identify all cases where the state had potentially collapsed. We cast a very wide net so as not to miss any ‘false negatives’ – of course, this came at the price of increasing the number of ‘false positive’ cases in the initial sample. To come up with this first sample, we identified all country-years from 1946 onwards that fulfilled one or more of the following conditions:

- Polity IV:
  - Indicator 1.7 (Polity Fragmentation) = 3 (‘serious fragmentation’);
  - Standardised Authority Code = -66 (Interruption) or -77 (Interregnum), or -88 (Transition) for three concurrent years;
  - Indicator 4.10 (Total Change in POLITY value) = 96 (‘state disintegration’);
  - Indicator 4.12 (State Failure) = 1;
- Index of State Weakness 2008 score < 2;
- Bertelsmann Transformation Index (2008): Indicator Q1.1 (Territorial Extent of State Monopoly of Violence) ≤ 3;
- State Failure Task Force: ‘Near-total Failures of State Authority’;
- Categorisation as ‘failed’ or ‘collapsed state’ by Rotberg;
- Personal assessment by researchers.<sup>46</sup>

This resulted in a list of 87 countries that had potentially experienced state collapse at some point after 1946. Many countries fulfilled multiple of the above criteria, often for overlapping time periods. These were then consolidated into continuous periods.

This initial list still contained a lot of cases that were obviously not cases of state collapse in our understanding. These included the dissolution of states under international law (eg East Germany 1989), foreign invasion (eg Kuwait 1990) or regime change (Greece 1974; Portugal 1974–75, Spain 1975–77). Most cases from the immediate post-World War II period were qualitatively different from our understanding of state collapse (eg Czechoslovakia 1947, West Germany 1946–48, East Germany 1946–48, Hungary 1946–47, Japan 1946–51, and Romania 1946–47). While these cases could also be considered instances of state collapse, the historical context suggested that the causal structure of such collapse was very different from state collapse in the postcolonial period. Because of the comparability issues, we decided to shorten our period of observation to 1960–2007.

This narrowed our list to 48 potential country-periods of state collapse. We then conducted desk studies of these candidates and identified 17 cases of state collapse (Table 2).<sup>47</sup> Five cases met all the criteria but only for a period of less than six months (Albania 1997, Central African Republic 2001, Ethiopia 1991, Iran 1978, Rwanda 1994). Another five cases had collapsed in two of the three dimensions (Burundi 1993, Cambodia 1975, Côte d’Ivoire 2004, Nicaragua 1979, and Solomon Islands 2000). Finally, another four cases exhibited symptoms of collapse in one of the three dimensions (Colombia 2000, El Salvador 1979, Ghana 1979, Nigeria 1966).<sup>48</sup>

Table 2. cases of state collapse.

Cases of state collapse			
Afghanistan	1979	Iraq	2003
Afghanistan	2001	Laos	1960
Angola	1992	Lebanon	1975
Bosnia and Herzegovina	1992	Liberia	1990
Chad	1979	Sierra Leone	1998
Congo-Kinshasa	1960	Somalia	1991
Congo-Kinshasa	1996	Tajikistan	1992
Georgia	1991	Uganda	1985
Guinea-Bissau	1998		

The majority of instances of ‘state collapse’ involved cases in sub-Saharan Africa, where, usually, armed rebellions challenged state authority and shattered projects of centralised control (Angola 1992, Chad 1979, Guinea-Bissau 1998, Liberia 1990, Somalia 1991, Sierra Leone 1998, Uganda 1985, Zaire 1996). An exception was Congo-Kinshasa in 1960, where decolonisation from Belgian rule resulted in rival claims to power and political order and stripped the state of its governing apparatus. Similarly the situation of institutional uncertainty in the wake of the disintegration of the USSR, and the Socialist Federal Republic of Yugoslavia, respectively, led to a state of collapse in Bosnia-Herzegovina (1992), Georgia (1991) and Tajikistan (1992). The Laotian state collapsed after an American-backed attack on the capital of Vientiane in 1960 that left the country partitioned into spheres of influence of neutralist, communist and pro-Western forces. In Lebanon an incident in April 1975 linked to the highly controversial armed presence of the PLO triggered a full-scale civil war that paralysed the otherwise comparatively well-functioning state institutions. In Afghanistan state authority had never been institutionalised to a significant extent, but the insurgency against the communist regime, further propelled by Soviet intervention in December 1979, led to an effective loss of state control that was extreme even for the Afghan case.<sup>49</sup>

It is not coincidental that these instances of state collapse also occasioned civil wars and other forms of widespread intra-state violence. In some ways this is inevitable given our coding scheme, where territorial control by government forces plays an important role. However, we wish to note that our concept of state collapse is more than a fancy name for situations of pervasive violence. Our concept asks whether the state is capable of functioning as a provider of governance but also as an actor in conflict. State capacity is a crucial precondition for counterinsurgency, as a multitude of cases, eg in Latin America, readily shows. By contrast, conflicts in the countries in Table 2 were characterised by a predominance of non-state actors of violence. This is why many of our more recent cases, like Afghanistan, Liberia and Somalia, have been discussed in terms of ‘warlordism’.

To borrow a distinction from research into civil wars, all our cases are instances of a particular kind of ‘governmental conflict’, ie an incompatibility concerning the type of political system or the composition of government. In contrast, ‘territorial conflicts’ about secession or regional autonomy (as in the Philippines, Indonesia, Pakistan or Senegal) are not found in our final list of



cases (with the exception of Congo 1960). This is consistent with Buhaug, who found that rebellion in institutionally capable states would more frequently occur as secessionist conflict, whereas weaker states were more likely to experience governmental conflicts.<sup>50</sup>

## Conclusion

In this paper we have demonstrated an approach to the conceptualisation and operationalisation of state collapse. We have asserted that current attempts to measure state collapse (as well as the broader concept of state fragility) suffer from key weaknesses that limit their analytical value. Therefore we sought to develop a concept that represents an improvement in two crucial aspects. First, our approach has a firm theoretical grounding. It is based on a view of the state derived from a modification of Weberian institutionalism. Second, our approach is methodologically rigorous. We employed Goertz's method of concept formation and provided a multidimensional disaggregation of the concept of state collapse, as well as the logic for the aggregation of the data. Using this framework, we identified 17 cases of state collapse in the postcolonial era.

This concept is designed to be employed in comparative research. Classifying states as 'collapsed' or 'not collapsed' would be little more than *l'art pour l'art*, especially as we reject normative and teleological claims about the sort of politics that take place in collapsed states. Our approach works much better in providing a common reference point to compare disparate countries, especially in cross-regional research. In other, small-N research designs sociological approaches are more appropriate as they paint a richer picture of individual cases.

Our conceptualisation of state collapse opens up several avenues of research. In our own research we use it to analyse the causes of collapse.<sup>51</sup> In particular, we are interested in whether there are structural differences between collapsed states and those that are fragile but that did not collapse, or whether collapse is a result of particular political dynamics. Another possibility would be to use it in research on the dynamics of violence and deprivation in collapsed states, or to improve early warning systems. This approach can also lay the foundation for research that looks at how political and social order is constructed in the absence of formal statehood. There is substantial research on governance in areas of limited statehood which could be enriched by a focus on those cases where the state completely ceases to be a meaningful institution.<sup>52</sup> Its usability for comparative research also makes our conception of state collapse a potential tool for bringing together disparate fields of enquiry, such as conflict research, humanitarian aid, development studies and comparative politics. Finally, our approach can also be used to improve attempts at quantification. While data collection for our indicators was labour-intensive, this process could be automated for most primary indicators by using machine coding of event data.

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## Notes

1. Call, “The Fallacy of the ‘Failed State’”; and Ulfelder, “‘State Failure’ has Failed.”
2. Eriksen, “‘State Failure’ in Theory and Practice.”
3. Goertz, *Social Science Concepts*.
4. Bueger and Bethke, “Actor-networking the ‘Failed State’.”
5. Baker, *The Conflict Assessment System Tool*; Fund for Peace, “The Failed State Index”; Carment et al., “State Fragility and Implications for Aid Allocation”; Marshall and Cole, “Global Report on Conflict”; and Rice and Patrick, *Index of State Weakness*.
6. In addition to these frequently updated indices, there are several country lists and classificatory heuristics from development agencies, such as the World Bank’s “Harmonized List of Fragile Situations”, where the classification as a fragile state is based on a threshold for the Country Policy and Institutional Assessment (CPIA) country rating. See World Bank, “Information Note.” See also Weinstein et al., *On the Brink*; and DFID, *Why We Need to Work More Effectively*, for other methodologies.
7. Bethke, “Zuverlässig Invalide.” The State Failure Task Force (renamed the Political Instability Task Force in 2003) was an important precursor of these projects. Established in 1994, its original aim had been to identify the root causes of state failure. However, after preliminary research produced only 18 cases of state failure, it broadened its definition of state failure to include contentious regime transitions, genocides, revolutions and ethnic conflict. By including these different phenomena in the same category the State Failure Task Force suffered from the same methodological shortcomings as its predecessors. For a more detailed critique, see Lambach and Gamberger, “A Temporal Analysis of Political Instability.”
8. See, for example, Hill, “Challenging the Failed State Thesis”; and Veit, “Social Movements.”
9. Wilén, *Justifying Intervention in Africa*.
10. Hameiri, “Failed States or Failed Paradigm?”; Manjikian, “Diagnosis, Intervention, and Cure”; and Sidaway, “Sovereign Excesses,” 172.
11. Migdal, *State in Society*.
12. DiJohn, “The Concept, Causes and Consequences of Failed States”; Lund, *Twilight Institutions*; and Mielke et al., *Dimensions of Social Order*.
13. Boege et al., “Hybrid Political Orders.”

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14. Schlichte, "Gibt es überhaupt 'Staatszerfall'?"
15. Cf. Bilgin and Morton, "From 'Rogue' to 'Failed' States?"; Haggmann and Péclard, "Negotiating Statehood"; and Wai, "Neo-patrimonialism."
16. Cf. Hansen and Stepputat, *States of Imagination*.
17. Putzel and DiJohn, *Meeting the Challenges of Crisis States*.
18. Call, "The Fallacy of the 'Failed State'"; and Ulfelder, "'State Failure' has Failed."
19. Borrowing the term from Zartman, *Collapsed States*.
20. Call, "The Fallacy of the 'Failed State'," 1501.
21. Ulfelder, "'State Failure' has Failed."
22. Patrick, "Weak States and Global Threats."
23. Ghani et al., "An Agenda for State-building."
24. Weinstein et al., *On the Brink*, 13.
25. Call, "The Fallacy of the 'Failed State'," 1501.
26. Grävingsholt et al., "State Fragility."
27. Carment and Samy, "State Fragility," 107. For similar approaches, see Weinstein et al., *On the Brink*, 13f; and Call, "Beyond the 'Failed State'," 310.
28. Grävingsholt et al., *State Fragility*.
29. Hay and Lister, "Introduction."
30. See, for instance, Mitchell, "The Limits of the State"; Bevir and Rhodes, *The State as Cultural Practice*; Lemke, "An Indigestible Meal?"; and Passoth and Rowland, "Actor-network State."
31. Barrow, *Critical Theories of the State*, 11.
32. Eriksen, "'State Failure' in Theory and Practice."
33. Weber, *Economy and Society*, 55, emphasis in the original.
34. Recently, Putzel and DiJohn, *Meeting the Challenges of Crisis States*, 1, have pointed out the relevance of political settlements and elite bargains for the stability of the state. While we do not share their actor-centred perspective, we nonetheless follow their point that institutions are not usually the product of conscious design but more a reflection of power relationships.
35. Weber, *Economy and Society*, 54.
36. *Ibid.*, 27. We agree with Hay and Lister, "Introduction," 14, that the differences between discursive and Weberian approaches to the state are often overstated.
37. Weber, *Economy and Society*, 32.
38. *Ibid.*, 31.
39. Easton, *A Framework for Political Analysis*, 21.
40. Elias, *Über den Prozess der Zivilisation*, 142. See also Tilly, *Coercion, Capital, and European States*.
41. Goertz, *Social Science Concepts*.
42. *Ibid.*, 35.
43. We used six months as a threshold to distinguish short-term political instability, for instance, during regime change or the final months of civil war, to distinguish the complete failure of state institutions from other forms of disorder.
44. Using three indicators each is a pragmatic choice, in that explaining the set of secondary indicators would have increased the amount of data to be collected without improving the measurement accuracy.
45. Using a threshold of 'two out of three' is the result of a calibration process. With a higher threshold we would have too many 'false negatives', ie cases of collapse falsely classified as non-collapsed; with a lower threshold there would be too many 'false positives', ie cases of non-collapse falsely classified as collapsed.
46. Sources are Marshall et al., "Polity IV Project"; Rice and Patrick, *Index of State Weakness*; and BTI Project, "Bertelsmann Transformation Index." The assessments by the State Failure Task Force are published in Esty et al., "The State Failure Project," 38; whereas Rotberg's data can be found in Rotberg, "The Failure and Collapse of Nation-states," 46–49.
47. We excluded Afghanistan 2001 and Iraq 2003 from our analysis. We consider these two cases to be outliers because of the strong impact of foreign military intervention on the stability of the state.
48. The remaining cases, which had not collapsed in at least one dimension, were Argentina 1976, Bangladesh 1975, Cambodia 1988–92, Comoros 1997–98, Cuba 1958, Cyprus 1963, Czechoslovakia 1968, Dominican Republic 1965, Ethiopia 1974, Haiti 1985, Haiti 1994, Lesotho 1998, Nigeria 1993, Pakistan 1969, Yugoslavia 1991, USSR 1991, and Sudan 2003.
49. Brief descriptions of individual cases are available at [http://www.lehrstuhl-ibep.de/files/twq\\_ap\\_pendix\\_brief\\_description\\_state\\_collapse\\_cases.pdf](http://www.lehrstuhl-ibep.de/files/twq_ap_pendix_brief_description_state_collapse_cases.pdf).
50. Buhaug, "Relative Capability and Rebel Objective."
51. Lambach and Bethke, "Ursachen von Staatskollaps"; and Lambach et al., "The Causes of State Collapse." For further information, see also <http://www.lehrstuhl-ibep.de/39-0-DFG-Projekt-Staatskollaps.html>.
52. For example, Risse, "Governance Configurations in Areas of Limited Statehood."

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# Towards a theory of fragile state transitions: evidence from Yemen, Bangladesh and Laos

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This article uses the Country Indicators for Foreign Policy (CIFP) fragile states framework to evaluate fragile state transitions. Our objective is to find out why some states considered fragile have recovered, while others remain fragile for long periods. We identify three categories of countries: those in a fragility trap, those that have exited it, and those that fluctuate between fragility and stability. CIFP data are used to examine state transitions for each category. One state from each category is then subjected to further country-level analysis. Our findings reinforce the view that state transitions do not follow a unique path and that effective engagement in fragile states requires different approaches across cases.

## Introduction

The majority of research on state fragility has, thus far, focused on its causes and consequences.<sup>1</sup> Policy responses have been purely reactive, leading to costly, ineffective outcomes and often-irreversible situations which require massive amounts of resources and sustained engagement to remedy.<sup>2</sup> Our objective in this article is to determine why some countries that were once considered fragile have successfully recovered, while others remain fragile for long periods of time. If successful, such a comparison could provide valuable insights on how states that are slipping into deeper fragility can be prevented from doing so.<sup>3</sup>

We use the Country Indicators for Foreign Policy (CIFP) fragile states framework to evaluate state performance over time.<sup>4</sup> We argue that transitions are a function of the sequencing of changes in key structural features of ‘stateness’. For states that successfully exit fragility, not only do we observe improvement in these key features, we also see specific causal sequences. Understanding the underlying causal features of these changes generates theories about fragility

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dynamics. Only a few studies have attempted to track state fragility. Some are driven largely by theoretical insights;<sup>5</sup> others, like ours, are informed by empirical analysis.<sup>6</sup>

The policy import is clear. Donors need to better understand the kinds of resources to allocate as states transition. For example, fragile states often have short-term vulnerabilities that make transition to effective democratic governance extremely problematic, and even destabilising.<sup>7</sup> Thus, any strategy advocating democratisation, good governance and rapid economic modernisation must take into account the possibility that such efforts may, in the short run, trigger instability.<sup>8</sup>

In the subsequent sections we explain the CIFP framework. We then extract three types of countries from our data, discuss their broad structural features, and examine the sequencing of changes across these country types.<sup>9</sup> Our conclusion considers theory-building implications and highlights directions for future work.<sup>10</sup>

### **The CIFP fragile states framework**

With its emphasis on a state's structural properties, the CIFP approach to fragility is intended to capture and integrate a number of distinct academic and policy frameworks.<sup>11</sup> Our approach follows a number of studies, including work by Naude et al, who conclude that fragility's causes can be traced to low development status, vulnerability and the lack of a developmental state.<sup>12</sup> The methodology underpinning the framework is based on three core assumptions of stateness.<sup>13</sup> Authority (A) captures the extent to which a state possesses the ability to enact binding legislation over its population, to exercise coercive force over its sovereign territory, to provide core public goods, and to provide a stable and secure environment for its citizens and communities. Legitimacy (L) describes the extent to which a particular government commands public loyalty and generates domestic support for legislation and policies. Capacity (C) refers to the potential for a state to mobilise and employ resources towards productive ends, similar to the focus on progressive service delivery.<sup>14</sup>

Our data cover 190 countries with 80 distinct indicators that are aggregated and indexed to produce lists of country rankings, including ALC scores, an overall fragility index and six clusters (economic development, human development, governance, security and crime, demography, and environment). These rankings reflect a country's performance relative to a global sample of countries. A key aspect of this approach is that we can make valid comparisons across states using identical measures of performance and compare any country against the larger sample. This approach is consistent with a number of recent studies focusing on the relative aspects of state fragility.<sup>15</sup>

### **A typology of countries**

In order to understand state transitions, we identify three types of countries from our data. In view of the critical importance of context, we use a baseline of 1980 to establish the core drivers of fragility. To get a sense of magnitudes, in 2012 the 10 worst performers had fragility scores of 6.7 or higher (with Somalia



being the worst performer at 7.8). The next 10 worst performers had fragility scores of 6.3 or above. The first 38 countries in our sample had a fragility score of 6.0 or higher.

The three types are those caught in a fragility trap, those that have successfully exited and stabilised, and those that fluctuate between extreme fragility and stability. In our typology we considered both the ranking of countries and their fragility scores. Countries that are caught in a fragility trap (Type 1) were selected based on the number of times they appeared in the top 20 fragile states; they are also countries that rank among the worst average performers over the whole period, with fragility scores of 6.5 and above over several years. For countries that have ‘exited’ fragility (Type 2), we use our yearly rankings to identify those that were able to exit the top 40 for most of the past 10 years. These are countries that showed a clear improvement in fragility scores over the whole period, with scores that have never exceeded 6.0 in recent years. Finally, for the group of countries that have been in and out of fragility (Type 3), we considered those that had moved in and out of the top 40 ranked countries in terms of fragility, and whose scores oscillated below and above 6.0 for the whole period. This comparison yielded the following countries (Table 1).

Table 2 provides statistical information about the three types of countries identified above. In the case of Type 1 countries, authority scores are the highest (worse) on average and are also the most volatile. These countries have also seen their ALC scores worsen over time. Countries that exited fragility (Type 2) have the most volatile authority scores with some improvement over time. However, for these countries, improvements in authority and legitimacy scores have more than made up for the worsening of capacity scores over time. Type 3 countries have seen their ALC scores worsen over time but it is mostly the larger increase in authority scores (which happen to be also the most volatile) compared with relatively stable (even if increasing slightly) legitimacy and capacity scores that has prevented them from exiting fragility indefinitely. Authority scores, whether in terms of levels or volatility, play a key role across the different country types.

With these basic findings in mind we examine the sequencing dynamics present in a country of each type.<sup>16</sup> In this particular study we highlight the differences among the three types through a structured comparative approach, by isolating and comparing common variables such as the ALC clusters and an identical time period for each. Subsequent cases can hence be held up for

Table 1. Typology of cases.

Type 1 –Fragility trap	Type 2 –Exit	Type 3 –In/out of fragility
Afghanistan	Algeria	Cameroon
Pakistan	<i>Bangladesh</i>	Guinea
Angola	Benin	Guinea Bissau
Ethiopia	Cambodia	Iran
Sudan	Guatemala	<i>Laos</i>
<i>Yemen</i>	Malawi	Mali
DRC	Mozambique	Mauritania
Somalia		Rwanda
Burundi		Senegal



Table 2. ALC characteristics of country types.

	A	L	C
Type 1: Trapped	6.56 (+)	6.42 (+)	6.14 (+)
Mean (A>L>C)	1.21	0.59	0.43
Standard deviation (A>L>C)			
Type 2: Exit	5.45 (-)	5.58 (-)	5.82 (+)
Mean (A<L<C)	0.97	0.75	0.64
Standard deviation (A>L>C)			
Type 3: In/out	5.34 (+)	5.79 (+)	6.03 (+)
Mean (A<L<C)	0.97	0.75	0.63
Standard deviation (A>L>C)			

Note: '+' means deteriorating; '-' means improving.

Source: Authors' calculations based on countries from Table 1.

comparison in order to determine whether the findings from these three cases hold true more generally.<sup>17</sup> We will refine the initial insights regarding transitions and sequencing through an even greater sample of cases and subsequent data analysis in future studies.<sup>18</sup>

Specifically, we examine Yemen (Type 1), Bangladesh (Type 2) and Laos (Type 3) as exemplars of each particular type of state identified in Table 1. Because of the small sample size from which the cases are being selected, random selection is an inappropriate technique.<sup>19</sup> We use instead, a 'typical-case approach'.<sup>20</sup> This methodology is based on the idea that the case selected is representative of the broader set of cases within the given category, and is used to identify and explain causal mechanisms as evidence for or against a given theory to be tested using a large sample.<sup>21</sup>

Yemen represents an ideal case of a country stuck in fragility for a significant time with periodic bouts of conflict; it has not been subject to discrete international intervention, and it sits at the 'middle of the pack' statistically when compared to the other candidate countries in its category. Bangladesh has seen positive transformation through effective leadership choices and the allocation of international aid, despite being a relatively young and vulnerable state. Laos moves in and out of extreme fragility numerous times over the period examined.

## Analysis of cases

### *Type 1: Yemen*

Yemen's fragility trajectory has been almost uniformly negative for the entire period of study (1990–2012),<sup>22</sup> even deteriorating recently with the collapse of the government in 2015. This pattern is led by volatility in authority, characterised by significant divisions between regional and tribal identities, divisions that former President Abdullah Saleh aggravated by favouring northerners for political posts and oil revenue sharing. Legitimacy appears to have followed authority in deteriorating over time, suggesting a relationship between the two. There were modest improvements in capacity, thanks mainly to oil revenues, but these were not enough to overcome the significant deteriorations in authority and legitimacy (Figure 1). A more focused analysis of A, L, and C within the

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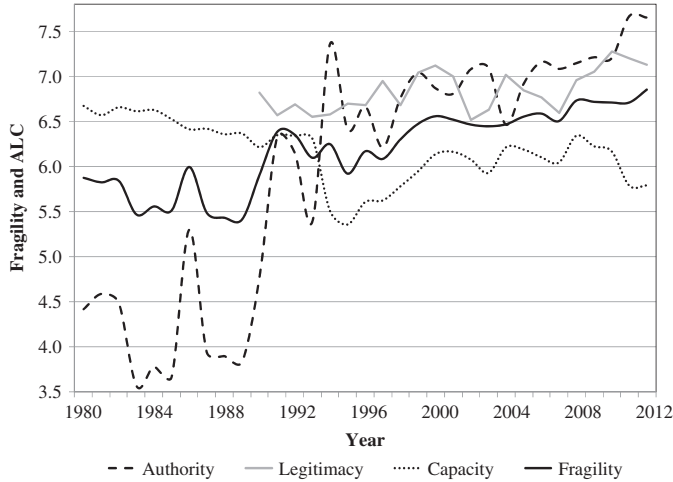


Figure 1. Yemen, fragility and ALC, 1980–2012.

six clusters (governance, economic development, security and crime, human development, demography, and environment) identifies authority as the primary driver, which then creates a feedback loop where legitimacy deteriorates and capacity is limited as a result.

The security and crime cluster is the most volatile of the six clusters, given Yemen’s history of conflict since 1994. This is evident in the consistently high terrorism indicators, as well as extremely high military expenditures. Civil war erupted immediately after unification, while secessionist movements have plagued the country ever since. Significant armed conflict and crime have been almost ever-present and have continued to grow as separatist movements and Islamist groups increased their ties in the region. As a result, the state has never been perceived (across the country) as being the only legitimate source of security. The increasing northern ‘colonisation’ of the south after the 1994 conflict has exacerbated these tensions. Support for, and security assistance from, the USA has compromised further the legitimacy of the security forces in the eyes of many Yemenis.<sup>23</sup>

Governance scores remained consistently poor and worsened under Saleh’s rule. Authority in this sector has been consistently weak, as demonstrated by the consistent deterioration in government effectiveness and poor rule of law scores. Yemenis by and large have been, and continue to be, more loyal to their kinship, tribal and regional identities than to the state, and have thus often refused to recognise the authority of the government.<sup>24</sup> To compensate for instability, Saleh built a patronage regime, funded by oil wealth; many of those who recognised his rule did so because they were attached to this system. Authority challenges are also linked to a decline in legitimacy indicators. Level of democracy, in particular, declines over the entire period.

Although Yemen’s constitution provided for pluralist democratic institutions, in reality power was held by Saleh and his allies.<sup>25</sup> Indeed, voice and accountability in decision-making scores deteriorated significantly over the period. The patronage system was expensive to maintain, and cleavages in Yemeni society

(familial, tribal, regional affiliations, etc) made it even more so. Saleh had to increasingly rely on repression, reducing his legitimacy. This can be seen in the correlation between improvements in permanence of regime type scores and generally stagnant or deteriorating restrictions on civil liberties and political rights scores.

The economic situation in Yemen has been poor, with very little improvement. Tax evasion is rampant in the country (taxes account for only 7.3% of the country's GDP).<sup>26</sup> The government compensated by raising corporate tax rates, encouraging corporate actors to participate in the corruption network. Poor regulatory quality and paying taxes indicators are evidence of this. Capacity problems also plague the economy. Proximate indicators such as reserve holdings, trade balance and trade openness fluctuated wildly over the period of study, indicating sensitivity to shocks. The government has relied on oil exports to prop up the economy but this does not offer many prospects for Yemen's large, low-skilled labour force. Unemployment in particular has steadily deteriorated. Legitimacy is weak because the majority of the economic benefits in Yemen are redistributed among corrupt patronage networks. There is very little economic activity outside of this (with the exception of qat farming). Government management of the economy is seen as mostly illegitimate.

The human development cluster has shown little or no improvement. As a result of its challenges in projecting authority, Yemen has been unable to provide basic support for human development. Many services are locally provided, especially by Islamist organisations. Lack of country control has impeded service delivery. Poor infrastructure indicators and a continued underfunding of health and education are important. A significant amount of education comes through religious institutions, with variable standards.<sup>27</sup> All education completion indicators remain poor, with no long term improvement. Again, the competing nature of service provision by non-state actors (including Islamist groups and tribal militants) reduces the legitimacy of government service provision. While capacity is the primary driver of fragility in this cluster, the problems associated with it are a result of the inability of the government to project its authority over the country.

The demography indicators for Yemen have been poor for the period of study, and are getting worse. In authority terms, the government has been unable to ease demographic and population pressures through policy. There are few opportunities for the growing Yemeni youth population, because of the continued reliance by the government on oil revenues. Yemen has experienced rapid population growth, as well as a growing youth bulge.<sup>28</sup> Furthermore, life expectancy (62 for males and 67 for females) has barely improved. Increasing population pressures further reduce the legitimacy of the government. The demography sequencing is similar to the human development one, in that poor capacity is the main driver but is largely the result of the inability of the government to project its authority through effective policy.

Yemen's environmental indicators are the most positive, but this is thanks to low economic activity, not deliberate policy. Key environmental problems continue to remain unaddressed and are symptomatic of weak authority. Water management remains the most pressing environmental issue in Yemen but there has been little action on it. Fearful of closing one of the few economic 'safety

valves' for Yemenis, the government has not cracked down on qat production, which is extremely water-intensive.<sup>29</sup> Water (and air) quality are also further affected by loose pollution regulation of the oil and gas sector. This reluctance to address environmental issues has had an impact on the capacity and legitimacy aspects of this cluster as well. Capacity indicators such as arable land availability and forest area have neither improved nor deteriorated, suggesting a relative absence of government policy.

The cluster analysis above identifies authority as the primary driver of fragility in Yemen. Two (security and crime, and governance) of the six clusters showed a clear authority–legitimacy linkage, two (economic development and environment) gave primacy to authority, and the remaining two (human development and demography) indicated an authority–capacity feedback loop as the primary driver. Thus, the continuing volatility in authority has both prevented meaningful improvements in capacity and is also tied to a decline in legitimacy. The sequence for Yemen, then, is: A, L, with C operating independently to some extent. This suggests that the entry point for engagement should primarily be aimed at Yemen's authority structures, but that a dual improvement in capacity may also be required.

### *Type 2: Bangladesh*

Bangladesh's fragility scores have improved over the past three decades and it has exited the top 40 rankings in recent years. Not only did authority scores improve, we can also see a decline in volatility over time. Compared with Yemen, there seems to be less dependence between authority and legitimacy. While legitimacy deteriorated, improved capacity together with authority allowed the country to improve its fragility scores (Figure 2).

The security and crime cluster is the most volatile. Bangladesh has had a tumultuous history of political violence – usually surrounding transitions of

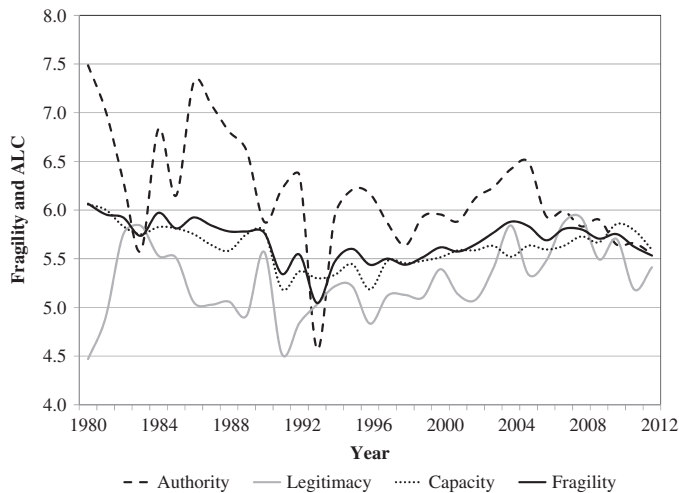


Figure 2. Bangladesh, fragility and ALC, 1980–2012.

political power. Henry Kissinger famously termed the country a ‘basket case’ and, while in terms of development it appears to be improving, political violence has continued to plague it over the past three decades.<sup>30</sup> National strikes and other forms of dissent have been the rule rather than the exception. From 1975 to 1990 the country was under military rule, whereas after 1991 a democratic system was brought into place.<sup>31</sup> In parliament, power has swung back and forth repeatedly between the Awami League and the Bangladesh National Party during highly contested elections. These problems continue to arise in the present day and represent mainly a challenge to authority.

Numerous contested elections, along with rioting, voter intimidation and terrorist activity have all played a role in driving the country’s precarious security situation. Politically motivated terrorist attacks plagued Bangladesh throughout the 1990s and 2000s, the worst of which occurred in 2005 as over 500 bombs exploded across virtually all areas of the country simultaneously.<sup>32</sup> Overall incidents of terrorism reached a peak in 1996 (more than 150 incidents) and have since dropped to a much lower level (fluctuating between 10 and 30 incidents per year). In terms of military spending Bangladesh has remained relatively constant, staying at between 1% and 1.5% of GDP during the 1990s and 2000s. Spending peaked in 2012 but looks to be on the decline for 2013.<sup>33</sup> The sequencing pattern here is driven first by authority and legitimacy, as the bitter political rivalries impede the government’s ability to enforce the law, while perceptions of the ruling party as illegitimate undermine credibility.

The governance cluster hit a low in the 1980s, improved during the 1990s but began to worsen in the past decade. Extremely partisan politics – wherein citizens are more loyal to their own political party than to the state as a whole – have led to crises in government effectiveness and the rule of law, as evidenced by the poor scores in both areas. Stronger and more ingrained checks and balances within government institutions are slowly but surely beginning to reverse the trend. Fortunately, there is a growing sense of Bangladeshi identity that needs to be cultivated in order to improve the effectiveness of parliament and the institutions required to enforce laws and norms.<sup>34</sup> Here legitimacy is the primary driver of instability, leading to problems with authority downstream.

Turning now to the economic situation, it is interesting to note Bangladesh’s unique standing among other countries which have escaped extreme fragility: it has managed to do so despite not having a distinct inflection point occur, such as the end of a civil war. After gaining independence in 1971 Bangladesh quickly developed its burgeoning textile and garment industries, a decision which helped to propel the country’s economic growth.<sup>35</sup> The country’s economic performance has been impressive, particularly over the past decade, which saw an average annual growth rate of nearly 6%.<sup>36</sup> The government taxation regime has also continued to advance, taking in 8.1% of GDP in 2004 and rising to 10% by 2011. Finally, unemployment has remained steady, hovering between 4% and 5%.<sup>37</sup> One of the key lessons emerging from this case is that economic development can act as a driving force for greater stability.<sup>38</sup> This finding is perhaps the most important, in that we see capacity improvements leading the overall decrease in fragility, with authority and legitimacy following behind in sequence.

Bangladesh is a unique case where export growth (especially in the textile and garment sectors) and increases in remittance flows have driven the country's impressive economic performance, enabling improvement in development indicators. Human development showed a marked improvement in the early 1990s but has worsened in recent years. About one-third of people live in 'extreme poverty' and more than half live below the World Bank's poverty line.<sup>39</sup> Unfortunately Bangladesh scored poorly in the areas of infant mortality, life expectancy, education, income, access to sanitation and gender equality throughout this period. On the other hand, it has a low rate of HIV infection and also does reasonably well on food security issues. While these issues are closely related to capacity, from the data it does not appear that the human development cluster had a major impact on the transition observed; this is most probably because of the overshadowing by other capacity indicators represented in the economic cluster.

While the demography cluster demonstrated a slight improvement from 1990 to 2012, with a population of over 162 million people in an area just slightly larger than that of England, Bangladesh faces extreme population pressures.<sup>40</sup> The exponential nature of population growth means that the country is going to face pressures in terms of unemployment and competition for resources. Human capital is one of the country's key assets, creating a dilemma for policy makers. While cheap labour has driven the country forward economically, in coming years these pressures may create more problems, leading to worsening capacity. The country is extremely diverse yet luckily religious and ethnic tensions do not seem to play a major role in terms of being a flashpoint for conflict. This may be as a result of the patriotism that came from splitting from Pakistan and becoming independent.

Bangladesh is located within an ecologically unstable but highly fertile region. The country scores relatively well on consumption levels, energy usage and pollution. Conversely, when it comes to availability of arable land and forest area, Bangladesh has troublingly negative scores and the trend line is continuing to worsen. Indeed, about 95% of the natural forests and 50% of freshwater wetlands are already lost or degraded.<sup>41</sup> Agricultural activities have been a major driver of this depletion, as high use of fertilisers, increased pollution and the contamination of groundwater have all occurred. An extremely small proportion of the forest is protected by law (1.4%) and a great deal of species of wildlife and fish have been driven to extinction in the past several decades.<sup>42</sup> Bangladesh is extremely vulnerable to the effects of climate change, as rising sea levels threaten a massive proportion of its viable landmass. High population density and rapid development mean that environmental concerns may very well come to play a larger part in Bangladesh's fragility over time. In terms of sequencing trends, the environmental cluster has continually worsened and may eventually reach a breaking point.

On the whole, Bangladesh's ALC sequencing pattern has been mainly driven by upswings and downswings in authority. Legitimacy has also been somewhat volatile but not nearly to the same extent. Capacity has remained generally stable and has shown modest improvement over time. While the situation is still far from perfect, the level of political violence has decreased gradually over the decades. Coupled with the improvements in capacity the country is on a path



out of fragility. It is becoming less reliant on foreign aid and more reliant on international remittances.<sup>43</sup> Indeed, the latter reached US\$14 billion (more than 10% of GDP) in 2012. Perhaps as impressive is the fact that remittances have been six to eight times higher than aid flows to the country in the past several years.

In the sequencing pattern for Bangladesh three of the clusters examined were driven by changes in authority (security and crime, demography and population, and environment). Both the human development and economic development clusters were directed by changes in capacity, while the governance cluster gave primacy to legitimacy. Hence the sequencing pattern for Bangladesh is mainly dependent on shifts in authority first, with capacity improvements bolstering both authority and legitimacy over time. Although legitimacy only takes the lead in one cluster, it is nevertheless critical to the successful stabilisation of Bangladesh because of the political turmoil that the country has consistently faced. Strategies for engagement should focus on authority first, and legitimacy second. Capacity is improving steadily without external interference and does not require significant intervention.

### *Type 3: Laos*

The picture of Laos's stability from 1980 to 2012<sup>44</sup> is of a country that continually 'exits' fragility (Top 40), only to re-enter it further down the road. While certain shocks are responsible for temporary increases in fragility, there are structural factors which limit the ability of Laos to capitalise on recoveries and translate these into longer-term stability. Authority changed significantly over the period, while legitimacy and capacity did not deteriorate by much when authority scores did, nor did they improve significantly when authority scores recovered (Figure 3). A more focused analysis of A, L, and C within the six clusters identifies authority and capacity as the primary (and self-reinforcing) drivers, with legitimacy playing a secondary role.

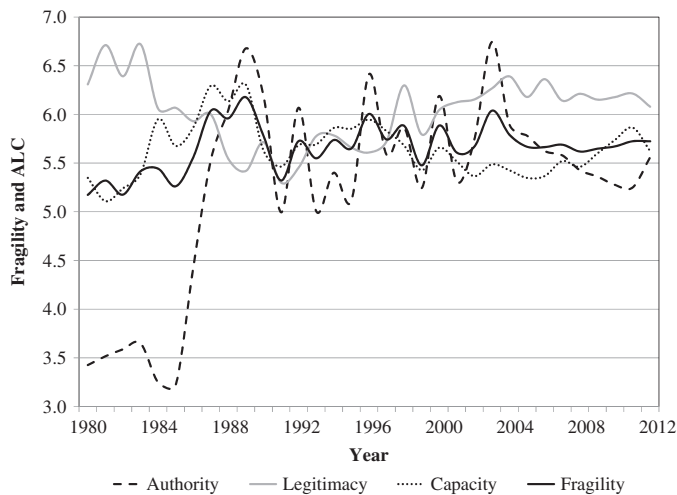


Figure 3. Laos, fragility and ALC, 1980–2012.



The fragility trend line for the security and crime cluster is by far the most erratic. Terrorism indicators, and to a lesser extent conflict indicators, have led the changes, mostly as a result of clashes with insurgent (royalist and Hmong<sup>45</sup>) groups and bombings by political factions. The majority of the country has been under Lao People's Revolutionary Party (LPRP) control since 1975, with the exception of isolated northern areas and the border with Thailand. Since the withdrawal of Vietnamese troops (who often provided assistance to the LPRP), the Laotian military has gradually increased its control over the country.<sup>46</sup> On the legitimacy side there have been little to no changes to increase the protection of vulnerable populations and human rights in general. Empowerment remains low, and physical human rights are generally only respected when the populations are not considered a security threat. The formal justice system in Laos remains heavily corrupt.<sup>47</sup> In sequencing terms the security and crime cluster is primarily authority-driven. Authority has generally been fairly volatile, which has precluded improvements in capacity.

The governance cluster remained relatively stagnant throughout the period. This is understandable given that the same regime has been in power and relatively unchallenged for the entire period, and can be seen in the steady improvement in permanence of regime type scores. The LPRP has historically found itself almost continually challenged in enforcing decisions and policies outside of Vientiane, especially in the remote north and the border regions with Thailand. There have been controlled elections, such as in 1988, but these have not led to greater democratic participation. Both civil society and the media remain state-controlled. The sequencing in the governance cluster, then, is that continuing volatility in authority prevents meaningful improvements in capacity and legitimacy.

The economic development cluster trend follows the overall fragility trend closely, with major departures appearing at expected moments: spikes in fragility occur from 1987 to 1989, during a period of droughts and border clashes (and resulting trade decreases) with Thailand, and from 1996 to 1998, during floods and the Asian financial crisis. While scores generally recover, they do not show significant improvement thereafter, which indicates capacity problems. Ineffective government regulation of the economy was revealed during the Asian financial crisis, with the central bank being unable to operate financial levers independently to mitigate the impact on Laos.<sup>48</sup> The state was interventionist in the early years of LPRP rule, but quickly moved towards market-based policies as a result of internal resistance. The economic development cluster is thus mainly capacity-driven. A continual failure to improve government capacity to manage the economy leaves it vulnerable to exogenous and endogenous shocks, especially those resulting from authority challenges. Furthermore, the massive scale of corruption both limits legitimacy and encourages the development of an informal economy.<sup>49</sup>

The human development cluster is one of the most consistent clusters, with very little deviation from its high trend line. Laos remains an aid-dependent nation and relies on many NGOs and Intergovernmental Organizations (IGOs) to assist in human development-related projects. Human development services have generally been located in Vientiane and some other major urban centres. The state has the capacity to target specific initiatives, such as maternal and neonatal health, and primary school enrolment, but continues to underfund both

the health and education sectors.<sup>50</sup> Additionally, Laos lacks skilled personnel from both fields, especially in rural areas. The continuing urban–rural divide in the delivery of services further hampers legitimacy. Authority challenges to the government have limited its capacity to provide basic services outside the capital, forcing it to rely on NGOs and IGOs and aid donors. This creates a feedback loop in which authority challenges limit capacity improvements, which further increase vulnerability to authority challenges.

The demography cluster trend is, like the human development cluster, quite stagnant, generally hovering between 6.0 and 6.5 for the period. The fact that it is consistently higher than the overall fragility trend is a testament to the continuing structural demographic issues Laos has faced since 1980. Incremental increases in health care effectiveness have helped improve life expectancies, although Laos still lags behind the regional and world average.<sup>51</sup> The low capacity in the delivery of services and programmes related to demography and population is a product of the wider ineffectiveness of the government to project its authority.<sup>52</sup> Like human development, authority challenges to the government have limited its ability to provide demography-related services outside the capital, forcing it to rely on NGOs and IGOs.

The environment cluster data are consistently below the overall fragility line. This is because of poor economic development. Policy and policy implementation in the environmental sector remain weak and symptomatic of authority issues. The government has taken great strides to reduce slash and burn agriculture, which increases soil degradation and erosion, as well as vulnerability to natural disasters; however, farmers continue to resist such efforts. It has also tried to limit poaching and logging by establishing protected zones, but these efforts have been undermined by the active collusion of officials in such activities.<sup>53</sup> The benefits of the resource extraction industry go to the few well-connected officials, while the general population bears the environmental costs.<sup>54</sup> In the environment cluster capacity and authority operate in a self-reinforcing loop of instability; weakness in each one prevents meaningful improvement in the other. Legitimacy suffers as a result.

The cluster analysis above identifies authority as a proximate cause of fragility, with capacity as a structural cause, in a sort of self-reinforcing feedback loop. Three of the six clusters showed a clear authority–capacity feedback loop, two gave primacy to authority and one was driven by capacity. In all six clusters legitimacy came last, and sometimes acted independently of authority and capacity. The sequence for Laos, then, is: A/C, followed by L. This suggests that the entry point for engagement should be dually focused on improving authority *and* capacity, with a secondary focus on legitimacy improvement.

## Conclusion

In this article we have tried to answer the question of why certain countries are perpetually stuck in a fragility trap, while others are able to exit to a reasonable degree. To further nuance our analysis, we also considered a third category of countries which have moved ‘in and out’ of extreme fragility. By disaggregating fragility into the discrete categories of authority, legitimacy and capacity we have been able to examine the sequencing of each type of transition across the three categories. The cases examined in this article provide a starting point for theory

development in regard to which clusters tend to lead to overall improvement, a ‘trap’; or ‘in and out’ behaviour. Some important patterns have been identified.

For those mired at the bottom, like Yemen, we showed that challenges to authority have been the primary factor keeping it trapped in extreme fragility. This result suggests that focusing first on interventions that bolster authority structures are the best strategy for moving these states along the path to stability. We know that, at least intuitively, authority challenges do not simply arise out of thin air. They are based on perceived injustices and legitimate grievances and arise in many cases as a result of a misdistribution of resources.

For countries that exit fragility, like Bangladesh, lifting their population out of poverty is a way to improve the legitimacy of the state. International development agencies could help these ‘exited’ countries’ economic capabilities and competitiveness as a way to strengthen legitimacy and authority. At the same time, while Khan notes that ‘developmental rent allocations succeeded in creating new sectors such as garment and textiles in Bangladesh’, it is also important to recognise that attempts to improve governance through aid have been less successful.<sup>55</sup> This juxtaposition illustrates the complexity that arises when examining the effects of foreign aid on fragility. Clearly it may have a positive effect, yet at the same time it is not a ‘magic bullet’ to be relied on – many other factors account for improvements in governance and institutions as well.

For countries in and out of fragility, such as Laos, we have shown that both authority and capacity were critical in helping propel the country out of the bottom 40, while legitimacy was not as important. In this case a two-pronged donor policy focusing on both may be the most appropriate strategy for long-term engagement. Overall we have illustrated how, for different fragility transitions, different strategies must be employed in terms of both the nature and timing of interventions. Certainly more research is needed before we can state that our findings here are conclusive. Local context will always matter immensely and each country situation is unique.

These results tend to support the idea that, in the most extreme cases of fragility, operational responses that focus on reinforcing, stabilising and strengthening authority structures are well placed. Second, in situations where fragility is not extreme, strategic timing will be more crucial for particular performance clusters because of the positive feedbacks that they create for other weak areas. Alignment with local priorities, coordination among international actors, acting fast but staying engaged for a long period of time, and avoiding pockets of exclusion, as recommended by the OECD,<sup>56</sup> are all sensible in theory.

All of this speaks to two concluding observations. First, it is time to move beyond such exclusive definitions and understandings of fragility defined by the presence of large-scale violence. A second observation focuses on the need for closer and better monitoring of specific countries whose negative trends might be reversed through strategically timed and fairly narrow interventions. Knowing precisely the trajectory a state is on will help in determining the kinds of programmes that are likely to be effective under specific conditions. The exact timing process will depend on a variety of contextual factors, from the complexity of the fragile state in question and its trajectory, to the number of actors involved in the potential engagement, to the operational structure and culture of the lead departments and agencies.

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## Notes

1. Rotberg, *When States Fail*; Starr, *Dealing with Failed States*; Ghani and Lockhart, *Fixing Failed States*; and Lemay-Hébert and Mathieu, “The OECD’s Discourse on Fragile States.”
2. Carment et al., “State Failure”; and Brinkerhoff, “State Failure and Fragility.”
3. Carment, “Assessing State Failure.”
4. The methodology, data and indicator descriptions and results from research can be found at [www.carleton.ca/cifp](http://www.carleton.ca/cifp). Data for the period 1980–2012 were used.
5. Goldstone, “Pathways to State Failure”; and Bates, “The Logic of State Failure.”
6. Marshall and Cole, *Global Report 2014*.
7. Naude et al., *Fragile States*.
8. Cordell and Wolff, *Routledge Handbook of Ethnic Conflict*; and Newman and DeRouen, *Routledge Handbook of Civil Wars*.
9. For our purposes the term ‘sequencing’ means the order in which authority, legitimacy and capacity change over time. Timing, on the other hand, refers to the engagement by a third party (a donor or intervening force for example) to respond to these changes. Strategic timing is therefore a response to a sequence of changes within a fragile state, in which a decision is made to allocate resources with the full understanding of the consequences of that resource allocation.
10. Consider, for example, Brinkerhoff, “State Fragility and Failure”; Marshall and Cole, *Global Report 2014*; and Van de Walle, “The Economic Correlates of State Failure” for approaches similar to ours, in that they focus on first causes. On the other hand, works such as Kasfir, “Domestic Anarchy”; and Klare, “The Deadly Connection,” with their focus on armed conflict, state predation and anarchy, are representative of studies in the literature that we think provide analyses of symptoms that are a function of a larger set of underlying structural problems.
11. For a description of the methodology, see Carment et al., *Security, Development, and the Fragile State*. Following consultations with a panel of experts, CIFP decided at the outset to classify each of its indicators into one of the A, L or C clusters
12. Naude et al., *Fragile States*, 5. See also Carment et al., “Fragile States and Aid Effectiveness.”
13. For details, see Carment et al., *Security, Development, and the Fragile State*.
14. Stewart and Brown, “State Fragility.” See also Balianoune-Lutz and McGillivray, “State Fragility.”

15. See, for example, Balamoune-Lutz and McGillivray's critical exposé of the CPIA rankings used by the World Bank. Balamoune-Lutz and McGillivray, "State Fragility."
16. Eisenhardt, "Building Theories from Case Study Research."
17. Ibid.
18. See Tikuisis et al., "Typology of State Types," for a similar treatment of the data.
19. Seawright and Gerring, "Case Selection Techniques."
20. Gerring, *Case Study Research*, 91.
21. Seawright and Gerring, "Case Selection Techniques."
22. In the case of Yemen the data for legitimacy are only available from 1990 onwards.
23. Katz, "Yemen," 1–3. See also Boucek, *Terrorism out of Yemen*.
24. Bertelsmann, *BTI 2012: Yemen Country Report*, 6.
25. Ibid., 3–5.
26. Phillips, *Yemen and the Politics of Permanent Crisis*, 62.
27. Mitchell, "What the Social Sciences can tell Policy-makers."
28. "Analysis."
29. Heffez, "How Yemen chewed itself Dry."
30. Khan, "Aid and Governance in Vulnerable States."
31. Van Schendel, *A History of Bangladesh*.
32. Ibid.
33. World Bank, *World Development Indicators*.
34. Zafarullah and Rahman, "The Impaired State."
35. Ahmed, "Sustaining Ready-made Garment Exports."
36. World Bank, *World Development Indicators*.
37. Ibid.
38. Khan, "Aid and Governance in Vulnerable States."
39. World Bank, *World Development Indicators*.
40. Streatfield and Karar, "Population Challenges for Bangladesh."
41. Aminuzzaman, "Environment Policy of Bangladesh."
42. Ibid.
43. Maimbo and Ratha, *Remittances*, 125.
44. Because of a lack of data, the analysis for Laos stops in 2009.
45. The Hmong are an ethnic group concentrated in the north of Laos who have fielded groups to fight Communist forces in the country since the early 1960s. These groups were supplied and supported by the USA during the Vietnam war, but since the American retreat have become weaker, with most militants having surrendered by 2006. Royalist insurgents are referred to here as non-Hmong groups within Laos that have sought to resist the LPRP in favour of some form of return of the Royal Lao Government (RLG), which was ousted by the LPRP in 1975.
46. Rosser, "Lao People's Democratic Republic."
47. Bertelsmann, *BTI 2012: Laos Country Report*, 10.
48. St. John, "The Political Economy of Laos."
49. Stuart-Fox, "The Political Culture of Corruption."
50. WHO, *Health Service Delivery Profile*.
51. World Bank, "Life Expectancy at Birth."
52. Bertelsmann, *BTI 2012: Laos Country Report*, 6–7.
53. Roder, "Slash-and-burn Rice Systems."
54. Stuart-Fox, "The Political Culture of Corruption."
55. Khan, "Aid and Governance in Vulnerable States."
56. OECD, *Principles for Good International Engagement*.

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# Aid and state transition in Ghana and South Korea

Jiyoung Kim

This paper examines the questions of why and how foreign assistance was utilised successfully in South Korea but less so in Ghana, with a focus on the role of aid in the process of state building and state transition in these two countries. As multiple policy makers and scholars have noted, in 1957 South Korea and Ghana shared similar levels of GDP per capita, yet South Korea then achieved rapid economic development and democracy in one generation, while Ghana suffered from slow development and a general deterioration of the standard of living. In this study I adopt a comparative historical research method to explain the divergent paths of these two countries, with a special focus on the impact of foreign assistance on state transitions. I argue that contextual factors – including the effect of the colonial legacy in each of these two regions in shaping modern states, and the specific characteristics of foreign assistance intervention – provide useful insights in explaining the differential impact of aid on state building and state transition in Ghana and in South Korea.

## Introduction

This paper deals with the questions of why and how foreign assistance was utilised successfully in South Korea but less so in Ghana, with a focus on the role of aid in the process of state building and state transition in these two countries. While not obvious cases for structured comparison, the sharply contrasting development records of the two countries has motivated scholars as well as policy makers to search for plausible explanations.<sup>1</sup> The paper builds on and critically assesses this comparison using a comparative historical approach.

At independence in 1957 Ghana – with a robust peasant economy, a prosperous middle class and a relatively sound economic and social infrastructure – was widely recognised as a model case to lead African development. However, it was not long before the country began to experience a series of economic

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troubles and political chaos, including military coups. Today Ghana is an aid-dependent nation and one of the World Bank's heavily indebted poor countries (HIPC). South Korea, on the other hand, which had about the same annual per capita GDP as Ghana in 1957, achieved transformation from being one of the poorest and most aid-dependent countries to becoming the 13th largest economy in the world, with a trade volume of over US\$1 trillion per year. In addition, in joining the Development Assistance Committee (DAC) of the Organisation of Economic Co-operation and Development (OECD) in 2010, South Korea became the first member of OECD DAC with a long previous history as an aid recipient.

Recognising that the state in South Korea played a critical role in achieving economic development by taking the lead within the private sector and becoming remarkably successful in developing and implementing various policies and plans, while the Ghanaian state still has a long way to go before it can become a fully effective developmental state, in this article I deal with the following questions. Why was South Korea able to succeed in establishing a developmental state while Ghana struggled? Has foreign aid facilitated or hampered state transition? Was aid necessary to the transition, or did South Korea create a developmental state in spite of aid? I argue that factors such as the effects of colonial legacies, international contexts (including the cold war environment that produced strong US support for South Korea) and differences in aid the policy regime – for instance, South Korea received much bilateral aid from the USA in grants, while much of Ghana's aid came through multilateral institutions with conditionality – provide some useful insights to explain aid's different impact on state building and state transition in these two countries.

### **The colonial legacy to Ghana's and South Korea's modern state**

The colonial experience left long-lasting impacts on the institution-building processes in both Ghana and South Korea following independence in 1957 and 1945, respectively. In what follows, I examine the nature of the state and politics inherited by the two countries from their colonial past.

#### ***Ghana***

Ghanaian politics during most of the post-independence era can be characterised as the zero-sum nature of power relations, the personalisation of politics, corruption, inefficiency and mismanagement.<sup>2</sup> Indeed, as many have pointed out, the absence of a modern state has been at the centre of Africa's sluggish development, and the origins of such a problematic, ineffective state go back to the pre-colonial as well as the colonial period. Ghana is no exception.

Even though there were numerous small states in the region as early as the 12th century,<sup>3</sup> it was not until the development of the Asante Empire in the 18th century that a powerful, centralised state came into being in Ghana.<sup>4</sup> However, over time the empire became too large and suffered from a weak structure, namely limited capability in controlling provincial regions.<sup>5</sup> The fragile nature of the state structure, in conjunction with the incompetence of the Asante kings and the advancement of the British, led to the collapse of the empire.<sup>6</sup> The colonisation of

Ghana began with trade between the people of Ghana (then known as the Gold Coast) and the Europeans, and, after centuries of trade with the Africans, the Portuguese in 1491 began to build the first European settlement in the region.<sup>7</sup> Gradually the British replaced the Portuguese and other Europeans in the region and by the mid-1840s Britain had established the governing power in Ghana either by co-opting the local chiefs or through military conquest. The Asante fought the British tenaciously but, after their defeat in the Yaa Asantewaa war in 1900, the Asante kingdom was completely decimated.<sup>8</sup>

The effect of colonialism on the formation of the Ghanaian state was no different from that in other former British colonies. With no serious attempts to introduce modern institutions, the colonial state was largely exploitative, repressive, discriminatory and highly authoritarian. The British colonial era did little to introduce a modern state in Ghana; instead the main goal of the colonial state was to exploit the natural resources of the colonies and to expand markets for the industrial goods produced by the Western powers. In addition, the British colonial state was largely isolated from African society, worked mainly to support its own interests, and frequently relied on repression as the governing mechanism. For instance, the colonial power actively developed the mining industry, but Ghanaians were completely excluded, as foreign (expatriate) mining companies dominated the industry, a practice that largely continued throughout the post-independence period. Indeed, the neglect of industrialisation, over-dependence on the cocoa crop and the dominance of expatriates in sectors such as mining, banking and foreign trade characterised the Ghanaian economic structure during the colonial era.

Further, in adopting indirect rule, the British did not disregard Ghana's traditional rulers; instead they recognised to some degree their power over the people and land, thus contributing to the problem of dual sovereignty. Instead of removing the traditional ruling system by introducing a modern state and political system, they allowed traditional politics to coexist with the colonial state. As a result, after independence many Ghanaians were torn between their role as a member of the new state or as a member of an ethnic group with roots predating the colonial era.<sup>9</sup> Ghanaian leaders of the post-independence era further failed to carry out political reform to construct a more effective state sector with a more developmental orientation. Foreign aid in Ghana, as is explained later, failed to bring about – or to some extent delayed – the needed political reform.

### ***South Korea***

Many attempts have been made to explain the miraculous growth of South Korea and that of the other Asian tigers, or 'the four little dragons'.<sup>10</sup> Most studies have highlighted the effective role of the state in guiding or leading the economy in South Korea. However, many of the studies have limitations in explaining the historical origins of the South Korean 'developmental state'.<sup>11</sup> In what follows we trace the development of a modern state in South Korea, focusing on the legacy of Japanese colonial rule.

Unlike many newly independent countries in Africa, South Korea (and indeed Korea as a whole) has a long history as a unified nation-state that goes back at least to the 10th century, to the Goryeo period (918–1392). Thus, before

Japanese occupation a centralised state institution had ruled the peninsula for roughly a millennium with considerable international independence. In addition, unlike Ghana and other African countries with diverse ethnic groups, Korean society is predominantly composed of a single ethnic group, contributing to a high level of nationalism and social stability.<sup>12</sup> During the Chosun era (1392–1910), the last kingdom before the advance of the Japanese in 1910, the Korean political system was monarchical and patrimonial in nature, characterised by a highly inflexible, classified social system with slaves at the lowest social stratum. It was primarily the Japanese who introduced the modern state to Korea – against the will of the Korean people, of course – and replaced the traditional monarchical state with a modern, cabinet-style government. Obviously the colonial government was ruled by the Japanese. In particular, the governor-general, usually a military officer, headed the colonial state and held almost absolute power and authority, and the state was highly repressive and centralised. However, comparative analysis suggests that the experience of Japanese colonialism in Korea was fundamentally different from that of British colonialism in Ghana. While the British were rather inattentive to the ‘modernisation’ in Ghana and strongly maintained a policy of segregation, the Japanese tried to build a little Tokyo in Seoul, implementing a series of modernisation projects based on their own domestic experiences. These included the construction of modern infrastructure such as roads and railways, and the provision of universal education to Koreans, especially at the primary level. Although this modernisation was largely intended to consolidate Japanese rule in Korea and involved attempts to eradicate local culture and turn Koreans into Japanese, Japanese rule nevertheless contributed to building Korea’s modern infrastructure.

In particular, the Japanese introduced an effective, disciplined government bureaucracy in the country. Even though Korea had a long tradition of government bureaucracy and a civil service examination system, these, according to Kohli, were far from effective and modern bureaucracy became institutionalised in Korea only because of Japanese rule.<sup>13</sup> A significant number of Koreans was trained and employed by the Japanese colonial government and, although most Korean officials worked at lower government levels, many moved up the bureaucratic hierarchy over time. That said, it would be problematic to conclude that the South Korean developmental state was solely (or even mainly) attributable to Japanese rule. As explained below, it was the internal dynamics of South Korean politics, especially the leadership of Park Chung Hee, which induced the emergence of an effective developmental state. We have thus far highlighted the differences in the nature and capacity of the newly independent Ghanaian and South Korean states as one key contextual factor that may promote a better understanding of the effect of aid on politics and states in these countries.

### **The politics of foreign assistance in Ghana and South Korea**

As articulated by Leftwich, development is an ‘inescapably political’ process that requires the central role of the state.<sup>14</sup> Foreign aid should also be understood as a political process, because aid packages, especially structural adjustment loans, often inevitably involve profound changes in the use,

production and distribution of resources or, in other words, the *politics* of recipient countries.

Many scholars have further highlighted the importance of an ‘effective state’ in achieving growth and development as well as aid success. In general the state is responsible for making and implementing policies to achieve growth, and often the capacity and commitment of the state in devising and enforcing these policies are critical to the pace and extent of development in a country. How, then, can state effectiveness be achieved in its absence? In what ways does foreign aid help or hinder state reform? In what follows, through a comparative case study of Ghana and South Korea, we discuss the impact of aid on domestic politics and state transformation.

### *Ghana*

Suggesting that the combination of rent seeking, low state capacity and the dominance of ideology (rather than economic efficiency) in the process of economic policy making largely explains the poor performance of African economies, Van de Walle defined African politics as characterised by neo-patrimonial regimes.<sup>15</sup> According to this author, African neo-patrimonial regimes involve clientelism, access to state resources, the centralisation of power and hybrid regimes (meaning that neo-patrimonial states coexist with the formal trappings of the modern state). Ghanaian politics largely embodies these characteristics of neo-patrimonial regimes and, from the early years of Nkrumah government (1957–66), a state-oriented patronage leadership network has been the key characteristic of its politics. As the structural weakness of the state became evident with access to the state and resources blocked, the people began to search for an alternate route, namely personal ties with patrons. According to Chazan, the development of patrimonialism in Ghana may be viewed as a ‘utilitarian outgrowth’, where mobility is severely constrained and ‘the notion of obedience to higher authority was deeply embedded in the traditions of many Ghanaian societies’.<sup>16</sup> More importantly, under such a patrimonial political regime, the state fails to represent and support the public good (or general will), including national development; rather, it becomes a political tool of the ruling class. Furthermore, in these political regimes government offices are largely politicised in the sense that they are widely considered as rewards for clients granted by the ruling elites, namely, patrons. In other words, the absence of an effective Weberian state and bureaucracy was at the centre of Ghana’s fall.

Throughout its recent history Ghana has experienced frequent military coups, causing a vicious cycle of political chaos and economic instability. Even though military regimes came to rule by force criticising the ill management of the existing government, both civilian and military regimes in Ghana all failed to reform the Ghanaian economy and achieve sustainable development and build an effective state. By the mid-1960s the Ghanaian economy was beginning to show signs of trouble, with a falling GDP growth rate (Table 1) and a sharp reduction in foreign reserves. However, it was not until 1983 that Ghana actively adopted foreign aid from the international financial institutions (IFIs) and implemented fundamental economic reform towards a market-friendly, neo-classical economy.<sup>17</sup> Indeed, Ghana had maintained a highly suspicious attitude

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Table 1. Major economic indicators for Ghana and South Korea, selected years.

Year	GDP (constant 2000 US\$ million)		GDP growth (annual %)		GDP per capita (constant 2000 US\$)		GDP per capita growth (%)	
	Ghana	South Korea	Ghana	South Korea	Ghana	South Korea	Ghana	South Korea
1961	1967.24	30,356.299	3.43	4.94	282.716	1180.010	0.22	2.28
1964	2185.555	36,643.076	2.21	7.56	287.167	1316.349	-0.63	4.87
1967	2186.366	46,089.969	3.08	6.10	268.254	1541.546	1.00	3.68
1970	2552.423	63,643.235	9.72	8.34	293.996	1993.648	7.23	6.06
1973	2694.293	80,627.951	2.88	12.03	285.543	2375.962	-0.04	9.82
1976	2432.027	101,238.555	-3.53	10.57	240.342	2824.027	-5.40	8.82
1979	2630.301	129,963.323	-2.51	6.78	246.644	3462.549	-4.37	5.18
1982	2373.570	145,875.768	-6.92	7.33	204.183	3709.398	-9.96	5.68
1985	2586.447	186,569.643	5.09	6.80	200.936	4572.113	1.75	5.76
1988	3011.867	253,698.106	5.63	10.64	214.965	6044.029	2.82	9.59
1991	3443.142	323,368.202	5.28	9.39	226.282	7473.611	2.36	8.38
1994	3873.943	394,387.464	3.30	8.54	234.006	8872.010	0.50	7.57
1997	4395.924	482,107.174	4.20	4.65	246.198	10,491.082	1.71	3.67
2000	4982.849	533,384.028	3.70	8.49	259.991	11,346.665	1.27	7.58
2003	5696.959	610,885.293	5.20	2.80	276.405	12,764.272	2.67	2.29
2006	6778.672	698,799.258	6.40	5.18	305.751	14,446.359	3.85	4.67
2009	8137.279	753,760.393	3.99	0.32	341.552	15,325.940	1.55	-0.16
2011	10,053.617	830,523.428	14.39	3.63	402.695	16,684.213	11.76	2.87

Source: World Bank database (<http://databank.worldbank.org/data/home.aspx>); World Development Indicators (WDI); and Global Development Finance (GDF).

towards foreign aid – especially during the Nkrumah years – and foreign aid, along with other kinds of foreign capital, was largely viewed as inimical to a national ideology of economic independence and a socialist society. Why, then, did Ghana begin to receive larger amounts of aid in 1983, especially from the IMF and the World Bank? The simple answer is that Ghana had little choice but to seek for help from these IFIs.<sup>18</sup>

As shown in Table 1, Ghana's economy began to crumble in the late 1960s, and the years from 1972 to 1983 were 'the black years', a decade of deep economic downturn, acute balance of payments problems and extreme political instability; Ghana experienced five different administrations and frequent military coups in less than 12 years. On the other hand, the South Korean economy experienced miraculous level of growth over the same period (see Table 1). It was in such a crisis situation that the Rawlings administration finally decided to embark on an economic recovery programme (ERP) supported by the World Bank, the IMF, and other donor agencies. Highlighting macroeconomic stability and the logic of the neoclassical market economy, the ERP in Ghana supported liberalisation of the external trade and financial sector regimes, the phasing out of price controls, measures to improve the financial performance of many state-owned enterprises, and the introduction of more competition.<sup>19</sup> In short, Structural Adjustment Programs (SAPs) in Ghana highlighted stabilisation of prices, mainly through balanced budgets, market liberalisation, and public sector reform, all of which were aimed at creating a market-friendly environment.<sup>20</sup> SAPs have been widely imposed as a form of aid conditionality in Ghana, similarly to other IMF and World Bank fund-recipient countries.



Assessments of the impact of foreign aid on the Ghanaian economic reform have been mixed. While some (including the World Bank and the IMF) have lauded a significant and positive role of aid in Ghana, others have been less enthusiastic.<sup>21</sup> One thing is clear: unlike South Korea, where foreign aid was successfully used for sustainable development, aid in Ghana has been accompanied by a dramatic rise in external debt and aid dependency. Ghana's external debt jumped from US\$1067 million in 1977 to \$3287 million in 1987 and reached \$7510 million in 1999.<sup>22</sup> The IMF's share of Ghana's total debt service was significant: 31% in 1987, 29% in 1995 and 13.7% in 1999.<sup>23</sup> Eventually, in 2001, Ghana joined the World Bank's and IMF's HIPC's and became eligible for enhanced debt relief, and since that period, aid from bilateral donors (mostly in the form of grants) increased considerably in relation to multilateral aid. Furthermore, in spite of a series of SAPs, there has been little change in Ghana's economic structure, which dates back to the colonial era: the Ghanaian economy still depends heavily on the exports of primary industries (namely, cocoa and mining) and the import of essential goods. Obviously such a drastic increase in external debt, together with other side-effects of reform,<sup>24</sup> has played a role in further weakening political legitimacy and creating political uncertainty in Ghana. More specifically I argue that foreign aid in Ghana has failed to bring about political reform and stimulate state transition; rather, it has played a role in delaying the needed political reform by consolidating the existing authoritarian, patrimonial regimes. As a result, the speed and degree of state transition in Ghana has been less than satisfactory. In what follows I elaborate further on these points.

Above all, aid, more specifically the structural economic reform of the IMF and the World Bank, has contributed to political uncertainty in Ghana and played a role in justifying the continuation of authoritarian rule, especially during Rawlings' Provisional National Defence Council (PNDC) era (1981–92). It seems that, compared with many other recipient countries, internal resistance against reform was far from explosive in Ghana as a broad social consensus for change was created in the country – thanks mainly to the severity of the economic troubles.<sup>25</sup> Yet this does not necessarily mean that the reform process has been smooth all along. For instance, following the IMF's and the World Bank's 'advice', a series of politically costly reform measures, including a massive devaluation of the *cedi*, drastic cutbacks in both the public and private sector, and the introduction of more liberal economic management, were implemented. Indeed, throughout Rawlings' PNDC era the Ghanaian government had to step back time and again from its economic reform because of a volatile political environment caused by anti-reform forces, including urban workers and civil servants. There were coup attempts and labour strikes throughout the Rawlings period, creating a very precarious political environment. One cautionary note: many of those protests and insurgencies were anti-government rather than anti-reform in nature, because, as mentioned, SAPs itself were not a popularly contested issue in Ghana. Nevertheless, the survival of the Rawlings administration was made possible only through 'intimidation, coercion, and co-optation'. More importantly it is evident that foreign aid, more specifically the reform package of the IFIs, was frequently adopted and used by the government as a justifying logic for prolonging authoritarian rule in the country.



Also, as Whitfield notes, foreign aid further consolidated elite rule because the Rawlings administration needed to embrace the existing national elite in order to gain political support for reform.<sup>26</sup> On 31 December 1981 Rawlings and his Marxist supporters had taken over the state through a military coup, toppling the democratically elected, civilian Limann administration. Promising a transformation of Ghanaian society in a socialist direction, the Rawlings administration implemented a series of revolutionary policies, which involved anti-Western propaganda, anti-middle class actions and direct attacks on the Ghanaian business class. Thus, originally the Rawlings administration's support base mainly included workers, students, the army ranks and the intellectual left. However, with the introduction of SAPs in 1983, the Rawlings government had little choice but to form an alliance with traditional ruling elites,<sup>27</sup> as it was evident that its original allies would not be supportive of the reform. In fact, Rawlings suppressed and expelled his former allies, namely those leftist supporters who still favoured socialist economic policies. A significant portion of aid was of course used to secure political support from this traditional ruling class. More importantly, these national elites were the main beneficiaries of the existing patrimonial regime and of SAPs; consequently they had little incentive to support political reforms. For instance, despite donor pressure for decentralisation, little progress was made in this field simply because there was limited support from the powerful central bureaucracy.<sup>28</sup>

As seen in Figure 1, aid to Ghana has been predominantly provided through multilateral channels, namely the IFIs,<sup>29</sup> indicating that loans were the dominant form of Ghana's overseas development assistance (ODA); it was not until after the 2000s that the type of aid began to shift from loan to grant financing. Also, as indicated in Figure 1, net ODA, excluding debt relief, shows a much more gradual increase, suggesting that a significant portion of ODA was spent in the form of debt relief. With a heavy dependence on aid and rising debt together with aid conditionality, foreign aid has become a powerful political actor in Ghana, playing a critical role in the decision-making process.<sup>30</sup> Because of this enormous external debt, economic policy and many other plans in Ghana have been created largely to meet donor conditionality and requirements rather than to reflect dynamics created by the internal Ghanaian political process.<sup>31</sup> In addition,

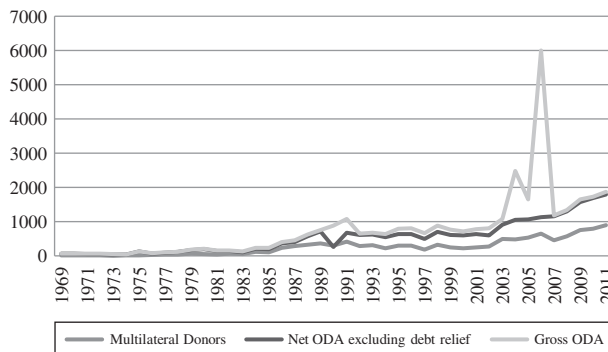


Figure 1. ODA to Ghana, 1969–2011 (US\$ million in current prices).

Source: Author's computation based on data extracted from the OECD.Stat dataset.

through various ‘consultative meetings’, donors have involved themselves directly in the economic policy-making process of the country. Like the Ghanaian state they, too, have paid little attention to the voice of Ghanaian civil society in decision making. In this sense centralised decision making, a key feature of Ghanaian politics, was further consolidated with the introduction of foreign aid, especially of SAPs.

Such intervention by donors in the process of Ghanaian policy making has further challenged state capacity, legitimacy and effectiveness in Ghana. For instance, in explaining Ghana’s continued dependence on the World Bank and IMF (despite the less than outstanding results), Whitfield refers to the problem of policy rent, meaning that the government has turned donor conditionality to its advantage and become addicted to donor finance for its survival.<sup>32</sup> The problem of moral hazard is also evident in Ghana, as aid continued to be allocated despite noncompliance by the government,<sup>33</sup> further exacerbating aid dependency and contributing to the continuation of patrimonial politics by creating rents for the ruling elites. In addition, other widely recognised side-effects of aid on state capacity – including the unnecessarily complicated paperwork, endless meetings with donors and the problem of bypassing the central government – all apply to Ghana. In short, Ghana’s aid policy regime, characterised as the dominance of loans through the IFIs with strong conditionality, has played a role in maintaining patrimonial regimes and failed to stimulate a swift transition to an effective, developmental state.

### ***South Korea***

As discussed, the key features of South Korea’s modern state, with an effective bureaucracy, originated during the Japanese occupation era, and over time the country made the transition to a development-oriented and effective state. In particular, it should be noted that this state transition took place *in spite of* foreign assistance. In other words, the negative impact of foreign assistance on state capacity and legitimacy was rather limited in South Korea, unlike in Ghana and many other African countries.

An in-depth discussion of how and why South Korea was able to introduce a developmental state is beyond the scope of this paper. Here, we merely highlight the fact that the transition was largely the result of the dynamics of domestic politics and, more importantly, transpired regardless of South Korea’s heavy reliance on aid. It was only after the rise of the Park Chung Hee regime (1962–79) that the state became developmental in nature,<sup>34</sup> and one critical factor explaining the rise of, or transition to, a developmental state was his leadership. Coming to power through a military coup in May 1960, Park placed growth near the top of the regime’s priorities. In addition to a leadership committed to national development, other contextual factors – including the existence of the Japanese model, sound local entrepreneurs, Confucianism, the threat from North Korea, strong US support and an effective bureaucracy – played a significant role in South Korea’s rise to a developmental state. However, again, without committed political leadership, these potentially beneficial factors would not have been effectively utilised for state transition. In other words, the emergence of the developmental state was mainly the outcome of the internal dynamics of

South Korean politics. Having said this, it is important to note that the South Korean state that Park inherited from the Syngman Rhee era (1948–60) was relatively effective, with a sound basic bureaucratic structure of government, and a relatively strong national identity and integration. In addition, despite the high inflation and instability of the economy during Rhee’s term, South Korea had been quite successful in rebuilding its infrastructure, essential for further industrial development. In particular, despite the country’s heavy reliance on aid, foreign aid in South Korea did not seriously threaten state legitimacy and capacity even during the Rhee era when the country was in dire need of US support. We argue that the way in which aid was managed and utilised guaranteed relative autonomy for the South Korean government and, by doing so, allowed aid to contribute indirectly to state transition. In what follows this point is further elaborated.

Unlike Ghana, where aid flows did not achieve their full scale until decades after the country’s independence, South Korea relied heavily on aid from the very beginning. After its independence from Japanese power in 1945 the country was under a US trusteeship for about three years. Starting from this occupation era, South Korea received substantial foreign assistance totalling \$10,550.1 million between 1945 and 1990 (Table 2).<sup>35</sup> In addition, unlike Ghana, where multilateral donors played a significant role in providing foreign aid, bilateral aid throughout the period was the dominant form of ODA for South Korea, accounting for 92.4% of the total (Table 2). In particular, foreign aid from the USA and Japan accounted for almost 90% of the country’s total ODA. From 1945 until the end of the 1950s (or roughly throughout the period of the Rhee government), the USA was the leading (and almost the only!) donor, and it is worth noting that most US aid to Korea during this period was provided as grants (Table 3).

Throughout most of the Rhee era foreign aid (including food aid) came largely in the form of humanitarian and emergency relief, and aid served to meet various national challenges, including widespread poverty and war reparations.<sup>36</sup> As is argued elsewhere, foreign aid during the Rhee era was successful in the sense that it made a substantial contribution to preventing massive starvation or the outbreak of epidemics. By 1956 three years after the armistice, South Korean economic development had recovered to its pre-war level.<sup>37</sup> In this sense

Table 2. Official development assistance to South Korea, 1945–99 (US\$ millions).

Year		1945–60	1961–75	1976–90	1991–99	Total
Aid modality	Grant	3045.6	1990.0	750.4	1202.5	6997.5
	(Ratio, %)	(98.3)	(50.7)	(21.4)	(54.0)	(54.8)
	Loan	52.3	1942.4	2760.4	1023.7	5778.8
	(Ratio, %)	(1.7)	(49.3)	(78.6)	(46.0)	(45.2)
Donors	Bilateral	2518.4	3777.3	3312.2	2200.0	11,807.9
	(Ratio, %)	(81.3)	(95.8)	(94.3)	(98.8)	(92.4)
	Multilateral	579.5	164.1	198.6	26.2	968.4
	(Ratio, %)	(18.7)	(4.2)	(5.7)	(0.2)	(7.6)
Total		3097.9	3941.4	3510.8	2226.2	12,776.3
(Ratio, %)		(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Source: Korea International Cooperation Agency (KOICA), *Development Assistance and Cooperation*, 74.

## FRAGILITY, AID, AND STATE-BUILDING

Table 3. Bilateral aid to South Korea from the USA and Japan, 1945–99 (US\$ millions).

Country		1945–60	1961–75	1976–90	1991–99	Total
USA	Grant	2464.7	1524.0	16.0	0.2	4004.9 (72.3)
	Loan	52.3	982.1	496.0	7.0	1537.4 (27.7)
	Total	2517.0	2506.1	512.0	7.2	5542.3 (100.0)
Japan	Grant	—	335.1	267.6	750.6	1353.3 (26.8)
	Loan	—	744.8	1943.2	1010.5	3698.5 (73.2)
	Total	—	1079.9	2210.8	1761.1	5051.8 (100.0)

Source: Korea International Cooperation Agency (KOICA), *Development Assistance and Cooperation*, 75.

foreign aid, particularly US humanitarian and emergency aid, played a role in securing state legitimacy and political stability by forestalling potential social unrest.

It is important to note that differences in aid policy regime played a key role in producing the various political ramifications of the impact of aid on state transition in Ghana and South Korea. First of all, a favourable international contextual factor, namely the cold war setting and the vital geostrategic importance of South Korea to the USA as a bulwark against communist expansion resulted in heavy inflows of US grant aid throughout the Rhee period. In this sense, although the Korean people suffered enormously as a consequence of the Cold War – the rivalry between the two superpowers led to the Korean War (1950–53) and the division of the country – South Korea has been one of the largest beneficiaries of said Cold War thanks to strong and committed US support and foreign aid. In addition, the USA provided aid in the form of grants, which explains why South Korea was not burdened with a serious debt issue when Park started the nationwide development movement in the early 1960s. As aid came predominantly via a bilateral channel, South Korea did not have to deal with numerous donors or complicated administrative systems; this helped to minimise the administrative cost of foreign aid. Lastly, unlike in Ghana, aid did not continue; beginning in the late 1950s and motivated mainly by its rising internal problems, including a deteriorating economy and unfavourable public opinion on foreign aid, the USA made a unilateral announcement to drastically cut its grant aid in favour of loans. In 1957 the USA had provided \$383 million in aid to South Korea but, by 1961, this had declined to \$154 million.<sup>38</sup> Having been highly dependent on US aid, the reduction was a shock for many Koreans, but it certainly played a part in preventing serious moral hazard and pressured the government to reduce its reliance on US aid and devise an effective national development strategy.

Obviously, as a predominant donor, the USA intervened in, and extended strong influence over, the management of aid in South Korea. That said, it is important to note that the country's aid management system guaranteed relative ownership for the South Korean government. Even though the content of US aid was largely decided by the Americans, its ultimate uses and beneficiaries, as well as actual delivery, were largely determined within the framework of the economic policies of the South Korean government.<sup>39</sup> This suggests that, unlike in Ghana and many other aid-dependent countries, donor intervention in South

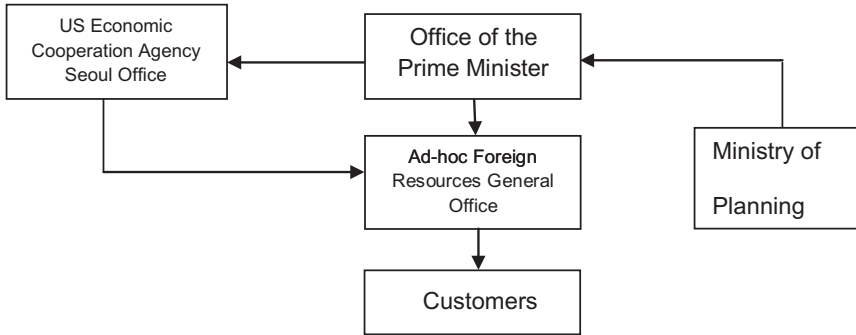


Figure 2. South Korean government–ECA operation mechanism for foreign aid.  
Source: Kim, “Foreign Aid and Economic Development,” 269.

Korea in the policy-making process and in politics was not so intense as to critically challenge state legitimacy and the central power of the government. Figure 2, illustrating the aid-management mechanism in operation around 1949–51, when aid from the USA was channelled through the US Economic Cooperation Agency (ECA), shows the US intervention in the process, particularly in the examination of budget plans submitted by the South Korean government (specifically, by the Office of the Prime Minister). However, it was the South Korean government through which actual distribution of aid goods (mainly to local businesses) was made. In addition, the ownership of the South Korean government in the use and management of aid increased over time, especially after the outbreak of the Korean War.

Again, besides domestic political factors including effective leadership, the legacy of the colonial state and sound bureaucracy, the cold war milieu played a critical role in allowing and increasing relative ownership by the South Korean government. Proposing that aid played a part in the enhancement of state power in South Korea, Woo, for instance has highlighted how, thanks to the cold war context, South Korea (and Taiwan) were able to escape the abuses that might arise from a quasi-colonial situation.<sup>40</sup> In particular, the Korean War further enhanced the geopolitical importance of South Korea and provided the country with expanded legitimacy in seeking international support and assistance. That said, it is also important to note that South Korean leaders effectively took advantage of such a favourable geopolitical situation to further increase the country’s negotiating capital *vis-à-vis* the USA. After the armistice, for instance, the Rhee government strongly urged the need for increased foreign aid and more active participation in decision-making processes regarding aid management, emphasising the symbolic and geopolitical importance of South Korea as the vanguard of the international anti-communist struggle. Indeed, throughout the Rhee era the South Korean government frequently challenged the USA over aid policies. For instance, despite lukewarm support, if not outright opposition, by the USA, which put stability before all other aid purposes, the Rhee government went through active reconstruction efforts using aid funds.<sup>41</sup> Such policies proved to be effective as the country recovered fast from the devastation of the war and South Korea’s effective usage of aid, in turn, further motivated donors

to provide full support for the Korean government, producing a positive nexus between aid and enhancement of state effectiveness in the country.

On 16 May 1960 Park Chung Hee led a military coup and seized power, overthrowing the fragile Jang Myun government. He made ‘development’ the national goal and actively began to initiate state-led economic development. During the Park period in particular the nature of aid changed to development assistance, and foreign aid – along with other kinds of foreign resources – was effectively used to finance various national development projects. For instance, Park announced in 1961 the First Five-Year Economic Development Plan (1962–66), the aim of which was to reform South Korea’s industrial structure towards manufacturing and heavy and chemical industries, an endeavour that relied significantly on aid to fund investment. In response to the sharp reduction in US aid, the Park government actively sought to attract foreign resources and searched for other donor agencies. In 1965, despite popular protests, Park normalised diplomatic relations with Japan and invited assistance; by the mid-1970s Japan had replaced the USA and had become the country’s leading donor. It is important to note that, unlike US aid, most of which was provided in grants, during the Park era aid from Japan was in the form of loans. However, while aid loans led to a debt trap in Ghana, foreign loans during the Park era did not lead to the accumulation of a high level of national debt, thanks mainly to the success of Park’s export-led industrialisation drive.

In particular, throughout the Park era, aid and other kinds of foreign resources was centrally managed by the Resource Mobilization Office of the Economic Planning Board (EPB). The EPB was an autonomous government organisation with full powers in economic policy making; donor intervention in aid management and policy making was limited. In fact, the Park government preferred bilateral loans to multilateral ones, calculating it easier to restrict donor intervention under bilateral loans than under those from IFIs. In particular, a large proportion of Japanese public loans to South Korea were given as a reparation fund, so no strict conditionality was attached. Thus far, we have highlighted that the side-effects of aid on political institutions and the development of an effective state were limited in South Korea, focusing on the main features of the aid policy regime. We have demonstrated that donor involvement in domestic politics and in the policy-making process in South Korea was not intense – particularly in comparison with Ghana and other African countries.

### **Conclusion: lessons from the South Korean case**

In this paper we have examined the impact of aid on politics and on the state sector of two recipient countries: Ghana and South Korea. In Ghana foreign aid has failed to bring about an effective state sector; furthermore, aid has, to some extent, delayed political reform by consolidating the existing power structure and features of African politics. In contrast, South Korea’s heavy reliance on aid did not induce a serious deterioration of state legitimacy and capacity.

In 1992 Ghana began a democratic transition and the country has made strides toward consolidating democracy since then. Despite recent economic and political progress, however, the Ghanaian state is still far from effectively developmental, and patrimonialism remains a dominant feature of politics.<sup>42</sup> Are any lessons from the Korean experience applicable to Ghana today?



Above all, the South Korean case demonstrates that the way aid agencies intervene in management determines the impact aid has on domestic politics. In particular, as was highlighted, aid intervention in South Korea in the domestic policy-making process was less dominant than in Ghana, which allowed for some ownership by the Korean government in the use of aid funds, even during the Rhee era when the country was heavily dependent on US aid. Specific features of aid intervention, including the existence of a single dominant donor (the USA during the Rhee era, Japan during the Park era), a limited number of multilateral agencies, the provision of aid in grants during the Rhee period, and aid channelled through a local centralised management system, all contributed to minimising the negative side-effects of aid on domestic politics in Korea. We believe these points have important policy implications for effective donor intervention and aid management. Having made this point, it is important to note that the rise of the South Korean developmental state resulted largely from the dynamics of internal political processes. As shown in the case of Ghana, the concept of building a sound state sector through external force (aid included) seems to be largely misguided and lacks strong evidence of success. More importantly, it is vital for donors to recognise that the development of an effective state sector can be achieved only through dynamic internal political processes and by finding ways to minimise the side-effects of aid intervention on domestic politics.

## Notes

1. See, for example, Werlin, "Ghana and South Korea: Explaining Development Disparities"; Werlin, "Ghana and South Korea: Lessons"; Kalu and Kim, "State-Business Relations"; and Afesorgbor, *Can Ghana Copy and Implement?*
2. Chazan, *An Anatomy of Ghanaian Politics*.
3. Many of them were involved in gold trading with Europeans and Arabic countries.
4. For the political history of Ghana, the paper relies mainly on Boahen, *Ghana*; Kimble, *A Political History of Ghana*; and Amamoo, *Ghana*.
5. Such a limited state capability in controlling the periphery was the prevalent problem of traditional African states and was largely attributable to low population density. Herbst, *States and Power in Africa*.
6. Boahen, *Ghana*.
7. Indeed, the slave trade was most active in Ghana and, although slavery had been in existence for centuries, the discovery of America in 1492 further boosted the trade. The rapid growth of sugar, cotton and tobacco plantations in the south of the USA gave rise to the increased demand for slave labour. Amamoo, *Ghana*.
8. *Ibid.*
9. Ray, *Ghana*.
10. This expression refers to Hong Kong, Taiwan, Singapore and South Korea and is borrowed from the title of a book by Vogel, *The Four Little Dragons*.
11. Kohli is an important exception. In his comparative study of Korea, Brazil, India and Nigeria he provides the historical background of modern politics and states for these countries. He developed the concept of the 'capitalist-cohesive state' to describe the nature of the South Korean state. Kohli, *State-directed Development*.



12. According to fractionalisation data on South Korea, as of 1990, Koreans made up the dominant ethnic group, accounting for 99.9% of the population. Ghana, on the other hand, has numerous ethnic groups, including, as of 1983, Ewe (11.9%); Ga-Adangme (7.8%); Other Ghana (7.5%); Gurma (3.3%); and Yoruba (1.3%). The full dataset is available at <http://www.nsd.uib.no/macrodatabguide/set.html?id=16&sub=1>.
13. Kohli, *State-directed Development*.
14. Leftwich, *States of Development*, 5 (emphasis added).
15. Van der Walle, *African Economies*.
16. Chazan, *An Anatomy of Ghanaian Politics*, 84.
17. Official Development Assistance (ODA) to Ghana rose rapidly after this period, from US\$40.9 million in 1973 to \$190.81 million in 1980, \$715.53 million in 1989, \$1.4 billion in 2004 and \$1.8 billion (a record high) in 2011. Data extracted from the OECD.Stat dataset.
18. In fact, Ghana sought assistance from socialist countries, including the USSR, which turned down its request and advised the country to seek help from the IFIs.
19. For more specific information on the Ghanaian ERP, see Akonor, *Africa and IMF Conditionality*, chap. 4.
20. SAPs refer to a set of comprehensive neoclassical economic policies designed by the World Bank and the IMF for the purpose of reforming a country's economic structure to make more market-friendly.
21. For positive assessments of Ghanaian reform, see, for instance, Tsikata, "Ghana"; and Callaghy, "Lost between State and Market." For less enthusiastic views, see, for instance, Killick, *The Developmental Effectiveness*; Killick, *Development Economics in Action*; Konadu-Agyemang, *IMF and World Bank Sponsored Structural Adjustment Programs*; and Akonor, *Africa and IMF Conditionality*.
22. Konadu-Agyemang and Takyi, "Structural Adjustment Programs," 29.
23. Ibid.
24. These include an increase in the cost of living (caused by devaluation of the Ghanaian currency), a sharp rise in the unemployment rate (mainly as a result of massive cutbacks in government and the private sector), and drastic cuts in social services. For more specifics on these side-effects of SAPs, see *ibid*, among others.
25. Toye, "Interest Group Politics"; Dzorgbo, *Ghana in Search of Development*; and Leechor, "Ghana."
26. Whitfield, "Trustees of Development."
27. These include: top professionals in the arts and sciences; the top echelon of the military; top and eminent persons in business and commerce; senior administrators in the public and civil service, including union leaders; senior journalists; senior members of the clergy; holders of government office; senior politicians; and important traditional rulers. Akonor, *Africa and IMF Conditionality*, 49.
28. Haruna, "From a Developmental to a Managerial Paradigm."
29. It was only after the mid-2000s that aid from bilateral donors increased considerably in relation to multilateral aid. The rising proportion of bilateral aid largely reflects an increase in bilateral grants after Ghana's adoption of enhanced debt relief under the HIPC Initiative of the World Bank and the IMF in 2001.
30. Konadu-Agyemang, *IMF and World Bank Sponsored Structural Adjustment Programs*; and Akonor, *Africa and IMF Conditionality*.
31. Konadu-Agyemang, *IMF and World Bank Sponsored Structural Adjustment Programs*; and Akonor, *Africa and IMF Conditionality*.
32. Whitfield, "Trustees of Development."
33. During the PNDC era the Ghanaian government was at times noncompliant with SAPs, mainly because of strong protests and political instability. Akonor, *Africa and IMF Conditionality*.
34. Jones and Sakong, *Government, Business, and Entrepreneurship*; and Kohli, *State-directed Development*.
35. This figure, however, does not include military assistance to South Korea. If this is added, the total amount of aid increases drastically.
36. For information about aid to South Korea, including the aid management system, see Kim, "Foreign Aid and Economic Development."
37. Ibid.
38. KOICA, *Development Assistance and Cooperation*, 55.
39. Mason et al., *The Economic and Social Modernization*, 193.
40. Woo, *Race to the Swift*.
41. See Kim, "Foreign Aid and Economic Development," for further discussion of South Korea's aid management policy regime.
42. See, for example, OECD DAC, *Definitions and Guidance*.

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# Aid and policy preferences in oil-rich countries: comparing Indonesia and Nigeria

Ahmad Helmy Fuady

This paper analyses the role of foreign aid in assisting development in two oil-rich countries: Indonesia and Nigeria. It seeks to understand the way foreign aid provided assistance to transform Indonesia from a 'fragile' state in the 1960s into one of the 'Asian Tigers' in the mid-1990s, and why it did not prevent Nigeria from falling into 'African Tragedy'. The paper argues that foreign aid may help not only to finance development, but also to navigate policy makers' policy choices. It shows how foreign aid may or may not help policy makers turn their policy preferences into action.

Indonesia and Nigeria have had contrasting experiences with foreign aid. Since the end of the 1960s Indonesia has received substantial foreign aid to finance its development programmes and projects. Meanwhile Nigeria received only limited foreign aid and therefore had to borrow short-term and high-interest-rate loans in the 1970s and 1980s. This paper analyses the role of foreign aid in assisting development in these two oil-rich countries. The two countries are similar in many respects, ranging from geography to economic, social and political challenges, but Indonesia has developed 'better' than Nigeria since the end of the 1960s. The paper seeks to understand if and how foreign aid provided assistance to transform Indonesia from a 'fragile' state into one of the so-called 'Asian Miracles' in the mid-1990s, and why foreign assistance could not prevent Nigeria during the same period from falling into what some term 'African Tragedy'.<sup>1</sup>

The important role of oil in Indonesia and Nigeria has invited frequent comparisons between these two countries.<sup>2</sup> Most such comparisons further highlight their comparative experiences after the skyrocketing of oil prices in 1973 and 1979, linked to the Arab oil embargo and the Iranian Revolution, respectively. Structural and institutional factors are frequently cited in explaining why Nigeria in particular has failed to achieve sustainable and equitable economic growth, despite its abundant natural resources. In particular, the literature highlights Nigeria's fragmented society based on ethnicity, religion and factions within the

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military and the government.<sup>3</sup> Lewis, for instance, notes that Nigeria's economic tragedy is linked to the 'central problem of collective action'. In his view, 'in a setting of weak formal institutions and myriad conflicts over distribution, the Nigerian state has succumbed to a social dilemma: individuals and groups focus on particular gains at the expense of collective goods and general welfare'.<sup>4</sup> Similarly Bevan et al argue that, unlike in Indonesian politics, which is dominated by Javanese, there is no dominant ethnic group in Nigeria able to provide political stability and consensus,<sup>5</sup> which are important for the formulation and implementation of development policies and economic performance.

Such structural and institutional factors certainly help to explain divergence between the two countries. However, this article argues, such factors alone are not sufficient, and the role of agency (domestic policy preference), as well as of external factors such as foreign aid, should not be ignored. The article thus focuses on the role of foreign aid and policy preference in understanding the divergent development experiences of Indonesia and Nigeria. There were periods, particularly during crises, when the two countries needed foreign aid to finance development. The article argues that, in such critical periods, foreign aid was able not only to help finance development, but also to assist policy makers in manoeuvring in order to turn their policy preferences into action.

The paper is focused on the 1970s and 1980s for two reasons. First, it was in this period that the two countries experienced economic crises and a need for foreign aid because of decreasing oil prices. Second, it was in this period that the economic performance of the two countries started to diverge sharply. It is well worth noting that, since this period, during the 2000s, there has been significant improvement in Nigeria's growth performance and debt management. This possible growing convergence in the latter period is worthy of future focused study but our focus here is on understanding the divergence that characterised the earlier period.

The following section presents rationales for the comparative analysis of Indonesia and Nigeria. Then a brief narrative of how the two countries transformed their economy and politics is presented. Finally, the relative importance of foreign assistance and domestic policy preference for positive transformation is explored, with particular attention to the Indonesian case.

### **Rationales for comparison**

The fact that a contrast in economic performance arose under comparable institutional arrangements is the rationale for this paired comparison. Indonesia and Nigeria are rich in natural resources, particularly oil. Nigeria is one of the largest producers and exporters of petroleum, and the largest oil exporter in Africa.<sup>6</sup> Since the 1973 oil boom, oil has played an increasingly major role in Nigeria. Rising oil prices had increased export revenue from the oil sector by almost 300% in 1974 compared to the previous year; in 1974 oil contributed 30% of GDP, 80% of government revenue,<sup>7</sup> and 93% of total merchandise exports.<sup>8</sup> On average crude oil contributed more than 95% of Nigerian merchandise exports from 1974 to 2009 annually, and never fell below 90% within that period.<sup>9</sup> Oil contributed more than 70% of the national government's revenue. Similarly Indonesia was a major oil exporter, even though, as of 2009, it is no longer a member of the Organization of Petroleum Exporting Countries (OPEC).

Like Nigeria, Indonesia enjoyed increased revenue from the oil boom in 1973. In 1974 the oil sector's contribution to GDP doubled to 22% compared to the previous year, and provided 37% of government revenue.<sup>10</sup> On average oil contributed more than 70% of Indonesian merchandise exports between 1973 and 1985, reaching a high of 82% in 1982.<sup>11</sup>

The two countries also show similarities in many other respects, ranging from geographical features to social and political challenges. Both have the largest population in their respective region, have a highly ethnically diverse population, have experienced a long history of colonialism, and were ruled by military leaders from 1966 to 1998 (with two brief civilian administrations in Nigeria). It is hard to deny that Indonesia enjoyed relatively greater political stability during the Suharto period (1966–98) compared to Nigeria, which experienced a series of chaotic political takeovers during the same period. Notwithstanding the frequent changes of regime in Nigeria, there was considerable continuity of political elite and continuity of ideas among Nigerian technocrats.<sup>12</sup> General Ibrahim Babangida, for instance, was influential even before his coup in 1983, and remained a central and influential 'godfather' when he had stepped down from the presidency; his close friends, General Sani Abacha and General Abdulsalami Abubakar, led the country from 1993 to 1999.<sup>13</sup>

Both countries are also well-known for their high levels of corruption. Terms like corruption, prebendalism, predation, clientelism and kleptocracy have been widely used to describe the misuse of public power for the private gain of Nigeria's elites.<sup>14</sup> Similarly Indonesia under Suharto acquired a reputation as one of the most corrupt countries on earth.<sup>15</sup> Suharto's regime was associated with *Korupsi*, *Kolusi*, *Nepotisme* (KKN) – corruption, collusion and nepotism.<sup>16</sup>

Yet their economic performance shows a stark contrast. In the wake of independence in the 1960s, Nigeria was full of optimism about the future of the economy. Tragically, however, up to the end of the 1990s the economy grew very slowly and often contracted. Two-thirds of the population remained below the poverty line and inequality increased considerably. By contrast, after years of pessimism and chaos in the 1960s, Indonesia's economy not only grew continuously at a high rate, but the proportion of the population living below the poverty line was also substantially reduced.

After emerging from the political turbulence and economic chaos of the mid-1960s, Indonesia embarked on a period of seemingly miraculous economic growth. In the period 1970–90, Indonesia's GDP grew robustly at 7% annually on average. In contrast, Nigerian GDP in that period grew at only about 3% annually.<sup>17</sup> Moreover, average growth of GDP per capita in Nigeria in the 1980s was -1.5% annually. The proportion of the population living below the poverty line in Indonesia decreased from 60% in 1970 to 28% in 1986.<sup>18</sup> In Nigeria the poverty headcount ratio increased from an estimated 40% or 50% in 1973–85 to 65% in 1986.<sup>19</sup> Life expectancy also reveals a contrast between the two countries. Life expectancy in Indonesia continuously increased from less than 43 years in 1962 to more than 66 years in 2002. In Nigeria average life expectancy in 2002 was still less than 47 years, up from 39 years in 1962.<sup>20</sup>

It is still debatable whether the Indonesian development trajectory in the mid-1990s was as good as has been portrayed by the World Bank. Certainly the Asian economic crisis, which hit the Indonesian economy in 1997, showed



the vulnerability of the Indonesian economy. Likewise improvements in Nigeria's economic performance since the 2000s are worthy of note. However, much can be learned about the role of aid and domestic policy preferences through focused attention to the divergent experiences of the two countries in the periods following the oil crises of the 1970s.

### **Political and economic changes**

In the wake of independence in 1945, the first Indonesian president, Sukarno, had to build a strong basis for a stable national government. Whereas Indonesia had earlier had to struggle for recognition of independence, Sukarno now had to keep the country together. Separatist movements, such as Permesta (Perjuangan Semesta) in 1957 and the Negara Islam Indonesia (Indonesian Islamic State) declared in 1949 had shown how fragile the country's unity was. Sukarno was successful in bringing national solidarity to the new-born country and kept the country together during the critical period.

However, the economy was not moving. Between 1959 and 1965, GDP grew on average by only 1.8% annually (this is lower than the population growth, which was 2.2% annually), exports dropped by 24%, and foreign exchange reserves dropped from US\$267 million to only \$17 million, which was not enough to finance even one month of imports.<sup>21</sup> The cost of living also increased substantially, with an often cited inflation rate of 650% for 1965. In short, the situation in the mid-1960s shows how fragile Indonesia was. The very poor economic conditions were the result of an economic regime that concentrated economic activities in the hands of the state (*etatism*), with a high frequency of interventions, bureaucratic procedures and controls on prices, production and distribution.<sup>22</sup> The economy was isolated from the rest of the world by Sukarno's 'go to hell with your aid' proclamation and the takeover of foreign companies, as well as by limitations on investment by foreign and private sectors.<sup>23</sup>

At the end of September 1965, the Indonesian Communist Party (PKI) allegedly attempted a *coup d'état*. In the worsening political and economic conditions Suharto took power from Sukarno in March 1966. The Cold War against communism was an important factor behind the rise and development of the 'New Order', the term used to characterise Suharto's presidential period. The threat of communism was used not only to gain support from Western powers, particularly from the USA, but also to 'unite' and often to suppress political opposition groups in the country. Mass killings were reported in Central Java, East Java and Bali during the 1965–66 transition period.<sup>24</sup>

Faced with the chaotic political and economic situation, Suharto relied on a team from the Faculty of Economics, University of Indonesia (FEUI) to manage economic affairs. Widjojo Nitisastro, Emil Salim, Subroto, Ali Wardhana and Mohammad Sadli formed the team of experts for economics and finance coordinated by Colonel Sudjono Humardani.<sup>25</sup> As personal staff (*staf pribadi*, or *spri*) of the chairman of the presidium,<sup>26</sup> they were very powerful in economic policy making, since any economic decisions had to follow their instructions. The role of this group became stronger when group members gained full control over the economy after they were all formally appointed to ministerial positions.<sup>27</sup>

The technocrats designed stabilisation and rehabilitation programmes, which were particularly aimed at controlling hyperinflation, securing food provision and rescheduling foreign debt.<sup>28</sup> The government also opened the country to foreign investment, implemented balanced-budget principles, and introduced a simplified exchange rate regime, including making the rupiah freely convertible. It successfully managed stabilisation and rehabilitation during a critical period, giving legitimacy to the New Order. Inflation dropped to a more moderate level of 15% in 1969 and the economy grew promisingly from 1968; in that year GDP, total exports and manufacturing value added grew by 12%, 10% and 8.5%, respectively.<sup>29</sup> Following that period the Indonesian economy grew miraculously by about 7% annually for more than 25 years. However, the Asian crisis in mid-1990s marked the end of Suharto's presidency and brought Indonesia into a new democratic era.

Nigeria also experienced military domination during 1966–98. After a failed attempted coup in January 1966 Major General Ironsi took over the leadership. From then on Nigeria was dominated by military regimes until 1999. In succession military officers claimed the Nigerian presidency in coup after coup. They were Yakubu Gowon, Murtala Muhammad, Olusegun Obasanjo, Muhammadu Buhari, Ibrahim Babangida and Sani Abacha, proclaimed as head of state in that order. After the death of Abacha in July 1998 Major General Abdulsalami Abubakar led the transition to a civilian government, and a new president was elected in 1999. Before that the only civilian administrations were those headed by Shehu Shagari during the Second Republic (1979–83) and Ernest Shonekan in 1993.

During the Gowon period, the policy arena was dominated by three political groups: the military, bureaucrats and politicians.<sup>30</sup> However, policy was made by a small circle of bureaucrats known as 'super-permanent secretaries', including Allison Ayida, Philip Asiodu and Ahmad Joda.<sup>31</sup> The direction of economic policy during this period reflects the widespread criticism of the policies of the First Republic, which was regarded as much too dependent on foreign ownership, did not produce enough value added, and discouraged indigenous business.<sup>32</sup> Therefore sovereignty over the national economy was the main agenda of the regime after the civil war. The Indigenization Decree was announced in 1972 to create an economically independent country with increased opportunities for indigenous businessmen.<sup>33</sup> The increased oil revenue in the 1970s provided fuel for further shifting the economy toward nationalism and *etatism*; the government expanded protection for import-substituting industries, enlarged the role of state-owned enterprises and increased protectionist measures, as well as maintaining an overvalued currency.<sup>34</sup>

In July 1975, General Murtala Muhammad, who had been a central figure in the July 1966 coup, took power and became the fourth Nigerian head of state.<sup>35</sup> Murtala pledged to fix a state that had been 'characterised by lack of consultation, indecision, indiscipline and even neglect'.<sup>36</sup> However, just nine months later he was killed in a failed coup. General Obasanjo, the second in command, replaced him as head of state and continued the Murtala–Obasanjo administration. Murtala had not only dismissed the Gowon military regime but also sacked a substantial tier of the upper bureaucracy. More than 10,000 civil servants were ousted from the government,<sup>37</sup> this marked the decline of the power of the



bureaucracy in Nigeria. The economy, however, performed badly during the period. Foreign debt increased significantly, the currency was overvalued and investment was low as a result of monetary restraint and the indigenisation programme. GDP dropped by 5.8% from US\$119 billion in 1977 to \$112 billion in 1978.<sup>38</sup>

In 1979, Shehu Shagari, the National Party of Nigeria (NPN) presidential candidate, was inaugurated as president of the Second Republic. The second oil windfall in 1979 increased government revenue significantly, and led to a large surplus on the balance of payments and growing foreign reserves. This all stimulated higher spending and consumption. However, with the decrease in oil prices from 1981, the balance of payments started to deteriorate and foreign debt increased. This was made worse by chaotic competition among political parties, which led to corruption and economic mismanagement.<sup>39</sup> As Ihonvbere describes it, 'Three years of civilian rule in the Second Republic had bled the nation dry, mismanaged huge oil "rent", more than doubled the foreign debt profile, destroyed the manufacturing and productive base, and accentuated social tensions and conflicts to unprecedented proportions'.<sup>40</sup> The aggregate index for the manufacturing sector, for instance, fell by 20.7% in 1983, while employment in the construction industry fell by more than 62% from 1980 to 1983.<sup>41</sup>

After a controversial victory by the NPN in the elections of 1983, Shehu Shagari was inaugurated for a second term. However, on the last evening of 1983, Major General Muhammadu Buhari was installed as the new head of state after another *coup d'état*. The government 'arrested hundreds of politicians, fired hundreds of public officials, and seized huge sums of cash from politicians' homes'.<sup>42</sup> Nevertheless, there was not much improvement in economic management. Exacerbated by further reductions in oil prices, the economic situation was no better than it had been under the previous administration. Moreover, Buhari's anti-democratic behaviour, such as enacting the 'draconian' Decree Number 2/1984, allowing detention of any citizen and providing *carte blanche* to arrest and intimidate critics, contributed to his downfall.<sup>43</sup>

On 27 August 1985, Major General Ibrahim Badamasi Babangida took over from Buhari. He declared an emergency in economic affairs and promised drastic measures to overcome the problems. He brought in high-profile academics and technocrats, and introduced a structural adjustment programme to achieve budget restraint, exchange rate reform, trade and financial liberalisation, as well as privatisation of state-owned enterprises. Before the enactment of these measures Babangida opened a wide public debate on the need for the IMF to support the Nigerian economy. However, implementation of the structural adjustment programme did not make much improvement to the Nigerian economy and may have made it worse.<sup>44</sup> GDP grew by 6% to 9% per year from 1998 to 1990,<sup>45</sup> but unemployment and inflation rose sharply.<sup>46</sup>

The political stalemate in the 1993 general elections worsened the situation. Chief MKO Abiola, a prominent Yoruba Muslim, won the election. However, Babangida declared the polls invalid and installed Chief Shonekan as caretaker of an interim national government. The annulment of the election results created dissatisfaction.<sup>47</sup> Major General Sani Abacha, former chief of staff and defence minister at the time, then took power, dissolved the elected national and state legislatures, and fired the state and local governors,<sup>48</sup> thus ending the dream of

a democratic transition. Abacha's period is considered to have been more predatory than those of previous military regimes. It is estimated that over one billion dollars were stolen from state funds by Abacha, and that hundreds of millions were looted by his cabinet members.<sup>49</sup>

### Characteristics of foreign aid

Indonesia and Nigeria had episodes of imprudent foreign debt management. Figure 1 shows the increase in Indonesia's external debt since the beginning of the 1980s to the mid-1990s, when crisis hit Indonesia's economy badly. In the 1970s the average ratio of foreign debt to gross national income (GNI) was about 35%. The ratio of debt to GNI could be maintained at around 35% because the Indonesian government realised that anything above that point could hamper the economy, as happened in the 1960s. When the world oil price started to drop at the beginning of the 1980s, however, the ratio of foreign debt increased to around 60% of GNI. It was then stabilised around that point, thanks to increasing exports after the mid-1980s. Total external debt grew from \$22.8 billion in 1981 to \$79 billion in 1991.

Figure 2 shows the net official development assistance (ODA) received by the two countries from 1960 to 2011. Indonesia received much higher net ODA compared to that received by Nigeria. From 1960 to 2000, on average, Indonesia received more than \$2 billion in net ODA annually. Meanwhile, in the same period, Nigeria received net ODA of less than \$0.5 billion annually on average. This limited access to foreign aid, which usually had a larger grant component and a lower interest rate, meant that Nigerian policy makers had to take out loans, which were more expensive.

Nigeria did not borrow from external sources in huge amounts (relative to its GNI) until the late 1970s, when the world oil price started to decrease. Up to 1976 the Nigerian external debt was only \$1.3 billion (Table 1). A huge increase in oil revenue meant the Nigerian government had enough money to finance its programmes. During that period the ratio of foreign debt to GNI was less than

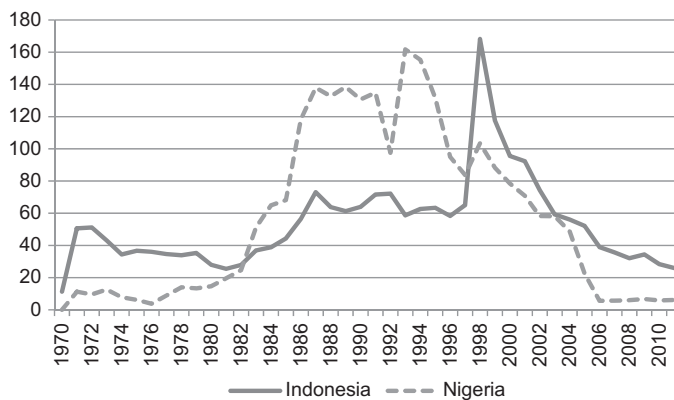


Figure 1. External debt stocks (% of GNI).

Source: World Bank, *World Development Indicators*.

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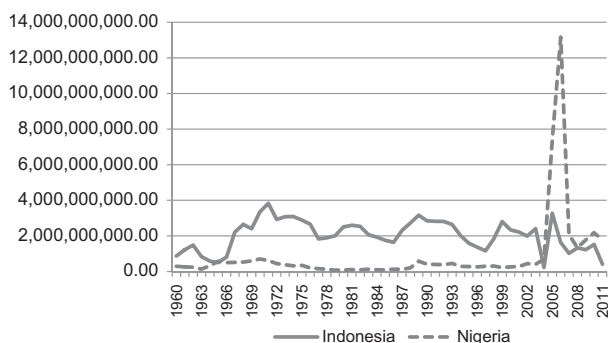


Figure 2. Net official development assistance received (constant 2011 US\$).  
Source: World Bank, *World Development Indicators*.

20% (Figure 1), and the country was considered to be under-borrowing. When the world oil price declined, Nigerian external debt increased significantly and the ratio of foreign debt to GNI reached more than 130% in 1987. The increasing foreign debt was particularly triggered by the need to finance government expenditure and also to finance the structural adjustment programmes adopted by the country in the mid-1980s. Unfortunately, unlike Indonesia, which was fully backed by the World Bank and IMF and so was able to access concessional loans, Nigeria turned to the petrodollar market to borrow. Until the mid-1980s Nigerian foreign debt mainly consisted of short-term debt with high interest rates. The tactic of borrowing short-term loans changed after the mid-1980s, however, with less and less share of short-term debt to total external debt. The chaotic political situation following the general election in 1992 led to another increase in the ratio of foreign debt to GDI; it reached more than 160% in 1993. However, the ratio of debt to GNI decreased soon after General Sani Abacha took over the Nigerian presidency in a military coup, mainly because an international embargo prevented him from accessing international capital.

There was also a problem with conditionality, required by donor agencies, which did not fit with government's programmes. Further, there was a strong negative sentiment towards the World Bank and IMF in Nigeria. Onaolapo Soley, commissioner of finance 1983–85, recalled in an interview (May 12,

Table 1. External debt stock (US\$ billion).

Indicator name	1971	1976	1981	1986	1991	1996	2001	2006	2011
Indonesia									
External debt stocks (total)	5.0	14.0	22.8	42.9	79.5	129.0	132.3	136.0	213.5
External debt stocks (short-term)	0.5	1.4	3.3	6.5	14.3	32.2	20.0	12.2	38.2
External debt stocks (long-term)	4.4	12.6	19.5	36.4	65.0	96.8	102.9	123.4	172.3
Nigeria									
External debt stocks (total)	1.0	1.3	11.4	22.2	33.5	31.4	30.0	4.0	9.0
External debt stocks (short-term)	0.3	0.4	4.4	3.7	0.9	5.7	29.4	3.7	6.4
External debt stocks (long-term)	0.7	0.9	7.0	18.5	32.7	25.7	0.4	0.0	0.0

Source: World Bank, *World Development Indicators*.

2009) that when he went to the US Department of State asking for economic help, he was blamed for not cooperating with the IMF. There were always two requirements: to devalue the naira and to get out of OPEC. Soleyee recalled that Donald T Regan, White House chief of staff, said: ‘No IMF no credit, no IMF no aid’. James Johnson Oluleye, Nigerian commissioner of finance 1976–79, also notes that policy guidance by international actors had neo-colonial overtones, which would prevent the country from being an independent economy. According to him, ‘resorting to the IMF could have meant walking into an economic ambush out of which we could not get out for some years to come’.<sup>50</sup> This contrasts with the relationship between donor representatives and Indonesian technocrats, who shared the language of economics, making it easier to build a partnership.<sup>51</sup>

Selected indicators in Table 2 show why the debt service ratio to GNI in Indonesia was relatively moderate. First, the average interest rate was very low. In the 1970s it was around 4.5%, more than 2% lower than that for Nigeria. Moreover, if we look in more detail, before the Pertamina scandal in 1975 the average interest rate for new public external debt in Indonesia was less than 3%. Because of their experience with debt problems in the 1960s, the Indonesian policy elites decided only to accept new foreign debt with an interest rate at a concessional discount of around 3%. At a time of decreasing oil prices in the 1980s, even though the average interest rate for new public external debt in Indonesia was more than 6%, it was still lower than that of Nigeria, which had reached more than 8%. The heavy burden on Nigeria to meet annual repayments also resulted from the fact that the grant element in new debt commitment was very low in the 1970s and 1980s (see Table 2). Moreover, maturity and periods of grace for external debt commitment in Nigeria were much shorter than those for Indonesia and required Nigeria to repay principal debt at a higher rate annually.

Table 2. Selected debt indicators.

Indicator	Country	1971–80	1981–90	1991–2000	2001–10	1971–2010
Average interest on new external debt commitments, official (%)	Indonesia	4.48	6.89	4.79	2.56	4.68
	Nigeria	6.71	8.34	4.43	1.18	5.17
Average maturity on new external debt commitments, official (years)	Indonesia	28.24	22.46	21.80	23.98	24.12
	Nigeria	20.70	17.32	25.39	33.88	24.32
Average grant element on new external debt commitments, official (%)	Indonesia	43.64	22.83	35.92	51.76	38.54
	Nigeria	21.88	10.34	43.34	72.14	36.92
Average grace period on new external debt commitments, official (years)	Indonesia	7.48	6.50	6.03	5.75	6.44
	Nigeria	5.54	4.86	7.27	9.17	6.71

Source: World Bank, *World Development Indicators*.

The motives of lenders behind external debt are often related to success and how the debt is likely to be used. It is therefore important to understand the sources of external debt. The currency composition of Public and Publicly Guaranteed (PPG) debt is a good indicator of the sources. This composition could also help to predict debt vulnerability because of currency fluctuation. According to the World Bank, before 1978 external debt in Nigeria took the form of multilateral currencies, because it mainly came from multilateral donors.<sup>52</sup> The US dollar only came to dominate the structure of Nigerian foreign debt after 1978. This not only demonstrated growing relations with the USA, but also the availability of the petrodollar in the market. Meanwhile, external debt from multilateral sources and the UK was declining.

For Indonesia about 40% of external debt was denominated in US dollars. However, unlike Nigeria, alongside US domination of the Indonesian debt structure, the Japanese yen and multiple currencies were also prominent.<sup>53</sup> Since the beginning of the 1970s the role of the Japanese yen in Indonesian debt had been increasing; since the beginning of the 1980s, at least 30% of Indonesian external debt was in Japanese yen. Similarly external debt from multilateral countries had also been increasing since the 1970s, with a peak in the early 1990s.<sup>54</sup> The increasing role of multilateral countries was related to the role of the Inter-Governmental Group on Indonesia (IGGI). As part of debt negotiation at the end of the 1960s, there was an agreement that IGGI should be consulted on any foreign debt to Indonesia. About 25% of Indonesian external debt between 1980 and 1997 came from members of IGGI (excluding the USA and Japan).

### **The role and management of foreign aid**

The domestic management of foreign aid is particularly relevant in understanding the Indonesian experience. Foreign aid has played an important role since the beginning of the Indonesian New Order regime. To confront the economic crisis, the Indonesian technocrats realised the need for debt relief and new foreign aid. Postponing debt repayment and making new capital available were important to support Indonesia's new economic policies.<sup>55</sup> The new government quickly established a close and supportive relationship with international donors, eg by re-joining the IMF and the World Bank to obtain support from these institutions. It also visited donor countries to negotiate debt relief.

During the mid-1960s crisis period, postponing debt repayments was crucial to ease the government's burden of financing the country. Moreover, with limited foreign reserves, it was basically impossible for the government to pay its debts. By 1966 besides debt for nationalisation compensation to The Netherlands, Indonesia owed about \$2.1 billion to more than 30 countries. Export revenue in 1966 was only \$679 million, which was inadequate for debt repayment for that year, let alone to pay for imports that reached \$527 million.<sup>56</sup>

The Indonesian technocrats then started negotiations with Eastern European countries (such as the USSR, Czechoslovakia, Hungary and Poland) and with Western European countries, the USA and Japan.<sup>57</sup> Negotiations with the Eastern European countries resulted in postponing debt repayment to those countries until 1969. After negotiations in Tokyo in September 1966, and in Paris in December 1966, Western European countries, the USA and Japan gave a three-year grace period. Debt repayment to countries in the group could be started in

1971, and it could be paid in eight years. There was also a moratorium on interest payments with low interest rates (of 3% to 3.5%).<sup>58</sup>

In February 1967 IGGI was established as a consultative forum on Indonesian development. The first members of IGGI were Australia, Belgium, France, West Germany, Italy, Japan, The Netherlands, the UK and the USA. The forum also had representatives from the World Bank, the IMF, the United Nations Development Programme (UNDP), the Organisation for Economic Cooperation and Development (OECD), the Asian Development Bank (ADB), New Zealand, Canada, Austria, Norway and Switzerland. The forum calculated that, to finance the budget deficit in 1967, the Indonesian government needed \$200 million; one-third would be provided by the USA, one-third by Japan and the other third by the rest of the IGGI members.<sup>59</sup> This 'one third' formula, according to Prawiro, was important in shaping Indonesia's new debt structure for a few years.

These negotiations not only helped to ease the burden of repayment, they also helped the technocrats to realise the importance of designing a new structure for Indonesia's debt scheme. According to Nitisastro, there were then three rules for Indonesia to borrow: 3%, 25 years and a seven-year grace period. Interest rates for new debts should only be around 3% annually so that repayment rates for the debt were not too high.<sup>60</sup> The debt should not last longer than 25 years and should have a seven-year grace period, so that it would not be a heavy burden for the Indonesian budget.<sup>61</sup>

Having learned from the chaotic economic situation and very bad debt management in the 1960s, Indonesian policy makers did not want to repeat the mistake. To guarantee prudent debt management, the external debt was channelled through the Bappenas agency. Since the beginning of New Order, Bappenas was responsible not only for development planning, but also for allocating money for development projects in every department. During the New Order period, Bappenas was a 'super' body that coordinated fiscal policy, macroeconomics, as well as budget allocation in Indonesia. It was led by Widjojo Nitisastro, chief of the Indonesian New Order technocrats, who was also Coordinating Minister for Economy, Finance and Monitoring Development.

There was criticism that Bappenas was too powerful and centralised, because every project was designed by the agency. In general there were two types of foreign debt classification in the government budget arranged by Bappenas, namely programme aid and project aid.<sup>62</sup> Programme aid was not related to specific projects; it was designed by the creditor to help Indonesia maintain its foreign reserves. Meanwhile project aid was designed for specific projects. All foreign aid was required to be administered via Bappenas.

Channelling the foreign debt through Bappenas at that time had at least two advantages. First, it guaranteed that the programme and project aid fitted with Indonesia's development plan and macroeconomic management, because Bappenas was responsible for designing these. It could minimise coordination problems that might lead to inefficiency, for example because of project redundancy. The World Bank, for instance, allocated more than 30% of its projects to agriculture, which was also the priority of the Indonesian government. As Posthumus noted, such design of integrating the development budget, project aid list and technical assistance would provide an opportunity 'for guiding both national development funds and foreign (project and technical) assistance funds



to nationally designated social and economic development objectives'.<sup>63</sup> Second, Bappenas had the best economic technocrats available in the country during that period. These capable technocrats would help allocate foreign aid to projects that were really needed by the people, based on their urgency.

Indonesia also benefited from the establishment of IGGI not only because it eased debt negotiation but also because it provided expertise to discuss problems in the Indonesian economy. With the support of such external expertise Indonesian technocrats could sometimes use it to push necessary reforms. Such a situation was not a preference in Nigeria. External expertise, such as from the World Bank or IMF, had been considered more as foreign domination than as development support. Thus the World Bank's programmes did not always match the government's programme. In the 1970s, for instance, the World Bank's projects in Nigeria were mainly in agriculture, but Nigerian policy makers did not seriously develop that sector. Nigeria provided a much lower development budget to agriculture than Indonesia did.<sup>64</sup> As a result, Nigerian agricultural development was very poor in the 1970s.

In Nigeria in the 1970s and 1980s there was no agency with the same authority as the Indonesian Bappenas in managing foreign aid so that it could fit properly with Nigerian development objectives. There was no such 'island of efficiency' protected from rent seekers in the country.<sup>65</sup> The Nigerian National Planning Commission was responsible during the military period for designing development plans, but it did not control development budget allocation, which came under the commissioner of finance. It was, therefore, proposed to establish a ministry to be responsible for managing foreign aid and technical assistance.<sup>66</sup> Recent developments in Nigeria show a number of promising 'islands of efficiency', such as the Debt Management Office established in 2000 and a more efficient Central Bank and Ministry of Finance. However, it is still unclear whether such organisations have had the same ability to manage foreign aid in concert with the Nigerian national agenda as those in Indonesia.

Foreign aid management under the Bappenas also shows how foreign aid helped Indonesian New Order technocrats to turn their development vision into reality. Without money from foreign aid in the 1960s it was impossible to finance the plan. During that period the Indonesian development budget came mainly from foreign debt. Chowdhury and Sugema note that foreign aid financed nearly 80% of the development budget in 1969 and about 70% in 1971.<sup>67</sup> With the foreign aid centralised in Bappenas, controlled by the economist technocrats, prioritising agriculture in the government budget became much easier for the technocrats. Doing so, in turn, was important for Indonesia to escape economic chaos in the mid-1960s and became a foundation for further development.

## Conclusion

The difference in access to foreign aid as inexpensive capital to finance development is a possible explanation for the diverging economic trajectories of Indonesia and Nigeria. The two countries have had different experiences with foreign aid. After the economic and political chaos of the mid-1960s Indonesia not only rescheduled its old foreign debt but also received long-term new loans with concessional rates, particularly from Japan and the USA. With very limited foreign



reserves the Indonesian government could rely on foreign aid to finance development. The availability of foreign aid provided capital for Indonesian policy makers to finance development programmes and projects. Similarly, when the oil price declined in the mid-1980s and economic crisis hit the country in the mid-1990s, Indonesia's development budget also relied on the availability of foreign aid.

In contrast, Nigeria received only limited foreign aid from donor countries. Particularly at times of economic crisis, such as when oil prices declined in the 1980s, limited access to foreign aid meant that Nigerian policy makers had to borrow short-term loans at market interest rates, believing that the loans could be paid when oil prices increased. Therefore, Nigeria's debt service ratio increased dramatically in the 1980s, which further worsened its budget deficit. This supports Pinto's argument that the borrowing strategies of the two countries were important for their economic trajectories.<sup>68</sup>

The relationship between policy maker and international donor, such as the IMF and the World Bank, was important for access to foreign aid. The shared language of economics made it easier for Indonesia's policy makers to build a partnership with IMF and World Bank officers. In contrast, many of Nigeria's policy makers saw these international organisations as external powers representing a new form of colonialism. There was a common perception among Nigerians that policy guidance by international actors had neo-colonial overtones, which would prevent the country from being an independent economy.

Finally, this paper has also shown that foreign aid helped Indonesian policy makers to manoeuvre in order to turn their policy preferences into action. In the New Order period (1966–98) foreign aid management was centralised in Bappenas, headed by Widjojo Nitisastro, the chief of Suharto's technocrats. With the centralisation of loan management, the technocrats had leverage to decide on the programmes and projects necessary for development and also to minimise rent-seeking activities by other actors.

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## Notes

1. World Bank, *The East Asian Miracle*, highlights rapid economic growth and impressive poverty reduction in Asian countries. Meanwhile, Easterly and Levine, "Africa's Growth Tragedy," shows how Africa has 'potential unfulfilled, with disastrous consequences'. Predicted to grow ahead of East Asia, Africa's economy experienced stagnating per capita income from the 1960s.
2. See Pinto, "Nigeria"; Scherr, "Agriculture in an Export Boom Economy"; Chowdhury, *Resource Booms and Macroeconomic Adjustments*; Bevan et al., *The Political Economy of Poverty*; and Lewis, *Growing Apart*.
3. See Daloz, "Nigeria"; Iyoha and Oriakhi, "Explaining African Economic Growth Performance"; Lewis, *Growing Apart*; Osaghae and Suberu, *A History of Identities*; and Thorbecke, "The Institutional Foundations."
4. Lewis, *Growing Apart*, 78.
5. Bevan et al., *The Political Economy of Poverty*.
6. World Bank, *Nigeria: Country Brief*.
7. Lewis, *Growing Apart*, 136.
8. World Bank, *World Development Indicators*.
9. Ibid.
10. Lewis, *Growing Apart*, 102.
11. World Bank, *World Development Indicators*.
12. Henley et al., "Flawed Vision," S50–S52.
13. Ibid.
14. Akindele, "A Critical Analysis of Corruption"; Joseph, *Democracy and Prebendal Politics*; Lewis, "From Prebendalism to Predation"; and Nnamuchi, "Kleptocracy and its Many Faces."
15. King, "Corruption in Indonesia"; and McLeod, "Soeharto's Indonesia."
16. Robertson-Snape, "Corruption, Collusion and Nepotism."
17. World Bank, *World Development Indicators*.
18. Data for 1986 are based on the percentage of the population living on less than one dollar a day (PPP), while data for 1970 are based on national poverty lines, which are lower than one dollar a day. With a one dollar a day poverty line the percentage of the population living in poverty in 1970 would be even higher than the figure presented. World Bank, *Indonesia*, xv; and World Bank, *World Development Indicators*.
19. Data for 1986 are based on the percentage of the population living on less than one dollar a day (PPP). There is no reliable data available for the 1970s; the 1973–85 figures are based on national measurements. World Bank, *Nigeria: Poverty*, iv; and World Bank, *World Development Indicators*.
20. World Bank, *World Development Indicators*.
21. Wing et al., *Macroeconomic Policies*, 24.
22. Seda, "Kebijaksanaan Ekonomi."
23. Ibid.
24. Vatikiotis, *Indonesian Politics under Suharto*, 33; and Wertheim, "Indonesia," 122.
25. Republik Indonesia, *Keputusan Presidium Kabinet, Nomor 30/U/Kep/9/1966*.
26. Following the arrest of Sukarno's cabinet ministers, the presidium cabinet, called Ampera Cabinet, was established and led by the triumvirate of Suharto, Adam Malik and Sri Sultan Hamengkubuwono IX. Suharto, the chairman, was responsible for security affairs, Adam Malik for international affairs, and Sultan for economic affairs. Bresnan, *Managing Indonesia*, 51.
27. In the 1971 cabinet reshuffle Widjojo, chairman of the National Development Planning Board (Badan Perencanaan Pembangunan Nasional, Bappenas), was given ministerial rank, Sadli became minister of manpower, Subroto became minister of transmigration and cooperatives, and Emil Salim became minister of administrative reform.
28. Hong, "Indonesia's Economic Stabilization," 135; and Seda, "Kebijaksanaan Ekonomi."
29. World Bank, *World Development Indicators*.
30. Elaigwu, "The Political Trio."
31. Lewis, *Growing Apart*, 134–135.
32. Anyanwu et al., *The Structure of The Nigerian Economy*, 95.
33. Ogbuabu, "The Nigerian Indigenization Policy," 250.
34. Lewis, *Growing Apart*, 137.
35. Turner, "Commercial Capitalism," 190.
36. Ibid.
37. Lewis, *Growing Apart*, 145.
38. World Bank, *World Development Indicators*.
39. Diamond, "Nigeria Update," 327.
40. Ihonvbere, "Are Things Falling Apart?," 196.
41. Forrest, "The Political Economy," 18.
42. Diamond, "Nigeria Update," 327.
43. Ibid., 327–328.

44. Ihonvbere, "Are Things Falling Apart?," 196.
45. World Bank, *World Development Indicators*.
46. Lewis, *Growing Apart*, 165.
47. Ihonvbere, "Are Things Falling Apart?," 197.
48. Lewis, "Endgame in Nigeria?," 323.
49. Kraus, "Capital, Power and Business Associations," 424.
50. Oluleye, *Military Leadership in Nigeria*, 210.
51. Ricklefs, *A History of Modern Indonesia*, 335.
52. World Bank, *World Development Indicators*.
53. Ibid.
54. Ibid.
55. Posthumus, "The Inter-Governmental Group," 57.
56. Prawiro, "Berutang Melampaui Ambang Kemiskinan," 315.
57. Prawiro notes that the negotiations with the East and West not only reflected the situation during the Cold War, but also the structure of Indonesia's debt. Ibid., 317.
58. Nitisastro, *Pengalaman Pembangunan Indonesia*.
59. Prawiro, "Berutang Melampaui Ambang Kemiskinan," 323.
60. Nitisastro, *Pengalaman Pembangunan Indonesia*, 409.
61. Ibid.
62. Prawiro, "Berutang Melampaui Ambang Kemiskinan," 334.
63. Posthumus, "The Inter-Governmental Group on Indonesia," 65.
64. See Henley et al., "Flawed Vision."
65. van Donge, "Governance and Access to Finance."
66. Olaniyan, "Foreign Aid," 121.
67. Chowdhury and Sugema, *How Significant and Effective?*
68. Pinto, "Nigeria."

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# Development assistance and the lasting legacies of rebellion in Burundi and Rwanda

Devon E.A. Curtis

Rwanda and Burundi have both emerged from civil wars over the past 20 years and foreign donors have provided significant contributions to post-conflict reconstruction and development in the two countries. Yet, although Rwanda and Burundi share several important characteristics, their post-conflict social, political and economic trajectories have been different. This article argues that the nature of the ruling parties in Rwanda and Burundi is key to understanding the countries' relationships with donors. Rather than seeing aid as an exogenous factor, causing particular development outcomes, it shows how local party elites exert considerable agency over the aid relationship. This agency is influenced by a number of different local contextual factors, including how the parties were established, how they evolved and the ways in which their civil wars ended. Thus, the article provides an analysis of how local context matters in understanding donor–recipient aid relationships, and how the ruling party in Rwanda (the RPF) and in Burundi (the CNDD–FDD) emerged from their respective conflicts with different relationships with international donors.

It has long been acknowledged that the effects of overseas development assistance are contingent upon the domestic context of recipient countries. Thus understanding development outcomes cannot be limited to analyses of the volume of aid, type of aid and identity of the donors, but must also consider the relationship between aid and political, economic and social structures in the recipient country. Likewise, in seeking to explain the relationship between donors and recipients, several scholars have argued that well-established international relations and development theories have underestimated the role of local agency, meaning the agency of elites and other actors in aid-recipient countries. While local agents certainly face structural constraints, there is a large and

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diverse literature, particularly in African politics and development, which focuses on how African agents exert their influence in the international and domestic spheres.<sup>1</sup>

Yet, even though there is some agreement in the literature on the importance of local political context and local agency in understanding donor–recipient aid relationships, there is no consensus on precisely how they matter. This article focuses on international donor relations with Rwanda and Burundi, two countries that share important social, political and economic characteristics. Rwanda and Burundi have been called false twins, because of their similar ethnic cleavages, colonial histories and experiences of political violence.<sup>2</sup> Nonetheless, there are important differences as well (hence the name *false* twins). Perhaps most notably, the majority Hutu dominated the postcolonial political, economic and military landscape until the 1990s in Rwanda, whereas in Burundi it was the minority Tutsi that dominated until the early 1990s.<sup>3</sup> There was civil war in Rwanda between 1990 and 1994 and in Burundi between 1993 and 2003, which resulted in two former rebel movements coming to power.

Rwanda and Burundi have different relationships with donors, even though development assistance has been hugely significant in both countries across a range of sectors, both before the civil wars and afterwards. The article explains how national elites in the two countries have influenced aid relationships. It traces the development of the two ruling parties, the Rwandan Patriotic Front (RPF) in Rwanda and the National Council for the Defence of Democracy–Forces for the Defence of Democracy (CNDD–FDD) in Burundi. It shows how the RPF and the CNDD–FDD were influenced by their particular contexts and by the ways their civil wars ended, leading to divergent relations with donors. The trajectory and dominance of the RPF in Rwanda have meant that the Rwandan regime has been better able to manage donors, whereas Burundi’s more fractured political space has made it more difficult for the CNDD–FDD regime to influence donors.

Aid is therefore not an exogenous factor leading to particular development outcomes. Rather, aid is the product of particular histories, relations and interactions. Local elites in Burundi and Rwanda are not entirely ‘free agents’, as they are shaped and constrained by structures and histories, but they are not mere pawns of powerful donors and their agendas either. The contrast between Rwanda and Burundi is thus a contrast in how local agents negotiate the aid relationship.

The article thus argues that the nature of the RPF in Rwanda and the CNDD–FDD in Burundi is key to understanding aid relationships. It begins by briefly outlining key aid patterns. It then shows how the two rebel movements emerged from particular political, economic and social structures, and examines the impact of the respective civil war endings: military victory by the RPF in 1994 and prolonged negotiated settlements in Burundi, culminating in a democratic electoral victory by the CNDD–FDD in 2005. Finally, the article shows how this affected the two ruling parties and their relations with donors.

### **Development assistance in Rwanda and Burundi**

Rwanda and Burundi are frequently compared since they are neighbouring states with historical, geographical, social and political commonalities.<sup>4</sup> As suggested



in Table 1, however, economic and human development indicators are stronger in Rwanda than in Burundi. Rwanda's GDP growth rates, for instance, averaged more than 10% per year between 1994 and 2004 and have been greater than 5% a year since then, even after the global financial crisis.<sup>5</sup>

Thus the two countries have had divergent post-war economic trajectories, despite their low-income status and similar (though not identical) histories and social structures. This has led some authors to conclude that aid has played a central role in post-war development in Rwanda and Burundi.<sup>6</sup> Holmes et al make a similar point about the advantages Rwanda has had thanks to substantial budget support.<sup>7</sup>

Rwanda has been called an 'aid darling' and Burundi an 'aid orphan',<sup>8</sup> although levels of aid have fluctuated over time in both countries. As shown in Figure 1, Rwanda receives a greater volume of aid than Burundi, whereas the volume of aid in the two countries was more similar in the 1980s. Both countries remain highly dependent on foreign aid.

As seen in Figure 1, aid levels to Rwanda rose sharply in 1993 with the signing of a peace agreement and the deployment of a UN peacekeeping mission. Aid dropped dramatically in the aftermath of the 1994 genocide, rising steadily again from 1997. In 1998 Rwanda re-established relations with the IMF through its Enhanced Structural Adjustment Facility Programme. There was a drop in development assistance from 2011 in response to concerns over the Rwandan government's activities in the Democratic Republic of the Congo (DRC).

In Burundi official development assistance (ODA) decreased during the war and especially in 1996 as a result of the sanctions that were placed on the country following a military coup. The Arusha Peace Agreement was signed in 2000 and a transitional government was instigated in 2001. Burundi re-established relations with the IMF in 2001 and ODA steadily increased, especially after the 2005 elections. In 2006 Burundi was one of the first countries on the agenda of the new United Nations Peacebuilding Commission. From 2007 onwards Burundi therefore received funds from the Peacebuilding Fund, which was set up to help fund quick impact projects in the aftermath of conflict.<sup>9</sup> Aid dropped in 2010 because of donor concerns over financial scandals and governance after the elections that year.

These trends suggest that donors do have leverage, but this does not capture the full story in donor–recipient relations. Donor decisions about aid commitments and disbursements are not separate from the politics of recipient countries. Thus,

Table 1. General indicators in Rwanda and Burundi.

	Rwanda	Burundi
Population (million), 2013	11.78	10.16
Size (km <sup>2</sup> )	26 338	27 834
Population density (per km <sup>2</sup> )	447	365
Human Development Index 2013 (rank out of 187 countries)	151	180
GDP 2013 in US\$ billion	7.52	2.71
Growth 2012	7.3% (2013 est. 5%)	4% (2013 est. 4.5%)
GNI per capita 2013	\$630	\$260

Sources: Based on data from the World Bank at <http://data.worldbank.org/country/burundi> and <http://data.worldbank.org/country/rwanda> and from UNDP Human Development Report 2014, 162.

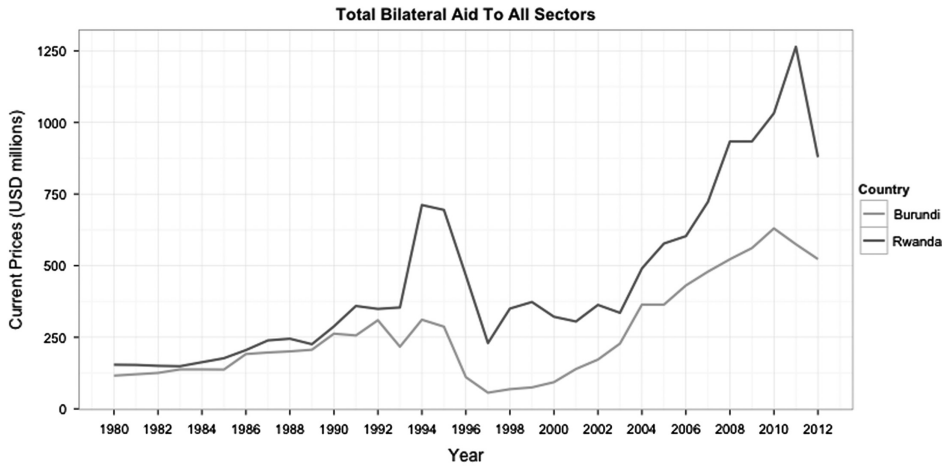


Figure 1. ODA in Rwanda and Burundi (all sectors, all donors).

Source: Data from OECD-DAC, <http://www.oecd.org/dac/stats>.

to understand differences in Rwandan and Burundian post-war donor relationships, it is helpful to consider how the two ruling parties manage and influence donors. The Burundian CNDD–FDD is a weaker party than the RPF in Rwanda, and has less leverage *vis-à-vis* donors, despite the CNDD–FDD’s greater post-war domestic democratic legitimacy. The RPF is better able to coordinate, manage and manipulate donors, and to channel assistance into priority areas. These differences can in part be explained by how the two movements were created, how they evolved and how their respective civil wars ended.

### The emergence and evolution of the RPF and the CNDD–FDD

The CNDD–FDD and the RPF are both former rebel movements but they emerged from different systems with different constraints. A number of authors have argued that the organisational structures of a rebel movement continue to influence its transition to a political party.<sup>10</sup> As Sara Dorman explains, rebellions that aim to ‘liberate’ populations from oppressive rule often have a well-articulated ideology to attract recruits and civilian supporters and to present to the media, academics and donors. These legacies and institutional practices tend to play themselves out in post-liberation years.<sup>11</sup> There may also be the lingering influence of a ‘*mentalité du maquis*’, or a way of thinking that develops from spending years in an armed struggle.

The RPF and the CNDD–FDD emerged in different political circumstances but there were important parallels in the histories of the two countries that influenced later governance. First, unlike many other African states, neither Rwanda nor Burundi is an artificial creation of colonial rule. By the time they were absorbed into German East Africa in 1898–99 most of the territory had already been incorporated into two kingdoms, with centralised state structures. The kingship was the focus of popular loyalties and factional struggles. So both states are strongly socially anchored, with current boundaries that closely mirror

pre-colonial political boundaries. Compared with Rwanda, however, the Burundian Kingdom was less centralised and the Mwami (King) was more dependent on popular support.<sup>12</sup>

Second, following Independence on 1 July 1962, both states were strongly authoritarian. After a coup in 1973, when President Habyarimana took power in Rwanda, the National Revolutionary Party for Development (MRND) became the only party. The state was centralised and hierarchical and had an extensive presence at the local level, controlling many aspects of Rwandan social life.<sup>13</sup> Similarly before the 1990s there was one party in Burundi, the Union for National Progress (UPRONA), and social mobility depended upon participation in the party. The party was linked to the country's only women's movement, youth organisation, radio station and newspaper.<sup>14</sup> The state was centralised and influenced all levels of society.<sup>15</sup> The economies of both Rwanda and Burundi were organised through generalised patrimonial rent-seeking. Small business entrepreneurs depended upon having patrons within the administration or the military.

A third feature in both countries is that power structures were ethnically exclusive and regionally divided. Whether the Hutu/Tutsi distinction was historically a racial or a social class difference is contested, but ethnic categories became rigid during and after colonial rule.<sup>16</sup> While the ethnic composition of the two countries was similar, the basis for post-Independence exclusion was different. In Rwanda, following the 1959 Revolution and the overthrow of the Tutsi monarchy, many Tutsi fled to refugee camps in neighbouring Uganda and the majority Hutu dominated post-Independence governments.<sup>17</sup> In Burundi it was the minority Tutsi who dominated post-Independence political, military and economic structures.<sup>18</sup>

Fourth, development assistance played an important role in both countries before their civil wars. As Peter Uvin has noted, Rwanda was seen as a 'model of development in Africa' before the genocide, with strong development indicators such as high GNP growth and growing industrial production. It also had strong human development indicators, such as high vaccination rates and a vibrant civil society.<sup>19</sup> In Burundi the Tutsi ruling class used the language of national unity and development to garner legitimacy, particularly under the presidency of Bagaza from 1976. Unifying symbols such as the independence hero Prince Louis Rwagasore were propagated, and there was a denial of ethnicity.<sup>20</sup> At times there were tensions with donors but Bagaza was successful in attracting development assistance. There are indeed interesting parallels between the Bagaza regime in Burundi and the current Rwandan regime.

Thus the RPF and the CNDD–FDD emerged in countries with a history and tradition of strong statehood. There was greater political accommodation in pre-colonial Burundi, but the colonial and post-colonial elites in the two countries were ethnically exclusive. Post-Independence governments in the two countries were characterised by high levels of authoritarianism and social control, and also high levels of development assistance.

Significantly, however, the RPF has its origins outside Rwanda, whereas the CNDD–FDD was a breakaway group from a political party within Burundi. The RPF can be traced to Tutsi refugees who fled to Uganda following the Rwandan revolution of 1959. The Tutsi refugee community formed the Rwanda Refugees

Welfare Association, which was later renamed the Rwandese Alliance for National Unity (RANU) in 1979. Persecution of the refugees grew increasingly severe after the fall of Idi Amin in 1979 and many young Rwandan Tutsi men joined Yoweri Museveni's National Resistance Army (NRA) guerrilla movement. In January 1986, when Museveni and the NRA captured Kampala, his force included an estimated 3000–4000 Tutsi Rwandan fighters. In December 1987 RANU changed its name to the Rwandan Patriotic Front (RPF). In October 1990 the RPF invaded Rwanda, saying that they wanted to return to their homeland.<sup>21</sup> This invasion occurred at the same time as the Rwandan regime faced economic vulnerabilities resulting from a drop in food production and coffee prices, as well as political vulnerabilities resulting from pressures from donors to open political space in the context of the post-cold war enthusiasm for multiparty democracy.

Initially, therefore, RPF members were recruited from the armed forces of a foreign country. The RPF was highly influenced by the ideas and structures of the NRM/NRA, as well as by other revolutionary movements such as Mozambique's Frelimo party. The RPF fighters were well-trained and highly disciplined. The first two leaders of the RPF, Fred Rwigyema (killed in battle in 1990) and Paul Kagame (the current president of Rwanda) were senior figures in the NRA.<sup>22</sup> The RPF claimed to be liberating Rwanda, yet in the early stages of war the RPF could not recruit young Tutsi men from the local population in classic guerilla fashion, since the RPF did not have the support of the Rwandan population in whose name they claimed to be fighting.<sup>23</sup> Instead, young Tutsi exiles from all over the Rwandan diaspora, but especially from Uganda, joined to fight in a country that they did not know. This began to change in late 1992, when the RPF started recruiting from the Tutsi population within Rwanda as the Rwandan government's anti-Tutsi rhetoric increased.

Unlike the RPF, the Burundian CNDD–FDD has its origins within the country as a breakaway faction of the political party that had won the 1993 elections. These elections led to a veritable reversal of power, with a mostly Hutu party, FRODEBU, winning over the incumbent mostly Tutsi party, UPRONA, which had dominated since Independence. The new FRODEBU president, Melchior Ndadaye was assassinated by members of the Tutsi-dominated army three months after taking office, leading to widespread massacres across the country. Unable to control the country, FRODEBU members were divided over whether or not to share power with the former ruling party UPRONA. FRODEBU reluctantly agreed to share power but some members refused, led by Leonard Nyangoma. Nyangoma and his associates created a military wing called the CNDD, which aimed to recapture political power by force and to instigate army reform.<sup>24</sup> The CNDD was able to unite some of the different pockets of armed resistance that had emerged around the country in response to President Ndadaye's assassination, although some people joined other Hutu armed movements such as Palipehutu and FROLINA.<sup>25</sup>

The CNDD thus emerged as a more radical wing of an established political party in Burundi, even though at various times during the subsequent civil war the CNDD had rear bases in Tanzania and in the DRC.<sup>26</sup> Many of the CNDD leaders were former heads or deputies in FRODEBU, and it was only in 1996 that the executive committee of the CNDD became independent from FRODEBU.<sup>27</sup>

As a result of shifting alliances, regional dynamics and financial considerations, the CNDD split several times. There were frequent clashes with the other main Hutu armed movement, the Palipehutu–FNL, and tensions within the CNDD between members from different regions and religions.<sup>28</sup> In 1998 Nyangoma was ousted by Jean-Bosco Ndayikengurukiye and the movement was renamed the CNDD–FDD. It split again in 2001 and Pierre Nkurunziza, the current president of Burundi, became the leader. Nkurunziza and his faction of the CNDD–FDD stayed out of the regionally sponsored Arusha peace negotiations to end the Burundian civil war. Even once the Arusha peace agreement was signed in 2000 and the Burundian transitional institutions were established in 2001, the CNDD–FDD continued to wage war, claiming that the real issue, Burundian army reform, had been inadequately addressed.

So while the CNDD–FDD and the RPF were both rebel movements seeking to influence and capture state power, they were very different kinds of organisations. The RPF was highly trained and disciplined, with a strong focus on political education. The movement was divided into different zones and sectors, and was very well-organised and coherent. In contrast, the CNDD–FDD was constantly affected by desertions and realignments, depending on alternative opportunities for leaders and fighters. The CNDD–FDD leadership had profound disagreements over whether and when to join peace negotiations, whether to share power and how to engage with international and regional mediators. Furthermore, the CNDD–FDD was competing with other Hutu rebel movements in Burundi, particularly the Palipehutu–FNL.

Thus the RPF had weak links to the Rwandan population inside the country, but they were an internally coherent, disciplined, well-structured organisation and they did not face competition from other Tutsi groups. The CNDD–FDD had more domestic popular support, but it was more internally fragmented and faced intense competition from other Hutu groups. As shown below, these differences had an effect on donor relations.

### **Military victory and negotiated settlement**

The Rwandan conflict and genocide ended with the military victory of the RPF in July 1994, whereas the Burundian conflict ended through protracted negotiated settlements, leading to democratic elections won by the CNDD–FDD in 2005. These different conflict endings have important ramifications on governance and institutions, and subsequent relations with donors.<sup>29</sup>

When the RPF took over as ruling party in Rwanda, many members of the former regime had fled to refugee camps in Zaire, in other neighbouring countries, or overseas. The RPF reaffirmed its commitment to the terms and the spirit of the internationally sponsored 1993 Arusha Accords. The former single-party the MRND and the extremist Hutu party CDR were banned, but other political parties took up their seats in a National Unity government and parliament as set out by the Arusha Accords. Nonetheless, the decisive military victory meant that the RPF had tight military control over the country, and this enabled the RPF to establish social and political control relatively quickly.

Relations between the RPF and some donors became close in a reasonably short space of time. Aside from France, which had provided extensive support



to the previous Rwandan regime, most Western donors and diplomats were reluctant to question the good faith of the new RPF rulers, even as a number of human rights organisations began to outline some of the questionable practices of the new regime.<sup>30</sup> The USA, the UK and The Netherlands were relative newcomers to Rwanda and became important donors.<sup>31</sup> Western governments had been criticised for their inaction during the genocide, but they were now committed to assisting reconstruction through development.<sup>32</sup>

Thus the way in which conflict ended in Rwanda led to increased centralised control by the RPF, and ‘guilt’ over the inadequacy of international response to genocide gave the RPF greater legitimacy and policy independence *vis-à-vis* donors. Donors, especially those with little previous experience in Rwanda, were eager to contribute to reconstruction efforts and were receptive to the narratives being articulated by the RPF.<sup>33</sup>

In Burundi the negotiated settlement to civil war brought about a very different dynamic. The war in Burundi and the protracted peace negotiations contributed to the fragmentation of the state.<sup>34</sup> The Arusha Agreement was signed by 19 parties in 2000 but the CNDD–FDD was not a signatory, as it had stayed out of the internationally and regionally brokered negotiations.<sup>35</sup> Burundian transitional institutions were set up from 2001, but the CNDD–FDD continued to fight, claiming that the peace process was not legitimate. The Burundian transitional leadership, regional mediators and international diplomats tried to entice the CNDD–FDD leadership into the peace process and transitional institutions through a mixture of carrots and sticks. In late 2003 a ceasefire agreement was reached which gave key CNDD–FDD leaders important cabinet portfolios in the transitional government, and guaranteed that CNDD–FDD commanders would be given positions within the army and police.<sup>36</sup>

In 2005 the CNDD–FDD won multiparty democratic elections by a significant margin and former rebel leader, Pierre Nkurunziza, became president. One of the reasons for the CNDD–FDD’s popularity was that it was not associated with the extended Arusha peace process, which many Burundians viewed as an elite-driven exercise that had enriched politicians in the capital Bujumbura. Furthermore, many Burundians across the country believed that the CNDD–FDD was the party that could bring security to a war weary population. Also the movement had extensive shadow administrative structures in many parts of the country during the war, which it was able to mobilise during the election campaign. Nonetheless, despite the electoral victory, Burundi remained highly divided after the 2005 elections, with elites scrambling to strategically reposition themselves to take advantage of the new political landscape and the power-sharing requirements in the new Constitution.<sup>37</sup>

The extensive and prolonged negotiations to end the Burundian conflict therefore contributed to the further factionalisation of Burundian political space but also had important consequences for CNDD–FDD relations with the donor community. International and regional facilitators were more accustomed to working with other Burundian parties, particularly UPRONA and FRODEBU, since the CNDD–FDD had stayed out of the peace process for such a long time. There were thus strong personal and professional connections between UPRONA and FRODEBU and international donors and diplomats, whereas the CNDD–FDD representatives were relatively unknown.<sup>38</sup>



In contrast to the RPF, then, the CNDD–FDD gained domestic legitimacy through popular support expressed in what was largely regarded as a fair democratic contest in 2005. Yet the very nature of these negotiated settlements, particularly of the carefully balanced Burundian power-sharing settlement, meant that politics and power in Burundi were much more fractured and diffuse than in Rwanda. In Rwanda, military victory, a receptive international audience because of guilt over the genocide, and the RPF’s tight internal hierarchical structure meant that it was easier for the party to exert effective social and political control and to articulate a consistent narrative to donors.

### **Local agency and donor relations**

The nature of the two ruling parties and the way in which the civil wars ended have important implications in terms of donor relations. In Rwanda the post-genocide political record of the RPF is a matter of enormous disagreement. Critics focus on human rights abuses committed by the RPF against political opposition figures, as well as in the DRC. It is difficult to express one’s views openly in Rwanda, or to assert political identities that fall outside officially circumscribed categories.<sup>39</sup> Critics also say that Rwanda’s impressive growth rates hide large and growing vertical and horizontal inequalities in the country. Government policy is to concentrate land-holdings and modernise agriculture through intensification, leading to large gaps between the urban elites in Kigali and small-scale farmers.<sup>40</sup> There are ambitious, top-down rural development schemes designed to encourage villagisation, to commercialise production and to promote regional crop specialisation, with harsh penalties for non-compliance.<sup>41</sup> Supporters of the regime, on the other hand, point to economic success and notable progress on a range of social and economic indicators, despite a very difficult history.<sup>42</sup> They praise the RPF for being able to (re)build a strong state.<sup>43</sup>

Both critics and supporters point to the ability of the RPF to exert considerable agency in the donor relationship. Despite its heavy reliance on donors, the RPF has achieved a high level of political autonomy.<sup>44</sup> There are several factors that have increased the RPF’s ability to direct and manage donor relations. First, military victory by the RPF helped it gain a near monopoly over information and the production of knowledge about the history of the genocide, and enabled relations with new donors. Aid workers, international (mainly anglophone) journalists, scholars and donors who arrived in Rwanda in the immediate aftermath of genocide often knew very little about the country and were willing to accept the new government’s version of the truth.<sup>45</sup> The RPF actively cultivated close diplomatic, aid and intelligence relations with the USA and the UK.<sup>46</sup> Thanks to the RPF’s origins in Uganda, many of its officials speak English very well and have emphasised some donor priorities such as gender equality and effective governance, while simultaneously pursuing their own political agenda.<sup>47</sup> For instance, Rwanda has comparatively high percentages of women in the national parliament and in the labour force.<sup>48</sup>

Second, the RPF used the language of unity and reconstruction, which resonated with donors.<sup>49</sup> In this ‘transformed’ Rwanda ethnic identities no longer matter, but are always in danger of resurfacing (thus requiring heavy-handed

governance tactics).<sup>50</sup> Instead of ethnic categories, the categories in Rwandan legal and administrative documents are derived from the official RPF interpretation of the genocide: survivor, old caseload returnee, new caseload returnee, suspected genocidaire.<sup>51</sup> In the absence of popular support within Rwanda, the RPF uses memory and memorialisation of the genocide as a means to justify its power.<sup>52</sup> Furthermore, the RPF presents itself as an essential bulwark against the risk of future genocide, and has used this justification to pass legislation, such as the genocide ideology law of 2008, which removed voices of dissent or opposition.<sup>53</sup> The risk of future violence has also been used to justify Rwanda's military presence in the DRC.

Third, the RPF has defined itself as a party offering modernity, development and progress. While the RPF cannot draw upon democratic legitimacy, it derives its legitimacy from economic progress, or what is sometimes called 'performance legitimisation'. Interestingly this is reminiscent of earlier government strategies. In the 1970s, despite exclusionary and authoritarian governance, the Rwandan government garnered legitimacy through the discourse of successful 'development'. In 1974 the Rwandan parliament was renamed the National Development Council and the president announced that Rwanda's 143 communes would be the 'motors of development'.<sup>54</sup> Today some authors say that Rwanda should be characterised as a developmental patrimonial state, albeit with some qualifications.<sup>55</sup> The RPF wholly owns the private sector holding company Tri-Star Investments/Crystal Ventures Ltd (CVL) and has majority stakes in many other leading Rwandan companies.<sup>56</sup> Profits from the operation of subsidiaries are taxed and either reinvested or returned as dividends to the RPF.<sup>57</sup> Marysse et al say that, when making decisions about aid allocation, donors look at the technocratic elements of governance such as government effectiveness, the regulatory burden, corruption and rule of law, instead of political sensitivities, meaning that Rwanda is an attractive recipient.<sup>58</sup> In 2010 Rwanda was ranked 67th out of 143 countries in the Doing Business Report, and was called the world's top reformer.<sup>59</sup>

Fourth, the RPF has positioned itself as being central to efforts to bring security to unstable parts of Africa.<sup>60</sup> It has a highly trained military and is currently the sixth largest troop and police contributor to the UN.<sup>61</sup> Rwanda deployed its first peacekeepers to the African Union Mission in Sudan in 2004. Since then it has contributed, among others, to the AU–UN Hybrid Operation in Darfur (UNAMID), the UN Mission in South Sudan (UNMISS), the UN Stabilization Mission in Haiti (MINUSTAH), the UN Mission in Liberia (UNMIL), the UN Interim Security Force in Abyei (UNISFA), the Operation in Côte d'Ivoire (UNOCI), the UN Peacebuilding Office in Guinea-Bissau (UNIOGBIS), and the African-led International Support Mission in the Central African Republic (MISCA).<sup>62</sup> These contributions should not be underestimated. When Rwanda was criticised in a 2010 draft UN report the Rwandan government warned that it could withdraw its peacekeepers from Darfur.<sup>63</sup>

Fifth, RPF rhetoric mirrors the language of local ownership and African solutions. For instance, RPF officials often use the language of the 2005 Paris Principles on Aid Effectiveness.<sup>64</sup> The Rwandan government developed its 'Vision 2020' policy guidelines, outlining targets and goals to transform Rwanda into a middle-income country by 2020.<sup>65</sup> Given the RPF's skill at using ownership

language that appeals to its most important donors, the international donor community has been inclined to follow the priorities and plans set by the government.

Thus the RPF has been successful in managing donors and controlling the narrative about its post-conflict trajectory. Nevertheless, since 2010, criticism of Rwanda among many donors has increased. In 2011 and 2012 key donors, including the USA, UK, Germany and the Netherlands delayed disbursement or withdrew part of their aid because of renewed allegations by the UN that Rwanda was supporting M23 rebel activity in the DRC.<sup>66</sup> It is too early to say if this marks a fundamental shift in donor relations. There are also some signs that the internal coherence of the RPF regime has increasingly come under stress, although most critics are in exile.

Burundi, on the other hand, has been consistently unable to exert the same kind of leverage over international donors. The negotiated settlement to the conflict in Burundi, the politics of accommodation and the divided power-sharing political landscape have led to competing poles of power within Burundi. In Rwanda the RPF has maintained tight discipline within the party, with detractors forced to go into exile. In Burundi constitutional provisions for power sharing have meant that the CNDD–FDD is required to include dissenting voices within the party, and it has recruited many prominent Tutsi within its ranks. As described above, the CNDD–FDD never had the same level of discipline as the RPF, because of the different conditions it faced in its armed struggle. Indeed, Willy Nindorera points out that the same neo-patrimonial and factionalised practices that currently characterise the Burundian government also characterised the earlier CNDD.<sup>67</sup>

One might have expected that a Burundian emphasis on democracy, inclusivity and shared power would appeal to donors, especially since international and regional actors were instrumental in the establishment of the Burundian power-sharing system. Yet the CNDD–FDD has been unable to articulate a narrative that resonates with donors. At the time of its creation, throughout its armed struggle, as well as during the post-conflict period, the CNDD–FDD has been a fractured organisation with competing voices that have hindered the emergence of such a narrative. Even though the post-war Burundian political environment – with its multiparty elections and more inclusive political space – stood in marked contrast to the Rwandan one, it was not possible for the CNDD–FDD to put forward a compelling narrative based on democracy, rights and inclusivity. In part this is because the CNDD–FDD has increasingly turned to more coercive and authoritarian tactics and governance strategies, particularly since the 2010 electoral campaign. The CNDD–FDD has tried to tighten its control of state companies, provincial governorships and the court system. It has tried to emulate the RPF's political governance,<sup>68</sup> and has sought to assert itself as the only legitimate decision maker that can distribute the spoils of office in return for loyalty. The youth wing of the CNDD–FDD, the Imbonerakure, has been accused of violence and intimidation against opposition members in the countryside.<sup>69</sup> The large protests in Bujumbura in 2015 against President Nkurunziza's decision to run for a third presidential mandate were met with further violence and repression against the independent media, civil society and the opposition. Thus a narrative of democracy and inclusivity is not credible.

The CNDD–FDD was also unable to put forward a narrative based on economic performance and technocratic management. In general, the aid system in Burundi has supported and even strengthened the neo-patrimonial system that benefits the ruling elite.<sup>70</sup> Economic relations are largely neo-patrimonial, as in Rwanda, but since structures are more fractured, patrimonialism is less likely to be developmental. In other words, the CNDD–FDD is not able to be directive in the same way as the RPF. Decentralisation was reintroduced in 2005 but this has reinforced non-developmental neo-patrimonial political structures.<sup>71</sup> The financial sector in Burundi is used as a source of rents rather than development finance and thus has not had a significant effect on economic development.<sup>72</sup> Institutions are weak and Burundi has a limited capacity to mobilise revenues.<sup>73</sup> Weak capacity has also affected monitoring ability, which further affects accountability.<sup>74</sup> In 2011 a Vision 2025 document was released by the government, which articulated a vision of goals for the country to 2025, including an annual GDP growth of 10% and a reduction in the poverty rate.<sup>75</sup> It is very unlikely, however, that these goals will be met.

Furthermore, as outlined above, when the CNDD–FDD won the 2005 elections, relations with the UN mission were strained, in part because the donor community was accustomed to dealing with the two other main political parties.<sup>76</sup> CNDD–FDD officials perceived the UN and other international actors to be biased towards the political opposition and civil society, and felt that, since their party had won the elections, the UN mission should leave governance tasks to the new democratically elected government. As relations grew worse, international donors described the CNDD–FDD as inexperienced, intransigent, authoritarian and in need of ‘training’.<sup>77</sup> CNDD–FDD officials used the language of sovereignty, legitimacy and autonomy in an attempt to loosen donor influence and to exert their control and agency. Several of the most senior UN officials in the country, including two United Nations Special Representatives of the Secretary-General, were seen as being too close to the opposition and were asked to leave the country by the government.

Despite these attempts to assert its autonomy, the CNDD–FDD has not been able to coordinate or direct donors in the same way as the RPF. A number of institutions have been set up to manage relations, such as the National Committee for the Coordination of Aid, established in 2005. A permanent secretariat for this National Committee was established to monitor aid flows and increase coherence and coordination, to support the government’s implementation of the Paris Principles, and to serve as the secretariat for the Partners Coordination Group.<sup>78</sup> However, in practice, while the government has embraced the aid effectiveness agenda, it has not been able to implement many of the principles.<sup>79</sup> Since donors largely mistrust Burundian institutions, they often work outside these national structures.

The CNDD–FDD has also tried to exert agency through security narratives. Like Rwanda, Burundi has contributed troops to peacekeeping missions, most notably to the African Union Mission to Somalia (AMISOM) as well as to the MISCA, which became a UN force in September 2014 (MINUSCA). The CNDD–FDD has tried to justify its harsh and unlawful treatment of opposition members with language echoing the Rwandan security discourse, but this has not significantly mitigated donor criticism.

## Conclusions

Despite its authoritarianism and human rights abuses, the RPF has largely maintained its image as an effective moderniser in the eyes of many donors, consistently emphasising the country's economic accomplishments as an alternative (African) source of internal legitimacy. Paradoxically the more fractured but more inclusive and democratic Burundian state has had less leverage *vis-à-vis* donors. This has worrying implications, as it suggests that, under some conditions, more monolithic, authoritarian and repressive regimes can better manage and influence donors. Indeed, the CNDD–FDD learned a lesson through watching the RPF, and has increasingly limited political space and governed in a heavy-handed, coercive and exclusive manner. The rising tension and violence in the lead-up to the 2015 Burundian elections, and the constitutional controversy over President Nkurunziza's candidacy, present a sobering view of Burundi's political trajectory.<sup>80</sup> Many regional leaders and international donors strongly criticised President Nkurunziza and withdrew support for the 2015 elections. The crisis has highlighted serious divisions within the CNDD–FDD and the vulnerability of Burundi's post-war institutions, with further violence and increased authoritarianism as two likely outcomes.

This article has shown that international donor involvement in Rwanda and Burundi is, in part, a product of very different war-time trajectories. Aid is a consequence of particular relationships, not only a cause, and ruling elites in recipient countries play a critical role in constructing those relationships. Part of the difference between Rwandan and Burundian aid relationships can be explained by the different political contexts leading to the emergence of the RPF and CNDD–FDD, their different internal structures, and the fact that the Rwandan civil war ended in military victory, while the Burundian civil war ended in protracted negotiated settlements. Thus the RPF has been better able to articulate a single narrative *vis-à-vis* donors, and has more policy autonomy and a stronger ability to direct its international donor engagements. The CNDD–FDD operates within a more fractured political context and it has had much more difficulty managing donor relations. Yet in both countries it is the wider population that continues to suffer the consequences of the gap between the rhetoric and actions of both national elites and international donors.

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## Notes

1. See for instance, Bayart, "Africa in the World"; Clapham, *Africa and the International System*; Brown, "A Question of Agency"; Whitfield, *The Politics of Aid*; Beswick and Hammerstad, "African Agency"; and Chabal and Daloz, *Africa Works*.
2. For instance, Lemarchand, "Part II: Rwanda and Burundi."
3. In both countries the figures that are typically cited put the Tutsi at 14% of the population, the Hutu at 85%, and the Twa at 1%, but these figures are disputed and doubtful.
4. See Lemarchand, *Rwanda and Burundi*; Hintjens, "Rwanda and Burundi"; and Chrétien, *Le défi de l'ethnisme*.
5. IMF, *Rwanda*.
6. Marysse et al., "The Aid Darlings."
7. Holmes et al., *For State and Citizen*.
8. Marysse et al., "The Aid Darlings."
9. See Campbell et al., *Independent External Evaluation*, for an analysis of these projects.
10. Bøås and Dunn, *African Guerrillas*; and Manning, "Armed Opposition Groups."
11. Dorman, "Post-liberation Politics," 1086.
12. Lemarchand, *Rwanda and Burundi*, 19–39.
13. Newbury, "Rwanda."
14. Lemarchand, *Burundi*.
15. Ndikumana, "Distributional Conflict."
16. See Mamdani, *When Victims become Killers*; and Lemarchand, *Burundi*.
17. The first post-Independence president, Gregoire Kayibanda (1962–73), drew his support mainly from the south, whereas President Juvenal Habyarimana (1973–94) drew his support mainly from northern Hutu.
18. Post-Independence presidents Micombero (1966–76), Bagaza (1976–87) and Buyoya (1987–93, 1996–2003) were all Tutsi from the same clan and commune in Bururi province.
19. Uvin, *Aiding Violence*, 40–50. Uvin argues that the development aid system in Rwanda interacted with political and social processes that made genocide possible. See also Andersen, "How Multilateral Development Assistance."
20. Lemarchand, *Burundi*, 108–110; and Vandeginste, "Governing Ethnicity."
21. Otunnu, "An Historical Analysis."
22. Rwigyema had been Deputy Commander of the NRA and Major Paul Kagame had been Head of Intelligence.
23. Prunier, "The Rwandan Patriotic Front," 131.
24. Another Hutu rebel movement, called the Palipehutu, had formed earlier in Tanzanian refugee camps in 1980. Many Palipehutu members were refugees who had fled Burundi during the 1972 genocide. See Malkki, *Purity and Exile*.
25. Many thanks to Katrin Wittig for highlighting this point.
26. For an excellent discussion of the origins and evolution of the CNDD–FDD, see Burihabwa, "Unpublished PhD dissertation."
27. Nindorera, *The CNDD–FDD*, 15.
28. *Ibid.*, 16.
29. See also Uvin, "Structural Causes."
30. See, for instance, Amnesty International, *Reports of Killings*; and Human Rights Watch, *Rwanda*.
31. By 2011–12 the top four donors to Rwanda were the World Bank (International Development Association), the USA, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the UK. The top four donors to Burundi that same year were the World Bank (International Development Association), EU institutions, Belgium and the USA. See OECD-DAC, [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats).
32. Hayman, "Abandoned Orphan, Wayward Child," 347; and Marriage, "Defining Morality," 480.
33. Hayman, "Rwanda," 164.
34. Uvin and Bayer, "The Political Economy," 266.
35. For a discussion of the peace processes, see Daley, *Gender and Genocide*.
36. For details of the various agreements, see Vandeginste, "Power-sharing."
37. Curtis, "The International"; and Vandeginste, "Power-sharing."
38. Jackson, "The United Nations."
39. Reyntjens, "Constructing the Truth." Because of this repression, challenges to RPF authority and hegemony are largely expressed outside Rwanda by the Rwandan diaspora.
40. Ansoms, "Re-engineering Rural Society."
41. Newbury, "High Modernism."
42. For an articulation of the RPF view of history and politics, see Murigande, "The Rwandan Genocide." Murigande was the Rwandan Foreign Affairs Minister when he wrote this piece.
43. McDonough, "From Guerrillas to Government," 358.
44. Hayman, "Rwanda," 168–178; and Ansoms and Rostagno, "Rwanda's Vision 2020," 430.
45. Pottier, *Re-imagining Rwanda*.



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46. Hintjens, "Post-genocide Identity Politics"; Beswick, "Managing Dissent"; and Fisher, "Structure, Agency."
47. Reyntjens, "Constructing the Truth."
48. UNDP, *Human Development Report 2011*.
49. Rwandan peasants' 'hidden' resistance to this narrative is outlined in Thomson, "Whispering Truth to Power."
50. See Straus and Waldorf, "Introduction," 8–10.
51. Hintjens, "Post-genocide Identity Politics," 14.
52. There has been extensive international support for the Rwandan government's project of memorialisation. See Ibreck, "International Constructions."
53. Waldorf, "Revisiting Hotel Rwanda."
54. Uvin, *Aiding Violence*, 24.
55. Booth and Golooba-Mutebi, "Developmental Patrimonialism?"
56. Tri-Star emerged from the RPF's war-time 'Production Unit', which generated funds for the RPF as a rebel movement, and helped fund the government in the immediate aftermath of the genocide.
57. Booth and Golooba-Mutebi, "Developmental Patrimonialism?" 389.
58. Marysse et al., "The Aid Darlings," 449–450.
59. World Bank, *Doing Business 2010*.
60. Beswick, "The Risks."
61. From <http://www.un.org/en/peacekeeping/resources/statistics/contributors.shtml>.
62. From <http://www.gov.rw/Rwanda-deploys-peacekeeping-troops-to-help-stabilise-the-Central-African-Republic>.
63. Gettleman and Kron, "Rwanda threatens to Pull Peacekeepers."
64. Zorbas, "Aid Dependence," 108.
65. Government of Rwanda, *Rwanda Vision 2020*.
66. The UK decided not to release £21 million to Rwanda because of the Rwandan government's support of the M23 rebel movement in eastern DRC. In March 2013 £16 million of this aid was reprogrammed, channelled through projects rather than as direct budget support. See DFID Ministerial Statements, November 30, 2012, and March 1, 2013.
67. Nindorera, "The CNDD–FDD," 15.
68. Many thanks to an anonymous reviewer for pointing this out.
69. Report of the Secretary-General; and Bouka, "Status and Dynamics."
70. Uvin and Bayer, "The Political Economy," 272.
71. Gaynor, "Bringing the Citizen Back In."
72. Nkurunziza, *Why is the Financial Sector?* Nkurunziza et al., *The Financial Sector*.
73. African Development Bank, *Domestic Resource Mobilization*.
74. Desrosiers and Muringa, "Effectiveness under Fragile Conditions?" 513–514.
75. Ministry of Planning and Communal Development, *Complete Vision 2025*.
76. Jackson, "The United Nations."
77. See, for instance, ICG, *Burundi*.
78. Desrosiers and Muringa, "Effectiveness under Fragile Conditions?" 507.
79. *Ibid.*, 511.
80. For a discussion of the controversy surrounding President Nkurunziza's eligibility for a third presidential mandate, see Vandeginste, *La limitation constitutionnelle*.

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# Aid, accountability and institution building in Ethiopia: the self-limiting nature of technocratic aid

Berhanu Abegaz

Forty billion dollars of ODA over the past two decades has reduced destitution in post-socialist and post-conflict Ethiopia. It has also boosted the technocratic capacity of exclusionary state institutions, while doubly enfeebling the fledgling private sector and independent political and civic organisations. This aid–institution paradox is a product of an alignment of donor–recipient strategic interests. The five major donors pursued geopolitical and poverty reduction objectives; and the narrowly based ruling elite sought total capture of the state, ownership of the development agenda and use of pro-poor growth to leverage large aid inflows and to seek domestic political legitimacy. By coupling poverty reduction with adequate space for inclusive market, civic and political engagement, a farsighted coalition of donors could have complemented capacity building with the promotion of state resilience. Scaled-up aid can still be delivered, as in Eastern Europe, conditional on meaningful mutual accountability and the rule of law.

## An aid–institutions paradox

Development is ultimately about freedom from want and freedom from fear. The cornerstones of freedom and shared economic growth are capability, opportunity and accountability. The first two are ideally synchronised by the third in a political order that embraces a capable state, mutually binding rule of law and inclusive governance. Well-designed and executed official development aid (ODA) complements domestic efforts in building up bureaucratic capacity in a manner that legitimises its authority in the eyes of all citizens.

This paper examines the effectiveness, besides boosting long-term growth and poverty reduction, of ODA in fostering broad-based state and business institutions in post-socialist Ethiopia between 1991 and 2014. Through a comparative

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analysis of the record on donor–recipient relations on what donors call ‘improved service delivery, empowerment, and accountability’, it seeks to identify where public-sector reforms advanced the narrow interests of the two official partners and where the general interest was served by the strengthening of widely supported public institutions.

More specifically we critically examine the mutual accommodation between the developmental state proclaimed by the Government of Ethiopia (GOE) and the public-institution reform agenda of its top-five development partners (DPs), who contribute some two-thirds of official aid. We do this by scrutinising the professed objectives and actual practices of three multilateral donors (the World Bank, the EU and the African Development Bank) and two bilateral donors (the UK Department for International Development (DFID) and the US Agency for International Development (USAID)). We will also examine how the GOE reacted to donor pressure in managing its relationship with its major DPs.

Generous pro-poor aid to Africa, in addition to supporting patrimonial consumption and a lower tax effort, has suffered moral hazard for heavily committed donors by militating against the project of building legitimate, transparent and accountable public institutions.<sup>1</sup> The European Commission characterises this puzzle as follows.

Ethiopia is challenging EU’s paradigm of democratic governance sustaining economic growth by successfully adopting macro-economic and development best practices with EU support, while reducing the scope for a Civil Society voice on governance and human rights, against EU advocacy.<sup>2</sup>

This ‘aid-institutions paradox,’ whereby aid aimed at institution building ends up providing perverse incentives for governments to invest less in domestically accountable public institutions, raises two questions: what explains the strong preference of the ruling party for supporting poverty reduction but not inclusive state and non-state institutions? And what explains the revealed preference of its five major development partners for building up the technocratic capacity of a state that is manifestly captured by a narrowly-based ruling group?

Our working hypothesis, then, is as follows. The promise of time-bound, subnationally tailored and harmonised official development aid to serve a catalytic role in building up capable and inclusive public institutions in post-Derg Ethiopia has proven rather fanciful. Where the interests of donor and recipient are fully aligned – as in the areas poverty reduction, country ownership of the development agenda and regional political stability – a strong incentive exists for a self-enforcing partnership. Where there is a clash of interests between donor and recipient, as has been the case with legitimising inclusion of all fundamental stakeholders in the areas of party politics, policy deliberation and a competitive market economy, donors wilfully blink, despite their strident rhetoric about the commitment to expand the ever-contested civic, political and economic space.

This paper contributes to the literature on the aid–institutions nexus in two notable ways. First, to our knowledge, it is the first systematic attempt to make sense of the interplay between donor interests and the bewildering institutional architecture of the Ethiopian political economy. Second, it confirms the widely held view that aid rarely buys structural reform if such reform goes against the



grain of donor and recipient interests. Politically conditioned aid which threatens the recipient's hold on state power will be resisted, and successfully so in this case, in resource-poor countries where donor geostrategic interest is compelling enough to allow the recipient to deliver only on poverty reduction.

The rest of the paper proceeds as follows. A general theoretical framework for thinking about the centrality of effective institutions in supporting pro-poor growth and political accountability is provided in the next section. This is followed by a review of the levels and modalities of ODA, the nature of institutional capture by the political class, and how well the congruence between the fundamental interests of the GOE and those of its biggest DPs has hamstrung aid-funded institution building in overly narrow technocratic dimensions. We conclude with a summary of the arguments.

### **Theoretical and methodological considerations**

Assessing the impact of aid on institutional effectiveness, in terms of both efficiency and inclusiveness, poses a number of challenges for political-economic analysis. The tasks include operationalising institutional robustness and quality, disaggregating the impact of aid from that of domestic resources, identifying the interests of donors and recipients, and employing the right metrics to gauge outcomes. We take up each consideration, albeit briefly.

Of the three pillars of a modern political order (a capable and autonomous state, rule of law that is anchored in societal norms and binding on the powerful, and an acceptable degree of accountability of state and business elites to citizens), Ethiopia barely meets the first criterion. A robust state is clearly one that is capable of defending its international borders, managing distributional conflict fairly and effectively, and delivering basic public services. Such a state also boasts a government that is considered legitimate by a broad cross-section of society.<sup>3</sup>

How much a given state deviates from robustness has to be established on a case-by-case basis since universal measures of state fragility take us only so far. Even where fragility is discernible, the most efficient and feasible mode of aid delivery is not always clear: should donors provide aid that temporally prioritises technocratic state building over democracy building or insist on a simultaneous nurturing of both? In this regard Ethiopian exceptionalism as a country with a pedigreed and resilient non-colonial state provides an intriguing case study.

A long agency chain mediates the effectiveness of aid in diffusing knowledge and relaxing the binding constraints of long-term finance. To maximise pass-through and full implementation of aid-funded programmes, the centrality of efficient public-sector institutions cannot be overestimated.<sup>4</sup> Given the inter-governmental nature of ODA, the inclusiveness and flexibility of institutions matter greatly. Some donors choose to build capacity and upgrade the quality of policies. Others choose just to work with the status quo, or even to bypass it altogether by outsourcing to non-state organisations.

Evaluating the impact of inter-governmental aid on institution building is further bedevilled by methodological complications. One involves disentangling the impacts of the domestic from the foreign when both monies and policies are



tightly coordinated. Another entails controlling for all relevant variables other than official aid that affect institution building. Comparing the programmes of different donors in the same country, the method we adopt in this paper, mitigates the problem of attribution since country characteristics are the same for all donors.<sup>5</sup> However, heterogeneity in donor behaviour has been dented since big donors harmonised their aid programmes in Ethiopia, especially after 2002, and the various internationally comparable indices of governance quality lack adequate time-series depth. The case study approach we employ here, despite its limitations with respect to generalisability, is well suited to the question at hand. It allows for a contextualised analysis of actor incentives and behaviour.

We will, therefore, follow a straightforward procedure in structuring our reading of the evidence. First, we will provide the context for the evolution of state institutions, the rule of law and accountability in the past three decades or so. Then we take a brief look at economic performance in terms of growth rates, poverty reduction and inequality, without making a distinction between the source of funds – domestic or foreign. Using a battery of internationally comparable indicators of poverty and institutional development, we examine whether increased aid flows have contributed to the emergence of capable, meritocratic and inclusive public institutions.

It may be useful at the outset to pin down the typology of aid modalities that link incentives with practice. Let us rule out two options which are least applicable to Ethiopia today. If donors care solely about geopolitics but the recipient regime is secure enough to care about both democracy and poverty reduction, then aid will be doubly effective (aid to India or South Africa come to mind). The other end of the spectrum is the case where donors care about trade and investment but the recipient cares only about its own political survival. In this case mutual self-interest preserves both poverty and tyranny (a case most applicable to resource-rich kleptocracies).

The distinct tracks of the Ethiopian aid-reform envelope can then be reduced to just three:

- (1) Unabashedly apolitical aid. Donors care about trade and investment access along with pragmatic support for poverty reduction (to promote political stability) but the recipient regime cares about its own survival plus poverty reduction (which has the virtues of being donor-financed and legitimising). In this case poverty may be reduced, while repressive politics endures or even intensifies, thereby accelerating state fragility. This fits a charitable reading of Chinese aid to Ethiopia which, at least, cannot be accused of hypocrisy.
- (2) Poverty reduction trumps human rights. Donors care about both democracy and poverty reduction, but the recipient cares only about its own survival and poverty reduction. In this case, reflecting perhaps the widely held view that democracy is impractical in the poorest countries, donors pragmatically choose to prioritise short-term poverty reduction over oppression reduction. This fits well the current Western model of aid for Ethiopia.

- (3) Respect for human rights (ultimately) trumps poverty reduction. Donors care about both democracy building and poverty reduction, but the recipient cares about its own political longevity and poverty reduction. In this case donors choose to privilege basic freedoms and the rule of law over short-term poverty reduction. Allowing enough political space for the emergence of these pro-poor coalitions, which would enhance employment opportunities and business formation, is likely to have superior growth, distributional and accountability outcomes. A version of this option is a two-pronged and simultaneous promotion of political and economic development.

### State-building and the emergence of an étatist regime

Ethiopia is an African country of 95 million with unusual features and myriad contradictions. It has a resilient civilisation-state but has not managed to transition fully into a modern nation-state. It is multi-ethnic (the biggest four ethnolinguistic groups accounting for over three-quarters of the population) and bi-religious (two-thirds being Christian and one-third Muslim). It is a mineral-poor and food-insecure but rich in arable land, water, and abundant but capital-intensive hydro-electric and geothermal resources. It enjoys a strategic location in the Horn of Africa – a ‘bad’ neighbourhood but also close to major sea routes. Its chronically aid-dependent governments have had a history of policy assertiveness in dealing with donors. Finally, its current rulers are repressive but savvy and geostrategically valuable enough to captivate narrowly self-interested donors.

The evolution of Ethiopian living standards since 1950 is depicted in Figures 1 and 2. One striking observation stands out: Ethiopia is not just unbelievably poor (and equally so with a Gini Index of 0.30) but lacks a robust growth engine. The slow but steady gain in real per capita income in the 1960s was lost in the subsequent three decades. The highest real per capita income, attained in 1969, was restored only in 2008. The lack of a diverse economic base is reflected in the high correlation between commodity prices and aid-funded investment, and

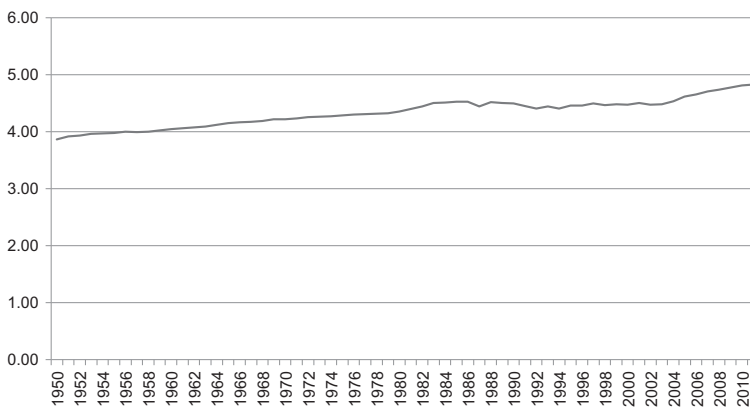


Figure 1. Growth of real GDP for Ethiopia, 1950–2011 (in 2005 PPP\$; output-based; log scale).

Source: Penn World Tables 8.0, <http://www.rug.nl/research/ggdc/data/pwt/>.

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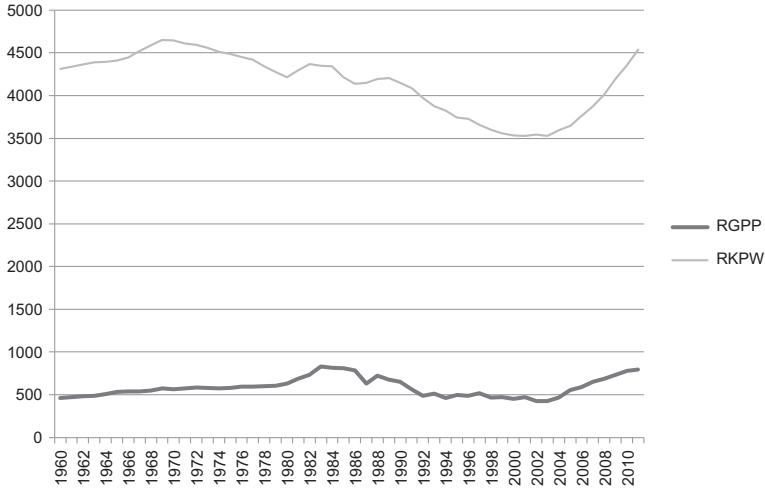


Figure 2. Real GDP per person, and real capital stock per worker for Ethiopia, 1960–2011 (in 2005 PPP\$; national accounts).

Notes: RGPP = real GDP per worker (bottom line). RKPW = real capital stock per worker (top line).

Source: Penn World Tables 8.0, <http://www.rug.nl/research/ggdc/data/pwt/>.

the rate of GDP growth. The recent rise in economic growth is driven by demand expansion fuelled largely by public investment, which makes it quite prone to balance-of-payments crises.<sup>6</sup> Furthermore, exclusionary economic and political institutions appear to have the joint effect of enhancing the country’s vulnerability to recurrent political shocks, as shown by the patterns of Policy IV scores since 1946 (Figure 3).

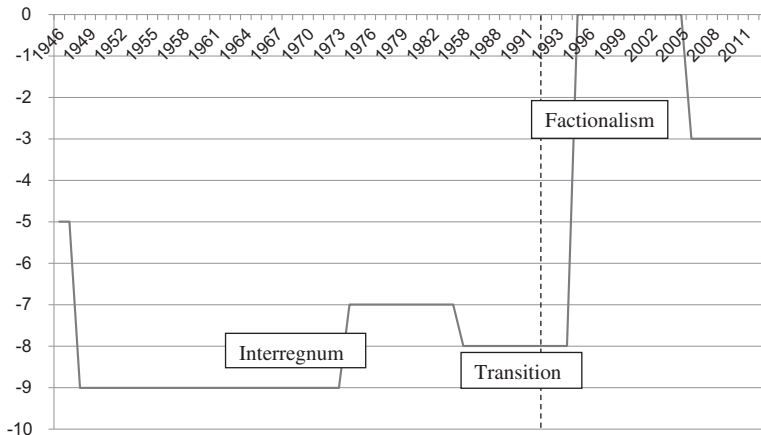


Figure 3. Ethiopia: authority trends, 1946–2013.

Notes: Vertical axis is Polity IV scores. Turning Points: 1974 Revolution, 1991 overthrow of Derg; 2000 split within EPRDF, and 2005 highly polarising parliamentary elections.

Source: Adapted from Systemic Peace database, <http://www.systemicpeace.org/polity/eti2.htm>.

The first half of the period under review was bookended by major wars. The civil war, spearheaded for two decades by the Eritrean Peoples' Liberation Front (EPLF) and the Tigray People's Liberation Front (TPLF), culminated in the replacement of the garrison-socialist regime (known as 'Derg') in May 1991 by a TPLF-led coalition of ethnic-based political organisations under the name of the Ethiopian People's Revolutionary Democratic Front (EPRDF).

During this honeymoon period the EPRDF presided over a post-conflict and post-socialist double transition (Table 1). Black Africa's largest national army was summarily disbanded and the top echelon of the civil service was replaced by loyalists. Predictably other Derg state institutions were preserved (most notably, the state bureaucracy's answerability to party commissars, nationalised urban and rural lands and the commanding heights of the economy, and a party-state control apparatus down to the neighbourhood or *Kebele* level). Tariffs were reduced and restrictions on private sector investment were either lifted or significantly reduced. Prices were progressively decontrolled but inflation remained low. A limited programme of privatisation of state enterprises (largely benefiting political allies) was undertaken. To the delight of donor and citizen alike, a number of independent civic organisations (including a relatively free press) and opposition parties were permitted during this transition period.<sup>7</sup> In the meantime the province of Eritrea seceded and a major war ensued over the division of the spoils and ill-defined borders.

While 1995 witnessed the introduction of a radically new constitution, the high hopes for meaningful power sharing, much less a peaceful power transfer as a result of free and fair elections, ended in 2005. Ethiopia today boasts a government led by a ruling party propounding the ideology of 'revolutionary-democratic' developmentalism. Decoded, this means the vanguard party has the obligation to forge a direct 'coalition with the masses' to represent (and control) them. Some have charitably reinterpreted this form of crony capitalism as an African developmental neo-patrimonialism – a system of bureaucratic but also personalised rule with a leadership committed to pro-poor growth by centrally mobilising and investing economic rent, including aid money.<sup>8</sup>

Another hallmark of the regime is the melding of statism with political ethnic-ity as foundational principles. The new constitutional order has reinforced structural fragility in the polity by emphasising the supremacy of primordial group rights and introducing two competing lines of authority – party and state.<sup>9</sup> In a nutshell, this 'holding together' and top-down model of federalism has four distinctive features: (1) autonomous status was thrust upon ethnically delimited regional states to be run by the new class of ethnic politicians; (2) each major subnational group was intended to be dominant in one, and only one, regional state regardless of population size; (3) there is a mismatch between the top-down territorial assignment of homeland for each ethnic group and the reality of high geographic mobility and inter-ethnic marriage; and (4) the hegemony of a single party reduces the power of federal units while also providing the glue to hold them together in the absence of viable democratic institutions.<sup>10</sup> The institutionalisation of atavistic ethno-nationalism has introduced, as in Malaysia and apartheid South Africa, the notion of 'dual citizenship', which undermines inter-group trust for building a robust pan-Ethiopian state.<sup>11</sup>

Table 1. Time-line of major aid-related developments, 1990–2012.

Year	Major events	Donor responses
1990–91	<ul style="list-style-type: none"> <li>• Derg belatedly decollectivises, decontrols prices, and frees inter-regional trade</li> <li>• EPRDF assumes state power in mid-1991</li> <li>• Liberalisation of prices and Birr</li> <li>• A liberal Investment Code</li> </ul>	<ul style="list-style-type: none"> <li>• Western governments unconditionally support EPRDF takeover</li> <li>• Emergency and BOP assistance but squeamish about the initially leftist economic policy of EPRDF</li> </ul>
1992–94	<ul style="list-style-type: none"> <li>• EPRDF rules under Transitional Charter</li> <li>• Macro stabilisation and demobilisation</li> <li>• Independent CSOs and freer press allowed</li> <li>• Eritrea secedes; Ethiopia is landlocked</li> <li>• New ethnic-based federal Constitution</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-donor conference led by IFIs</li> <li>• Economic recovery and reconstruction programme (structural adjustment credits)</li> <li>• Food security and road rehabilitation</li> <li>• Public expenditure reviews</li> </ul>
1995–97	<ul style="list-style-type: none"> <li>• Non-competitive parliamentary elections</li> <li>• Lower and more uniform tariffs</li> <li>• Exchange rate liberalisation, inter-bank auctions, and interest rate decontrol</li> <li>• Privatisation of SMEs</li> <li>• Civil service reform and retrenchment</li> <li>• Fiscal federalism with broader tax base</li> </ul>	<ul style="list-style-type: none"> <li>• Sector investment, public investment and medium-term economic plans</li> <li>• Extended structural adjustment facility</li> <li>• Investment in roads and public utilities, food security and deeper privatisation</li> <li>• Jointly developed policy framework papers</li> </ul>
1998–2000	<ul style="list-style-type: none"> <li>• Ethio-Eritrean conflicts: 100,000 killed</li> <li>• Border delimitation but no demarcation</li> <li>• Internal split within the TPLF leadership</li> <li>• Second non-multiparty elections</li> <li>• Famine strikes southern and eastern areas</li> </ul>	<ul style="list-style-type: none"> <li>• Worried about instability, bilaterals suspend aid, but not IDA</li> <li>• Donors urge greater political accommodation of opposition parties</li> <li>• Food aid, led by UN and USAID, rises</li> </ul>
2001–04	<ul style="list-style-type: none"> <li>• Economy recovers in 2003, despite food shortages</li> <li>• First comprehensive PRSP in 2003</li> <li>• Ethiopia begins to benefit from rising commodity prices and remittances</li> </ul>	<ul style="list-style-type: none"> <li>• Conditioned HIPC debt forgiveness</li> <li>• Direct Budget Support is strengthened</li> <li>• Donor harmonisation and coordination</li> <li>• Bilaterals increase commitments, focused on emergency aid</li> </ul>

(Continued)

Table 1. (Continued).

Year	Major events	Donor responses
2005–06	<ul style="list-style-type: none"> <li>• First free and fair multiparty parliamentary election ends in loss of urban areas</li> <li>• Premature declaration of victory by ruling party leads to public outcry, loss of 200 lives and jailing of opposition leaders</li> <li>• Certificates for land-use rights introduced</li> </ul>	<ul style="list-style-type: none"> <li>• Donors suspend direct budget support</li> <li>• Donors call for release of jailed leaders and investigation of the killings of peaceful demonstrators</li> <li>• Project lending and food aid continued</li> <li>• Much general budget support recast as Protection of Basic Services (PBS)</li> </ul>
2007–12	<ul style="list-style-type: none"> <li>• Opposition leaders released but independent CSOs political parties and media virtually annihilated; a surveillance state matures</li> <li>• Economy records near double-digit growth; inflation rises; mega-farms and mega-hydro projects proliferate</li> <li>• Draconian Charities and Media laws in 2009</li> <li>• FDI and loans from BRIC accelerate</li> <li>• Prime Minister Meles Zenawi dies in 2012</li> </ul>	<ul style="list-style-type: none"> <li>• Protection of Basic Services expanded</li> <li>• IDA increases economic and sector work</li> <li>• IMF decries unsustainable public spending and inflationary pressure</li> <li>• The level of ODA increased markedly</li> <li>• Export, FDI and remittance revenues rise significantly to overshadow ODA</li> <li>• Political conditionalities abandoned</li> </ul>

Sources: Compiled from Abegaz, “Aid and Reform in Ethiopia”; and GOE (2009); Khan, Faguet, Gaukler and Mekasha (2014); IMF (2014); World Bank (2014).



### Accountability and the rule of law: citizen rights and popular legitimacy

Given the absence of effective domestic constraints on the exercise of state power, a strong positive correlation is discernible between the degree of power consolidation by the ruling elite and the willingness to violate the constitutional rights of citizens with impunity. Gross and persistent human rights violations, which underlie Ethiopia's consistently dismal international rankings, are the stuff of numerous well-researched reports.<sup>12</sup>

Recent examples highlighted by such organisations include the arrest of 5000 Oromo for their actual or suspected political opposition to the government;<sup>13</sup> the forcible eviction of 8000 ethnic Amhara residents from Benishangul-Gumuz in 2013 on the heels of another eviction from Gura Farda in SNNP;<sup>14</sup> the passage of two draconian pieces of legislation – the charities and societies proclamation and the anti-terrorism proclamation – which place sharp restrictions on or criminalisation of constitutionally protected political and civic activities;<sup>15</sup> the displacement of a number of agro-pastoral communities to make way for hydroelectric and irrigation projects or for mega-land leases in the Omo and Gambella regions;<sup>16</sup> and the large and growing number of political prisoners whose ranks are augmented by the delisting of multi-ethnic opposition political parties, the latest being the Unity for Democracy and Justice Party (Andnet).

Internationally comparative evidence on the GOE's capability, policy and performance comes from disparate sources. It is summarised in Table 2. Despite a strong economic performance, reflected in a 25% gain on the Human Development Index (HDI) over the past decade, the country still ranks 173 out of 186 countries in the world on the overall HDI metric. With respect to qualitative

Table 2. Ethiopia: trends in respect for citizens' rights, 2004–14.

Index and Country Rank	Index/ Rank, 2004–05	Index/ Rank, 2011–14	Change, 2005–14	Ranking scale (best–worst)
Human Development Index (HDI):	0.316	0.396	0.080	1.0 – 0.0
• HDI	177	173	-4	1–186
• Rank				
Transparency International: CPI	0.23	0.33	0.10	1.0–0.0
• Rank	114	113	-1	1–174
Freedom House: (total)	(partly free)	(not free)	(worse)	(free/partly/ not)
• Political Rights				1–7
• Civil Liberties	5	6	-1	1–7
	5	6	-1	1–7
Foreign Policy: Failed State Index	91.1	97.9	-8.8	20.0–114.9
• Rank	30	17	-13	177–1

Notes: The Ibrahim Index of African Governance ranked Ethiopia 32 out of the 52 countries in 2014. CPI = corruption perception index.

Sources: UNDP, "Human Development Index," <http://hdr.undp.org/en/content/human-development-index-hdi>; Transparency International, "Corruption Perceptions Index," <http://www.transparency.org/research/cpi/>; Freedom House, <https://freedomhouse.org/>; Foreign Policy, "Failed States Index," <http://foreignpolicy.com/>; and Ibrahim Foundation, "Ibrahim Index of African Governance," <http://www.moibrahimfoundation.org/interact/>.

evidence on voice and participatory decision making, Ethiopia ranks low on perception of individual corruption (113 out of 176), with low and worsening Freedom House scores on rights (6 out of 7 on the scale). For what it is worth, Foreign Policy's state fragility index is high and deteriorating, with Ethiopia having fallen among the worst 17 countries out of 177. When the various dimensions of the rule of law index are parsed, the country ranks towards the bottom on all measures except corruption and criminal justice.

The preponderance of the multidimensional evidence also points to the reversal of liberalisation towards an Ethio-centric private-sector-led development. The GOE likes to rationalise aid- and public-investment-driven economic growth, two-thirds of which originated in the public sector, as adequate compensation for the denial of accountable governance by invoking the success of the étatist East Asian model of development.<sup>17</sup> It views state institutions as instruments of party politics rather than as instruments for demand-led public service provision, or as partners with a robust private economic sector and independently organised interest groups.

### **Alignment of donor and recipient interests**

Donors seem to have grudgingly jettisoned their much-touted support for competitive market institutions and subnational ownership of aid programmes. To appreciate the latter's implicit cost-benefit calculus, we need to take a closer look at aid modality in practice.

In addition to the UN system, five DPs have had deep engagement with the GOE: the African Development Bank (AfDB), the European Commission (EC), the International Development Association (IDA) of the World Bank Group, DFID and USAID. These five DPs provided nearly two-thirds of the ODA received during the period. Over the past 10 years the GOE has presented donors with three Poverty Reduction Strategy Papers (PRSPs). Updated every three years with annual progress reports, the PRSPs contain an assessment of poverty and of the associated macroeconomic, structural and social programmes along with identified external financing. Ethiopia's PRSPs are consistently praised for being country-owned, pro-poor and collaboratively developed with external partners. Despite the close collaboration with donors (most notably the EU and IDA), the five-year development plans embody the vision of the ruling party emanating from the Prime Minister's Office. Domestic stakeholders are typically invited only to comment on drafts.<sup>18</sup>

The most comprehensive and best articulated of the GOE development plans were issued in the 2000s.<sup>19</sup> The pillars of SDPRP (2001–04) included pro-poor growth (rural and urban), human development (primarily social services), and resilience for the poor. PASDEP (2005–10) focused on rural development, job creation, expanding public infrastructure, and improving tax collection and the public finance system as well. GTP (2010–15) focuses on productivity-driven growth (commercial agriculture, expanded infrastructure and industrial development), enhancing the quality of social services, building a capable developmentalist state and restoring macroeconomic stability in the face of the alarming pace of monetisation of the domestic debt. The GOE has recently scaled up its ambitions by undertaking tens of billions of dollars of investments in roads,

railways, power and agro-processing industrial zones which are likely to diversify its export basket and boost higher paying jobs. This may well mean less dependence on foreign aid in the near future.

A discernible division of labour is evident between multilateral donors and bilateral donors. Multilaterals have a comparative advantage in supporting physical infrastructure and better economic governance (civil service, fiscal management, training and decentralisation). Bilaterals have a competitive edge in the social sectors (education, health, water and food security) along with a secondary interest in issues pertaining to political governance (mainly in the form of civic education and gender equity). The level of aid and the focus of donors are reported in Figure 4 and Table 3.

AfDB started operations in Ethiopia in 1975 and has to date committed US \$3 billion to finance over 90 operations. It is particularly strong in the areas of multi-donor basic service delivery and energy-related infrastructure.<sup>20</sup>

IDA is Ethiopia's largest soft lender and a leader in aid harmonisation and coordination. It has provided aid in the form of soft loans and grants (comprising one-third) to the tune of \$10 billion since 1950. Some 70% of this was provided after 1991, and 20% of it has been devoted to public-sector institution building.<sup>21</sup> Overall IDA programmes have focused on growth, human development (social spending and economic governance) and food security. The current country partnership programme has two pillars: fostering competitiveness (via macro-stability, gains in productivity, expanded infrastructure and regional integration); and enhancing resilience (through delivery of social services and a better approach to social protection and risk management.<sup>22</sup> The bridge between the two is taken to be good technocratic governance (public sector managerial efficiency and transparency) and state-capacity building (by deepening policy dialogue, fostering the use of country systems and increasing the predictability of budget support).

EU official aid to Ethiopia, collectively the largest, has come through two channels.<sup>23</sup> The first is the EC, mainly the European Development Fund (EDF).

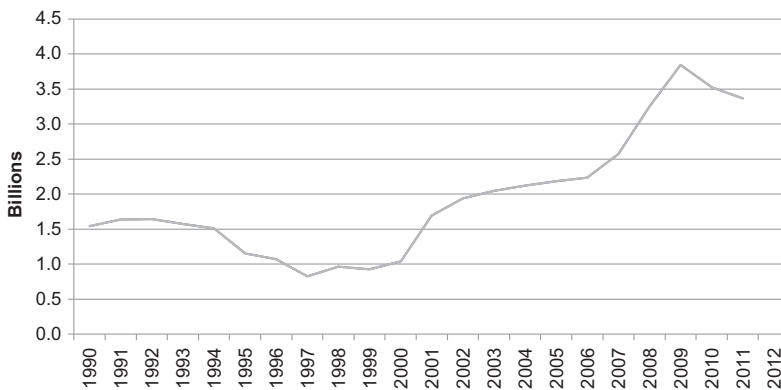


Figure 4. Total ODA received by Ethiopia (US\$, 2010 prices).

Source: World Bank, African Development Indicators, 2013, <http://data.worldbank.org/data-catalog/africa-development-indicators>; and World Bank, World Development Indicators, 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>.

Table 3. Net ODA flows by major donor for Ethiopia, 1990–2011.

Year	Germm	Italy	Netherl	Norway	Sweden	U.K.	Ireland	Canada	U.S.A.	Japan	IDA	AIDF	EU	GFnd	Tot. N	Tot.R	Deflat
1990		105	18		35	9		33	95	21	75	77	60		561	777	0.722
1991	4	32	14		7	0		30	49	5			81		267	358	0.745
1992	85	36	30		141	20		17	44	15	15	66	131		623	814	0.765
1993	7	8	34	10	11	16		22	32	64	346	203	102		883	1130	0.782
1994	67	12	61	23	58	13		13	32	23	75		111		509	637	0.799
1995	51	158	60	33	24	43		3	24	48	142		55		664	814	0.815
1996	55	47	62	28	15	14		21	34	40	156	28	37		603	726	0.831
1997	32	18	14	18	39	13		16	51	33	200	39	123		633	748	0.846
1998	59	33	46	17	13	6		22	39	45	569	161	387		1438	1682	0.855
1999	19	17	23	33	15	14		30	135	43			41		405	467	0.867
2000	31	28	14	15	9	38	21	8	181	8	465	5	115		985	1112	0.886
2001	39	11	31	14	9	17	21	11	110	23	202		157		782	863	0.907
2002	66	45	31	28	39	51	22	23	162	46	402		196		1226	1331	0.921
2003	67	33	46	44	14	64	32	16	617	36	221		98	104	1526	1622	0.941
2004	120	19	43	26	101	107	40	133	431	24	775		211		2188	2261	0.968
2005	78	364	51	28	33	222	42	29	678	79	13	135	181	42	2075	2075	1.000
2006	31	7	86	41	32	269	51	36	312	49	512	205	425	195	2403	2327	1.033
2007	42	11	37	59	23	76	54	125	489	34	1016	473	302	372	3486	3283	1.062
2008	104	38	143	37	26	205	70	228	1005	33	650		487	65	3404	3138	1.085
2009	61	26	94	42	42	543	52	85	922	97	1330	170	140	215	4391	3999	1.098
2010	107	23	41	13	30	177	49	101	983	119	560	342	141	313	3479	3149	1.105
2011	103	25	90	20	14	262	49	159	608	152	630		157	19	2840	2554	1.112
<b>Total</b>	<b>1227</b>	<b>1094</b>	<b>1067</b>	<b>529</b>	<b>730</b>	<b>2180</b>	<b>503</b>	<b>1162</b>	<b>7034</b>	<b>1035</b>	<b>8355</b>	<b>1903</b>	<b>3747</b>	<b>1325</b>	<b>35374</b>	<b>35866</b>	
<b>Share</b>	<b>0.035</b>	<b>0.031</b>	<b>0.03</b>	<b>0.015</b>	<b>0.021</b>	<b>0.062</b>	<b>0.014</b>	<b>0.033</b>	<b>0.199</b>	<b>0.029</b>	<b>0.236</b>	<b>0.054</b>	<b>0.106</b>	<b>0.037</b>	<b>1.000</b>		

Sources: OECD/DAC Creditor Reporting System (CRS) Database, 2013. GDP Deflator data are from the US Department of Commerce. Data for EU refers to community-wide aid administered by the European Commission. This table excludes emergency assistance-US\$5 billion in 2002–2011 alone.  
R = real, inflation adjusted; N = nominal. AIDF = African Development Bank Fund; GloF = Global Fund.  
Some numbers may not add up due to rounding up.

EDF has been active since 1975. Like IDA, EDF relies on periodic replenishments by member states rather than on predictably regular budgetary allocations. These monies are supplemented by loans from the European Investment Bank (directed mainly at public utilities) and together account for 40% of total EU aid to Ethiopia. Following the Cotonou agreement of 2000 politically neutral entitlements under the Lomé Convention gave way to performance-based, politically conditioned and sectorally selective aid. The scaled-up aid also had to come primarily in the form of general budget support.<sup>24</sup> EC support, however, shows a marked preference for the developmental end of the development–democracy nexus.<sup>25</sup>

The aid relationship between Ethiopia and the UK is a longstanding one. DFID has in recent years ramped up support, making Ethiopia the largest recipient of British aid in Africa, if not in the world, today. British aid, which totalled \$1 billion during 2005–11, is expected to rise by \$0.8 billion in 2012–17.<sup>26</sup> DFID is well-known for its eagerness to pool its resources with other donors, especially for promoting sustainable livelihoods, for its reticence about the domestic political implications of its aid, and for a penchant for impact evaluation of its programmes.<sup>27</sup>

The alliance between the USA and Ethiopia was strong between 1950 and 1975. The USA not only resumed both military and economic aid in 1991 but accelerated these as the fight against terrorism made Ethiopia a reliable political ally in the unstable Horn of Africa. The latest country-development cooperation strategy supports US foreign policy priorities, ostensibly mindful of the needs, constraints and opportunities in Ethiopia.<sup>28</sup>

One mantra of the donor-owned country strategy papers is aligning donor objectives and modalities with those of the Ethiopian government. The Donors' Assistance Group (DAG) was established in 2000, and joint and harmonised programmes have become the hallmark of the aid regime ever since. Ethiopia's report card on the Paris Principles in 2008 shows a grade of B on ownership and mutual accountability. However, alignment, harmonisation, and managing-for-results garnered only a grade of C. DAG has long recognised that public sector reform is essential for rectifying serious capacity deficits and a dysfunctional managerial culture, all the while maintaining an assiduous silence about the tenets of the underlying political order.<sup>29</sup>

Aside from the dismal record on human, civil and political rights noted earlier, Ethiopia's business climate for domestic investors has remained sub-par in many important respects, and the volume of aid inflow is largely insensitive to it (Figure 5). The various indicators, absolute indices and relative intercountry rankings alike, point to mostly worsening trends.

While government effectiveness has improved measurably since 2005, voice and accountability, and political stability and non-violence have fallen from unenviable initial levels. This is confirmed by IDA's country performance on institutional accountability (CPIA) ratings, which show a steep deterioration in the public management score but a significant gain in the economic management score (Figure 6).

It is also worth noting here that, when it comes to petty bureaucratic corruption, Ethiopia has a lower level of corruption than its African peers in basic services. However, it is high and rising in other sectors such as construction, land,

## FRAGILITY, AID, AND STATE-BUILDING

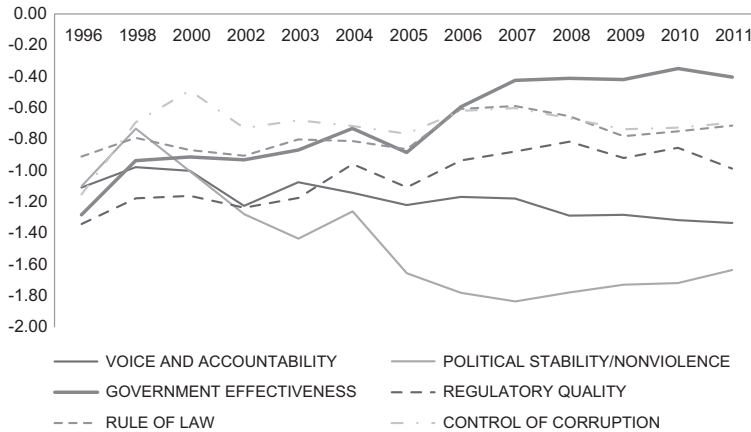


Figure 5. World governance ratings for Ethiopia (best to worst: +2.5 to -2.5). Source: World Bank, African Development Indicators, 2013, <http://data.worldbank.org/data-catalog/africa-development-indicators>; and World Bank, World Development Indicators, 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>.

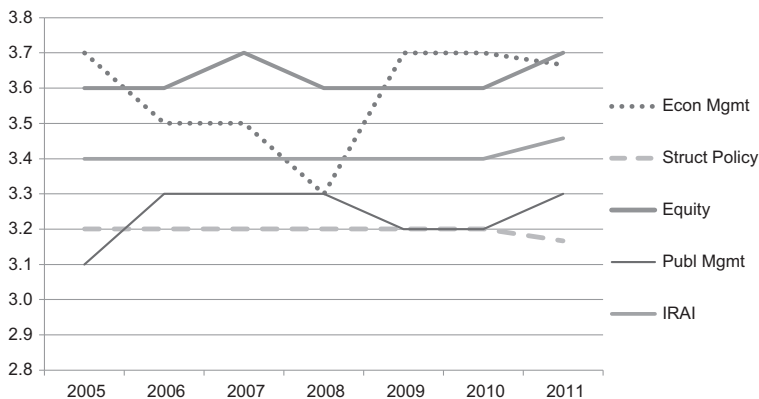


Figure 6. CPIA ratings for Ethiopia. Notes: IRAI = IDA resource allocation index. CPIA = country policy and institutional assessment. Source: World Bank, African Development Indicators, 2013, <http://data.worldbank.org/data-catalog/africa-development-indicators>; and World Bank, World Development Indicators, 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>.

mining, telecommunications and pharmaceuticals.<sup>30</sup> What is often overlooked, however, is that endemic political corruption is reaching kleptocratic proportions, with all the corrosive consequences for trust in public institutions. One disturbing manifestation of economic misgovernance is the systematic conversion of public assets into party assets,<sup>31</sup> and the former's use in political patronage (especially through a brazen unlocking of economic wealth embedded in urban real estate and commercialisable rural land) by politically linked groups. Institutions favouring redistributive rent-seeking are supplanting institutions of wealth creation.



Grand corruption at the level of the highest policy circles is also evident in other ways. According to a recent joint study by the AfDB and Global Financial Integrity,<sup>32</sup> illicit financial outflows from Ethiopia (mainly resulting from trade mispricing – under-invoicing of exports and over-invoicing of imports) were estimated at \$19 billion (the African total being \$1.3 trillion) during 1980–2009. If true, this is equivalent to half the ODA inflows of the past two decades.

And yet, aid is demonstrably contributing to poverty reduction. So donors have faced a dilemma: provide (domestically) apolitical aid with a focus on economic liberalisation and public capacity building or insist on linking aid to robust political and market openness, risking GOE push-back and possible disengagement. This conundrum was brought to sharp relief following the 1998–2000 Ethio-Eritrean war and the post-election public outcry and government violence of 2005. During 2002–05, donors were rapidly moving money to untied general budget support (GBS), since prolonged suspension of aid was viewed as a threat to the government’s targeted spending programme on basic services.

### **Case study: protection of basic services (PBS)**

After jointly voicing their displeasure with the GOE actions, four of the five DPs (USAID being the exception) chose to introduce tailor-made budget support for Ethiopia, later renamed Protection of Basic Support (PBS). Actually support for PBS is broader and includes the EC, Austria, Germany, Ireland (Irish Aid), the Netherlands, DFID, Canada, AfDB and the World Bank (IDA).

The PBS vehicle is worth a closer look since it is emblematic of donor creativity (or evasiveness, to some) in grappling with the aid-institution paradox. PBS was purportedly intended to punish federal officials for their embarrassing political indiscretions by withdrawing permissive GBS from the federal authorities. The PBS instrument was sold as an effective way of strengthening the hands of *de jure* autonomous (but *de facto* captive) local governments which, at least in terms of the theory of public finance, are closest to users or citizens.

Dependent on federal block grants to cover 80% of their expenditures, the district-level administrations cared more about predictability and timeliness of fund flows than about their sources – domestic or foreign. The money was to provide predictable budgetary grants which only nominally had to go through the federal fiscal plumbing. In other words, unlike GBS, PBS restricts the use of donor-supplied funds to the district level (vertical restraint) and for pro-poor programmes only (horizontal restraint).

As noted earlier, the country today has three effective levels of state structure: federal (national), *killil* (regional), and *woreda* (district). *Woreda* administrations (district-level units of the government with some 100,000 residents) are constitutionally mandated to provide basic social services (security, education, agriculture, water and health). *Woreda* Councils are also responsible for providing local oversight of those *Kebele* and local organisations involved in the implementation of federal mandates, including reviewing and approving annual development plans and budgets, and interfacing with citizens and community organisations.

PBS is, therefore, a multi-sourced (pooled GOE and multi-donor funds), multi-sector and multi-level block grant that provides fast-disbursing funds to

implement mutually agreed programmes. Funds for basic services and for the procurement of scarce health-related commodities comprise the bulk of the trust funds which are overseen by IDA. They are funnelled through the federal Ministry of Finance and Economic Development (MOFED) – the designated managing agency responsible for planning, reporting and disbursing funds to lower-level governments. MOFED transfers PBS funds down the chain of the federal revenue-sharing mechanism (using a recently revised formula that is based largely on need rather than efficiency) to some 800 *Woreda* bureaus of finance. Smaller funds are channelled through a separate chain via sector ministries to fund sector-specific projects or programmes.

PBS has gone through three phases: phase 1 (2006–09), phase 2 (2010–12), and phase 3 (2013–17). The Basic Services Block Grant (Programme A) funds the core social service expenditures and claimed \$6 billion in the first two phases, with another \$6.2 planned for the third phase. The smaller Programme B has three components: a local public financial management component to handle the funds on the supply side; a citizen engagement (transparency and accountability) component that provides budgetary information to the public, solicits feedback (report cards from citizens and local community organisations) and handles grievances on the demand side; and a donor audit component. Programme B has been expanded in phase 3 with an allocation of \$115 million.

Relying on such harmonised block grants and guided by certain core principles (additionality, sustainability, equity, social compact, independent evaluation and the like), PBS concedes full country ownership to the GOE. This modality is touted by proponents as a cure for the perennial problem of fungibility, because the bulk of the funds is contributed by the GOE itself, and donors have a lot of say in how all funds are utilised.<sup>33</sup> Several arguments have been made in favour of PBS being more effective than GBS or projectised aid: (1) PBS is superior in terms of harmonisation and predictability; and (2) the major donors have been able to contribute substantially to the decentralisation process, not just in the form of improved public financial management, but by legitimising the district-level authorities. PBS, in other words, works precisely because it relies on the top-down system enforced by strong party discipline and traditional patron–client relationships, rather than on a bottom-up democratic accountability mechanism.

Counter-arguments abound against the PBS modality. First, it takes off the table national-level donor leverage in the dialogue on macro-policy and governance in a country where the Prime Minister’s Office has complete control over the policy agenda. By acceding to the wishes of a recipient which heavily discounts the future, donor influence on inclusive governance, genuine decentralisation and even sector-level implementation has been undermined. Second, by channelling most of the support through various types of budget support (global, sectoral, targeted), donors have managed to ensure aid sustainability to fight poverty while sacrificing promotion of good political governance and deeper structural economic reforms. Third, PBS has increased the transaction costs of monitoring and evaluation by opting for an elaborately expansive intergovernmental fiscal arrangement.<sup>34</sup>

The first evidence-based study on PBS uses survey data to assess the impact of the programme in the areas of accountability and effectiveness in the delivery

of social services at the subnational level.<sup>35</sup> It finds indirect evidence that increased hiring of health extension workers and teachers, whose salaries absorb 80% of the PBS funds, has produced significant, equitable and pro-poor health and educational outputs and outcomes (rates of net enrolment, vaccination, contraceptive use, etc) in a cost-efficient manner.

Using a principal-agent framework of accountability of service providers to beneficiaries, the report infers from pilot opinion surveys that the indirect route of accountability is discernible.<sup>36</sup> The evidence for this is the recent introduction of government- and donor-sponsored accountability mechanisms such as public posting of budgets, the Ombudsman and citizen feedback.<sup>37</sup>

### **Hard options for smarter aid**

The current aid model is in large part based on the idea that ODA buys pro-poor policy reforms and also helps to build more capable public institutions. This development-before-democracy strategy is presumed to pave the way for a robust private sector and sustainably shared economic growth. In reality, however, there is a weak correlation between bad political governance and high economic inequality, and quality economic growth. This is so because authoritarian regimes must necessarily place a high premium on loyalty and exclusion rather than on meritocracy and more diffused power centres.<sup>38</sup> Proponents of PBS cannot credibly ignore the salience of power relations for enduring aid effectiveness.

Are there credible alternatives to technocratic aid which would merit serious consideration? The five biggest donors, should they wish to create a united front for change by linking economic aid to a pro-poor and a progressively inclusive political and economic environment, are left with two sequences of action.

One strategy is to leverage money and technical assistance to push for a deliberate and steady dismantling of the EPRDF's party-state in order to create a level playing field for all fundamental stakeholders. This can be done by employing time-bound political triggers that are based on internationally recognised governance benchmarks, by invoking international treaties to which the GOE has acceded, and by pushing to honour the myriad rights enshrined in the Constitution. Interestingly, under intense pressure from international civil society organisations, DFID has just announced plans to redirect all PBS funds to other programmes. In response to criticism by the Inspection Panel of the mistreatment of the Annuak people, the management of the World Bank has just accepted the need to mitigate the risks arising from PBS-implicated coercive villagisation and land grabs.<sup>39</sup>

If this strategy fails, aid will then have to be reduced progressively up to the level required for humanitarian assistance – a course of action supported by such notable prisoners of conscience as Eskinder Nega.<sup>40</sup> Given our analysis of the logic of the regime-affirming governance strategy for the recipient and the primacy of geostrategic interests for donors, one can reasonably be sceptical of such a prescription. This is even more the case, given the progressively declining dependence of GOE on donor financing of development projects.<sup>41</sup> However, the major donors still enjoy substantial leverage in terms of finance, market access and policy lock-in should they wish to collectively pursue their

enlightened self-interest by minding the risks of myopic aid for the long-term viability of the Ethiopian state and market economy alike.

## Conclusion

The central contention of this paper is that self-interested and pro-poor aid to Ethiopia has enhanced the technocratic capacity of public institutions while doing little to bolster political legitimacy by widening space for non-state stakeholders. We argued further that decentralisation is ultimately about the distribution of power and the incentives facing local actors, not just about administrative control or expediency. Given the difficulty of institutionalising effective domestic political bootstraps for restraining power-holders, the habitual resort of donors solely to technocratic approaches often underwrites long-term state de-building in conflict-prone countries. Donors wishing at least to do no institutional harm can and must, therefore, take seriously the professed objective of coupling poverty alleviation with inclusive and resilient institutions in Ethiopia.

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## Notes

1. Addison, "Do Donors Matter?"; Moss et al., *An Aid-Institutions Paradox?*; Bräutigam and Knack "Foreign Aid, Institutions, and Governance"; and Andrews, *The Limits of Institutional Reform*.
2. EU, *Evaluation*, 65.
3. Grindle, *Good Enough Governance Revisited*; North et al., *Violence and Social Orders*; Acemoglu and Robinson, *Why Nations Fail*; and Fukuyama, *Political Order and Political Decay*.
4. Andrews, *The Limits of Institutional Reform*; and Booth, "Aid, Institutions and Governance."
5. Tarrow, "The Strategy of Paired Comparison."
6. Rodrik, "Notes on the Ethiopian Economic Situation"; and IMF, *The Federal Democratic Republic of Ethiopia*.
7. Abegaz, "Aid and Reform in Ethiopia"; and Clapham, "The Challenge of Democratization."
8. Vaughan, "Revolutionary Democratic State-building"; Vaughan and Gebremichael, *Rethinking Business and Politics*; and Zenawi, "State and Markets."
9. Legesse, *YeMeles Tirufatoch balebet alba ketema*.
10. Turton, "Introduction," 8–14.
11. Selassie, "Ethnic Federalism"; Turton, "Introduction", and GOE, "Constitution of the Federal Republic of Ethiopia."
12. See, for example, Amnesty International, "Ethiopia"; HRW, *Development without Freedom*; US Department of State, *Ethiopia*; EU Election Observation Mission, *Ethiopia*; and RSF, "Ethiopian Government's Witchhunt." See also the particularly detailed reports of the Ethiopian Human Rights Council, at [www.ehrco.org](http://www.ehrco.org).
13. Amnesty International, "Ethiopia."
14. US Department of State, *Ethiopia*.
15. GOE, *Proclamation to Provide for the Registration and Regulation of Charities*; GOE, *Proclamation on Anti-terrorism*; HRW, *Development without Freedom*; Amnesty International, "Ethiopia"; and RSF, "Ethiopian Government's Witchhunt."
16. Oakland Institute, *We say the Land is not Yours*.

17. Zenawi, "State and Markets"; Vaughan, "Revolutionary Democratic State-building"; Abegaz, *Aid, Accountability and Institution-building*; and World Bank, *3rd Ethiopia Economic Update*.
18. Furtado and Smith, *Ethiopia*; World Bank, *Ethiopia: Country Assistance Evaluation*; World Bank, *Country Partnership Strategy*; and EU, *Evaluation*.
19. GOE, *Ethiopia: Sustainable Development*; GOE, *Ethiopia: A Plan*; and GOE, *Ethiopia: Growth and Transformation Plan*.
20. AfDB, *Federal Democratic Republic of Ethiopia*.
21. World Bank, *Ethiopia: Country Assistance Programme*.
22. World Bank, *Country Partnership Strategy for Ethiopia*.
23. EU, *Ethiopia*; and EU, *Partnership Strategy for Ethiopia*.
24. Carbone, "Better Aid, Less Ownership"; and EU, *Evaluation*.
25. Del Biondo and Orbie, "The European Commission's Implementation of Budget Support."
26. DFID, *Ethiopia*; and DFID, *Business Case*.
27. Barnett et al., *Country Programme Evaluation*; and DfID, *Country Programme Evaluation*.
28. USAID, *Ethiopia*.
29. DAG, *A Profile of Development Partners in Ethiopia*.
30. Plummer, *Diagnosing Corruption in Ethiopia*.
31. Vaughan and Gebremichael, *Rethinking Business and Politics in Ethiopia*; and Abegaz, *Aid, Accountability and Institution-building*.
32. AfDB and GFI, *Illicit Financial Flows from Africa*.
33. Barnett et al., *Country Programme Evaluation*; AfDB, *Federal Democratic Republic of Ethiopia*; and EU, *Evaluation*.
34. Barnett, et al., *Country Programme Evaluation*; and EU, *Evaluation*.
35. Khan et al., *Improving Basic Services*.
36. World Bank, *World Development Report*.
37. There are many methodological and interpretational concerns with Khan et al., *Improving Basic Services*. With respect to effectiveness, the authors note that 97% of the funds are used to cover the salaries of health workers, agricultural extension workers and teachers. This suggests that there is a problem of inference from intermediate inputs to final outcomes. Many caveats are also noted but not duly reflected in the conclusions. There is, for example, a serious omitted variable bias since the outcomes are also affected by capital spending and non-recurrent expenditures. Furthermore, the claim about the efficacy of the new decentralisation cannot be confidently made without considering the counterfactual of a similarly pro-poor Derg regime without decentralisation or local hiring of staff. The claims regarding the deepening of accountability to citizens are also surprisingly marred by dubious presumptions. First, the evaluation of the direct route of accountability linking citizens with providers (such as transparent budgets, community and citizen report and score cards, grievance procedures, etc.) is being piloted in only half of the *woredas*. Second, the report bafflingly ignores the fact that the 'service providers' themselves are government entities in a subnational environment bereft of independent citizen organizations or providers.
38. Acemoglu and Robinson, *Why Nations Fail*; and Andrews, *The Limits of Institutional Reform*.
39. "Britain pulls back \$4.5bn Development Aid"; and Oakland Institute, *We say the Land is not Yours*.
40. Nega, "Letter from the Ethiopian Gulag."
41. Ethiopia's dependence on ODA grants and concessional loans, which comprised half its foreign exchange sources in the 1990s, declined to about a third in the 2000s, as exports and remittances each matched the volume of net aid inflows. Over the past five years FDI and non-concessional loans (mostly from China) have increased substantially – the latter standing at \$5.5 billion or half of total external debt in 2013. See World Bank, *3rd Ethiopia Economic Update*.

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