

Aid to 'Poorly Performing' Countries: a Critical Review of Debates and Issues

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Executive Summary

1.0 Introduction and overview

- 1.1 Within the development aid community decisions regarding aid allocations are increasingly linked with analyses of country performance. Aid is offered as an incentive to countries to demonstrate their development credentials and their commitment to international standards of governance and human rights. Problematic for the aid community is what to do about countries that are not performing well and seem to show little commitment to doing so.
- 1.2 Driven by developmental and security concerns, there is growing interest within the aid community about to engage in these ‘poorly performing’ countries. These environments are characterised by very poor and often deteriorating economic and social conditions, poor governance and low levels of trust between aid donors and recipient governments. In these countries, rather than being seen by aid agencies as a vital partner for development, national governments are often seen as constituting a major obstacle to it. From the late 1980s onwards, the development community steadily retreated from these environments (DAC, 2003: 18-19). For populations living in countries perceived to be ‘poorly performing’, there is a dual threat: first of neglect or abuse by the state, and second from exclusion from the international community, including access to aid.
- 1.3 In these situations, a pressing question for the aid community is how to provide assistance effectively and so protect and support poor people, while also avoiding reinforcing governments whose behaviour actively undermines development and humanitarian goals.
- 1.4 This report, commissioned by the UK Department for International Development, reviews critically current debates regarding aid in ‘poorly performing’ countries. The study sought to clarify and make operational the concept of ‘poor performance’ by analysing the criteria against which performance is assessed, identifying the key constraints to aid engagement and developing an approach at the country level for better understanding poor performance. It has combined extensive review of relevant literatures and a statistical component with a series of desk-based country studies (India, Malawi, Rwanda and Sudan).

This summary provides a brief overview of the key arguments presented in each of the substantive chapters of the report. Key conclusions are highlighted in italics.

2.0 ‘Poorly performing’ countries: a critical review of the debate

- 2.1 The early part of the millennium has seen the development of mechanisms designed to reward ‘good performers’ in part through enhanced access to aid funds released in the wake of Monterrey. These include the Millennium

Challenge Account in the United States, and the proposed International Finance Facility.

2.2 It has seen also the emergence of a debate regarding ‘poorly performing’ countries. A number of bilateral and multilateral actors have sought to analyse and define the problem of poorly performing countries. These include the governments of Australia, Canada, the UK and the US. At the multilateral level, the Development Assistance Committee of the OECD, the IMF, UNDP, the World Bank have also formulated policy statements or conducted research on the topic. *Annex 2* summarises these different initiatives comparatively. There is also a small, but growing academic literature in this field.

2.3 There remain significant differences in the approaches to poorly performing countries adopted by different bodies, and important shifts in emphasis over time. These differences are significant in terms of the resulting definitions of the size and nature of the problem of ‘poorly performing’ countries. Despite the variations, it is possible to discern across these approaches a shared concern about countries characterised by the following:

- Weak/declining economic growth and human development indicators;
- Weak institutions, processes and politics;
- Low levels of recipient government-donor trust.

2.4 While the nomenclature of poorly performing countries may be relatively new, the problems and challenges they pose are not. So why are they seen to be a particular problem now? The report suggests that there are three major factors driving these debates.

- There are real changes in the political economy of countries in many of the poorest regions of the world. Alongside the persistence of neo-patrimonial forms of government, are emerging newer forms of economic and political movements. These pose fundamental challenges to the nature of statehood, formal economies and the regulation of violence by national and international actors. These same movements also offer new opportunities to certain groups for protection and access to livelihoods.
- The 2003 Human Development Report proposed that certain countries are below the minimum threshold required to meet the MDGs. A self-propelling positive development path is likely to prove elusive in these countries without substantial additional and international effort. While concern for these countries has been increasing, so too has been a concern to target aid to where it is most likely to be effective. Many of the very poorest people live in environments where the risks of aid engagement are particularly high. A focus on likely aid effectiveness to inform aid allocation can thus compromise reaching those populations most in need of assistance.
- Third, the global political environment has been marked by shifting interpretations of the limits and scopes of states’ sovereignty, and of international responsibility for welfare and protection of populations. Increased international responsibility is both to promote international norms and values, and to address perceived security threats. Aid has

become more explicitly linked with the new agendas of human security and counter-terrorism. Since September 11th 2001, the ‘poor performers’ debate has become increasingly tied to that concerned with addressing the threat posed by ‘failed’ or ‘failing states’ in an era of international terrorism.

The emerging debate on ‘poorly performing’ countries reflects a recognition of a changing context. It reflects also a growing awareness of the limitations of existing aid instruments to adapt to this new environment. The increased reliance on state-centred mechanisms of aid delivery, such as Budget Support and Sector Programming, for example, is inherently problematic in poor policy environments. The significant rise in humanitarian aid budgets is symptomatic of the impasse that has confronted aid policy makers as they seek to maintain support for populations, but without legitimising the government in the recipient country. However, this instrument too suffers important limitations.

The findings of this study suggest that as they seek to address the problem of aiding poorly performing countries, policy-makers will need to ensure that any new strategies are:

- based on consistent definition of the problem;
- able to demonstrate a robust understanding of the political context in which they are working;
- designed to enable sustained aid engagement in volatile environments;
- not entirely dependent on the presence of a benign, competent and legitimate state for their implementation
- able to manage the high risks nature of these environments, possibly including revisiting the role and application of conditionality;
- demonstrate a close and critical understanding and linkage between aid, trade, diplomatic and security interventions.

3.0 Defining ‘poorly performing’ countries: can statistics help?

3.1 *Multiplicity of statistical method.* At present, definitions draw on different data sets and give varied weights to the criteria used to define a set of ‘poorly performing’ countries. This results in very different countries being included in different lists, and significant differences in the overall estimation of the extent of the problem. Some argue, for example, that 500 million people live in these difficult environments, others estimate 1 billion.

3.2 *Scope and limitations of current use of statistics in defining ‘poorly performing’ countries.* Existing data sets suffer from a number of problems. These include:

- A tendency to combine ‘objective’ and ‘subjective’ indicators (cardinal and ordinal numbers) in a way that is statistically questionable;
- A heavy reliance on indicators of governance that are highly subjective;
- A tendency to rely on snapshots of indicators, rather than review trends over time;

- Considerable variation in the quality and quantity of reliable data between countries, with those countries likely to be ‘poorly performing’ least able to generate robust data.
- Limited capacity to disaggregate the causes of ‘poor’ performance.

3.3 *An alternative statistical method.* Recognising the above limitations, this study opted for a narrow and objective set of indicators – economic growth and infant mortality. These data were collected and analysed for 126 countries classified by the World Bank as low or middle income (excluding transition countries in Eastern and Central Europe). The period of time over which country performance was studied was twenty years, divided into two decades. The data were then manipulated in order to try to disaggregate the nature and possible causes of ‘poor performance’. Four different ways of defining ‘poor performance’ statistically were devised

- *Absolute poor performance* being any country that experienced a deterioration in the indicator over the period of time;
- *Relative poor performance* – ie a comparative approach, enabling adjustment for the impact of global and regional trends such as recession and climatic factors. These are countries that are one standard deviation below mean performance;
- *Conditional poor performance* being the same as relative except this approach allows for progress to be measured against starting conditions (relative to other countries);
- *Residual poor performance*, as conditional but in addition it provides for weighting of other explanatory variables, including geography (eg landlockedness), access to world markets, climate, war and disease and changes in trade.

Data sets showing relative and conditional poor performance are seen to be most useful in that they measure performance relative to the group of countries as a whole and control for starting conditions. Using this method the following conclusions can be drawn:

3.4 *It is difficult to identify statistically many countries that perform poorly or well* across two decades with respect to both indicators. Only four countries performed poorly on Infant Mortality in both decades, and four performed poor on growth. Only one country (Zambia) performed poorly against both indicators in both decades given. Only three countries (Zambia, Rwanda and Niger) performed poorly on at least three out of four indicators over the two decades. Several other countries with poor data could probably be added if the data were available. However, this produces a very small group. There is little variation in performance between countries over the long-term, most countries are within one standard deviation of the mean.

3.5 *There is very little persistence in the extremes of good performance - what we observe is a lot of noise.* This can be interpreted in two different ways. The category of poorly performing countries can be seen as very small (comprising the very few countries in which performance is consistently poor over time). Alternatively it can be seen as quite sizeable including many, if not the

majority, of poor countries which intermittently perform poorly across different indicators at different times. If the latter interpretation is taken, it is difficult to distinguish poorly performing countries from more generic concerns with least developed countries.

- 3.6 *Economic structure and growth, governance and infant mortality performance do not routinely correlate with each other.* Structural factors are important in determining performance; the case studies as well as the global statistics reviewed for this project suggest that these are widely underestimated in terms of their impact and significance. Despite the fact that levels of economic growth do not always correlate highly with human development outcomes, they continue to dominate analyses of performance, so potentially overshadowing other achievements. Again, this global observation was echoed in the case studies.
- 3.7 *It is important to distinguish between 'poor performance' and 'poor performers'.* There is no performance 'monolith' demonstrable statistically that provides a neat category of 'poor performers'. However, it is possible to measure performance (in terms of outcome) in terms of different indicators, in other words to disaggregate where particular countries are doing relatively well or badly.
- 3.8 *Disaggregated analysis of countries' performance over time is more useful than simple categorisation of the country.* Disaggregation by indicator (as demonstrated by the 2003 Human Development report) and analysis of the relationship between indicators for individual countries or group of countries promises a greater contribution to the understanding of performance than the creation of 'league tables'
- 3.9 *Data regarding all aspects of development remain weak in these difficult environments,* making it difficult to identify priorities, monitor progress and allocate resources. The emphasis by the World Bank and others in investing in knowledge products in these environments is therefore welcome, and will need to be supported by others, including those in the humanitarian aid system, which is often very active in the most difficult environments.
- 3.10 *Resource allocation methods that rely heavily on statistical data, and in particular those that use a single performance 'score' therefore need to be reviewed critically and cautiously* in terms of the accuracy and appropriateness of their method. This study concurs with the *Human Development Report* in proposing that, rather than using aggregate data regarding performance, it would be more appropriate to disaggregate performance data in order to understand causation, and to recognise that performance may not be even across the board. In other words, quantitative approaches can inform discussion of poor performance by analysing cases where development outcomes are significantly below the average. However, for the reasons outlined above, such quantitative approaches alone are unlikely to be able to yield a convincing category.

4.0 From ‘poor performers’ to ‘countries that are difficult to assist’: Towards a new conceptual framework

- 4.1 If the ‘problem’ of poorly performing countries cannot be identified statistically, does it exist? This study concludes that the aid community does face a problem of engaging with countries perceived to be ‘poorly performing’. However, the research suggests that the problem of ‘poor performance’ cannot be located solely or perhaps even primarily in the conditions prevailing within countries themselves. Rather, the study proposes that empirically demonstrable and quantifiable problems of economic growth, human development and governance, are alone insufficient to define the problem of ‘poorly performing’ countries. It suggests that the problem of poorly performing countries must also be understood as relational, in other words that the labelling of a country as poorly performing is in part a reflection of the political, security and aid relations between that country and the international community.
- 4.2 The framework presented by this study shifts the analysis from a focus on specific development outcomes or policy inputs, to an analysis of the different processes within countries and internationally that determine those outcomes over time, including the way aid agencies relate to governments and populations. It seeks to be diagnostic, rather than defining. In other words it resists efforts to use aggregated methods to define a category of poorly performing countries, but rather seeks to enquire why a particular country is difficult to assist at a certain time. Finally, it understands the ‘problem’ of ‘poorly performing’ countries as in part a reflection and construction of the wider international relations, of which aid is a part.
- 4.3 Underlying this approach is the central tenet that development cooperation continues to be state-centric in terms of its design, management and governance. The state-centric character of development cooperation relies on three related but distinct conditions being in place: that a state exists; that the state is competent and legitimate; that there is an authority recognised and sanctioned internationally to represent that state. The status of these different elements of statehood influences significantly the form, channels and systems of aid management.
- 4.4 The proposed framework suggests that countries are likely to be difficult to assist where at least two of the following conditions prevail:
- *The juridical or legal basis of the state is contested.* This is an issue in particular where there is a process of formation of a new state, as in Kosovo and Somaliland. It is also an issue in situations such as Iraq, where the US/UK remained as occupying powers, pending a resumption of national sovereignty. These circumstances impose restrictions on the use of particular forms of aid, pose particular challenges in terms of aid coordination, and in terms of interaction with governmental and international bodies, such as the UN. Although the number of territories the status of which is contested is currently small, it is possible to speculate that it may increase in future.

- *Empirical sovereignty is weak.* The establishment of internationally recognised borders, and membership of international organisations does not mean that states function as such. Specifically, governments and public administrations may not function adequately to serve the core functions expected of state institutions. Adequate functioning is summarised by three concepts: effectiveness, authority and legitimacy. Aid agencies have been especially concerned with effectiveness, particularly with reference to macro-economic management, but also with respect to the use of aid funds. However, both performance and the degree of difficulty of the aid relationship are strongly affected by authority and legitimacy, suggesting a need to re-balance the aid effort. Achieving legitimacy is especially important to the viability of a state and understanding how this is done is important.
- *International support and recognition of the incumbent regime is withheld or ambivalent.* In order to benefit from optimal aid relations it is important not only that a state exists and can function, but that it secures international support. The conditions for attracting such support include active commitment to achievement of development goals, and also to wider international policy goals that may include security, trade and environmental concerns. The international behaviour of states, such as external military interventions or the creation of refugee flows also affect the bestowal of recognition. In other words, what matters is not only the circumstances of a particular country, but how these are perceived, interpreted and acted upon by other actors.

- 4.5 Where all or some of the conditions of statehood do not prevail, aid relations are likely to be characterised by all or some of the following characteristics: high levels of volatility; poor/difficult dialogue between donor/recipient government; relatively low aid flows per capita; a high level of reliance on multilateral rather than bilateral channels; highly projectised forms of aid; and low levels of consensus between major donors. Where these conditions prevail, development performance is also likely to be poor.
- 4.6 This approach recognises that development aid actors, and their counterparts in international security and diplomacy, play an important role in determining whether and how the ‘poorly performing’ country label is applied. The results of these decisions and interpretations can be significant in determining the type and volume of assistance available to a particular country at a particular time, and therefore have direct implications for populations’ welfare.
- 4.7 Development actors and others are increasingly acknowledging the potential political impact of aid, and using aid to inform processes of political change (for both developmental and other reasons). As the political functions of aid become more explicit, so there are likely to be increasing trade-offs between immediate and medium term goals of aid effectiveness, promotion of democracy, human rights, conflict reduction and maintaining service provision. Depending on how these objectives are prioritised, different levels and types of risk are likely be accommodated.

- 4.8 If it is the case that it can no longer be assumed that the state will provide the primary or sole interlocutor for aid relations, this suggests a need to explore the scope and implications of aid outside the conventional institutions of the state. Such an exploration will be difficult and controversial, but is likely to be pivotal in shaping aid policy in these environments in the future.

5.0 Poor performers and aid responses in practice

- 5.1 This chapter represents a first exploration of the alternative conceptual framework which attempts to diagnose why countries are difficult to assist. Three countries, Malawi, Rwanda, and Sudan, were chosen for limited desk reviews because they represented different levels and types of poor performance in the existing categorisations reviewed in Chapter 2. India was added because of its rich inter-state comparative performance discourse, in a context where many of its states are the size of countries.
- 5.2 An analysis of the development performance of these countries and Indian states supported the conclusions of the statistical analysis in Chapter 3. Only Rwanda could conceivably be labelled a ‘poor performer’ across the board; performance in Sudan and Malawi was more varied. The Indian states which performed poorly on economic growth and poverty reduction were not the same as those performing poorly on infant mortality reduction.
- 5.3 What do these countries tell us about aid and performance? *Decisions about aid engagement strategies and allocation are propelled by a wide range of factors, and development performance as a whole is sometimes little emphasised in these decisions.* This may be because evidence on performance is ignored (e.g. the situation in pre-genocide Rwanda), or because other factors over-ride it (e.g. the current desire to support peace in Sudan). Where performance is considered, it is often the economic policy inputs which get most weight (e.g. aid allocated to ‘reforming’ states in India, which are also the states which have grown economically fastest over several decades, prior to the reforms). The Malawi case illustrates that the danger of ‘economic meltdown’ can also be a motivating factor. Aid decisions can also be affected by consideration of political development; however, there has been a tendency to focus on a limited set of issues, such as multi-party elections or combating corruption, rather than broader processes of political and social democratisation, including inclusiveness and responsiveness.
- 5.4 Does the conceptual framework advanced in Chapter 4 help explain why countries are variably difficult to assist? *There is an interaction between actual empirical sovereignty conditions in a country and international perceptions of the same, which may be based on international relations issues, or on the more technical development politics within and among donor agencies which affects the degree to which countries or Indian states and regimes are recognised.* Juridical sovereignty also combines with international perceptions in a similar interaction in some cases. In other words, *both juridical and empirical sovereignty of countries is filtered by sets of international considerations which may not have much to do with the*

performance of the country in question, or which may involve significant and selective interpretation of that performance. The broader questions of how and whether a country's performance is influenced by the nature of its sovereignty and the degree of international recognition it is given must be the subject for more substantial research.

5.5 *Authority, effectiveness and legitimacy are not the same thing.* In Malawi, multi-party democracy has not challenged the fundamentals of neo-patrimonial politics; in Rwanda during the 1980s, the state was perceived by donors as effective and developmentally-minded, though the basis of its authority was a discriminatory policy, which severely affected its legitimacy and eventually led to the civil war and genocide.

- Authority, effectiveness and legitimacy are also not always co-variant attributes of states.
- Aid has been generally intentionally supportive of effectiveness, but may have been blind to other aspects. Authority is important but often fragile.
- Legitimacy may be the weakest link in donor analysis and strategies – more subjective too, the results depending on who is assessing and with what criteria. Some universals help, for example attention to the 'political contract' between state and citizens, assessment of whether and how a regime deals with exclusion and threats to integration, and has respect for fundamental rights.

5.6 *There remain real difficulties in sustaining aid engagement capable of protecting the welfare and interests of the poorest where the international legitimacy of the incumbent regime is questioned, and/or the institutions of state have been eroded or have never been developed.*

5.7 *The implications for aid strategies and allocation are firstly that a much more comprehensive diagnosis of performance is needed, on a country by country (or in India, a state by state) basis.* The absence of such analysis has arguably contributed to the persistent poverty of some Indian states, which in turn has not facilitated improved governance in those states.

5.8 *There is significant risk that donors fail to analyse sufficiently major threats to, and opportunities for, development performance and human welfare.* Rwanda in the early 1990s is the most obvious example of such a failure. Conversely in India, good performance in infant mortality in Orissa and Madhya Pradesh went largely unrecognised (and unrewarded).

5.9 Pre-occupation with performance on economic policy needs to be tempered with analysis on human development; and greater emphasis placed on aid for human development in situations where economic policy is weak. The promotion of multi-party democracy also needs to be tempered with concern for the effectiveness, authority and legitimacy of the state: too rapid or unprepared a change may be seriously negative in terms of empirical sovereignty, and if violent conflict emerges as a result, for the welfare of a country for decades.

- 5.10 *Aid strategies need to recognise the power of structural constraints and develop more explicit and where necessary ‘joined up’ strategies for addressing them.* They should certainly also be factored into the analysis of performance.
- 5.11 *Disengagement from a country may avoid the risks of complicity with dubious regimes, but will not reform them and can reinforce a decline in human development* as the case of Sudan shows. However, uncritical engagement with regimes such as those in Malawi and Rwanda can equally serve to reinforce regimes of questionable legitimacy. The Malawi case, among others, highlights the question of whether the limitations of conditionality are set more by the behaviour and priorities of donors themselves than of the recipient government. In Rwanda, the failure of the international community to intervene to prevent or stop the genocide in April 1994 is one of the most important failings of the international aid and political system in recent years.

6.0 Overall conclusions

In summary, it can be concluded that:

- The ‘poor performers’ debate has provided welcome and long overdue attention to the needs of very poor people living in some of the most hostile environments on the planet. There is greater consensus that disengagement from these countries is not an option. It will be important to ensure that the agenda remains driven by developmental and humanitarian concerns, and not subsumed with wider security agendas.
- Existing measures of development performance remain controversial. Quantitative methods can assist in prioritising aid interventions on the basis of need, and in refining the sectoral focus of aid programmes. However, performance league tables risk being both misleading and providing an unreliable basis for resource allocation and for predicting actual aid flows.
- The assumption that it is possible to distinguish easily between ‘good’ and ‘poor’ performers is flawed. Many very poor countries perform poorly in some ways at some times; very few perform badly universally and persistently.
- There is a need to disaggregate countries’ performance, by indicator and period, and treat each country on its merits. There is a risk that a two tier international aid system, will emerge in which different countries access different types of aid according to whether they are put in the ‘good’ or ‘poor performers’ box. Such a response would fail to acknowledge the continuities between the conditions in many very poor countries, and the need for careful political risk management in all aid environments.
- Poor development performance *per se* is not the defining problem that is at issue. Rather, it is the absence or weakness of robust, legitimate and internationally accepted state institutions with which to engage in many countries, combined with the inadequacy of the responses of aid donors to this situation. Responding to this challenge will require using the range of existing aid instruments to support poor populations living in situations of

contested or weak states. Ensuring that appropriate arrangements to govern such aid are developed will be important.

- New understanding of the problem needs to be based on a more rounded and politically informed analysis of development performance over time, in which aid and international relations more broadly are acknowledged to play a part, and where structural constraints are adequately recognised. Concern for the effectiveness of a state will need to be balanced with concern for its legitimacy and authority.

Chapter 1: Introduction

1.1 'Poor performance' and the aid impasse

This study is concerned with a fundamental, but largely neglected, problem in development cooperation: how can donors interact constructively, to deliver pro-poor development, in situations where the recipient state is 'weak' or 'failing' or, more generally, 'performing poorly'? Specifically, the study explores how donors identify 'poorly performing states', and how they engage with them.

The problem of constructive engagement arises as a logical consequence of current development orthodoxy. This orthodoxy comprises three main elements.

First, the 1990s saw an unprecedented consensus that the purpose of aid is to relieve poverty and increase human welfare. Agreement on the Millennium Development Goals (MDGs) offered a framework around which national and international actors could work together to address some of the most immediate threats to life, health and well-being faced by millions of people around the globe.

Second, the 1990s saw increasing debate regarding how aid might contribute most effectively to achieving poverty eradication objectives. A strong line in this debate, as argued for example by the World Bank, was that achieving growth was essential to reducing poverty, and achieving growth required good policies. Aid would contribute to growth and poverty reduction most effectively in favourable policy environments – in other words, in those countries whose governments adopted liberal economic and political policies, and worked towards minimising corruption. From this came an analysis in favour of a more selective and technocratic approach to aid allocation. Rather than using aid as an instrument to improve policy and performance in recipients (conventional conditionality), aid should be redirected to those recipients that were implementing appropriate policies (the implication being that such countries would be better performers).

The third important observation was that the promise of aid (or the threat of its withdrawal) would not necessarily persuade governments to govern effectively, since the incentive is insufficient, and the threats are rarely carried through. Thus, consensus developed that, rather than adopting the essentially punitive approach of conditionality, there was a need to establish government ownership of the development effort from the start. In addition, it was determined that development worked best when an effective *partnership* was established between governments, populations and the international community. Partnership has essentially been interpreted by aid agencies as being centred on the state: states labelled as 'poor performers' or 'difficult to assist' are effectively being excluded from such partnerships, illustrating the stigma attached to such labels.

These three central tenets of contemporary development policy – pro-poor, selectivity and partnership with governments – have marked important steps forward in international development cooperation. But they have also combined to result in an awkward problem for aid policy-makers. While a commitment to using aid to reach the poorest has deepened over recent years, greater stringency regarding aid

procedures has paradoxically made many of them harder to reach using preferred development aid instruments. The current vision of pro-poor development aid is contingent upon the existence of a unified and secure state, and a benign and competent government to run its institutions, in a liberal economic policy setting. Where these basic conditions are not satisfied, the international community finds it difficult to engage in partnerships which target the poor. The poor in these 'deselected' countries effectively suffer twice: first, from the negative effects of political and economic environments, which further erode people's ability to access basic services and their capacity to sustain livelihoods and maintain security; and second, from relative neglect by the international development community.

Current debates regarding aid in 'poorly performing' countries seek to square the circle – to find ways of using aid effectively to protect and support poor populations, while avoiding reinforcing governments whose behaviour undermines those goals.

This report, commissioned by the UK's Department for International Development, critically reviews these debates and seeks to take them forward. The terms of reference for the study (see Annex 1) outline its two primary objectives:

- (i) to clarify and make operational the concept of 'poor performance', specifically:
 - to analyse the criteria against which performance is assessed;
 - to articulate the key conceptual and programmatic constraints to aid engagement in difficult partnerships and the strategies that have been evolved to confront these; and
 - to develop an approach at the country level for better understanding poor performance and identifying exit routes.
- (ii) to develop a quantified baseline of development and performance measures against which performance can be monitored, and against which the evolving concept can be tested.

1.2 Scope and methodology of the study

In meeting these objectives, the study has adopted a number of approaches.

It has drawn upon an extensive literature across the disciplines of international relations and politics, sociology and international economics, including that related to aid effectiveness. This is done in order to inform its review of the definitions of, and current policy approaches towards, 'poorly performing countries'.

The study has also included a significant quantitative component that has sought to test whether the concepts and definitions of 'poor performance' and 'poorly performing countries' can be established using statistical methods. The purpose of this component of the study is to assess whether an agreed set of 'poor performers' can be identified using widely available data and transparent criteria.

Finally, country case studies have been prepared on India, Malawi, Rwanda and Sudan. These desk-based studies have drawn on the country expertise of the team, and have sought to analyse over time key trends in these countries' political economies and in international aid relations with them.

This report synthesises the findings of these different elements of the study. The remainder of the report comprises five substantive parts.

Chapter 2 examines the origins of current debates regarding ‘poorly performing’ countries, and reviews critically the emerging conceptualisation and definition of the problem.

Chapter 3 reports on the statistical component of the study and on the question of whether the concept of poor performance can be defined empirically and in quantitative terms.

Chapter 4, which builds on the two preceding chapters, proposes an alternative approach to the conceptualisation and definition of the ‘poorly performing’ countries agenda.

Chapter 5 reports on the case studies and identifies some of the key issues that arise from an aid management perspective.

Chapter 6 concludes the report. It proposes that existing developmental and humanitarian aid instruments suffer from important constraints in terms of their capacity to respond to the challenge of ‘poorly performing’ countries. Innovation and adaptation is required, both in the content of aid and in the instruments upon which it relies.

Chapter 2: A Critical Review of the ‘Poor Performers’ Debate

This chapter charts the origins and evolution of international debates regarding ‘poorly performing countries’. It reviews the emerging approaches to the problem, and notes the diversity of factors driving the debates, including changes in the political economy of low-income countries; the influences of aid selectivity and new public management; shifts in approaches and responsibilities in international relations; and the increasing prominence of the security agenda in aid relationships. It concludes by noting that the diversity of stakeholders and drivers behind the poorly performing countries debate risks creating important tensions in the ways that it is tackled. Specifically, it highlights the potential differences between an agenda that is shaped by developmental and humanitarian concerns, and one that is driven by foreign policy and security imperatives. At present, it is too early to say how these tensions will play out in practice. What is clear is that it may be difficult to forge consensus between different constituencies regarding the definition of the agenda, and the ways through which it might be addressed. Anticipating these difficulties and finding ways to manage them will, therefore, be important.

2.1 Defining ‘poorly performing countries’

In recent years, a number of donor governments and multilateral institutions have sought to define explicitly the problem of ‘poorly performing countries’. These include the World Bank, the UN Development Programme (UNDP) and the Development Assistance Committee (DAC) of the OECD, as well as the Australian, Canadian, UK and US governments. The World Bank and the DAC have published formal policy papers on the topic. There is also a small body of academic papers on this issue.¹

Reflecting in part their different concerns and approaches, these initiatives have adopted different terminologies to describe the problem. These include: Low Income Countries Under Stress (LICUS) (World Bank); Difficult Partnerships (DAC); and Poverty Reduction in Difficult Environments (DFID), alongside the more familiar label of ‘poor performers’ (AusAID) (for a summary comparison of the key approaches, see Annex 2). Other multilateral institutions have been led by the World Bank’s LICUS policy approach. The IMF is particularly focused on mechanisms to assist countries that are ineligible for its Poverty Reduction and Growth Facility (PRGF), and more recently on countries which have not graduated from its softer lending facilities despite receiving them for long periods of time (IMF, 2003). UNDP’s approach has been to monitor progress towards the Millennium Development Goals and to examine the possibility of Special Pools for Countries with Special Development Needs (UNDP, 2003). As the official partner of the World Bank’s LICUS initiative in Africa, it is notable that there are different policy approaches driving UNDP’s engagement. There has also been an increasing shift within Western governments towards developing cross-departmental approaches that

¹ See, for example, Ayres (2002); Centre for Global Development (forthcoming); Moore (2002).

merge the problem of ‘poor performers’ and ‘failed/failing’ states with a post-9/11 security agenda.

Among more academic papers, Ayres (2002) discusses Low Income Poorly Performing States (LIPPS), along with some significant US-focused literature from the Centre on Global Development (forthcoming, 2004). Most other papers have focused on economic growth, or economic growth and human development, and there is a large literature on each. State failure has also been a recent focus for economists and political scientists, and is generating a substantial literature (Development and Change, 2002).

Of the definitions that have arisen from the poor performers debate, some are concerned specifically to describe and empirically quantify the conditions prevailing in different recipient countries (for example LICUS and LIPPS). Some approaches explicitly exclude ‘failed states’, while others increasingly identify the ‘poor performers’ agenda with such environments (LICUS). The DAC has focused on how partnerships function in ‘poorly performing’ environments. Finally, some approaches are subjective in their selection of those countries to which they ascribe the label ‘poor performer’. Path dependency of the aid programme and geostrategic interests are significant factors in this approach.

Analysis of the various definitions suggests that, broadly, ‘poor performers’ are seen to face a combination of weak governance and institutional systems, weak policies and weak responsiveness to the interests of the poor, resulting in high levels of poverty and inequality and an overall lacklustre development performance; there is also a poor level of trust between donors and recipient governments (Box 1). Chapter 3 examines the various lists of ‘poor performers’ which have emerged from the definitions discussed here.

2.2 Factors driving the ‘poor performers’ debate

While the nomenclature of ‘poor performance’ may be relatively new in the development community, the problems and challenges it poses are not. Historically, there are many examples of countries where, to varying degrees, performance on development outcomes has been weak. While these countries have undoubtedly posed challenges in designing effective development cooperation programmes, problems of performance have only recently been analysed generically from an aid management perspective. It has now been recognised that these problems may require fundamental adjustments in the aid enterprise.

There are in fact multiple factors driving the ‘poor performers’ agenda, from distinct and discrete areas of interest. These can be summarised under three main headings:

- *Changes in the political economy* of a significant number of low-income countries constitute a fundamental threat to the establishment of stable, liberal and strong public institutions and polities that are pro-poor.

- *A concern to maximise aid effectiveness* by targeting it where it is most likely to work, by operating in partnership with national authorities. However, this risks excluding some very poor countries from development cooperation.
- *Changes in the global political environment.* These have been marked by shifting interpretations of the limits and scope of states' sovereignty. This is both in order to promote international norms and values, and to address perceived threats to international security.

Box 1: What characteristics do current definitions of 'poorly performing' countries include?

Outcome indicators

- Persistent and widespread poverty
- Low, stagnant or declining rates of growth
- Persistently low levels of human development
- High levels of inequality

Policies, processes and institutions

- Weak political systems
- Weak public administrations
- Weak policies, including fiscal/macroeconomic management; low investment in pro-poor development, especially health and education
- Transparency and accountability weak; corruption high
- Human rights violations and violent conflict
- Weak responsiveness to calls for pro-poor development

Relations with donors

- Low level of trust between donor and recipient government

Sources: Ayres (2002); World Bank Task Force (2002); DAC (2002)

The following sections review how these different drivers have informed recent debates on 'poorly performing' countries. They demonstrate how concerns regarding the achievement of the MDGs might potentially conflict with the need to maximise aid effectiveness in the short term on the one hand, and with international security concerns on the other.

2.3 The politics of 'development' in low income countries: shifting reality, shifting analysis

In earlier development decades, economic growth based on investment in agriculture, infrastructure and the expansion of services for health and education dominated the development agenda. In contrast, the 1990s saw a growing emphasis on political reform and governance among aid donors. The broad concept of 'good governance' was increasingly held to be critical both to the effectiveness of aid, and to the performance of economies. The 1997 World Development Report (WDR) was a turning point: after years of attempting to cut the state 'down to size', the World Bank

captured the growing international recognition that having an effective state was important. The 2000/2001 WDR recognised in addition that states needed to be responsive to their citizens' needs and vulnerabilities if development was to be 'pro-poor'.

Within current debates regarding poorly performing countries, there are at least two main strands of analysis that are relevant to note here. The first can be understood as a logical continuation of the earlier literature on governance, and probably dominates. This is concerned largely with the functioning of public institutions. The second concern is newer, and relates to a deepening interest in, and understanding of, politics by development assistance actors, and how this influences development opportunities (Unsworth, 2001; 2002; 2003).

At present, this is yet to be incorporated into formal policy statements or fully operationalised by the major aid organisations. However, such analysis is likely to remain important as interest grows in understanding the determinants of state failure, and whether and how aid might address them.

2.3.1 Persistently poor governance

Poor governance has been cast as the main cause of poor performance in much of the international agency literature. The World Bank LICUS Task Force Report includes in its LICUS definition states experiencing three failures of governance: (i) poor service delivery; (ii) poor economic management; and (iii) limited participation by citizens. The DAC, in its paper on difficult partnerships, defines poor performers as governments that do not show adequate ownership and credible commitments in their policies and programmes. The LIPPS paper also proposes including poor governance as one of its three key criteria of poor performance, with poverty traps and adverse external circumstances as the other two key factors. It identifies the lack of an inclusive political system as the central factor behind poor governance, rather than separating out a lack of political will or inability to reform, and recommends a better understanding of the domestic political economy of reform. Overall, there has been a shift in thinking towards understanding how different political systems influence governance, including consideration of democracy and human rights.

Democracy has been seen as constitutive of development, to be pursued in its own right, and as contributing to economic development through the improved government which could not only deliver better services, but also transform institutions. The evidence on the latter is, however, inconclusive: 'Statistical studies find that neither authoritarianism nor democracy is a factor in determining either the rate of economic growth or how it is distributed' (UNDP, 2002: 4). It is the quality of democracy, and of the underlying politics, which is significant. 'Poor governance', whether democratic or authoritarian, may be highly functional in maintaining elites in power.

2.3.2 The politics of development: explaining and tackling 'unresponsiveness'

Alongside analysis of the quality of governance, there is an important literature that aims to understand state failure, and the broader political obstacles to development. These analyses have not yet been fully incorporated into the formal policy statements on 'poorly performing countries'. Ideas of 'non-responsiveness' of national elites to the needs of the poor, reflected for example in the DAC's policy paper, suggest the

need to ensure that the poorly performing countries agenda establishes not only an analysis of the politics of development, but also develops strategies for engagement which are politically well-informed.

In some countries, the common hybrid form of government between a bureaucratic (legal-rational) and a patronage-based pattern has been called the 'neo-patrimonial state'. 'Patrimonial practices of personalised exchange, clientelism and political corruption have become internalised in formal political institutions' and provide 'essential operating codes for politics' (Bratton and van de Walle, 1997: 63). In addition, neo-patrimonial states are characterised as having a strong executive, weak judiciary and parliament and a marginalised civil society; and an inefficient and corrupt civil service. Political administrative power is personal power; politics is business; and political relationships are structured around patronage. The public and private spheres are not separate (Braathen, Bøås and Sæther, 2000: 11).

Reform processes and structural adjustment have in some cases supported and contributed to the perpetuation of this form of state. Certain reforms – such as those in agricultural markets, critical to the neo-patrimonial state – have been resisted, while fiscal stabilisation has been implemented. Privatisation has provided opportunities for the non-transparent acquisition of enterprise resources. Where the national pot of resources became smaller, some governments resorted to repression to contain discontent from groups excluded from patronage. Donors have helped to meet the costs by supporting health and education, allowing governments to continue to focus state revenues on a combination of sovereignty expenditures (defence, diplomacy, government offices and conspicuous consumption by the elite) and patronage-enhancing activities or even repression. Preoccupation with economic policy reforms above all else has meant that governments' records on corruption or democratisation have received less attention than they might. Accessing loans and grants makes governments more accountable to donors than to their own citizens; in turn, donor accountability to citizens is weak (Bird, Booth and Pratt, 2003: 11). The PRSP approach was meant, in part, to introduce a new form of process conditionality through which governments would be obliged to discuss their policies, and poverty reduction in particular, with their populations, and it was hoped, attempt to redirect accountability away from donors and towards citizens, though the evidence for such transformation is limited (Piron with Evans, 2004).

The weak state institutions which may be functional for neo-patrimonial regimes can also undermine the long-term legitimacy and effectiveness of the state. Donors have generally had weak capacity to analyse and act on these issues.

Crises of public institutions and authority have led in some situations to the emergence of new forces – 'political complexes' (Dillon and Reid, 2000). These may serve either to challenge or reinforce neo-patrimonial structures. As globalisation has intensified and the financial and military safety nets accorded to allies in the Cold War have been withdrawn (Kaldor, 2002), state and non-state actors have had to adapt. Hoogvelt (2002) argues that Africa in particular has been excluded from the global economy, and has become a geopolitical and structural 'irrelevance'. State and non-state actors in areas at the periphery of the global political economy have not been passive in the face of such threats. Rather, they have sought alternative development paths (Duffield, 2001). This has undermined still further the capacity of

public institutions to function effectively and legitimately (Duffield, 2001; Doornbos, 2003).

Liberal economic policies have increased the scope for illicit cross-border and transnational trade. On the one hand, the structures underpinning such activities can provide a basis for social transformation, and potentially for welfare, regulation and protection.² However, these same structural formations are also associated with extractive and violent economies, for example in Sierra Leone and Congo/Zaire. In Somaliland, many state-like institutions and processes have been established in order to enhance security and reduce the population's vulnerability to ill-health and death (Bradbury, 2003). The power and resources wielded by non-state entities and networks can rival those of 'states', challenging existing theories on states, authority and development. Uncritical efforts to enable states to re-establish their authority, including their monopoly over the means of violence, may, however, not be optimal: non-state actors, while often violent and predatory, also provide important opportunities for people previously marginalised from the development process to maintain their livelihoods (Nordstrom, 2000).

Weak institutions, sustained deprivation and poverty, inequality and even violence may be highly functional for some elites. Whether and how aid resources might be used to change the incentives and assets available to those who actually or potentially have the power to secure pro-poor change is a key question. The World Bank, for example, seeks to identify and support champions of reform. In this mode, the poorly performing countries agenda is, therefore, about how aid might play a role in a process of transforming national political systems to enable them to deliver a liberal, pro-developmental agenda.

2.4 Trends in aid policy: aid effectiveness, performance and partnership

Within the aid policy arena, a number of trends have combined to generate concern with 'poorly performing' countries. These relate to questions around aid effectiveness, which in turn have been linked to country performance and to a review of the modalities of aid engagement.

2.4.1 Performance as a concept in development discourse

Country performance has always been significant for private sector investment and trade. Quantified and comparative measures of performance and country risk assessment guides have been widely used to inform investment decisions at least since the 1970s.

Discussions around performance in development discourse (aside from concerns regarding economic performance) did not emerge until the 1990s, and were primarily related to the performance of aid itself (Cassen *et al.*, 1994; de Walle, 1998; Lancaster, 1999; Hopkins, 2000). Examining the reasons for aid fatigue and associated declines in aid volumes over the 1990s, it was argued that the poor performance of aid, especially in Africa, was a primary factor. In general, flaws in donor motivation, bureaucratic mismanagement and the distortion of aid objectives in

² Examples include the significance of the diaspora in the re-formation of Somali society, through the remittance economy, and the strengthening of the clan network (Bradbury, 2003).

recipient countries were all identified. Such critiques informed much of the analytic work that sought to find ways to use aid more effectively. In the latter half of the 1990s, under pressure to justify the continuation of the aid enterprise to increasingly sceptical publics and treasuries in OECD countries, and as a reflection of the broader trends in new public management, there was much closer scrutiny of how aid works. This included significant investment in monitoring and evaluation, fact-finding missions by parliamentary bodies and national audits.

Alongside discussions of performance came a series of ‘league tables’ measuring and ranking countries according to their performance on a wide range of indicators, including in non-economic categories such as human development, corruption, democracy and governance. Indices were increasingly used to determine aid allocations. These included those produced independently by Freedom House and Transparency International, as well as the World Bank’s internal 20-indicator Country Policy and Institutional Assessment (CPIA) and the Annual Review of Portfolio Performance (ARPP). Indices of development performance and of governance have been pivotal in the development of lists and definitions of ‘poorly performing’ countries, as Chapter 3 details.

The adoption of the Millennium Development Goals provided for the first time a set of benchmarks against which the performance of both countries and the development community could be judged. Achieving these goals requires aid agencies and governments to recast their roles, responsibilities and strategies, both individually and at the system-wide level, in an attempt to reach significant gains in human welfare by 2015.³ The establishment of global targets results in critical questions for the aid community when placed against the trend towards aid effectiveness and selectivity.

2.4.2 Aid effectiveness and selectivity – the ongoing debate

The new public management school was influential in introducing performance measures into resource allocation in many OECD countries during the 1980s (O’Neill, 2002). In discussions about aid and performance, the work of Dollar and Burnside (1997) was particularly influential. This concluded that aid was only effective in ‘good’ macro-economic policy environments. Subsequent work (Hanson and Tarp, 2000; Easterly, 2003) has suggested that aid achieves worthwhile benefits even where the policy and institutional context is less favourable. As evidence continues to collect, the debate remains live (Beynon, 2003); however, there is general consensus that aid is more effective in bringing about positive development outcomes when the policy and institutional environment is favourable.

At the same time, a growing body of evidence demonstrated the ineffectiveness of conditionality in persuading reluctant governments to reform, or in promoting improvements in policy (Dollar and Burnside, 1997; Killick, 2000). Strong evidence also mounted that volatility or interruptions in aid flows, many of which resulted from suspensions when conditions were not met, have damaged economic performance (Foster, 2003). The difficulties of aid management in these environments resulted in low levels of disbursement (World Bank, 2002: 6).

³ Currently, 59 priority countries have extremely low starting levels of human development, and have not made progress on key indicators during the 1990s.

For those responsible for the management of development aid, the implications of these various bodies of research served as a foundation for the current orthodoxy that aid should be more selectively allocated to countries implementing sound policies, and should follow rather than lead the reform process. There was increased emphasis on prior actions and evidence of commitment, rather than on buying future policy promises (Foster, 2003).

New mechanisms for aid engagement, such as the EU's Cotonou Agreement, the Dutch 17+3 approach, and the US Millennium Challenge Account (MCA) have been explicitly designed to 'link aid to sound policies'. The MCA, it is proposed, will channel \$5 billion per year to developing countries that demonstrate a strong commitment to good governance (including rooting out corruption and upholding human rights and the rule of law) and to investing in health and education, as well as countries which have more open markets, and sound economic policies that foster enterprise and entrepreneurship.

Critics of the MCA note that not all the data upon which allocation decisions are being based is publicly available. This weakens one of the key principles of the MCA, which is openness and transparency. Other indicators being used are also considered highly subjective and of questionable validity. The application of the MCA will result in a significant reshaping of US aid flows, leaving the most needy countries and vulnerable populations vying for traditional forms of aid. Whilst the traditional US aid budget may not have been 'raided' as such for the MCA (the USAID budget has almost doubled since 2001, to \$14.2 billion), it will continue to suffer from absorption by high-profile crises such as Iraq. This indicates that allocations of aid to 'poor performers' might be highly variable from year to year, and that strategic, policy-based interventions may be difficult to maintain (see Radelet (2004) for further discussion on eligibility for the Millennium Challenge Account).

The degree to which there have been meaningful shifts in aid allocation based on selectivity remains unclear. Findings from econometric studies, such as Nunnenkamp (2002), suggest that there has not been a significant shift in ODA going to better policy environments (Nunnenkamp, 2002). Bilateral donors have made limited changes in resource allocation, though there is significant evidence of increased funding for humanitarian assistance; the use of 'smart sanctions'; and an increased investment in governance programming.

Whether or not the selectivity approach has taken firm roots, the notion sits uncomfortably with the broader and increasingly shared development agenda of poverty reduction and the provision of support for human welfare and protection. If the argument that aid is more effective in better policy and institutional environments is accepted, what can be done for the 500 million or so people who live in places where governments evidently do not share the objectives of poverty reduction, human development and environmental sustainability, and have not committed themselves with enthusiasm to reaching the MDGs in partnership with international institutions? The 2003 Human Development Report (HDR) proposes that certain countries are below a minimum threshold required to achieve the MDGs. By implication, a self-propelling positive development path will be very difficult to find unless these countries can be 'pulled' on to it. The culture of targets, benchmarking and aid

effectiveness has been important in highlighting the need for action by the international community in relation to countries that are ‘under’-performing.

2.4.3 Aid instruments

The aid effectiveness literature also informed the development of new forms of aid instrumentation, specifically Poverty Reduction Strategies (PRS) and Direct Budget Support (DBS). These new modalities are premised on the existence of a benign and competent state, with whom the donor community can have a full partnership. They require a high degree of trust between donor and recipient country and, because they channel high volumes of resources through the national budget, imply a strong degree of legitimisation of the recipient government.

Emphasis on these state-focused mechanisms potentially makes a sharper distinction than is warranted between countries where a high degree of trust prevails, and countries where it does not. What to do in the environments where trust does not prevail is, of course, the concern of the poor performers agenda. Potential routes are to adapt existing processes such as PRSPs, by building in additional checks and balances or by adopting an incremental or partial approach to their establishment (McLean Hilker *et al.*, 2002). There are suggestions that conditionality, which has not disappeared with the new trend to partnership (Killick, 2004), should be reviewed, with respect to its utility in ‘poorly performing’ countries. This would be of considerable interest in adapting direct budget support instruments. Where budget support is ruled out, can Sector Programming take more of a project-based approach, while maintaining the possibly reduced transaction costs of a Sector Wide Approach? Can provisions be included for building in local and national accountability as key components?

The need to remain engaged in ‘poorly performing’ countries has already generated creative thinking among donors on how this should be done. Investing in greater knowledge of the political and institutional environment, and coordinated action to support the creation or improvement of basic economic, social and demographic data, are both widely seen as critical. During the 1990s, donors, especially UNDP, worked widely with local and regional governments. The World Bank maintains that resource transfers should be reduced in favour of policy dialogue and supporting champions of reform.

So far, this debate has largely missed the roles of (i) projects, (ii) NGOs and (iii) the private sector. The first two are tried and tested instruments or channels for aid, about which much is known in general, but little with specific reference to ‘poorly performing’ countries. Some donors (e.g. USAID) have focused extensively on aid to and through the private sector, and this experience could be of great utility.

2.4.4 Humanitarian assistance – the instrument of last resort

Between 1990 and 2000, official spending on humanitarian aid increased from \$2bn to \$5.9bn. As a proportion of declining real ODA, it increased from an average of 5.83% between 1989 and 1993 to 10.5% in 2000 (Randel and German, 2000). This trend can in part be seen as the natural corollary to increased conditionality on development aid, and deteriorations in the political and economic environments of countries at the periphery.

Humanitarian assistance provides a means whereby the international community can maintain at least a minimal degree of support for these countries' populations, but without being seen to legitimise the incumbent regime (Macrae, 2001). Thus, for example, in Iraq, Serbia, Somaliland and southern Sudan, humanitarian aid has remained the dominant instrument of engagement. The content of these humanitarian programmes has evolved beyond the provision of relief, and into basic welfare provision including support for basic services. This aid is highly projectised, decentralised and often privatised, channelled through multilateral and international organisations, but typically delivered by NGOs.

Given the rise in humanitarian aid over the past decade, and its increasing significance in high-profile crises such as in the Great Lakes region, the Balkans, Afghanistan post-9/11 and Iraq, bilateral donors have shown increasing interest in enhancing its effectiveness. They have sought to do this in part by exerting greater influence in determining how funds are allocated between countries and programmes, and in monitoring and evaluating outcomes and impacts (Macrae *et al.*, 2002). What has become painfully evident is that, while humanitarian assistance may be effective in mitigating the effects of acute crises, it is ill-designed to provide either a sustained safety net or to fulfil populations' wider needs during protracted crises. In small part, therefore, the poor performers agenda might be understood as being driven by the need to find new aid instruments, over and above the humanitarian, with which to engage in chronic political emergencies.

2.5 International politics and 'poor performers': the geopolitics of aid

The end of the Cold War has seen important shifts in the international political environment within which aid policy is formulated and implemented. From the mid-1980s, the Cold War's ideological drivers for international engagement with developing countries, including the provision of aid, became increasingly uncertain and finally irrelevant, and other criteria came to the fore to guide foreign policy. While states' self-interest in trade, defence and security continued to inform international diplomacy, including aid relations, space opened up for a more explicit consideration of other criteria, including developmental criteria, to guide engagement.

2.5.1 New rules for dealing with 'bad behaviour'

The notion of 'good international citizenship', an approach to foreign policy grounded in upholding certain moral values, was seen not only to provide a means of fulfilling idealist ambitions of a better world, but also as being in the self-interest of states.⁴ This approach held that, in an era of globalisation, concern about human rights, democratisation and the eradication of global poverty would provide a means of countering the threats associated with large population flows, the rise in illicit trade in goods and people, low-level conflict and terrorism. During the 1990s, it became increasingly clear that states that abused human rights would forego the right to be treated as equal and legitimate members of the international community (particularly by the West), and would become the subject of international scrutiny and censure (Wheeler and Dunne, 1999).

⁴ Gareth Evans, the former Foreign Minister of Australia, 1996.

Thus, increasing conditionality and selectivity in development aid can be seen as reflecting much broader selectivity in international relations. This translated largely into punitive strategies (often withdrawal and exclusion) towards certain countries. The 1990s became the 'sanctions decade', in which an unprecedented number of multilateral and bilateral sanctions regimes were developed.⁵ This period also saw a much greater willingness on the part of the international community to intervene militarily in sovereign countries to provide protection and assistance to populations suffering the effects of conflict and repression by their governments.⁶ Such intervention by the international community was rare, but was justified, in the case of Kosovo in 1999, largely in terms of humanitarian protection (Roberts, 2000).⁷

In a number of situations, the international community also accepted responsibility for governing and rebuilding societies damaged by conflict. The international administrations of Eastern Slavonia, Bosnia, Kosovo, East Timor and Afghanistan represent some of the boldest experiments in the management and settlement of intra-state conflict ever attempted by the UN. In each case, these bodies have assumed a degree of responsibility for territories that is unprecedented in recent history.

In different ways, this new climate for international relations impinged upon the aid community. On the one hand, sanctions regimes reinforced political conditionalities; on the other, the deployment of Western troops in foreign territories made new demands on the aid community, which was expected to contribute to relief, rehabilitation and peace-building efforts in a militarised context.

Thus, since the mid-1990s there has been growing debate regarding the role of aid in conflict management (Macrae, 2001; DAC, 2001). The case was made for assertive aid engagement in countries affected and threatened by conflict, both as a necessity to achieve development, and as a means of countering threats to regional and global security. In the 1990s, the association between conflict, underdevelopment and threats to regional and international security was recognised primarily in terms of the illicit trade in narcotics and other commodities, the spread of disease and large-scale migration. The threat of terrorism was also noted in the development aid discourse, though it was muted.

Implicit in much of the debate was a recognition that existing aid instrumentation, in particular around humanitarian aid, was an inadequate tool to respond to the challenge of conflict prevention, conflict resolution and post-conflict recovery. There were therefore increasing calls to make relief more developmental, and to link it explicitly to efforts to manage conflict. To date, these have achieved mixed and sometimes controversial results, and there remains little empirical evidence of marked changes in practice, or of a significant impact on conflict.

⁵ During the 1990s, the Security Council voted a dozen resolutions imposing sanctions against countries, including Angola, Sudan, Haiti and Yugoslavia. In comparison, between 1945 and 1990 only two countries, Rhodesia and South Africa, were targeted for sanctions. The popularity of sanctions in the 1990s was also demonstrated by the increased use of bilateral measures by the US, the European Union and others. For example, in 2002 the US had imposed sanctions on all failed and collapsed states, and on 20 Low Income Poorly Performing States (Ayres, 2002: 14).

⁶ For example, the protection of Kurdish areas in Iraq following the Gulf War; Bosnia in 1995; and Kosovo in 1999.

⁷ The legality of this intervention remains contested internationally. See, for example, Report of the UK Parliamentary Select Committee (2000), Fourth Report.

Despite strict Articles of Agreement governing the engagement of international financial institutions (IFIs), their horizons necessarily broadened with the end of the Cold War and globalisation (Stevenson, 2000). Post-conflict rehabilitation became a key concern. In the mid-to-late 1990s, the IFIs not only developed mechanisms to provide quick capital to countries, but also altered their lending practices on the ground in order to assume more prominent roles in conflict-ridden countries. The IMF led this engagement. In 1995, the IMF's policy on emergency assistance was expanded to cover countries in post-conflict situations. These were quick-disbursing loans which did not involve adherence to performance criteria or the phasing of disbursements.⁸ The World Bank followed suit, establishing a Post-Conflict Unit (renamed the Conflict Prevention and Reconstruction Unit) to provide support and to report on countries and regions affected by conflict.⁹

The IFIs' footprint in these environments has continued to expand, reflecting both institutional interest in engaging in crisis-affected countries, and pressure from member states to strengthen the IFIs' capacity to assist countries in the low-income category, and in particular to alleviate conflict.

2.5.2 Aid and counter-terrorism

While the events of 9/11 did not substantively change the problem of working with certain governments or in difficult environments, it did provide unprecedented momentum to address them. A strong degree of overlap between aid, development and counter-terrorism agendas has begun to emerge, particularly in the US, where aid has for the first time been elevated to the third pillar of national security, alongside defence and diplomacy.

As the 2003 OECD/DAC paper on aid and counter-terrorism makes clear (DAC, 2003), the 'poor performers agenda' fits within this new security framework in a number of ways. Most obviously, 'collapsed states'¹⁰ such as Afghanistan and Somalia are seen as providing a breeding-ground and hiding-place for terrorist movements, and as enabling trade in illicit goods, including narcotics. Addressing the problem of state collapse, and more broadly state failure, is therefore seen to be a key element of counter-terrorism strategies (see US National Security Strategy, 2002; DAC, 2003). Within the World Bank, the advent of the LICUS agenda was driven in part by the fact that these countries are seen along a continuum in which preventive as well as remedial action is required to check 'the proclivity of LICUS to become failed states and terrorist havens ... causing instability throughout their respective regions'.¹¹

There are differences between donor countries in the way in which the aid agenda is being linked to the containment of the terrorist threat, in part because of different interpretations of security and how it can be achieved. Advocates of 'soft security' approaches seek to address the underlying causes – economic, social and political –

⁸ Countries that have received assistance include Guinea-Bissau, Sierra Leone, the Democratic Republic of Congo, Burundi, Rwanda and Tajikistan.

⁹ Between 1997 and 1999, the Bank provided 'post-conflict' support in 35 countries.

¹⁰ 'A collapsed state is considered as an extreme instance of state instability, whereby the previous organisational structure is unable to perform either of its two functions [internal and external] security and resource allocation, no longer holds a monopoly over coercive instruments, *and* has lost control over considerable parts of its territory' (Clements, 2004)

¹¹ Speech by James Adams, Vice-President, World Bank, 2003.

that determine violence, in part by increasing aid allocations. Particularly since 9/11, these ‘soft’ security investments have been increasingly buttressed by a more explicitly hard-edged security/developmental linkage. For example, the Australian government’s poor performers agenda, whilst initially deriving from concerns regarding aid management and the wish to contribute to stability in the Pacific region, has increasingly incorporated domestic security concerns.¹² The militarisation of humanitarian assistance delivery in theatres such as Iraq and Afghanistan, and institutionalised within the EU through the so-called Petersberg Tasks, provides a further example of the increasing linkage between ‘hard’ and ‘soft’ security approaches.

2.6 Summary and implications

The analysis outlined above suggests that a strong new element has entered international development debates regarding how to maintain and make effective international aid strategies in very poor and high-risk environments. Three broad implications emerge from this analysis.

The multiplicity of drivers has, to date, precluded a clear and consistent definition of the ‘problem’ of poorly performing countries. As Chapter 3 details, attempts to define poorly performing countries, particularly in quantifiable terms, vary considerably in their emphasis. This makes it extremely difficult to pin down precisely the nature of the agenda, which has proved fast-moving and rapidly evolving. Reviews of debates over the past two years suggest that there is a trend towards narrowing the focus to a ‘hard core’ of countries characterised by significant levels of insecurity, very weak state institutions and very poor development outcomes. A number of these countries are also the focus of current counter-terrorism policies, and the concern with the interface between the development and security agendas has provided new momentum behind the poor performers agenda in recent years. However, this trend is far from uniform, and there remain concerns regarding how best to take forward an international development strategy in the wider environments where political problems take the more banal form of inertia or neglect, but which also threaten the life chances of the populations concerned.

The diversity of the factors driving the poorly performing countries agenda is likely to influence the range of approaches that emerge. If, for example, concerns around aid effectiveness continue to predominate, this might indicate a need to consider tactics for managing the risk associated with aid flows in these environments. If concerns to ensure ‘quick wins’ in relation to MDGs dominate, then unsustainable sector investment programmes, projects, NGO interventions or humanitarian aid might provide attractive forms of engagement. If foreign policy and security considerations predominate, then a variety of diplomatic and military interventions, combined with ‘soft security’ investments to deal with the causes of insecurity, are likely to prevail.

The poor performers debate has highlighted the lack of diversity in aid instrumentation in situations of protracted instability and uncertain governance. The

¹² See speech by the Prime Minister of Australia (June 2003), in the aftermath of the Bali nightclub bombing, which merged the debate regarding the poor performance of the Solomon Islands with a failed state and terrorist agenda for Melanesian countries.

debate is in part a logical consequence of important innovations in international aid policy. These have encouraged greater selectivity, and reinforced the state-centric character of the development paradigm. These instruments are, however, proving ill-adapted to respond to the diverse and complex environments that characterise many very poor countries, and which bear limited resemblance to the competent and liberal state on which current development paradigms largely depend. Humanitarian assistance has proved only a modest help to the aid community in reaching very poor populations in such circumstances, and is itself the subject of concerns regarding effectiveness, and the target of increasing pressures to conform to an international security agenda. This would suggest the need for potentially radical innovation in the design of aid instrumentation in these environments. Garnering support for such innovations, and potentially increases in funding to implement them, will require reassuring a sceptical public and political community that such aid will not replicate an earlier generation of assistance which often (unintentionally) proved complicit with violent and repressive regimes, and unable to reach and benefit some of the very poorest.

Chapter 3: Can statistics help to identify ‘poorly performing’ countries?

Chapter 2 illustrated the way multiple objectives have led to different criteria being used to identify ‘poorly performing’ countries, and the way this issue, driven by in part the securitisation of aid and development, is challenging orthodox thinking about aid allocation. This chapter reviews the ‘league tables’ which have so far identified ‘poor performers’, and then reports on a serious and methodologically rigorous statistical approach to identifying and beginning to understand country performance over time.

3.1 Introduction

The statistical analysis presented in this chapter has an intentionally narrow objective to address a specific question: using objectively quantifiable data for as many developing countries as possible, is it possible to identify a set of countries that could be classified as poor performers? The aim is to explore what the label ‘poor performer’ may actually mean. At one extreme, if one can identify a set of countries that exhibit, with some consistency over time, low values on widely accepted performance indicators, then there would be general agreement that these are ‘poor performers’. If this proves impossible, then the label ‘poor performer’ should be heavily qualified. At any point in time, for any particular performance indicator, some countries will have lower values than others. This would be a very narrow meaning of poor performance. If the label ‘poor performers’ is to have operational meaning in identifying types of countries that exhibit particular features (of poor performance) in a sustained way, it should be possible to identify such countries in the data. If this is not the case, then those labelling countries as poor performers should be required to state clearly what indicator of performance they are using. Specifically, it is important to be able to distinguish poor or low-income countries from poor performing countries.

The underlying premise in most cases where the label ‘poor performer’ is used is that the poor performance is due to some aspect of behaviour of the government or state (or the absence of an effective government). In most cases, there is a presumption that poor performance is due to ‘bad’ policy, and bad policy may in turn be associated with weak governance, high corruption or weak/failing states. This needs to be tested, as far as possible; poor performance may be due to other factors.

A number of issues have to be addressed. First, a set of performance indicators must be selected for the analysis. These should be relatively easy to measure and interpret, and available for a large number of countries over a long period of time. Second, the sample of countries to study must be identified. Subject to the constraint of available data, this should include those countries that have been described as poor performers (i.e. that appear in the various lists discussed in Chapter 2 and Annex 3). Third, a set of criteria should be defined for identifying what constitutes a low value of the performance indicator. These criteria should identify poor performance as a value that is statistically significantly below the average for the sample.

Although there are numerous performance indicators to choose from, this study restricts itself to two general indicators: growth in real per capita GDP (economic growth); and infant mortality. Growth in real per capita GDP is a standard indicator of economic performance (and the per capita measure accounts for population change). The infant mortality rate is a standard indicator of health status that captures performance on social or human development, and tends to be highly correlated with income poverty across countries. A further advantage is that these two measures are not highly correlated with each other, i.e. they capture distinct dimensions of performance. Other measures of aggregate welfare or human development, such as adult literacy, were tested, and the results for these measures were broadly similar to those for infant mortality and, as with infant mortality, were dissimilar to the results for economic growth. Nonetheless, the indicators used here are two of the most representative performance indicators available.

Given the preoccupation of the debate reported in Chapter 2 with the role of governance and politics in characterising and determining poor performance, it would have been useful to have been able to use governance or political indicators for the identification of 'poor performers'. However, as concluded by a recent survey of democracy and governance indicators, there are methodological problems involved in aggregating different dimensions for the various country rankings which are produced; the rankings do not produce a holistic picture, and can produce inaccurate or meaningless results. The bigger problem is the lack of good source data on critical areas like the enjoyment of economic, social and cultural rights, the rule of law, access to justice, the measurement of juridical independence, people's participation and civil society engagement (Landman and Häusermann, 2003). This study has therefore not used such indicators to attempt to identify countries' performance, but has investigated the statistical relationship between development performance and the most widely used governance indicators.

The period of time over which analysis is made is 20 years (1980–2000), divided into two decades. While the choice of any time period is arbitrary, two decades gives reasonable scope both for the observation of sustained change, and for the use of reliable data, which are often not collected very regularly. An extended analysis could examine sensitivity to period: it is certainly true that collating or averaging results over a decade will conflate and mask differences within the decade, and perhaps blunt the analysis of change. The intention is that the dataset creates a baseline on which monitoring of change is possible.

The sample used comprises all developing countries for which data are available covering the 1980s and 1990s. Transition economies are excluded from this analysis because, for most of them, data are unavailable for the 1980s (when many of these countries did not exist as such). These countries are so different from poor developing countries that they would also require separate interpretive treatment. For the whole sample, data coverage for infant mortality is extensive, but for economic growth data are missing for many countries. It may be the case that the absence of data and/or low quality of the data is itself a sign of poor performance, in which case this approach will 'miss' many poor performers. However, it cannot be presumed that lack of data implies poor performance. Lack of data can be taken as a signal that the country is worth investigating further.

The various statistical criteria used are reported below. The statistical analysis cannot identify *all* poor performers, and some readers may suggest that countries not classified as such were actually poor performers. The response is that others then need to be clear on what basis the countries were poor performers. They may have been omitted from this analysis because the data are missing, or some may believe that, for certain countries, the data are unreliable. This study only asks if, from the set of countries for which data are available, the statistical approach does or does not identify as poor performers countries that others have classified as such.

It may well be that the statistical approach is not appropriate for identifying the group of countries that all could agree are poor performers, suggesting that an alternative approach is needed, or even an alternative objective. This in itself would be an important conclusion, with the critical implication that judgement, or information beyond that contained in available objectively quantified data, is required. The appropriate implication may simply be that the label ‘poorly performing countries’ is not useful so that, given its pejorative nature, it should not be used as a classification.

Having completed the basic analysis and identified poor performers, a number of further exercises are then conducted. First, the poor performers are assessed to see if they share certain natural or structural characteristics, i.e. are there identifiable factors, not readily amenable to policy influence, that determine poor performance? Second, this study explores whether the countries identified as poor performers are ranked low on governance and other subjective ordinal indicators. It is often asserted that poor governance causes poor performance, but the reverse may be the case. In conducting these exercises, the study looks for differences between countries classed as poor performers, and those classed as good performers, under the same criteria.

3.1.1 A comment on other classifications

At present, there is a lack of consensus regarding the most appropriate indicators of poor performance, and therefore difficulty in establishing a consistent ‘set’ of countries that could be demonstrated to be performing poorly. Existing definitions of ‘poorly performing countries’ are based on a variety of indicators. There are essentially two types, often used in combination. The most commonly used, as being the most readily available, are measures of performance outcome (e.g. economic growth or social indicators), although measures of ‘institutional inputs’ (e.g. governance) are sometimes used. Irrespective of the indicator used, the aim is to identify those countries with the lowest values, i.e. those below some level are deemed to be poor performers.

The majority of attempts to define ‘poorly performing’ countries using quantitative methods rely upon combining objective and subjective indicators in a way that is of questionable validity. While the reliability and availability of data for constructing measures is a widespread problem, objectively quantifiable indicators have the merit of being transparent and clear to interpret. For example, a reduction in infant mortality is a clear indicator of an improvement in human welfare, and the magnitude of change can be quantified. An improvement in a governance indicator, on the other hand, is more difficult to interpret, partly because the indicators are often ordinal rather than cardinal (i.e. a score of six is not twice as high or good as a score of three).

To relate our list of poor performers to classifications that have been produced by others, we begin with an overview of other classifications (details on these studies are in Chapter 2). The results of these analyses in terms of identifying ‘poor performers’ can be seen in Table 3.1. Most are Least Developed Countries (LLDCs). Some which are not so defined have experienced significant declines in real incomes (e.g. Côte d’Ivoire, Nigeria, Zimbabwe). LIPPS are almost a subset of LLDCs, with only three non-LLDCs; the category comprises a group of states which have not collapsed and are not suffering from major conflict, but have poor economic management, high poverty and inequality. The original 13 ‘core LICUS’ states were mostly failed or failing states, and all except three were also countries categorised as LIPPS.

Table 3.1 ‘Poor performers’ identified by existing studies

| Category | Countries |
|--|---|
| LIPPS + LICUS/UNDP composite + HDR Priority [Countries which are included in the ‘UNDP composite indicator list’ which were not in the original LICUS list] | Afghanistan, Angola, C.A.R., Chad, [Côte d’Ivoire], [Ethiopia], [Guinea], Guinea-Bissau, Haiti, [Kenya], [Niger], Nigeria, [Rwanda], [Senegal], Togo, [Uganda], Yemen, [Zambia], Zimbabwe |
| LIPPS + LICUS [countries which are included in the ‘UNDP composite indicator list’ which were not in the original LICUS list] | Laos, Nepal, [Pakistan] |
| LICUS + HDR Priority | Burundi, DRC, Congo Rep., Liberia, Sierra Leone, Sudan |
| LIPPS + HDR Priority | Burkina Faso, Gambia, Madagascar, Mali, Mauritania, Tanzania |
| LICUS/‘UNDP composite only’ | Indonesia, Myanmar, Papua New Guinea, [Somalia] |
| LIPPS only | Bangladesh |
| HDR Priority only | Benin, Cambodia, Eritrea, Gabon, Lesotho, Malawi, Mongolia, |
| Of these countries which are <i>not</i> Least Developed Countries | Cameroon, Congo Rep, Gabon, Côte d’Ivoire, Kenya, Indonesia, Mongolia, Nigeria, Pakistan, Papua New Guinea, Zimbabwe |

Note: This analysis excludes small and transitional countries.

It should be noted that both the official LICUS documentation from the World Bank and the 2003 Human Development Report do not produce lists of countries. This shyness is welcome – as will be demonstrated, it is difficult to identify countries which are consistently poor performers across different indicators and across time. Do these categories separately or together provide a coherent basis for disaggregating ‘poor performers’?

The lists in Annex 3 potentially help in one respect: most core LICUS countries are conflict-affected, or are states or regimes with severely contested legitimacy, internationally and internally. However, a study commissioned by UNDP which combined objective plus subjective indicators, adds a few countries to the LICUS list,

blurring the distinction, and overlaps significantly with the LIPPS list¹³. The LIPPS countries exclude collapsed or high-conflict states, are based on a more objective definition, and include a wider grouping still. The HDR list adds another seven countries not included in the others, but includes all the countries identified as poor performers by LICUS, UNDP or LIPPS.

Table 3.1 shows the overlaps between these categories. Countries appearing in all three lists (LICUS, LIPPS and HDR) could be considered the world's 19 poorest performers. These are: Afghanistan, Angola, the Central African Republic (CAR), Chad, Côte d'Ivoire, Ethiopia, Guinea, Guinea-Bissau, Haiti, Kenya, Niger, Nigeria, Rwanda, Senegal, Togo, Uganda, Yemen, Zambia and Zimbabwe. Additionally, the 15 countries appearing in at least two lists are: Laos, Nepal, Pakistan, Burundi, the DRC, Congo Rep., Liberia, Sierra Leone, Sudan, Burkina Faso, Gambia, Madagascar, Mali, Mauritania and Tanzania.

However, none of these combinations provides an obvious means of disaggregating the category in what would be an operationally useful way. Furthermore, these lists include a number of countries that could make a strong claim to be moderate or good performers on a number of criteria. Uganda, for example, has enjoyed high growth and significant poverty reduction, and has implemented policy reform. Tanzania, less spectacularly and more recently, could make a similar claim. This begs the question of which of these countries would be classed as poor performers according to transparent and objective criteria.

3.2 Performance as a dynamic concept

A country's performance can be assessed at a moment in time and compared with others'; this has been the approach generally adopted to date. Taking a snap-shot in this way can be quite misleading as some countries may have low values of indicators in a particular year, perhaps because they experienced a shock, but have generally 'non-poor' performance. Concentrating on observations for a point in time does not capture persistence in performance, or the underlying sources of poor development outcomes. Regarding the former, it is important to be able to distinguish persistent poor performance (as this should identify poor performers) from variability in performance (some countries may suffer a shock for relatively short periods, but nevertheless exhibit good underlying performance). Regarding the latter, they underplay structural, historical and exogenous factors in determining poor performance. The inherent characteristics of a country should be identified to assess if poor performance outcomes are due to factors at least partly within the control of the state, such as weak policy, policy implementation or governance, or factors beyond its control, in which case the state may actually be doing the best it can under the circumstances. Furthermore, in those situations where the state (government) itself is weak or effectively non-existent, policy is ineffective and the principal factors determining performance are effectively beyond the control of the state.

The notion of performance implicitly contains a time dimension, with recognition that where a country is starting from is important. In lay terms, 'has this country been able to do better or worse' than before; in new public management language, is it

¹³ However this is not a formal UNDP document.

progressing towards a target? The 2003 Human Development Report's assessment of countries' progress towards the MDGs illustrates the latter.

Performance over time is particularly important for low-income and low human development countries. Their people want to know (and experience) that progress is being made, that things are getting better, albeit from a low level. A particular point here is that performance differs from status: a country may be very poor but nevertheless performing quite well, at least given the conditions it faces. Poor countries are not necessarily poor performers, and vice-versa. Donors want to know that their aid is being put to good use: improving indicators suggest that it is. By comparison, a static picture gives little away to either constituency.

Table 3.2 Comparing static with dynamic definitions of 'poor performers'

| Category | Countries |
|--|---|
| Static: LICUS/LIPPS Included: original LICUS countries, 'UNDP composite list', LIPPS list | Afghanistan, Angola, Bangladesh, Burkina Faso, Burundi, Cambodia, Cameroon, CAR., Chad, DRC, Congo Rep., Côte d'Ivoire, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Indonesia, Kenya, Laos, Liberia, Madagascar, Mali, Mauritania, Myanmar, Nepal, Niger, Nigeria, Pakistan, Rwanda, Senegal, Sierra Leone, Sudan, Togo, Uganda, Yemen, Zambia, Zimbabwe |
| Dynamic: HDR 2003 Included: top and high priority (calculated using HDR criteria) ¹⁴ | Afghanistan, Angola, Benin, Burkina Faso, Burundi, Cambodia, Cameroon, CAR., Chad, Congo DRC, Congo Rep., Côte d'Ivoire, Eritrea, Ethiopia, Gabon, Gambia, Guinea, Guinea-Bissau, Haiti, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mongolia, Mozambique, Niger, Nigeria, Papua New Guinea, Rwanda, Senegal, Sierra Leone, Sudan, Tanzania, Togo, Uganda, Yemen, Zambia, Zimbabwe |

Source: Annex 3.1.

The 'static' and 'dynamic' lists above overlap considerably; however, there are 15 countries which only appear on one or the other list, out of 47. These are generally countries which are not currently affected by major conflicts or state collapse, though some were in the past (Mozambique, Eritrea). Six countries in Asia are 'poor performers' on static criteria, but making good progress towards the MDGs; seven African and two Asian countries are not making good progress towards the MDGs, but are not 'poor performers' on static criteria.

One could be very simplistic and say that countries which appear on both lists constitute a robust list of 'poor performers' – performing badly on many static indicators around the turn of the millennium, and not progressing well towards several

¹⁴ Source: Chronic poverty Research Centre (2004:10)

MDGs. This would give a list of 32 countries (Table 3.3). Again, as with the lists discussed above, many countries have good grounds to challenge their inclusion.

Table 3.3 Countries performing badly according to both static and dynamic definitions, by continent

| Continent | Countries |
|--|--|
| <i>Asia</i> | Afghanistan |
| <i>Africa</i> | Angola, Burkina Faso, Burundi, Cambodia, Cameroon, CAR., Chad, DRC, Congo Rep., Côte d'Ivoire, Ethiopia, Gambia, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Mali, Mauritania, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Sudan, Togo, Uganda, Zambia, Zimbabwe |
| <i>Middle East</i> | Yemen |
| <i>Latin America and the Caribbean</i> | Haiti |

From this, it could be concluded that 'poor performance' is almost entirely an African problem. However, this would be misleading: in Asia, several countries are not progressing well towards the MDGs. Although India does not feature on any lists of 'poor performers' because its average indicators do not place it there, a substantial proportion of Indians live in Indian states which would be identified as poor performers on static criteria, and on progress towards the MDGs.

In the analysis that follows, time is a key dimension. Performance over the 1980s and 1990s is investigated, with a search for consistency and variation in order to identify persistently poor performers, as well as the correlates of poor performance.

3.3 Classifying performance using statistical criteria

There is a difference between objectively quantifiable data and subjective measures, typically no more than rankings. This difference is blurred in many analyses of performance. Objective indicators measure facts, as far as they can be established, and produce cardinal data, where figures can be quantitatively compared (e.g. 4% GDP growth is twice 2% growth). Subjective measures use ordinal data and produce rankings that can only be qualitatively compared (e.g. a country with a corruption score of six may be more corrupt than a country with a score of three, but one cannot say it is twice as corrupt). Furthermore, they embody subjective judgements, and these are rarely specified clearly. Consequently, in this study performance is measured using objectively quantifiable indicators (per capita GDP and infant mortality). Investigation of possible correlation with subjective indicators is carried out separately.

Two objectively quantifiable indicators are used: changes in infant mortality (IM) to capture performance on human welfare, and changes in per capita GDP to capture economic performance. Performance in these indicators is measured over both the 1980s and the 1990s; any choice of periods is somewhat arbitrary, but the aim is to identify persistence over time. Four criteria are applied to identify 'poor' performers:

- *Absolute* – A poor performer is any country that experienced a deterioration in the indicator over the period (increase in IM or negative economic growth). This may be a severe criterion, as many factors outside the control of countries could affect performance. For example, the 1980s witnessed a number of global economic crises, and so many countries may have experienced negative real per capita growth.
- *Relative* – One could consider the average performance of countries in the sample as a benchmark, and then classify as poor performers countries that are some distance below the average. Countries at least one standard deviation below mean performance on the indicator are classed as poor performers (countries one standard deviation above are good performers).¹⁵
- *Conditional* – As 2), except that performance is predicted conditional on a country's starting value for the indicator, and the mean is normalised. Implicitly, this captures progress in performance as allowance is made for initial conditions (relative to other countries).
- *Residual* – As 3), except that the predicting regression is supplemented with other explanatory variables: geographical, such as whether a country is landlocked, its distance to world markets, and its climate; and measures of exogenous shocks, such as war, disease (in particular HIV/AIDS), and changes in the terms of trade.

Whilst all four criteria have merit, this study focuses on the middle two when summarising results. In terms of identifying a set of poor performers, the relative or conditional criteria are probably the most useful because they (a) measure performance relative to the group of countries as a whole, and (b) control for starting conditions. These criteria assess countries in terms of how their performance differs from what could be expected, given world trends and starting conditions. The absolute criterion is very strict as one should account for comparative performance, while the residual criterion includes factors that may account for poor performance (and thus distinguishes between performance due to policy as against inherent characteristics). The comparison between residual and conditional is informative. If countries are classified as poor performers on the conditional criterion but not on the residual criterion, the implication is that we have identified factors specific to the country that explain poor performance. The factors considered are those that are not amenable to policy influence, at least in the short to medium term. The inference is not that they are not poor performers, but that the poor performance can be attributed to factors largely outside the control of government (see Anderson and Morrissey, 2004).

3.4 Identifying poor performers: results

The full sample comprises the 126 countries classified by the World Bank as low or middle income in 2002, excluding the transition countries in Europe and Central Asia. For the four criteria, we produce a set of countries classed as poor performers on each of the two performance measures in the 1980s and the 1990s. What we are most

¹⁵ It transpires that most indicators in each decade are normally distributed, so cut-offs of one standard deviation below and above the mean classify approximately 15% of countries as poor performers and 15% as good performers, in any one indicator and decade. Going beyond one standard deviation would entail losing statistical significance in terms of difference from the average (see Anderson and Morrissey, 2004).

interested in is whether there is a common set.¹⁶ At the extreme, are there countries classed as poor performing on both indicators in both periods for all or most criteria? For comparative purposes, we also provide a list of countries classed as ‘good performers’ according to the four criteria.

The findings are summarised in Tables 3.4 and 3.5. Table 3.4 shows, for each performance indicator and decade, the countries classified as poor performers according to either the relative or conditional criteria. Those countries also classified as poor performers according to the absolute and residual criteria (data availability permitting) are highlighted in bold. Table 3.5 shows the equivalent lists of good performers.

Table 3.4 Poor performers by decade and measure, according to the relative or conditional criteria

| | Reductions in infant mortality, 1980–90 | Reductions in infant mortality, 1990–2000 | Economic growth, 1980–90 | Economic growth, 1990–2000 |
|-----|---|---|--------------------------|----------------------------|
| 1. | Afghanistan | Afghanistan | DRC | Angola |
| 2. | Burundi | Angola | Côte d'Ivoire | Burundi |
| 3. | Chad | Barbados | Ethiopia | Cameroon |
| 4. | China | Botswana | Guyana | Comoros |
| 5. | Grenada | Burkina Faso | Iraq | DRC |
| 6. | Liberia | Central Afr. Rep | Kiribati | Congo, Rep. |
| 7. | Micronesia | Côte d'Ivoire | Liberia | Djibouti |
| 8. | Mozambique | Djibouti | Libya | Guinea-Bissau |
| 9. | Niger | Iraq | Madagascar | Haiti |
| 10. | North Korea | Kenya | Nicaragua | Niger |
| 11. | Papua New Gn. | Namibia | Niger | Mongolia |
| 12. | Rwanda | Nigeria | Peru | Rwanda |
| 13. | Seychelles | North Korea | Saudi Arabia | Saudi Arabia |
| 14. | Sierra Leone | Rwanda | Zambia | Sierra Leone |
| 15. | Somalia | South Africa | | Zambia |
| 16. | Tanzania | St Vin. & Gren. | | |
| 17. | Zambia | Swaziland | | |
| 18. | | Zambia | | |
| 19. | | Zimbabwe | | |

Notes: Countries highlighted in bold performed poorly according to all four criteria (absolute, relative, conditional and residual) which could be calculated given data availability. Countries are listed in alphabetical order, as opposed to any ranking of poor performance.

The overwhelming conclusion is that it is difficult to identify *statistically* many countries that perform poorly or well across the two decades and with respect to both indicators, at least if several criteria must be satisfied. Most countries move in and out of the category depending on the indicator and the period. This is a positive finding to the extent that it suggests that very few countries perform poorly (or well) with a degree of consistency. An immediate implication is that one should be very cautious in using snapshot indicators.

¹⁶ This misses countries that were middle-income in 1980 or 1990 but have since ‘escaped’ upwards, but by implication these were good performers (in growth terms). There could be merit in identifying the characteristics of these countries to assess the reasons for good performance.

Countries that performed poorly in the 1980s, on either measure, are not typically among the countries that performed poorly in the 1990s. Only four countries perform poorly on infant mortality in both decades (Afghanistan, North Korea, Rwanda and Zambia), and again only four on growth (DRC, Niger, Saudi Arabia and Zambia). Countries that performed poorly on growth, in either decade, are not typically among the countries that performed poorly on infant mortality in either decade. This suggests that there are very few really poor performers who show no signs of promise. Zambia is the only country that appears in all four columns of Table 3.4 (but only for infant mortality was it a poor performer on all criteria in both decades). Had growth data been available for North Korea it may also have consistently appeared as a poor performer. The corollary is that countries, although poor and facing problems, can improve their performance over time, or can perform reasonably on some indicators but perhaps not on others. When poor performers are identified, it is also true that few are classified as poor on all four criteria.

More detailed results are as follows. In the 1980s, 11 countries were poor performers, according to all criteria which could be calculated, in terms of infant mortality, and nine in terms of economic growth (highlighted in bold in Table 3.4). Of these countries, only two in the case of infant mortality (North Korea and Zambia) were poor performers, according to all four criteria, in the 1990s.

- In the 1980s, only three countries, Niger, Liberia and Zambia, performed poorly on both indicators. Afghanistan, Micronesia, North Korea and Tanzania might fit into this category, but they all lack economic growth data for the 1980s. Niger was a poor performer according to all four criteria in terms of both infant mortality and growth (although it appeared in neither category in the 1990s). Zambia was a poor performer in terms of infant mortality according to all four criteria, but performed poorly in terms of growth according to the conditional criteria only. For Liberia, the residual criteria for both indicators, and the conditional criteria for growth, could not be calculated due to lack of data, but it was a poor performer on all other criteria.
- In the 1990s, six countries were poor performers, according to all criteria which could be calculated, in terms of infant mortality, and ten in terms of economic growth.
- In the 1990s, only four countries, Angola, Djibouti, Rwanda and Zambia, performed poorly in terms of both indicators, according to either the relative or conditional criteria. Afghanistan, Iraq and North Korea might fit into this category, but they all lack economic growth data for the 1990s. Zambia was a poor performer in terms of both indicators according to all four criteria. Angola and Rwanda were poor performers in terms of economic growth according to all four criteria, but according to the relative and conditional criteria only in terms of infant mortality. For Djibouti, the residual criteria could not be calculated; it was a poor performer in all other criteria in terms of economic growth, but according to the conditional criteria only in terms of infant mortality.
- No countries were poor performers according to all four criteria in both infant mortality and economic growth in the 1980s and 1990s. Zambia comes closest as it appears in all four columns of Table 3.4, although its structural disadvantages (landlocked, high HIV/AIDS rates, deteriorating terms of trade) offer an explanation for poor performance. North Korea may again fit into this

category, but it lacks data on economic growth. Rwanda and Niger are the only countries to appear in three columns.¹⁷

Table 3.5 reports the countries classed as good performers. These are mostly relatively rich developing countries, although there may appear to be some surprises. For example, Somalia appears as a good performer on infant mortality in the 1990s in the sense that it had a significantly above-average performance given initial conditions. Sudan appears as a good performer on growth in the 1990s. Some countries moved from being poor performers in the 1980s to being good performers in the 1990s: for infant mortality, Niger (all criteria), Sierra Leone (on one criterion only) and Somalia; for growth, Guyana. Only one country ‘moved’ in the opposite direction: Iraq, in terms of infant mortality.

Table 3.5: Good performers by decade and measure, according to the relative or conditional criteria

| | Reductions in infant mortality, 1980–90 | Reductions in infant mortality, 1990–2000 | Economic growth, 1980–90 | Economic growth, 1990–2000 |
|-----|--|--|---------------------------------|-----------------------------------|
| 1. | Algeria | Bangladesh | Bhutan | Bhutan |
| 2. | Bangladesh | Cape Verde | Botswana | Chile |
| 3. | Bolivia | Comoros | Cape Verde | China |
| 4. | Cameroon | Egypt | China | Equ. Guinea |
| 5. | Comoros | Ethiopia | Grenada | Guyana |
| 6. | Egypt | Fiji | India | India |
| 7. | El Salvador | Gambia | Indonesia | Laos |
| 8. | Gabon | Guinea | Malaysia | Lebanon |
| 9. | Gambia | Haiti | Mauritius | Malaysia |
| 10. | Iran | Iran | Oman | Mauritius |
| 11. | Iraq | Liberia | Pakistan | Maldives |
| 12. | Malawi | Malawi | South Korea | Mozambique |
| 13. | Maldives | Maldives | St Kitts & Nev | Myanmar |
| 14. | Mali | Nepal | St Lucia | Sri Lanka |
| 15. | Morocco | Niger | St Vin. & Gren. | South Korea |
| 16. | Nicaragua | Pakistan | Swaziland | St Kitts & Nev. |
| 17. | Saudi Arabia | Papua New Gn. | Thailand | Sudan |
| 18. | Senegal | Peru | | Uganda |
| 19. | Tunisia | Sierra Leone | | Vietnam |
| 20. | | Somalia | | |
| 21. | | W. Bank & Gaza | | |
| 22. | | Yemen | | |

Notes: As Table 3.4. Countries highlighted in bold performed well according to all four criteria (absolute, relative, conditional and residual) which could be calculated given data availability. Countries are listed in alphabetical order, as opposed to any ranking of good performance.

The pattern of results in Table 3.5 is similar to Table 3.4 in the sense that there is little persistence in good performance. Of 19 good performers on infant mortality in the 1980s, only seven were good performers in the 1990s. Of 17 good growth performers in the 1980s, only seven were good performers in the 1990s. Countries that performed well in one decade were not typically among those that performed well in the other decade. Similarly, countries that performed well on infant mortality were not typically

¹⁷ Niger became a good performer on infant mortality in the 1990s – see Table 3.5

good performers on growth (in either decade). No countries appear in all four columns, and only the Maldives appears in three columns.

A general implication of these results is that, if one takes a relatively long-term (ten year) view of performance, the majority of developing countries exhibit similar performance (i.e. they are within one standard deviation above or below the mean). This is true whether one considers economic growth or infant mortality. There are 10–20 countries that could be classed as poor performers, on any indicator in any period, and 10–20 that would be good performers (this follows from the essentially normal distribution of indicators). Poor performers tend to be the poorest countries but, across indicators or periods, are not the same sets of countries. Similarly, good performers tend to be relatively richer developing countries, but not the same countries across indicators and periods. In simple terms, there is very little persistence in the extremes of performance; what we observe is a lot of ‘noise’ or movement between categories.

3.4.1 Countries without data

Lack of data may be part of the reason why this analysis identifies so few countries as poor performers. Typically, countries for which there are no data are in crisis or conflict, especially if the ‘data gap’ persists for a fairly long time. For the growth criterion, relative and conditional, lack of data resulted in the loss of 21 countries in the 1980s and 13 in the 1990s. Data were far less a constraint on infant mortality, losing seven countries in the 1980s and four in the 1990s (all small countries). Many of the countries that had to be omitted from the growth analysis could be poor performers, and warrant further investigation. Examples to highlight are Afghanistan, Cuba, Eritrea, North Korea and Somalia. Although relatively few countries had insufficient data, especially on infant mortality, it may be that for some countries the data are of poor quality (e.g. Liberia and Sierra Leone in the 1990s). This is always a possibility, but the argument that a country is not classed as a poor performer because the data is ‘wrong’ would have to be made with case study evidence.

3.5 Extensions: correlates of poor performance

Do the countries identified as poor performers share characteristics that could explain their poor performance? The approach used here is to compare the average values of various measures of characteristics for poor performers with the corresponding (by indicator and decade) group of good performers. If there is a statistically significant difference between the average values for poor and good performers, this will suggest characteristics that influence performance. Attention is restricted to comparing countries classified as poor or good performers according to either the relative and conditional criteria; an identical analysis could be applied to any of the other criteria of performance. Four types of characteristic are considered (actual measures used are discussed below):

Economic structure – do poor performers share certain adverse economic characteristics? In other words, are there inherent characteristics of these countries, such as being landlocked or export-dependent on one primary commodity, that would allow us to anticipate poor performance?

Policy and governance – do poor performers tend to have low governance scores, and are they countries that have not implemented much policy reform?

Aid – have poor performers been relatively low/high aid recipients? Has the type of aid or the relationship with donors differed for these countries?

Fragmentation/inequality/conflict – are poor performers characterised by fractious, poorly integrated or highly unequal societies, or have they been particularly prone to social conflict and political instability?

3.5.1 Economic structure

Four measures of economic structure are considered: financial depth (the ratio of the M2 measure of money supply to GDP), tax revenues (measured as a share of GDP), openness to trade (as measured by the ratio of exports to GDP), and export diversification (as measured by the inverse Herfindhal-Hirschman index¹⁸). In all cases, we use the value of the measure at the beginning of each decade. Performance is also related to an index of vulnerability to adverse shocks calculated by Atkins *et al.* (2000), using data for both the 1980s and 1990s.¹⁹

Table 3.6 shows the *difference* between the average value of each structural variable for poor and good performers. Negative values indicate that poor performers began each decade with lower values (corresponding to more ‘adverse’ economic structures). Asterisks denote that the difference between poor and good is statistically significant – in other words, is unlikely to have arisen purely by chance.

Table 3.6 Differences in economic structure between poor performers and good performers

| | Outcome/decade on which performance is assessed | | | |
|---|---|------------------------|-------------------------|------------------------|
| | Infant mortality, 1980s | Economic growth, 1980s | Infant mortality, 1990s | Economic growth, 1990s |
| Tax revenue (% of GDP) | -0.96 | -0.17 | 8.37* | -2.60 |
| Financial depth (% of GDP) | -5.79 | -13.83* | 0.32 | -15.30 |
| Exports (% of GDP) | -3.02 | -2.68 | 14.03* | -5.58 |
| Export diversification | - | - | -0.06 | -4.30* |
| Vulnerability to shocks (Atkins <i>et al.</i> 2001) | 0.15 | 0.65 | -0.43 | 0.02 |

Notes: * Indicates differences which are statistically different from zero at the 10% significance level. Negative values indicate that poor performers began each decade with lower values of these variables (corresponding to more ‘adverse’ economic structures).

¹⁸ Defined as $1/\sum a_i^2$, where each a_i represents the share of exports (in value terms) accounted for by each different product i . When each export good has an equal share of total exports, the index equals the number of export goods.

¹⁹ This is the Vulnerability Impact index, which is a weighted average of a country’s trade openness (exports as a % of GDP, between 1991 and 1995), export concentration (measured by the Herfindhal-Hirschman index, and the incidence of environmental shocks and hazards (as measured by the percentage of the population affected by natural disasters between 1970 and 1996). We multiply the index by minus one so that higher values indicate lower vulnerability.

The results suggest that the links between economic structure and poor performance are not very strong. In over half of cases, poor performers had lower values of the structural variable, but the differences are statistically significant in only two instances. Poor growth performers in the 1980s began the decade with significantly lower financial depth, and poor growth performers in the 1990s began the decade with significantly less diversified exports. One somewhat surprising finding is that poor performers in infant mortality in the 1990s began the decade with significantly *higher* tax-GDP and export-GDP ratios. This may be explained by the presence of some middle-income countries in that set of poor performers. The results highlight the fact that there was relatively little overlap between poor performance in infant mortality and economic growth in the 1990s or the 1980s.

3.5.2 Policy and governance

This study measures governance in several ways. First, it uses five of the governance indicators calculated by Kaufman *et al.* (2003) for the period 1996–2002.²⁰ Five indicators are used here; the sixth (political instability) is used below (section 3.5.4). These data include separate measures of:

Voice and Accountability (VA), which measures the extent to which citizens of a country are able to participate in the selection of governments;

- Government Effectiveness (GE), which measures perceptions of the ability of the government to produce and implement good policies;
- Regulatory Quality (RQ), which measures the incidence of ‘market-unfriendly’ policies;
- Rule of Law (RL), which measures the extent to which agents have confidence in and abide by the rules of society; and
- Control of Corruption (CC), which measures perceptions of corruption, in both business and politics.

In each case, better governance is indicated by a higher value of each indicator. Second is the Freedom House index of civil liberties and political rights; these data are available between 1973 and 2000. Third, the International Country Risk Guide (ICRG) is included. This estimates the risk of expropriation and repudiation of contracts, bureaucratic quality, rule of law and control of corruption. These data are available between 1982 and 1995.

Table 3.7 relates performance in the 1980s to average values of the Freedom House and ICRG indices during the 1980s, and performance in the 1990s to the average values of these indices for the 1990s and the five indicators calculated by Kaufman *et al.* (2003) for 1998. This again shows the *difference* between the average value of each governance indicator for poor performers, and the average value for good performers. Negative values indicate ‘worse’ governance for poor performers; asterisks signify that the difference is statistically significant.

²⁰ These indicators are derived from 250 different governance indicators, from 25 different sources constructed by 18 different organisations, and are for this reason the most comprehensive (in terms of country coverage), and arguably the most accurate, set of indicators of ‘good governance’ or ‘institutional quality’ currently available. The dataset is unique in that it also provides information regarding the margins for error in the estimates for each country’s governance scores. Nevertheless, they do possess certain limitations. First, there are doubts regarding the cross-country comparability of ‘surveys of businesspeople’-based indicators of governance, while ‘polls of experts’-based indicators may be influenced more by subjective opinion than objective fact. Second, the margins for error in countries’ scores in each governance dimension are in fact shown to be quite large.

Table 3.7 Differences in governance between poor performers and good performers

| | Outcome/decade on which performance is assessed | | | |
|---|---|------------------------|-------------------------|------------------------|
| | Infant mortality, 1980s | Economic growth, 1980s | Infant mortality, 1990s | Economic growth, 1990s |
| Political rights/civil liberties (Freedom House) | -1.01* | -1.57* | 0.16 | -1.06* |
| Foreign investment risk (ICRG) | 0.45* | -1.06* | 0.52* | -0.57* |
| Voice and accountability (Kaufman <i>et al.</i>) | - | - | 0.08 | -0.35 |
| Government effectiveness (Kaufman <i>et al.</i>) | - | - | -0.06 | -0.57* |
| Regulatory quality (Kaufman <i>et al.</i>) | - | - | 0.30 | -0.68* |
| Rule of law (Kaufman <i>et al.</i>) | - | - | 0.22 | -0.88* |
| Control of corruption (Kaufman <i>et al.</i>) | - | - | 0.23 | -0.53* |

Notes: Negative values indicate ‘worse’ governance for poor performers than good performers; asterisks signify that the difference is statistically significant at the 10% level.

Poor performers in economic growth had lower values of the Kaufman *et al.* (2003) indicators in the 1990s, and of the Freedom House and ICRG governance indicators in both decades. These differences are almost always statistically significant. By contrast, poor performers in infant mortality *did not* have significantly lower values of the Kaufman *et al.* (2003) indicators, and in fact had significantly higher values of the ICRG measure (indicating less risk for foreign investment). This is likely to be due to the presence of middle-income countries in the list of poor performers on infant mortality, rather than indicating a direct causal influence. Moreover, although the Kaufman *et al.* (2003) governance indicators are associated with poor performance in economic growth in the 1990s, no causal inferences can be drawn, as the indicators relate to the end of the period.

3.5.3 Introducing aid into the analysis

This study argues that the trajectories of aid-dependent countries cannot be understood without putting aid flows, aid characteristics and the nature of aid–recipient partnerships into the analytical frame. It is now generally and well established that aid is effective in helping to promote economic growth, if other influences on growth are controlled for (Anderson and Morrissey, 2004: 6–7). Other common influences include investment, policy (openness, inflation and budget surplus), location in the tropics, and a wide variety of institutional and governance variables. Aid also may influence the content of government spending towards welfare-enhancing human development programmes and services, and can even be effective in this respect if it does not add to economic growth (*ibid.*: 7).

This section investigates correlations between performance and aid volumes. It asks if countries that performed poorly on either indicator received, on average, more or less aid than countries classed as good performers. Table 3.8 shows the difference between

the average amount received by poor performers and the average amount received by good performers. Three findings are statistically significant:

Countries that performed poorly in economic growth during the 1990s received more aid (as a share of GDP) in the 1990s than countries which performed well. This is consistent with aid being allocated according to need.

Countries that performed poorly in infant mortality or economic growth during the 1980s went on to receive more aid (as a share of GDP) during the 1990s than countries which had performed well (during the 1980s). Note, however, that almost all of these countries did not appear as poor performers on infant mortality or growth in the 1990s (suggesting that aid in the 1980s was effective).

Countries that performed poorly in infant mortality during the 1990s had received less aid (as a share of GDP) during the 1980s than countries which performed well during the 1990s.

Table 3.8 Differences in aid flows between poor performers and good performers

| | Outcome/decade on which performance is assessed | | | |
|---------------------------------|---|------------------------|-------------------------|------------------------|
| | Infant mortality, 1980s | Economic growth, 1980s | Infant mortality, 1990s | Economic growth, 1990s |
| Aid inflows in 1980s (% of GDP) | 3.65 | 2.57 | -8.70* | 6.35 |
| Aid inflows in 1990s (% of GDP) | 8.24* | 11.84* | -1.18 | 8.48* |

Note: * Indicates differences which are statistically different from zero at the 10% significance level.

These results, by themselves, are inconclusive about causation. However, they are at least consistent with the hypotheses that aid was, over this period, (a) positively associated with performance in infant mortality and GDP growth; and (b) responsive to some extent to country ‘need’. Further work would be required to extend this analysis by exploring whether the structure of aid flows – in terms of project assistance, programme assistance and emergency assistance – differs between poor performers and other countries.

3.5.4 Fragmentation, inequality and conflict

Do poor performers have more fragmented or more unequal societies, or are they more prone to political instability? Fragmentation is measured using the index of ‘ethno-linguistic fractionalisation’ used by Easterly and Levine (1997), which refers to 1960.²¹ Inequality is measured as the average Gini coefficient over the period 1975–1999, calculated from Dollar and Kraay (2002). Conflict is represented by an index of political instability calculated from data in Kaufman *et al.* (2003).²²

²¹ This measures the probability that two people drawn at random from a country do not belong to the same ethno-language group. The data refer to 1960.

²² This index measures perceptions of the likelihood that the government in power will be destabilised or overthrown by possibly unconstitutional and/or violent means. It is equal to the measure of political stability provided by Kaufman *et al.* (2003) multiplied by minus one; higher values indicate greater instability.

Table 3.9 Differences in ‘societal integration’ between poor performers and good performers

| | Outcome/decade on which performance is assessed | | | |
|---|---|------------------------|-------------------------|------------------------|
| | Infant mortality, 1980s | Economic growth, 1980s | Infant mortality, 1990s | Economic growth, 1990s |
| Ethno-linguistic fractionalisation (Easterly & Levine 1997) | 0.09 | 0.03 | 0.16 | 0.01 |
| Gini coefficient of income inequality (Dollar and Kraay 2002) | -1.68 | 3.59 | 6.37 | 4.48 |
| Political instability (Kaufman <i>et al.</i>) | 0.12 | 0.64 | -0.12 | 0.84* |

Notes: Positive values imply that poor performers are more fragmented, or more unequal, or more instable, than good performers. Asterisks indicate differences which are statistically different from zero at the 10% significance level.

Table 3.9 shows the difference between the average values of these indicators for poor performers and good performers, again with asterisks denoting differences which are statistically significant. (Note that positive differences here imply that poor performers are more fragmented, or more unequal, or more instable.) On this evidence, there is no significant correlation between poor performance and ethno-linguistic fragmentation. However, poor performers in economic growth in the 1990s had significantly higher levels of political instability.

A more comprehensive analysis along these lines is a potential topic for future work. The aim at this stage is limited to establishing the pattern and magnitude of *correlation* between poor performance and various country characteristics. The results overall indicate that:

The links between economic structure and poor performance are not very strong. A lack of financial depth and undiversified exports appear to be associated with poor growth performance. None of the economic characteristics could be said to be predictors of poor performance on infant mortality.

Poor performers in economic growth have significantly lower governance scores than other countries. The evidence here only shows association: the possibility that poor performance leads to weak governance is as consistent with the evidence as the inference that weak governance leads to poor growth performance.

The results are consistent with the argument that aid contributes to improving growth and reducing infant mortality, especially once one accounts for the fact that aid is more likely to flow to poor countries with low growth. Aid appears to have had beneficial effects, although it is no guarantee of good performance. There was no significant correlation between poor performance and ethno-linguistic fragmentation, or between poor performance and income inequality, in either the 1980s or 1990s. The one significant finding is that poor performers in economic growth in the 1990s had significantly higher levels of political instability than other countries.

3.6 Disaggregating ‘poor performance’ and ‘poor performers’

This analysis provides one way of disaggregating ‘poor performers’, which is by indicator. In other words, it should not be assumed that performance can somehow be described or analysed overall: there is no performance ‘monolith’ demonstrable statistically. The most that can be said is that there may be a very small group of countries which have performed significantly worse than the average during the period 1980–2000. Performance clearly varies from indicator to indicator. The analysis of Indian states in Chapter 5 will add a third objective indicator – poverty reduction²³ – and show that the same is true with this indicator, though there was a correlation between poverty reduction and economic growth in the 1990s.

Strategies may best be developed for each issue/indicator. To illustrate this, the ‘poor performers’ on infant mortality could be disaggregated as follows:

- Four countries (Afghanistan, Rwanda, Zambia and North Korea) performed poorly across two decades on one of the relative/conditional indicators. This group of countries would seem to merit special attention.
- Beyond that, there is a group of countries where HIV/AIDS incidence accounts for a substantial proportion of infant mortality change (Botswana, South Africa, Swaziland and Zimbabwe). These might require a different approach focused on the transmission of HIV/AIDS and other consequences of the disease (e.g. the social and economic consequences for households living with AIDS).
- Then there is a group of countries which performed badly in the 1990s, but not during the 1980s (Barbados, Côte d’Ivoire, Kenya, St Vincent and Grenadines, Zimbabwe, Angola, Burkina Faso, Djibouti and Nigeria). Identifying the causes of deterioration in performance and addressing those causes would offer a promising approach.
- There is also a group of countries which performed badly in the 1980s, but not in the 1990s (China, Grenada, Liberia, Micronesia, Mozambique, Niger, Papua New Guinea, Sierra Leone, Somalia, Tanzania).²⁴ These countries can be supported to continue the improvement. Where aid is involved, it would be important to identify in what ways it helped.

3.7 Preliminary conclusions

Few countries appear consistently across indicators and decades as ‘poor performers’ or indeed as good performers, especially if all four criteria have to be met for each indicator. This finding is important. It suggests that it is difficult to be confident about any identification of poor performers. Many countries perform poorly, in an absolute

²³ This was not possible for the international analysis reported in this chapter because of the scarcity of time series data.

²⁴ There are some surprises in this list, given the conflicts of the 1990s and the relative lack of conflict in the 1980s – Liberia, Sierra Leone and Somalia. One possibility is that there are deficiencies in the data for these countries (although data are reported). Another possibility, or hypothesis, is that there are conflicts that, while severe, do not have a significant adverse effect on aggregate infant mortality. A related possibility is that humanitarian aid may have played a constructive role.

sense, on economic growth. Far fewer perform poorly relative to the average, especially if starting conditions and structural characteristics are taken into account. The absence of consistency over time and indicator suggests that there are few general determinants of poor performance, whether structural or institutional, and this is borne out by the analysis of section 3.5. A number of broad conclusions follow from the analysis:

There are very few countries that perform consistently badly over *both* sets of indicators over the medium term (a decade was the period of analysis). In other words, there is a general lack of consistency and persistence in poor performance.

In general, countries that perform badly on one indicator do not perform badly on the other. That is, poor performers on economic growth are not typically the poor performers on infant mortality, and *vice-versa*.

- Countries that are poor performers in one decade are not typically poor performers in the other decade (the comparison was between the 1980s and 1990s). Evidently, there is movement ‘in’ and ‘out’ of poor performance.
- A similar set of findings applies to good performers. What this suggests is that relatively few countries deviate significantly from average performance with any degree of persistence. While this suggests that few countries exhibit persistent poor performance, it also implies that few are able to sustain good performance.
- Economic growth does not routinely correlate with improvements in infant mortality. Indeed, the determinants of the latter are relatively poorly understood, though there is some evidence that aid is associated with improved performance on infant mortality.
- In general, poor performance is not persistent for many countries, suggesting that it is not necessarily due to poor policy, or that policy has changed. There is some evidence that poor performance is associated with structural features, such as a weak economic base and concentrated exports. This suggests that countries that are labelled as ‘poor performers’ can still benefit from aid, particularly in terms of reducing infant mortality. The statistical analysis does not support the presumption that poor performance is due to poor policy, and that this implies an unwillingness to engage in policy dialogue.

This leads to a number of implications:

- Quantitative approaches can inform discussions of poor performance by analysing cases where development outcomes are significantly below the average. However, in common with the WDR and the HDR, this study emphasises the need to disaggregate dimensions of performance. This implies the need for great caution in using existing composite indicators of ‘performance’ to inform resource allocation decisions, as envisaged in donor moves towards selectivity, for example in the MCA. In particular, the MCA places heavy emphasis on corruption measures, an approach eschewed here as such indicators are subjective and not transparent.
- Identifying the causes of poor performance is necessary to inform ways of engaging with poor performers, and to identify the most appropriate strategies to improve performance. However, as performance does not appear to be a persistent phenomenon, it is actually difficult to identify country characteristics that are consistently associated with poor performance. This implies the need for country-

specific analysis that takes account of historical, structural and exogenous factors, as well as issues of contemporary governance and economic performance.

- If the problem of poorly performing countries does not obviously lend itself to easy definition through quantitative methods, this suggests a need to revisit how the problem has been constructed. The data provided here show that concentrating on outcome measures of performance does not enable one to readily label a set of countries as persistent poor performers. This suggests that, in part, the problem with the use of labels such as ‘poor performers’ is that this is shaped by national and international perceptions of performance in terms of policy inputs, rather than observable outcomes.

The analysis of this chapter, combined with other findings, suggests the need to develop an alternative way of conceptualising the problem of poorly performing countries. The statistical analysis done here can inform this by identifying those countries where poor performance is due to policy failures, rather than inherent characteristics, although this analysis by its nature does not cover many of what may be the most difficult environments, given data problems. Chapter 4 lays out such an alternative framework.

Chapter 4: ‘Poorly performing countries’: towards a new conceptual framework

4.1 Introduction and overview

Chapter 2 reviewed current approaches to the poor performance debate. It noted the diversity of factors driving the agenda regarding poorly performing countries, and the diversity of approaches to defining the problem. What these had in common, however, is a shared concern about countries in which some or all of the following conditions apply:

- persistent and widespread poverty and stagnating/declining economic growth;
- consistently poor development outcomes, particularly in health and education;
- politics, processes and institutions of governance are weak;
- governments face significant, perhaps violent, threats to their authority; and
- the relationship between donor and recipient governments is difficult.

This study welcomes the renewed attention brought by the World Bank and others to the needs of populations living in some of the world’s most difficult environments. However, as previous chapters have described, there are a number of important problems with the approaches that have been adopted to date. These centre around the conclusion of Chapter 3 that, while the analysis of performance is important as an input into aid strategies and allocation, it is simplistic to think that a valid category of poorly performing countries can be extracted from the statistics. Existing approaches suffer from the following weaknesses:

- *They risk identifying poor development outcomes at a point in time with ‘poorly performing’ countries.* If the poorly performing countries agenda were to be identifiable purely with poor development outcomes, then it would not be clearly distinguishable from more generic concerns with least developed countries.
- The addition of governance criteria does not of itself help in defining a clear subset, since these are inconsistently applied by different approaches, are partial and include subjective elements. Governance indicators also do not always correlate well with performance on outcomes (e.g. infant mortality), though the causal association with economic performance is well established. Specifically, existing approaches fail to disaggregate structural, exogenous and historical factors from analysis of how contemporary governments are progressing.
- Rigorous empirical analysis using purely objective criteria to measure performance over time does not lead to an easily identifiable list of countries that have performed poorly consistently, and in which aid is likely to be less effective a priori. Data that track development outcomes do not necessarily tell us very much about why outcomes are poor. The findings of this study question the assumption that poor economic growth necessarily correlates with poor performance in relation to a key welfare indicator (IMR).
- The analysis has supported the increasingly robust finding that aid is more effective in supporting economic growth in good macro-economic policy environments, but has argued that it is also effective, if less so, in less good policy

environments. A provisional finding of this study is that aid seems to be significant in reducing IMR, even in environments characterised by poor governance. An implication is that aggregating indicators (including objective and subjective indicators) is methodologically questionable and provides a weak basis for decisions regarding resource allocation and the selection of different aid instruments.

- *The significance of international factors in shaping the ‘difficulty’ of aid partnerships has been underplayed.* Current labelling of countries as ‘poorly performing’ implies that the problem is located exclusively *within* a particular country. The analysis presented here suggests that, instead, the problem must in part be understood as *relational* – in other words, that the labelling of countries as ‘poorly performing’ is in part a reflection of the economic, political, security and aid relations between any particular country and the international community, in particular Western governments. Alongside an ‘objective’ analysis of performance are a range of *perceptions*, which are shaped not only by developmental considerations but also by a range of other influences.

One reason why it has proved difficult to establish consensus regarding the criteria defining ‘poorly performing’ countries may be that the nature of the problem has been misunderstood. This study suggests that poor development outcomes are a necessary but insufficient basis for attribution of ‘poorly performing’ country status. At this point, it would seem more useful to rephrase the question in term of *why certain countries are difficult to assist* at any particular time. The approach to answering this question must be through qualitative as well as quantitative analysis at the country level. In answering this question, this report attempts to open out the possibilities for making progress in such countries.

4.2 Why are countries difficult to assist? An overview of the proposed framework

The framework proposed here seeks to overcome some of the weaknesses identified in earlier approaches. In particular:

- It shifts the focus from specific development *outcomes* to an analysis of different *processes* that determine those outcomes over time.
- It adopts an approach that is *diagnostic* rather than definitional. In other words, it resists efforts to use aggregated quantitative methods to define a category of poorly performing countries. While recognising the value of quantitative methods in analysing trends in development *outcomes*, it suggests that these alone are unlikely to explain why particular countries are difficult to assist, or to provide sufficient and robust guidance to inform aid allocation decisions.
- It places aid, and international relations more broadly, squarely in the frame of analysis. In other words, it understands the ‘problem’ of ‘poorly performing’ countries as in part a construction and reflection of international processes.

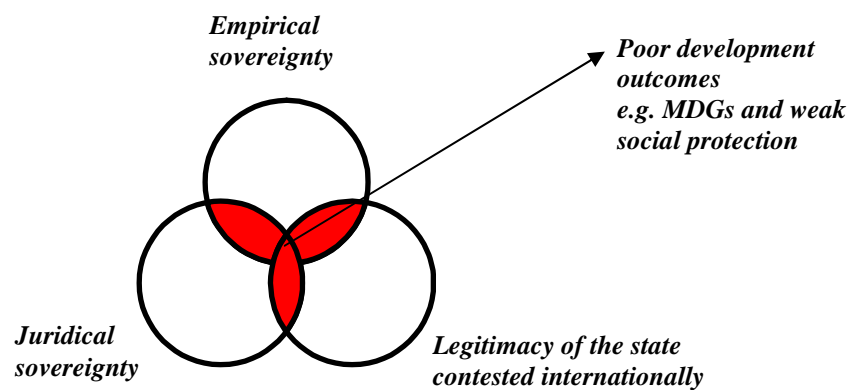
The proposed framework seeks to disaggregate the obstacles to aid engagement in these environments. It suggests that there are certain environments in which providing assistance is likely to be ‘difficult’. These are countries in which at least two of the following elements (most commonly b and c) are a feature:

- *Juridical sovereignty is weak*, i.e. the international legal status of a territory or administration is unresolved.
- *Empirical sovereignty is weak*, i.e. the capacity of the government to maintain basic security, provide for basic welfare and maintain the institutions of the state is weak.
- International aid, security and/or political actors question the legitimacy and authority of the incumbent government.

It is hypothesised, but as yet not proven, that contexts that are difficult to assist are also likely to be characterised by poor development outcomes.

Figure 4.1 attempts to show schematically how these different factors coincide.

Figure 4.1: Conceptual Framework



Each of the different circles is concerned with a different aspect of statehood – legal, empirical and international. Subsequent sections analyse in greater detail each of these and how they relate to each other (see sections 4.3.1, 4.3.2 and 4.3.3). It is important to explain the reasons for focusing on the state as the basis for understanding why countries are difficult to assist.

Paradigms of development, and the architecture of development cooperation, are inherently state-centric; indeed, they are designed to buttress and reinforce states' sovereignty (Jackson, 1991; Clapham, 1996). Development cooperation actors have relied upon national governments to provide the legal (and even moral) basis for development cooperation since its inception, and to provide the contractual framework within which development aid relations are governed.²⁵

²⁵ This includes NGOs and other private sector actors, which are usually required to sign agreements with governments, authorising their presence in the country and agreeing to their acting as a conduit for official development assistance.

The state-centric character of development cooperation, and its international character, relies upon three related, but distinct, conditions being in place:

- That a state exists.
- That the state is competent and legitimate.
- That there is an authority recognised and sanctioned internationally to represent the state.

The status of these different elements of statehood influences significantly the *form* of aid (whether it is a project or a programme, a loan or a grant, relief or development aid). It also affects the *channels* through which it is delivered (multilateral, bilateral, non-governmental, private), and the *systems for aid management* (Cassels, 1998).

Where trust in the incumbent government is high, the current preference in international development circles is to invest heavily in budget support. This has resulted from the critique of project aid from the point of view of aid effectiveness. However, the value of budget support as an alternative has not yet been confirmed by rigorous analysis (ODI and OPM, 2002). Such support recognises the primacy of the state in providing both the policy environment in which development can occur, and as the mechanism for driving it. Thus, this form of aid is designed to enable the government to fulfil its responsibilities and reinforce the political contract that exists between state and society. Project aid continues to exist widely alongside budget support. One of the dangers of budget support is that it can sustain neo-patrimonial politics.

Where trust is very low, relief, a highly projectised form of aid, is likely to dominate. In contrast to conventional development assistance, emergency aid does not imply legitimisation of the state (Macrae, 2001). Analysis regarding the quality and type of statehood thus affects choices regarding the form of aid, which in turn have immediate and direct consequences in terms of channels for disbursement and systems of aid management. Choices regarding the form of aid also have important implications in terms of the content and scale of aid interventions.²⁶ Thus, judgments about the quality of national institutions and the legitimacy of the state itself exert an important and obvious impact not only on the overall volume of aid, but also on who will and will not benefit from it, and how it will be governed. These choices also send political messages about the degree of legitimacy or otherwise a particular regime enjoys internationally.

Preliminary analysis from both statistical, case study work and the wider literature suggests that, where at least two of the defining features of difficult environments overlap, aid relations are likely to suffer from some or all of the following characteristics (examples in brackets are drawn from Chapter 5):

- Highly volatile development aid flows (e.g. Malawi and Rwanda).

²⁶ Macrae (2001), for example, notes that relief-type interventions are focused at the micro-level of individuals or communities, and are inherently difficult to scale up because of the problem of identifying legitimate partners at district and national levels to undertake policy-based approaches. Relief-type interventions are likely to focus heavily on the direct provision of basic goods and services (particularly food aid), and are likely to offer little in terms of macro-economic policy or good governance.

- Poor/difficult dialogue between donor and recipient governments (Rwanda, persistently poor Indian states).
- Low aid flows per capita relative to regional averages (e.g. the persistently poor Indian states and Sudan in the 1990s).
- High levels of reliance on multilateral and/or non-governmental institutions for the disbursement of funds (Sudan; Rwanda in the immediate aftermath of the genocide; poorer Indian states).
- Projectised forms of aid, rather than policy-based, government-driven forms of aid, such as budget support (however, Rwanda is an example of a country with both, despite poor performance).
- Contested aid policy between donors (Rwanda, post-genocide).

Several factors in the contemporary development aid policy environment are likely to converge, and make more common this sub-optimal pattern of aid delivery in certain very poor countries.

First, reliance on the state as a vehicle for development and for the disbursement of aid funds has intensified as consensus has grown around the notion of partnership. Second, the politics of the development process and of the state in many very poor countries do not necessarily conform to the liberal assumptions that underpin the optimal model of development partnership. The processes that drive ‘actually existing development’ (Bradbury, 2003) can be understood not simply as an unfortunate deviation from a desired norm of liberal governance, but also as highly functional strategies of adaptation and survival in the contested settings of state-building and state disintegration that characterise many very poor countries (Duffield, 2001). This suggests a need to analyse and understand the factors that sustain certain forms of political economy. These underlying factors may or may not be subject to intervention by development aid actors *per se*, but they are likely to require additional intervention from national and international political, trade and security actors, for example.

An obvious impasse arises as these trends coincide. On the one hand, development aid instrumentation has become more state-centric; on the other, the number of countries in which these optimal aid instruments can be applied may be diminishing. The question of how to engage in these environments is complicated further by the international politics that inevitably influence aid decision-making, particularly in areas that are of strategic significance to the major powers.

The framework below aims to aid in disaggregating the factors that make a particular country difficult to assist at any one time, and therefore help in identifying the options that are likely to be available in terms of the form of aid, channels for disbursement and the need for aid systems to manage different kinds of risk effectively.

It is important to note from the outset that this proposed framework is preliminary and indicative; it is intended to promote further debate and provide a set of issues that might inform a process of policy analysis and development. It also provides the basis for an agenda of further research.

4.3 'Diagnosing' countries that are difficult to assist: identifying issues

4.3.1 *Juridical sovereignty: defining the legal basis for development cooperation?*

At one level, states exist as legal entities. They can be understood as a territorial association of people recognised for the purposes of law and diplomacy as a legally equal member of the system of states (Northedge, cited in Clapham, 1996). It is important, of course, to distinguish between the existence of a state, international recognition of a state and international acceptance of the legitimacy of a particular government. The question of juridical sovereignty as understood here is concerned narrowly with the existence of the state.

Brownlie (1991) explores the conditions under which a state becomes legally recognisable as such. He notes the importance of the Montevideo conference of 1933 in providing some of the most widely used criteria of statehood,²⁷ but argues that these provide only a tentative basis for a working legal definition. The Montevideo conference outlined four main criteria of statehood: a permanent population; a defined territory; a government; and the capacity to enter into relations with other states. At least at the moment of state creation, there is, therefore, a link between territoriality and the empirical capacity of a political authority to govern (i.e. between empirical and juridical sovereignty).²⁸

However, Brownlie notes that once a state has been established, its existence is not contingent upon maintaining order, nor upon the ability to resist foreign invasion. Thus, for example, Somalia remains a state, even in the absence of a unified central government. Similarly, Cambodia continued as a state in the period 1979–91 even under effective occupation by the Vietnamese. The existence of the Iraqi state is not in question, even though the status of the administration of the government remained unclear in international legal terms following the overthrow of Saddam Hussein in 2003.

For the international aid community in particular, juridical sovereignty (or its absence) becomes an issue in situations where there is a process of state *creation*. With varying degrees of violence, the period after 1989 saw the creation of many new states, or the reaffirmation of previous borders, as the Soviet empire was dismantled, the former Yugoslavia dissolved and claims to reinstate colonial borders were granted to Eritrea. In each case, the political authorities not only claimed the existence of a state, but international recognition was accorded to that state. This process of international recognition at the moment of a state's creation is an inherently political process,²⁹ and in these circumstances there will be strong links with category (c) above, since recognition of a particular government and of a particular state will be closely linked. Brownlie notes that membership of the UN is seen to provide prima facie evidence of statehood, thereby providing a state with some of the protection from intervention in its internal affairs that the UN Charter accords. In other words, international recognition is partly constitutive of juridical status, but only at the time

²⁷ The authors are grateful to James Darcy and Michael Anderson for their insights on this issue. See Montevideo Convention on the Rights and Duties of States, 26 December 1933.

²⁸ Brownlie notes that this correlation is not uniform, highlighting, for example, the cases of Rwanda and Burundi, which were recognised as states prior to the establishment of functioning governments.

²⁹ For example, in 1991 Germany recognised the existence of Croatia, while other states did not.

of the creation of a new state. From an aid perspective, membership of the UN is clearly important in terms of defining the framework within which aid relations are governed (particularly, of course, for multilateral aid agencies).

The cases of Kosovo and East Timor challenged the definition of the Serbian and Indonesian states respectively. Ultimately, in these cases, UN protectorates were formed; in the case of Kosovo, such an arrangement remains in place. In these cases, a further test of statehood – independence – fails to be satisfied. Brownlie (citing Guggenheim) defines independence in terms of the degree of centralisation of its organs; and in terms of whether the state is the sole executive and legislative authority. Equally, Iraq under occupation, or Bosnia under the High Representative, fail to satisfy the test of independence, even though in neither case are territorial boundaries at issue.

Combined, these examples show a number of factors that are likely to influence the shape and form of aid relations in territories where juridical sovereignty is unresolved:

Where new states come into existence or are in the process of doing so, the management of aid relations is likely to be particularly sensitive. The provision of aid to secessionist forces or particular public/welfare institutions may determine their capacity to transform themselves into proto-state bodies.³⁰ In other words, there is a link between aid, the capacity of political authorities to govern and claims to juridical status. The ability of specialised aid administrations to provide bilateral aid and to sanction multilateral aid spending in such environments is likely to be conditioned by wider judgments about the desirability of a territory gaining independence and sovereignty of statehood.

The uncertain juridical status of a particular territory (e.g. Somaliland) may preclude certain forms of aid, such as loans, and affect the type of engagement with international organisations such as the UN and World Bank.

International and national policies towards particular regions or communities of existing states may influence/reinforce the tendency towards challenging the territorial integrity of a particular state, and may fuel claims for secession (see, for example, the Tamils in Sri Lanka; southern Sudan; the Albanian community in Kosovo). It is here that there is an obvious link between empirical sovereignty and the ultimate challenge to juridical sovereignty that secession represents. Lack of respect for the rights of minority groups is likely to be significant here; this would emphasise the importance of international aid actors reviewing aid allocations and modalities within particular territories according to social and spatial criteria, to ensure that they are inclusive and sensitive to, or challenge, historical and contemporary patterns of discrimination.

Historically, humanitarian aid has been perhaps the easiest and most widely used instrument to engage in situations where the juridical status of a territory is unclear or contested. However, in recent years new, more developmental forms of aid and

³⁰ See, for example, Duffield and Prendergast (1996) on the role of aid in strengthening the Eritrean People's Liberation Front (EPLF) and the Tigrayan People's Liberation Front (TPLF) in their secessionist claims; and Clapham (1996) on the role of aid in promoting/discouraging 'quasi-states'. An important contemporary example is, of course, how aid will be managed in Sudan pending the planned referendum: it is clear that, depending on how aid is allocated in the near term, the capacity of southern institutions to legitimise their claim to autonomy (nationally and internationally) will vary significantly.

systems of aid management have been emerging to enable larger volumes of aid to flow over longer periods of time. This has been driven in part by the fact that, rather than a monotony of sovereign states, the international landscape is now peppered with territories that enjoy varying degrees and forms of independence. This variability in the quality of juridical sovereignty might be expected to continue in the coming decades.

Multi-donor trust funds are one example of the way in which aid instruments have adapted to the demands of these legal uncertainties; donors underwriting debt is another. Comprehensive and comparative review of how aid works in such situations is likely to be important to inform future policy in relation to poorly performing countries, in particular those experiencing significant change in their constitutional/territorial status.

4.3.2 'Empirical' sovereignty: does the state work like one?

In the period after the Second World War, there was a tendency to assume that states that were legally accorded sovereign status actually functioned as states, and enjoyed the support of all their people (Jackson, 1991). Clapham (1996) notes that this tendency to conflate juridical and empirical elements of sovereignty was highly functional in the context of decolonisation and the Cold War. The existence of the state was no longer conditional upon the capacity of national authorities to govern. This elevated claims to self-determination over those who argued that a test of 'civilisation' (Hyde, quoted in Brownlie) be passed before the imperial prerogative was renounced. Further, Clapham argues that it contained the worst excesses of military interventionism by the superpowers by maintaining the appearance of respect for absolute sovereignty.

As noted in Chapter 2, during the 1990s the quality of empirical sovereignty became increasingly a matter for international scrutiny, and analytically distinct from considerations regarding the existence of a state.

Jackson (1991) describes 'empirical sovereignty' as the ability of the incumbent government to protect its population against external and internal threats (Jackson, 1991). This puts emphasis on the power of the state to ensure territorial integrity and maintain a monopoly over the means of violence, but pays perhaps insufficient attention to the degree to which the idea of the state and its legitimacy is both shared and implemented. The concept of 'empirical sovereignty' as used here therefore includes an ability and willingness to negotiate and fulfil a political contract between the state and society, and so ensure that the idea and legitimacy of the state is shared, and that institutions exist to deliver on it.

Several definitions of 'poorly performing' countries have focused on this dimension. The World Bank Task, for example, notes that:

A key characteristic of LICUS is that they fail to meet the most basic governance requirement for development. As a consequence, the logic underlying traditional donor emphases on providing resources for government to implement socially valuable programs breaks down. Circumventing (and ultimately removing) the governance obstacles to

development is therefore a key element in development support strategies in LICUS (World Bank, 2003: 8).

However, a degree of caution is needed about the extent to which conventional interventions to reform government or ‘build capacity’ are likely to work effectively. This is for two reasons.

First, there is a risk that ‘failures’ of governance are not analysed fully in historical or international perspective. In other words, the *causes* of weak empirical sovereignty remain poorly understood within the development community. The statistical analysis presented in Chapter 3 highlights, for example, the linkage between structural and starting conditions and key development outcomes. These outcomes and structural conditions equally affect the capacity of governments to govern and exert their legitimacy. As Inyatallah and Blaney (1995) argue, in poor countries it is not only the people who are poor, but often also the state, and therefore its capacity to invest in sovereignty.³¹

It is beyond the scope of this study to analyse the origins of states’ weakness and collapse. This study therefore confines itself to an analysis of how existing aid strategies might reinforce or undermine empirical sovereignty, and what is seen as some of the primary gaps in existing analysis of politics, processes and institutions in ‘poorly performing’ countries. This analysis can be summarised under four headings:

- the quality of institutions, examined in terms of effectiveness, authority and legitimacy; and linked to the latter,
- the political contract;
- societal integration; and
- structural factors.

The quality of institutions

Chapter 2 detailed the significance of governance issues for international aid. Aid actors’ perceptions of the quality of governance increasingly shape aid flows and approaches. Judgements to the effect that critical aspects of governance are poor are likely to jeopardise aid, other things being equal. International agencies’ definitions of ‘good governance’ vary, from the more technical, focused on the accountable management of resources for development, to the more overtly political, focused on a commitment to reform, to democracy and to the rule of law and human rights; this is sometimes termed ‘democratic governance’. The rule of law is consistently included in international approaches to ‘good governance’, and its absence can be a very basic inhibitor of aid.

The major preoccupation and sphere of action of international development agencies has been with the *effectiveness* of the executive branch of the state, with major emphasis since the 1980s on economic policies and management, the reform of state bureaucracies in favour of efficiency, and since 1990 on the design and delivery of

³¹ There are, of course, important exceptions to this, particularly in countries that are rich in oil and other minerals, but where those in power fail to distribute this wealth (see Moore on such kleptocratic states, and the implications for aid and taxation policy).

improved basic health and education services. Effectiveness can be seen in a broader light: it is about what the state or political system actually delivers to the population, as well as how it delivers it.

More recently, the *authority* of the state has also received growing attention, and there has been a recognition that policing, tax collection, the judiciary and other law and order functions are worth investing effort in. Authority refers to the right to give an order such that the command is obeyed without question. It is different from power because it is seen as legitimate; its exercise does not require coercion.

By contrast, the *legitimacy* of states has been a lower-order concern for international agencies, with the exception of whatever legitimacy can be achieved from social sector investments. Political legitimacy has several potential sources,³² and relates to the political contract between ruler and governed.

Achieving widespread legitimacy is also often connected with societal integration: the perceived representativeness and inclusiveness in social and spatial terms of key elements of the state – the political leadership and executive, the bureaucracy and possibly the military and the police. It is also linked to people's perceptions of the appropriateness of territorial boundaries with respect to social identity, as well as the inclusiveness and relevant content of policies. Mechanisms which have been explored by donor agencies include the promotion of people's participation, both at a project level and also increasingly through supporting the devolution of power to local government; and policy-based consultation exercises and participatory assessments, such as those around PRSPs. Some donors now also regularly encourage democratisation through strengthening parliamentary capacity and engagement with civil society.

Authority and legitimacy are connected concepts; effectiveness also reflects back on legitimacy. The presumption is that, if a state does not deliver, this will affect the source of its power. The fact that there is rarely a one-to-one relationship between the three dimensions relates to the existence of political contracts, which may specify the key deliverables, and sometimes to whom they should be delivered.

At one extreme, the state hardly operates at all (Somalia, Somaliland); other states may be reasonably effective, but have little or limited legitimacy, and this affects the level of authority they can exercise (e.g. Sudan). In a further group of states, authority has not yet been undermined, even though legitimacy is limited. The latter represents a serious 'at risk' category (e.g. Malawi or Rwanda). While much thought and aid have gone into supporting the modernisation of states, less action has focused on the underlying politics, which constrains and permits development.

As emphasised above, and detailed in Chapter 2, approaches to governance have to date tended to downplay the underlying factors that sustain 'poor governance'. These

³² The classic Weberian distinction is between rational-legal (modern, bureaucratic, efficient running of society), traditional (building on how society has been managed), and charismatic (where legitimacy is attributed to a leader). The rational-legal would be indicated by constitutions, manifestos and effective delivery, the traditional by references to history, values and accumulated wisdom and the charismatic by the style and content of leadership. All of these present different criteria on the basis of which legitimacy is evaluated, as well as criteria for who should evaluate it and how this should be done. In practice, states tend to mix these different sources of legitimacy.

include the persistence of neo-patrimonial politics and the emergence of unconventional political formations that interact with the state in complex ways. Any attempt to understand how aid might be used to rebuild or strengthen state institutions will need to take account of these trends. Addressing them will not, however, be straightforward, given their complex roots in local and global political economies.

In undertaking such analysis, it will be important to emphasise that the underlying politics is influenced by the nature of the economy, and the structure of economic interests. While studies of poor performance tend to emphasise the causal role of governance, it is more likely that there is a complex causal relationship between the quality of governance and economic and social development, with 'arrows' running in both directions. Analysis of new forms of 'war' economy illustrate this (see, for example, Collinson, 2003; Malone and Berdal, 2001).

The political contract³³

The legitimacy of a state is determined partly by the type of 'political contract'³⁴ it has with its citizens. Contracts are often developed at times of regime change (e.g. independence, electoral change); tend to cover some (but not all) aspects of social policy; and may be exclusive to certain groups, or inclusive. Prevention of famine in India is an oft-quoted example, where the Indian Congress Party 'struck a deal' with the population on famine prevention. This became a central plank against which people could assess the performance of the post-colonial state, and has been maintained by institutionalising early-warning systems; developing a good understanding of the necessary institutional responses, including those of civil society organisations; bringing media attention to the issue; and having an educated public aware of its rights. By comparison, there is no 'contract' to end chronic malnutrition.

Political contracts often focus on personal and societal security and protection: they provide a basis, a minimum below which citizens should not be allowed to slip without implications for state action. They specify the safety nets which should apply, the circumstances under which they apply, and to whom. They are a means of avoiding the charge of neo-patrimonialism, of indicating long-term principled commitment. They can be monitored, whether by the media, civil society or politicians.

However, the degree to which elements of political contracts are implemented will have some influence over the perceived legitimacy of a regime. A failure to implement may affect legitimacy across the board, or in a socially or geographically determined way. Success will promote societal integration; failure will help to structure the way in which society disintegrates, and may have consequences for a regime.

³³ This section is substantially derived from Hickey (2004).

³⁴ Political contract here is used in the sociological sense of an identifiable agreement between state and population which is one of the sources of state legitimacy. It is to be distinguished from the political philosophy discussion of 'social contract' which examines the nature of political obligations rather than more empirically observable dimensions.

Aid may reduce the need for a state–citizen contract if it simply provides resources which obviate the need for a government to achieve citizen ‘buy-in’ (Moore *et al.*, 1999). On the other hand, it could support elements of a political contract in order to strengthen them without obviating the need for state action. Examples could be support for political commitments under Poverty Reduction Strategies, as opposed to the questioning approach sometimes adopted by donors on the spot. An example of the latter was the scepticism with which Uganda’s Universal Primary Education policy was greeted when it was first announced, without consultation with donors. This policy had both protective and promotive aspects – it provided a service free at the point of delivery to up to four children per household; and supplied a mass entry point into the otherwise limited education system.

Exploring political contracts introduces a contextual political aspect into aid strategies: states vary in terms of what is of greatest weight in a political contract.

Societal integration

The legitimacy of a state, or indeed an ‘emerging’ political structure, is partly related to the degree to which it has been able to promote a minimum of social and spatial integration within historically determined national borders.³⁵ Failure to achieve that minimum may make a country difficult to assist, or a particular population difficult to reach, because certain groups or regions are structurally excluded from development or politics, or because security conditions in parts of the country deteriorate, or in the worst case a society fragments.

A weak state may find it difficult to mediate the relationships between socially or spatially defined groups, or may be captured by a particular group. Such challenges may mean that states lose legitimacy with substantial segments of the population, and as a result become increasingly unable to exert authority, with the possibility of separatist movements or an increasing absence of the rule of law. Political leaders or parties may also exploit embedded social difference, which may lay the foundation for the degradation and criminalisation of politics. Equally, a strong state may deliberately encourage social schism and the exclusion of certain groups from participating in national society.

State action can also contribute positively to societal integration: effective and inclusive food security measures, adequate social protection, a political system which allows for widespread meaningful participation, these are all ways in which states can contribute, and international actors can and do support such measures. It is possible that privileging policy dialogue over more direct forms of aid may limit the degree to which aid can support such measures, at least in the short term, when only limited progress on some of these issues may be possible. A country may become easier to assist if a wider range of approaches is considered optimal.

³⁵ Borders established as part of any historical process, such as decolonisation, can subsequently become problematic for states, or populations within them.

Structural factors

While the policies of governments are significant in determining economic growth or human development, as indicated in Chapter 3, factors such as climate and geography, remoteness from global markets or the natural resource base are also important, as are starting conditions: countries which are ahead of others at any given time were most probably ahead ten or 20 years previously. What is then of particular interest is why some countries improve or deteriorate faster than others, despite sharing similar structural constraints or starting conditions. A focus on the structural constraints on performance does not imply underestimating the role of states in managing these situations through adopting appropriate policies, nor does it imply relieving them of responsibility for the protection and welfare of their citizens. However, these issues are often omitted from international perspectives on countries' performance, particularly when comparisons across countries are being made. They need to be brought more firmly back into the framework which international actors use to assess countries.

Greater consideration of these issues would lend a more rational basis to international assessments, both of performance, and of the degree of difficulty of providing assistance. Structural factors constrain the extent to which states can be effective or achieve authority and legitimacy, and therefore have an indirect bearing on the ease or difficulty of providing assistance. The operational question is whether, to what extent and in what way international actors can engage with countries to mitigate, minimise or transform these constraints.

4.3.3 International recognition and support for the incumbent regime

This element of the framework builds upon and expands the idea of 'difficult partnerships' proposed by the DAC (2002). That paper notes that a feature of difficult environments is that the government does not share the objectives of poverty reduction and lacks ownership. The approach adopted here goes further. It conceptualises international aid as an expression of broader international politics and international relations. On occasions, aid can be relatively independent of international politics and international relations, and may even draw other political or military interests in; however, following the increased concerns with security after 9/11, it is likely that aid will increasingly be factored into a broader web of relationships.

At one level, this implies simply that decisions regarding aid flows and types are likely to be influenced by geopolitical considerations, particularly within bilateral organisations, and through their representation within multilateral organisations. This form of 'politicised' aid decision-making is, of course, very familiar. Particularly during the Cold War, aid allocation decisions were routinely made in conformity with the need to buttress allies and punish opponents, and indeed support for the international aid project was garnered precisely on these grounds (Ayres, 2002).

In the post-Cold War period, the rationale for aid became increasingly linked with a new vision of security – that of human security. This framework provided a new way of linking aid and politics within an apparently benign and liberal framework that sought to promote international peace and security by addressing some of the

underlying factors understood to threaten it. Thus, underdevelopment and environmental deterioration in the developing world became seen as threats to the security of Western powers in that they were associated with conflict, large-scale migration and the threat of disease, for example.

The development of this framework coincided with a steady disengagement of diplomatic interest from peripheral areas as they lost their position as the proxy battlefields of the superpowers. Steady decline in diplomatic interest in Africa during the 1990s, for example, was mirrored by international aid actors taking increasing interest in the political determinants of development, and making their support increasingly conditional on governments' adherence not only to economic but also to political conditionalities. Ellis (1996), for example, describes the 'politics of abandonment in Africa' in which he suggests that:

It is the Bretton Woods institutions and especially the World Bank which are left in occupation of the field. It is they which articulate most clearly the policy of the industrialized world towards Africa, based on free trade and liberal policy (Ellis, 1996: 15, quoted in Macrae, 2001).

In this context, aid actors, including DFID, signalled that they saw their role not simply as mechanisms for the disbursement of international aid, but as advocates for development conceptualised in the broadest terms. Thus, for example, in its 1997 White Paper on International Development, the UK government laid out its vision for the newly autonomous Department for International Development. In it, the political goals of the department are laid out as follows:

- *Particular attention [shall be given to] human rights, transparent and accountable government and core labour standards, building on the Government's ethical approach to international relations;*
- *Resources will be used proactively to promote political stability and social cohesion and to respond effectively to conflict (United Kingdom, 1997).*

Analysing comparatively the relationship between aid and security in the UK, the Netherlands and the UN, Macrae and Leader (2000) concluded that:

Rather than aid playing a supportive role in a newly integrated, political strategy of conflict prevention and resolution, aid bodies became primarily responsible for implementing a new form of international policy. This reunification of aid and politics has provided for a revision of international political labour, such that aid is no longer a substitute for political action (Errikson, 1996), it is the primary form of international policy at the geo-political periphery.

According to this approach, international development actors are assuming much of the responsibility for determining whether or not the 'poorly performing' label is applied in many of the poorest and most marginal developing countries. While driven by developmental criteria, their analysis is also increasingly informed by complex political goals, including conflict reduction, state-building, the promotion of democracy and more recently counter-terrorism. Thus, international development actors are making judgments about the quality and dynamics of empirical sovereignty,

and whether and how the incumbent regime should or should not be legitimised.³⁶ In other words, judgments about partnership are made not only against developmental criteria, but also against a wider analysis of the political consequences of aid decision-making.

In contexts where the political stakes are high, such as Iraq and Pakistan (and, for the UK, Sierra Leone since 1998 in particular), more conventional forms of international politics are in play in relation to development aid. Here, the need to generate legitimacy at home and abroad, and to buttress allies, is important in determining the volume of aid flows, and the quality of engagement with incumbent regimes. In these environments, the ‘poor performers’ label may be applied variably over time according to the geopolitical wind.

The implications of this broader approach to the analysis of international political factors in defining the parameters for assistance and the difficulty of partnership are significant:

- It explains in part the difficulty of establishing consensus between donors and aid organisations about which countries are in the ‘poor performers’ category, and why. One person’s poorly performing country may be another’s ally.
- It suggests that, as international aid organisations assume more broad ‘political’ responsibility, or at least frame ‘development’ in more broadly political terms, so there are likely to be increasing trade-offs between immediate and medium-term goals, such as aid effectiveness, promotion of democracy, conflict reduction and maintaining service provision. Depending on how these objectives are prioritised, different levels and types of risk are likely to be accommodated or avoided.
- Particularly in the context of the Global War on Terrorism, there is likely to be increased synergy between at least part of the poorly performing countries agenda and the security agenda. The degree to which this will be exercised remains to be seen. Development aid actors will be keenly aware of the need to learn lessons from previous efforts to link the aid and security agendas, and the potential costs and benefits in terms of development and humanitarian goals.
- Development aid actors will need to be clear about the degree to which they are confident in assuming wider political objectives in the absence of support from national, regional and international security and political actors. In other words, it will be important to be clearer about how the politics of international development is conducted, the criteria and evidence that inform it, and the mechanisms by which it is governed. This is particularly important given the influence that aid decisions can have on determining the quality of empirical sovereignty, and hence the legitimacy or otherwise of particular regimes, particularly in aid-dependent countries.

4.4 Summary and implications

This analysis suggests that the ‘problem’ of providing aid in difficult environments is largely the outcome of empirical changes in the quality of statehood and state–society relations, and the international reactions to these changes. It notes a tension within

³⁶ Chapter 5, for example, explores how the IMF reviewed its policy in relation to Malawi not only on grounds of aid effectiveness, but also for fear that, without its support, the Malawian government was likely to collapse.

development aid responses when confronted with 'difficult' states. But it also suggests that international positions and contributions play a part in determining the outcomes to which international actors are reacting. Finally, it argues that 'rational' frameworks for assessing performance and developing appropriate aid and wider international strategies need to be strengthened so that the 'development perspective' gains more presence at the international table.

The default mechanism of development cooperation has been to emphasise the centrality of the state, and maintain its stability. This risks aid actors becoming complicit with, or even reinforcing, political behaviour that compromises both development and human rights objectives. On the other hand, existing mechanisms for working outside the state (in particular through humanitarian instruments) are increasingly recognised as stretched to the limit as a means for both sustaining basic services, and for promoting political transformation. This would suggest a need to think, potentially radically, about new forms of aid instrumentation.

Chapter 5 explores the framework laid out here in the context of the performance of a number of African countries and Indian states over the last two decades.

Chapter 5: Poor performance and aid responses in practice

5.1 Introduction

What in practice makes countries difficult to assist? To what extent does this have to do with the country's development performance? If so, which aspects of its performance make a difference? To what extent does a country's juridical sovereignty or its empirical sovereignty make a difference to aid relationships and histories? What other issues figure in determining the international recognition of a regime, and how does that feed through into decisions about aid? In explaining whether a country is difficult to assist, or is seen as difficult to assist, which of the above considerations weigh most heavily?

Chapter 4 suggested that countries are difficult to assist where two of three factors (juridical sovereignty, empirical sovereignty and international recognition) are problematic. This chapter tests this hypothesis against country case studies of Rwanda, Malawi and Sudan, and a review of the relative performance of Indian states. Rwanda was chosen because it had performed extremely poorly during the 1980s. Although performance improved following the genocide and civil war in the mid-1990s, the country remained difficult to assist for reasons of geopolitics and human rights. Rwanda appears in all three of the lists of poor performers discussed in Chapter 3. Sudan was chosen because it appeared in two of these lists; Malawi appeared only in one. It must be emphasised that there is no suggestion that these countries are in some way 'representative'. They are merely illustrative of the issues. India is included as a whole for this analysis not because it is in any way considered as a 'poor performer', but by virtue of the varied performance of its states, and its lively discourse on this. Subsequent sections analyse the performance of and aid to Indian states, not India as a whole.

The full studies can be found in Background Papers 2–5. They cover roughly 20 to 25 years up to 2003, though the analysis of performance stopped in 2000, in common with the analysis in Chapter 3. They were desk reviews, and far from definitive. This chapter compares the findings of these studies; it is inevitably selective and schematic in its conclusions. Readers are referred to the full background papers for the detail. The countries also show a wide range of circumstances: Sudan has a long running civil war and massive humanitarian assistance in the South; Malawi remains very poor and has been seen as difficult to assist by donors; Rwanda with its history of genocide.

The chapter begins by outlining the performance of the three countries, and the major Indian states; it continues with sections exploring the importance of juridical sovereignty, empirical sovereignty and international recognition in explaining the difficulty in providing external assistance. These sections begin with a set of key questions which guide the exploration. These are also questions which country aid programmes may use to explore these issues when designing their strategies. Following the analysis, the implications for aid strategies in 'poorly performing' countries are drawn out. In conclusion, the chapter will also comment on the utility of

the three concepts, separately and combined. Do they provide an adequate conceptual framework? Do they generate relevant questions for programme managers? Do they open up new operational possibilities for aid strategies?

5.2 Country performance

As a background to the more qualitative and historical analysis, trends in selected indicators of development performance for Rwanda, Sudan and Malawi are shown in Figure 1. The performance of Indian states is presented in the next section; the whole country is included here just for purposes of comparison. There are reservations about the quality of some of these data: some population figures are out of date. There may be problems with Rwanda's GDP statistics. However, these are the best figures to hand at this point.

The problem of data quality in countries experiencing protracted insecurity is illustrated by Sudan's human development data, which may be flawed since so many parts of the country have been unstable for such a long time. A recent health needs assessment by WHO and the World Bank argued that a very large proportion of the population has experienced high rates of child mortality and malnutrition for a significant period. Under-five mortality had changed little during the 1990s, declining from less than 110 per 1,000 in 1990 to 105 in 2000. In southern Sudan, where indicator levels are much lower, it is unlikely that any progress was made during the past decade of conflict.

There are also reservations about simply using such data to assess a country's performance: it is better to produce a rounded qualitative analysis which makes use of the quantitative data. This has been done in the Background Papers, and is reflected in the analysis of this chapter. For example, averaging Rwanda's statistics over the 1990s is misleading as it conflates the civil war and genocide period with post-war recovery.

In terms of economic performance, there is a clear contrast between the steady rise in per capita GDP in India, and the stagnant or declining levels in Malawi, Rwanda and Sudan. In Malawi, levels of per capita GDP changed little over the two decades studied here (1980–2000); in Sudan, they declined gradually during the 1980s, but have increased since 1993; in Rwanda, they declined gradually during the 1980s, then fell rapidly from 1990 to 1995 (a period which saw a civil war and the 1994 genocide), before returning to a period of sustained recovery since 1995.

In terms of human development performance, trends in infant mortality show a steady reduction in all countries, with the exception of Rwanda between 1987 and 1992 (reflecting sharply increasing levels of child malnutrition over this period associated with accelerated economic decline and poor agricultural production). This increase predates the large decrease in per capita GDP. Sudan's infant mortality statistics may exclude data from the many insecure parts of the country.

Table 5.1 indicates how the trends in Figure 5.1 compare with international standards. It shows the average rate of economic growth, reductions in infant mortality and increases in adult literacy during the 1980s and 1990s, and indicates whether these

changes are judged to represent either ‘poor’ or ‘good’ performance, according to either the relative or conditional criteria outlined in Chapter 3. Only Rwanda would be classified as a poor performer on these grounds, in terms of its rate of economic growth during the 1990s and its reductions in infant mortality during the 1980s and 1990s. Although economic growth was negative in Malawi, Rwanda and Sudan during the 1980s, it did not represent poor performance according to relative or conditional criteria – in other words, in comparison with other developing countries or taking into account structural constraints. Moreover, even in Rwanda, performance was not unambiguously or consistently poor: poor performance in reducing infant mortality contrasts with good performance in raising adult literacy, in both decades.

In other words, the case studies support the finding from the global review of statistics, that ‘poor’ performance is not necessarily universal across all indicators, and challenge the assumption that economic growth necessarily correlates with progress in human development.

5.2.1 Country characteristics

Tables 5.2–4 show values of the various indicators of economic structure, governance, aid, and societal integration. The indicators are the same as those used in Chapter 3 when comparing poor performers with other countries. The various measures of economic structure are shown in Table 5.2. Malawi, Rwanda and Sudan all share certain adverse economic characteristics, in particular low levels of financial depth, and have high values on the vulnerability index (relative to India, although not relative to all developing countries). All four countries have lower shares of exports in GDP than other developing countries, which for Malawi, Rwanda and Sudan may well reflect difficult access to world markets; in India, it is arguably more a reflection of the country’s size. Tax revenues as a share of GDP are low in Rwanda in comparison with other developing countries, but are also low in India, which shows strong economic performance over the period. Tax revenues in Malawi are close to the average for developing economies, and there are no data for Sudan.

The various indicators of governance are shown in Table 5.3. They are lowest (indicating poor governance) in Rwanda and Sudan. India and Malawi have much higher values (indicating better governance), except in the case of the Freedom House indicators of civil and political rights, where the values for Malawi are much closer to those of Rwanda and Sudan, although they did improve significantly between the 1980s and 1990s. There is no clear link between these values and the development outcomes highlighted in Figure 5.1 and Table 5.1. For example, in Sudan there was a deterioration in the Freedom House index in the 1990s relative to the 1980s, contrasting with the improvement in economic performance. Nor is there a clear link between governance and the rate at which economic growth is translated into reductions in infant mortality or increased adult literacy. During the 1990s, this rate was lowest in Sudan, the country with the lowest governance scores, but it was also higher in both Malawi and Rwanda than it was in India, with its much higher governance scores.

Figure 5.1 shows trends in aid inflows to the four countries, as a share of GNP, over the period. Malawi and Rwanda both received substantially larger aid flows, as a share of GNP, in the 1990s compared to the 1980s (although in the latter case, this is exaggerated by the very large inflows between 1994 and 1996, when aid, which was

mostly humanitarian in response to the genocide, comprised 96%, 54% and 34% of GNP). By contrast, Sudan received significantly smaller flows in the 1990s compared to the 1980s, while (as is well known) aid inflows in India remain very small as a proportion of its GNP. The analysis here is only for total aid flows; some breakdown is given in the Background Papers, but the analysis of performance with respect to the form, content and channel of aid would repay significant further research.

Finally, Table 5.4 shows values for the case study countries of three measures of societal integration and/or conflict. The Kaufman *et al.* (2002) measure of political stability mirrors the results for the other governance indicators: significantly higher instability in Sudan than in Malawi or India (there are no data for Rwanda). India, Malawi and Sudan are ethnically diverse as measured by the ethno-linguistic index, while Malawi has a high level of income inequality. Rwanda stands out as a country with low ethnic diversity and low income inequality in 1983. However, ethnic diversity is not a relevant measure of integration in Rwanda, where the issue is difference among a small number of ethnic groups who share the same language. Inequality in Rwanda is significantly higher (45.1 in 200/01 as compared to 28.9 for 1975-2000). There are no recent estimates of the extent of inequality in the distribution of income in Sudan.

Table 5.1: Case study countries: development performance

| | Economic growth (% per capita per year) | | Reductions in infant mortality (deaths per year) | | Increases in adult literacy (% points per year) | |
|---------------|---|--------------|--|-------------|---|-------------|
| | 1980s | 1990s | 1980s | 1990s | 1980s | 1990s |
| India | <u>3.40</u> | <u>3.77</u> | 3.02 | 1.47 | 0.83 | 0.79 |
| Malawi | -0.68 | 1.47 | <u>4.08</u> | <u>2.50</u> | 0.73 | 0.83 |
| Rwanda | -0.88 | -2.43 | -0.48 | 0.97 | <u>1.34</u> | <u>1.36</u> |
| Sudan | -1.39 | <u>4.85</u> | 1.92 | 1.64 | 1.15 | 1.18 |

Notes: Figures which are underlined indicate good performance by international standards, according to either the relative or conditional criteria. Those in bold indicate poor performance by international standards, according to either the relative or conditional criteria.

Table 5.2: Case study countries: economic structure

| | Exports, % of GDP (1980) | Exports, % of GDP (1990) | Tax rev., % of GDP (1980) | Tax rev., % of GDP (1990) | Financial depth, 1980 | Financial depth, 1990 | Vulnerability index |
|---------------------|--------------------------|--------------------------|---------------------------|---------------------------|-----------------------|-----------------------|---------------------|
| India | 6.2 | 7.8 | 9.5 | 10.3 | 32.8 | 40.3 | 3.8 |
| Malawi | 24.6 | 21.9 | 16.5 | 18.2 | 19.0 | 18.1 | 5.2 |
| Rwanda | 15.1 | 6.4 | 11.6 | 10.3 | 13.1 | 14.7 | 4.8 |
| Sudan | 10.1 | 5.5 | . | . | 24.8 | 16.3 | 4.7 |
| <i>All LDCs</i> | | | | | | | |
| - unweighted | 30.3 | 29.3 | 17.6 | 16.7 | 27.9 | 32.3 | 5.7 |

Notes: Financial depth is measured by the ratio of the M2 measure of money supply to GDP. The Vulnerability Impact index is a weighted average of a country's trade openness (exports as a % of GDP, between 1991 and 1995), export concentration (measured by the Herfindhal-Hirschman index, and the incidence of environmental shocks and hazards (as measured by the percentage of the population affected by natural disasters between 1970 and 1996), from Atkins *et al.* (2000). Higher values indicate greater vulnerability.

Table 5.3: Case study countries: governance

| | VA (1998) | GE (1998) | RQ (1998) | RL (1998) | CC (1998) | FH*, 1980s | FH*, 1990s | ICR G, 1980s | ICRG, 1990s |
|--------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------------|----------------|
| India | 0.5 | -0.3 | -0.0 | 0.2 | -0.3 | 2.3 | 2.5 | 3.0 | 3.6 |
| Malawi | 0.1 | -0.6 | 0.1 | -0.4 | -0.2 | 6.5 | 4.8 | 3.1 | 3.3 |
| Rwanda | -1.2 | . | -1.2 | -1.2 | . | 6.0 | 6.3 | . | . |
| Sudan | -1.5 | -1.7 | -0.8 | -1.4 | -1.0 | 6.0 | 7.0 | 1.5 | 1.9 |
| All LDCs | | | | | | | | | |
| -unweighted | -0.3 | -0.3 | -0.1 | -0.4 | -0.3 | 4.5 | 4.1 | 2.7 | 3.2 |

Notes: VA=voice and accountability; GE=government effectiveness; RQ=regulatory quality; RL=rule of law; CC=control of corruption (all measured relative to the world average, in standard deviations; higher values indicate better governance, from Kaufman *et al.* (2002)); FH=Freedom House measures of civil and political rights, average (*lower values indicate more respect for rights); ICRG=International Country Risk Guide measures of foreign investment risk, average (higher values indicate less risk).

Table 5.4: Case study countries: societal integration

| | Ethno-linguistic fractionalisation* 1960 | Gini coefficient** of income inequality (average, 1975– 2000) | Political instability (1998)**** |
|--------------------|--|--|--|
| India | 0.89 | 32.3 | 0.04 |
| Malawi | 0.62 | 62.0 | -0.04 |
| Rwanda | 0.14 | 28.9*** | n.a. |
| Sudan | 0.73 | n.a. | 1.73 |
| All LDCs | | | |
| -unweighted | 0.50 | 45.4 | 0.41 |

Sources: Easterly and Levine, 1997; Dollar and Kraay, 2002; Kaufman *et al.*, 2003.

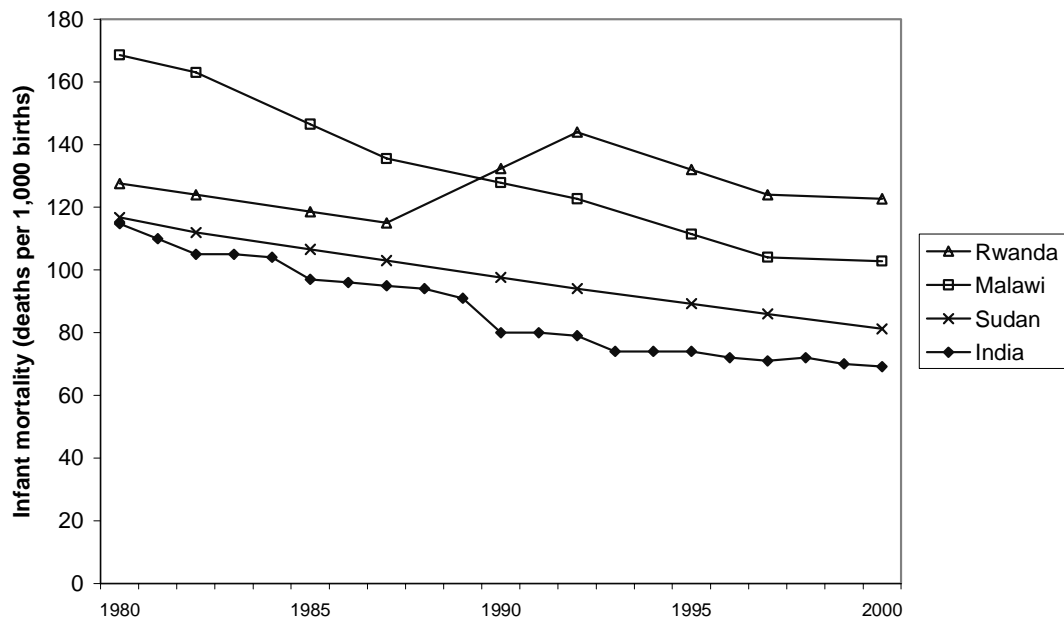
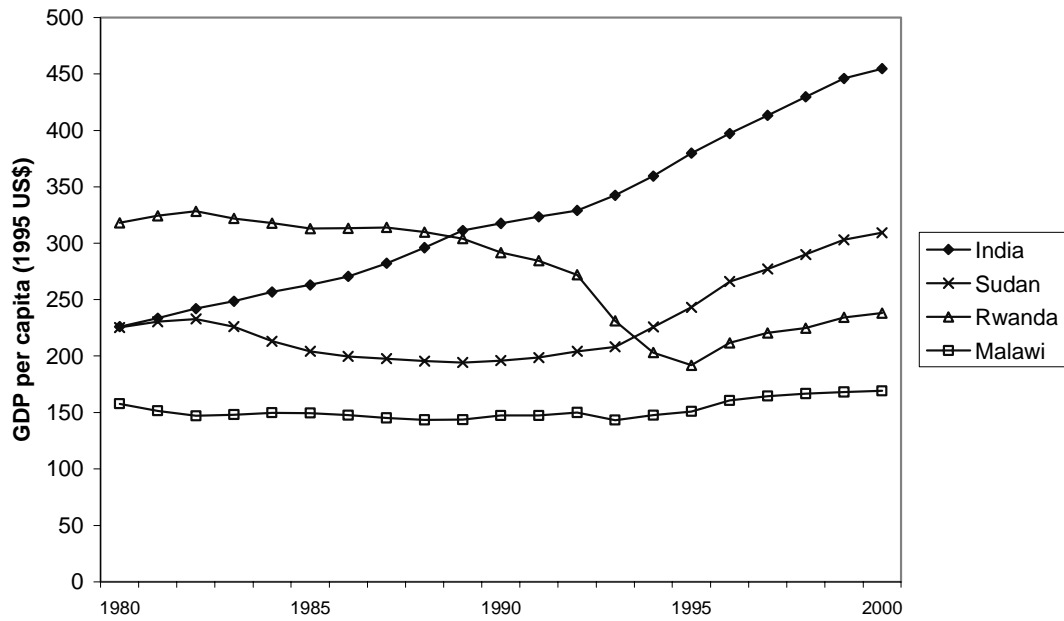
Notes: *This measures the probability that two people drawn at random from a country do not belong to the same language group.

** Varies between 0 (complete equality) and 100 (complete inequality).

*** In 2000/1 the figure was 45.1.

**** High numbers indicate instability.

Figure 5.1: Case study countries: development performance, 1980–1990



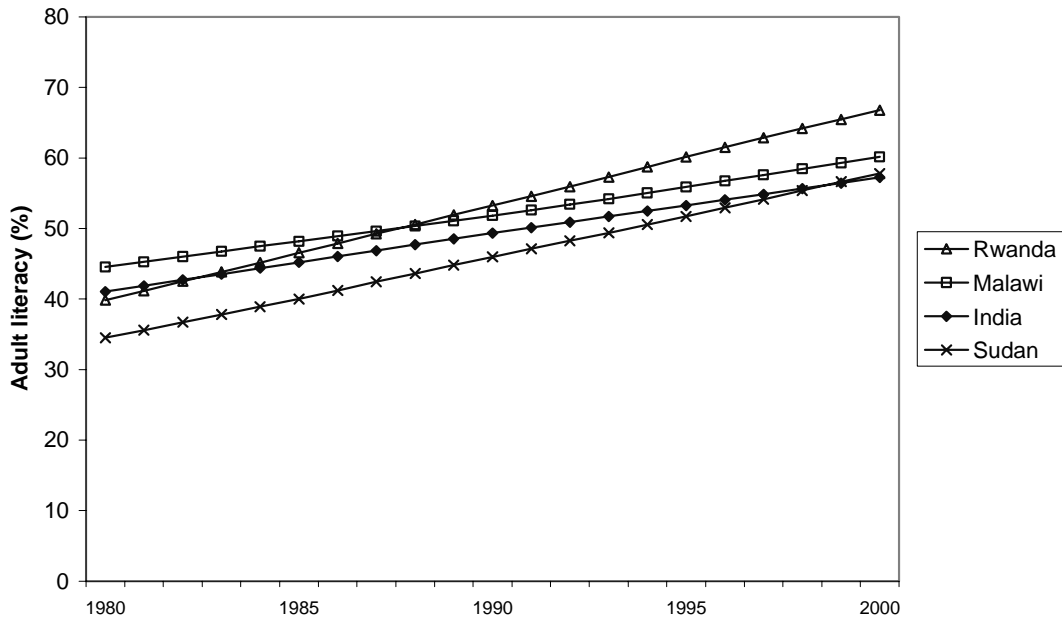
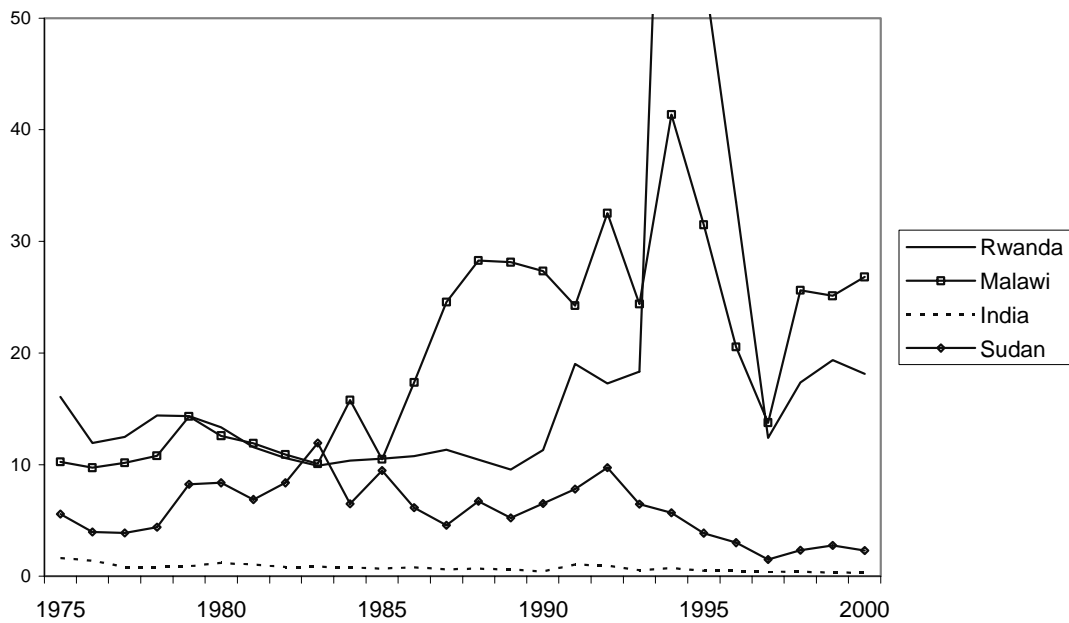


Figure 5.2: Case study countries: aid inflows



Source: World Development Indicators 2002.

5.2.2 Indian states

The achievements and performance of Indian states are constantly compared in India by the government, by the media and by ordinary people in what has become a very mobile society. League tables abound, and important resource allocation decisions are taken by the government, by donors and by the private sector on the basis of the perceptions they have of different states. To a large degree these decisions converge,

with the largest proportions of private investment, government expenditure per capita and aid per capita all going to the richest states in southern and western India, together with Punjab and Haryana. While this analysis needs much further work, it is not surprising that economic inequalities among states have widened given the coincidence of these important resource flows.

Data on development outcomes in Indian states is of reasonable quality, and there are consistent data sets over time. There is also a good dataset on poverty reduction. This makes India a laboratory for understanding performance issues. However, governance data are not comparable with the international data used in Chapter 3, and will require a lot more work to correlate them intelligently with development outcomes and aid patterns;³⁷ this study has only been able to track down disaggregated aid figures for the 1990s onwards.

Table 5.5: Economic growth across major Indian states, 1981/2–1997/8

| Rank | State | Annual change (%) | | State | Annual change (%) | |
|------|-------------------------|-------------------|---------------|----------------------------|-------------------|---------------|
| | | Level, 1981/2 | 1981/2–1991/2 | | Level, 1991/2 | 1991/2–1997/8 |
| 1 | <u>Rajasthan</u> | 1282 | 4.0 | <u>Gujarat</u> | 2738 | 4.5 |
| 2 | <u>Tamil Nadu</u> | 1570 | 3.8 | Maharashtra (c) | 3615 | 4.1 |
| 3 | <u>Maharashtra</u> | 2485 | 3.7 | Tamil Nadu (c) | 2303 | 3.9 |
| 4 | <u>Haryana</u> | 2455 | 3.6 | Kerala (c) | 1876 | 3.5 |
| 5 | <u>Karnataka</u> | 1584 | 3.4 | West Bengal | 2257 | 3.5 |
| 6 | <u>Andhra Pradesh</u> | 1525 | 3.2 | Karnataka | 2215 | 3.2 |
| 7 | Punjab | 2846 | 3.1 | Andhra Pradesh | 2099 | 2.4 |
| 8 | Gujarat | 2038 | 3.0 | Madhya Pradesh | 1636 | 2.0 |
| 9 | Himachal Pradesh | 1738 | 2.7 | Rajasthan | 1916 | 1.9 |
| 10 | West Bengal | 1749 | 2.5 | Haryana | 3521 | 1.7 |
| 11 | Assam | 1262 | 2.2 | Punjab | 3873 | 1.6 |
| 12 | | | | Himachal Pradesh | | |
| | Uttar Pradesh | 1318 | 2.2 | Pradesh | 2268 | 1.5 |
| 13 | Kerala | 1502 | 2.2 | Orissa | 1480 | 1.5 |
| 14 | Bihar | 945 | 1.7 | Assam | 1579 | 0.7 |
| 15 | Madhya Pradesh | 1387 | 1.7 | Uttar Pradesh | 1648 | 0.6 |
| 16 | Orissa | 1278 | 1.5 | Bihar | 1120 | 0.1 |
| | <i>Mean (India)</i> | - | 2.8 | <i>Mean (India)</i> | - | 2.1 |
| | <i>St. dev. (India)</i> | - | 0.8 | <i>St. dev. (India)</i> | - | 1.3 |
| | <i>Mean (all LDCs)</i> | - | 0.5 | <i>Mean (all LDCs)</i> | - | 1.3 |
| | | | | <i>St. dev. (all LDCs)</i> | - | 2.9 |

Notes: Underlined states performed well by international standards, according to both relative and conditional criteria. (c) indicates good performance according to the conditional criteria only. Means and standard deviations are unweighted.

Data source: National Human Development Report 2001, Statistical Annex, p. 149, Table 2.1.

³⁷ Interesting objective indicators are available covering crime, justice and state expenditure. This study looks only at state expenditure on health and education. This is obviously not a comparable indicator to those used in Chapter 3; it is arguably an indicator of state government commitment to pro-poor policies

The analysis in Chapter 3 concludes that it is very difficult to delineate ‘poorly performing countries’, as opposed to poor performance on particular indicators (or possibly clusters of indicators) at particular times. However, the performance of Indian states is a little more capable of categorisation. It is possible to discern ‘good performers’ and ‘poor performers’ in terms of economic growth and poverty reduction, with increasing inequality between them over substantial periods of time. Bihar, Orissa and UP performed poorly on both in both decades. There were widening gaps between good and poor performers. The reasons for this may have as much to do with structural constraints and the way these states are treated by public and private investors as with their politics and policies.

Human development performance, as measured by infant mortality, is again not associated with economic growth performance, and there is much greater variability in performance over time. For example, Orissa performed poorly by international standards in the 1980s, and well by the same standards in the 1990s. The pattern in Andhra Pradesh, the donors’ favourite state, was the reverse.

Aid flows were compared between 1990–1992 and 2000–2002. States receiving more aid in the 1980s continued to receive more in the 1990s, and there was no significant correlation between the aid received by a state and its poverty status (Figure 5.3).

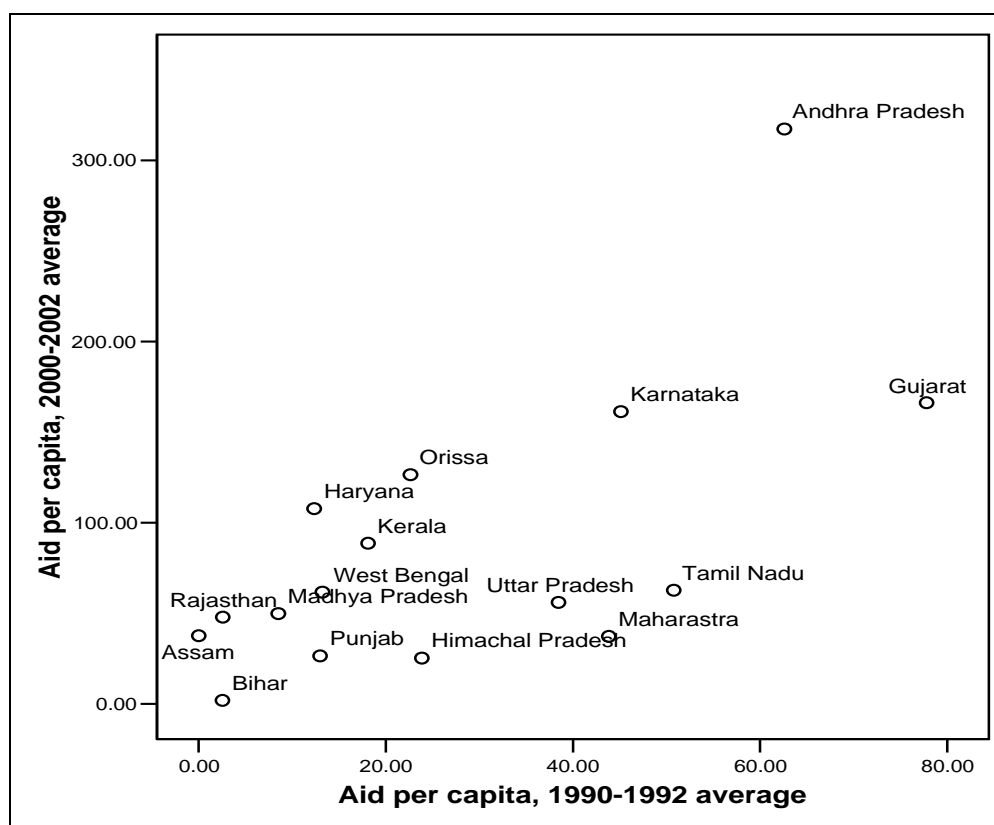
Table 5.6 Reductions in infant mortality across major Indian states, 1981–2001

| Rank | | Initial value, 1981 | Annual change, 1981–91 | | Initial value, 1991 | Annual change, 1991–2001 |
|------|----------------------------|---------------------|------------------------|----------------------------|---------------------|--------------------------|
| 1 | <u>Haryana</u> | 94 | -4.2 | <u>Madhya Pradesh</u> | 133 | -3.6 |
| 2 | <u>Andhra Pradesh</u> | 91 | -3.6 | <u>Orissa</u> | 125 | -2.7 |
| 3 | <u>West Bengal</u> | 95 | -3.3 | <u>Kerala</u> | 42 | -2.6 |
| 4 | <u>Tamil Nadu</u> | 86 | -3.2 | <u>Maharashtra</u> | 74 | -2.5 |
| 5 | Uttar Pradesh | 130 | -3.1 | Punjab | 74 | -2.0 |
| 6 | Rajasthan | 114 | -2.7 | Himachal Pradesh | 82 | -1.8 |
| 7 | Bihar | 94 | -1.9 | Karnataka | 74 | -1.6 |
| 8 | Maharashtra | 92 | -1.8 | Assam | 92 | -1.4 |
| 9 | Madhya Pradesh | 150 | -1.7 | Gujarat | 78 | -1.4 |
| 10 | Himachal Pradesh | 92 | -1.0 | Uttar Pradesh | 99 | -1.4 |
| 11 | Kerala | 52 | -1.0 | West Bengal | 62 | -0.9 |
| 12 | Karnataka | 81 | -0.7 | Bihar | 75 | -0.8 |
| 13 | Gujarat | 84 | -0.6 | Rajasthan | 87 | -0.4 |
| 14 | Punjab | 77 | -0.3 | Tamil Nadu | 54 | -0.1 |
| 15 | Orissa | 115 | 1.0 | Andhra Pradesh | 55 | 1.1 |
| 16 | | | | Haryana | 52 | 1.7 |
| | <i>Mean (India)</i> | - | -1.9 | <i>Mean (India)</i> | - | -1.3 |
| | <i>St. dev. (India)</i> | - | 1.5 | <i>St. dev. (India)</i> | - | 1.4 |
| | <i>Mean (all LDCs)</i> | - | -1.7 | <i>Mean (all LDCs)</i> | - | -1.2 |
| | <i>St. dev. (all LDCs)</i> | - | 1.4 | <i>St. dev. (all LDCs)</i> | - | 1.1 |

Notes: Underlined states performed well by international standards, according to relative or conditional criteria. States in bold performed poorly by international standards, according to relative or conditional criteria. Averages and standard deviations are unweighted.

Data source: Planning Commission, 10th plan, p.53.

Figure 5.3 Aid to Indian states, 1990–1992 and 2000–2002



5.2.3 Aid and performance

What do the case studies tell us about aid and country or state performance? Increased aid to post-genocide Rwanda in the 1990s was based on assessments of the prospects for recovery under a new regime, promising and then largely delivering effective governance, though remaining authoritarian in line with Rwanda's political culture. However, this masks the strong divisions among donors over the perceived regime's legitimacy: its military involvement in the Democratic Republic of the Congo, human rights record and many international observers' doubts about the fairness and freedom of an election in 2003 have all led to justifiable differences on levels and modes of support. Increased aid to Malawi in the 1990s was based on the hope that multiparty democracy would deliver better economic management and governance, a hope that has not yet been fully realised. Aid to Sudan became almost entirely humanitarian and extra-governmental, on the grounds that it had become a 'rogue state', and because large populations in need were outside the control of the state. Aid to Indian states has been allocated largely to good economic performers, and has largely avoided engagement in the persistently poor states. This perhaps indicates aid agencies' own preference for selectivity and improving the returns on aid, in a context where these decisions were taken largely technically rather than politically.

In the late 1980s and early 1990s, Rwanda was probably the most dramatic example of the failure of development assistance to a poorly performing country. Right up to the genocide in 1994, Rwanda attracted substantial levels of external development aid, and it was considered a 'good performer'. Uvin (1998) argues that many of the signs of poor performance were evident at the time, but that donors tended to be blind to

them, even if the genocide itself could not have been foreseen. Increased aid was largely humanitarian immediately following the genocide, but there have also been large inflows of development aid subsequently despite questions regarding Rwanda's human rights records, which led some donors to adopt more cautious approaches.

The analysis here confirms that performance across economic and human development is often not strongly associated: Rwanda is the exception; Malawi has had reasonable human development performance³⁸ alongside poor economic growth, and a decline in the quality of governance in the late 1990s despite multiparty democracy. Sudan has had economic growth in the 1990s, but made poor progress on human development. Indian states tend to progress better on one than the other. It is possible that part of the variation here may be explained by aid for human development, which was strong and consistent in Malawi, and even in India, where it combined with some public expenditure in the persistently poor states. It was interrupted by conflict in Rwanda and over a longer term in Sudan. This reinforces the conclusion of Chapter 3 that aid can make a substantial difference to human development outcomes even in weak policy environments.

The unexpected 'disconnect' between economic growth and human development may well vanish in the long run. However, it is important that in the medium term aid donors recognise that much can be accomplished in human development without the facilitation of enhanced economic performance, and possibly without improved (economic) governance.³⁹ This is a very significant finding of this study, with powerful implications for aid strategies in countries performing poorly from an economic point of view. Arguably, aid to human development has been underemphasised in all the countries analysed here.

A second finding is that aid donors do not always notice the performance before their eyes. There is a need to increase the serious analytical attention paid to actual development performance, and for designing strategies to improve it. The widespread failure to 'notice' improvements in human development is one example. Good performers in infant mortality reduction in India included Orissa and Madhya Pradesh in the 1990s, alongside Kerala; but these were seen as poorly performing states. Rwanda in the 1980s was seen as a good performer, a country which could be strongly aided. Negative trends in economic performance, human rights and politics were hardly noticed or commented or acted upon by its major donors. Similarly, during the 1970s–80s Malawi was praised by donors for its economic performance, while food insecurity and poverty for the majority worsened. Ignoring what is going on suggests that donors can be complicit in the deterioration of a country. Decisions to re-engage with Sudan have primarily been driven by opportunities for peace between the north and south, cooperation with the counter-terrorist agenda and issues of regional stability, rather than a demonstrated commitment on the part of the government to invest in meeting the basic needs of the population.

Following the end of the Cold War, some donors introduced a stronger element of political conditionality into their dealings with Rwanda. However, this was arguably

³⁸ This might not be borne out by a more detailed examination of a wider range of indicators.

³⁹ The limits that poor governance and low economic growth place on human development are still poorly understood, though intuitively plausible.

too late and couched largely in terms of promoting multiparty democracy rather than eliminating human rights abuses.

Donors generally pay most attention to, and set their responses by, a country's economic management performance and the economic policy reforms judged necessary to enhance economic performance. This criterion of effectiveness is the most widely used of any in assessing countries' performance. Aid has flowed to Indian states which have grown economically, and which have indicated willingness to reform their economic policies. In India, there is little *political* pressure influencing aid flows to the Indian states.⁴⁰ This illustrates how aid agencies, left to themselves, would distribute their aid.⁴¹ Long before the debate on aid effectiveness began to have an impact on aid flows, aid to Indian states was already being allocated on the basis of economic performance.

In many countries, large-scale external assistance has been turned off or on depending on whether a state is following IMF/World Bank prescriptions on economic policy, especially macro-economic management, but increasingly also policies on privatisation and liberalisation.⁴² However, donors have not adopted consistent attitudes to economic performance or policy. In the 1980s, Sudan's perceived strategic value continually overruled the IMF's conditionality, and lending was resumed. In 2003, fear of 'meltdown' in Malawi overrode donors' reluctance to support a government that did not live up to its promises. In the 1990s, Sudan's strengthening economic growth performance and exemplary economic management did not elicit a response from donors, who were overruled by political decision-makers anxious not to bolster what was perceived as a 'rogue state'.

In Rwanda in the early 1990s, with the end of the Cold War and in response to domestic pressure for change, donors pushed for democratisation and became more concerned about human rights abuses. They also supported peace negotiations in Arusha. Even multilateral aid became tied to progress on these two fronts. Some have argued that political conditionality was used too late, at a time when it weakened the regime and created an opportunity for extremists to strengthen their positions (Andersen, 2000). Uvin (1998) argues that, to the extent that it was applied in relation to human rights abuses (which was very little), it did have an impact. At the same time, however, some donors, such as France, were providing military assistance to the regime, and only paying lip-service to democratisation and human rights (Prunier, 1995).

The promotion of political development became an objective of many aid programmes in the 1990s. It had been during the 1950s and 1960s, but aid became almost entirely economic in focus during the 1970s and 1980s, being switched on and off largely based on macro-economic management considerations. Even then, aid to Rwanda remained strong in the 1980s despite poor and worsening economic performance, both in terms of outcomes and policy inputs. Donors were blind to the

⁴⁰ The government of India is now beginning to exert such pressure in favour of the persistently poor states. Overall, macro-political factors, such as India's nuclear tests or its relations with Pakistan, seem to have influenced aid to India remarkably little. The 'war on terror' may have contributed to stable aid to India, which has increasingly been seen as an ally.

⁴¹ This could be seen as how allocations of aid not taking into account factors that depend on national sovereignty issues

⁴² It may be that the politics of the Cold War had much to do with some of these decisions.

nature of the regime, in particular equating majority Hutu rule with democracy, and not protesting at systematic state discrimination. This study indicates some of the dangers which may accompany both a narrowly economic approach, and a highly selective political approach. The recent history of Rwanda illustrates the risks of promoting multiparty political competition hurriedly or without taking account of the national context. Donors supported an opening of political space, including the formation of a multi-party coalition government. This was however taking place in the context of a civil war and international pressure to accept a peace agreement that was not acceptable to extremist groups. Democratisation and peace negotiations thus contributed to the build up of the genocide, as they threatened the hold on power of extremists. In Malawi, the signs that the country was not consolidating its democratic transition were evident but ignored by donors, who used the government's economic policies (often irrespective of its practices) to decide whether further aid should be given. A more rounded and mature political analysis is required, which may still retain the development or strengthening of multiparty democracy as an objective, but allow for different routes and speeds towards it.

A final finding is that the structural constraints to development seem to be universally underestimated. They are many and heavy in all three countries, and in the persistently poor Indian states. Aid donors pay far greater attention in their strategies to policy inputs than is warranted by the weight of constraints which low-income countries face. Attention to these constraints requires consistent aid flows over long periods of time. This is precisely what donors find increasingly difficult in the context of the new approaches to aid management, supplemented by trade reforms in both north and south and international processes to reduce vulnerability. Where this is done, as with UK aid to Rwanda in the 1990s and 2000s, it can become controversial.⁴³

In summary, while some attention is given in aid strategies to performance issues, this is inadequate and inconsistent, and insufficiently determines aid allocation. This study argues that greater attention should be given to performance in the long term, as well as the medium term.

5.3 Framework of key questions

If donor agencies do not adequately analyse and attend to country performance in their strategies, how do they determine aid allocation, the forms of aid and the channels which are used? To what extent are the considerations outlined in Chapter 4 the key to explaining what makes countries difficult to assist?

A number of key questions, derived from the conceptual framework developed in Chapter 4, have been addressed to the case study experiences as a way of framing this chapter. These are given in Annex 4. The framework generates a substantial set of questions which country aid programmes can use to broaden their concerns about statehood and development performance. It helps donors become developmentally more sophisticated in the way they analyse the history, international relations and domestic politics of a state, and its consequences for development. It is *not* meant to

⁴³ Note that it is budget support which is allowing large amounts of funds to flow for human development

provide benchmarks against which to measure countries' performance or governance. It provides a way of analysing state behaviour without imposing a specific political institutional framework through the provision of aid, which may not be suited to the country. It also encourages donors to look beyond their preferred habitat of economic management to other important aspects of statehood.

5.4 Aid and juridical sovereignty

Juridical sovereignty focuses on 'processes of state creation'. Once a state is created it is considered sovereign. Juridical sovereignty refers to the existence of a state with a permanent population; a defined territory; a government; and the capacity to enter into relations with other states. Without this, there are significant unresolved issues that affect the volumes and/or the forms and channels of aid to a country, or even the possibility of giving aid at all.

While Rwanda and Malawi have existed unproblematically as independent states in the post-colonial period, Sudan and India both contain territories with secessionist tendencies, where the state has to varying degrees lost control over territory, lost legitimacy, and even part of the population through displacement, and where there could be said to be the beginnings of a process of state creation in southern Sudan, and, more doubtfully, in Kashmir. Both situations are long term, originating in the independence settlement: in Sudan, civil war has occupied most of the last half century, and has longer antecedents; Kashmir has seen violent conflict for over a decade, and a secessionist movement since Indian independence.

These two histories have led to completely different aid responses. In both cases, aid-giving governments have supported peace initiatives sporadically rather than consistently or strategically. There was considerably renewed interest after 11 September 2001 due to the fear of weak or rogue states generating terrorism. Aid agencies have been much exercised by the Sudanese civil war, and have developed creative ways of getting aid to the people of southern Sudan (and to a lesser extent parts of northern Sudan affected by the civil war). Agencies have also provided aid to the fledgling institutions of government in the rebel-held areas of the south. On the other hand, aid to India has been largely unaffected by Kashmir. Whereas southern Sudan has received the bulk of the aid disbursed to Sudan since the early 1990s (most of it humanitarian), Jammu and Kashmir has received very little aid per capita. The extent and depth of the humanitarian crisis in southern Sudan and elsewhere in the country has no doubt determined this difference, as has the potential oil wealth of southern Sudan for the West. The resistance of the Indian government to external involvement on the ground in Kashmir has kept international agencies at bay; donors have engaged with the SPLA/M across the Kenyan border in a way that has not been possible in Kashmir. India is of course a democracy and a nuclear power, both of which have influenced international thinking.

Operation Lifeline Sudan (OLS) started delivering cross-border relief in 1989; although its purpose was initially recovery and rehabilitation, OLS evolved into a long-term relief operation. Whilst not challenging Sudanese sovereignty directly,⁴⁴ OLS conferred international recognition on the SPLA, resulting in an 'equivocal and temporary ceding

⁴⁴ Although arguably all such operations conducted outside the state challenge sovereignty.

of sovereignty to the UN' in parts of southern Sudan outside government control (Karim *et al.*, 1996). In 1995, the SPLA and a splinter rebel faction signed 'ground rules' brokered by OLS to ensure the protection of civilians, the accurate delivery of food aid and respect for children's rights. Despite stringent attempts at neutrality, OLS has had many critics. It has been charged not only with failing to fulfill its mandate, but also with inadvertently prolonging the conflict (Harmer, 2004).

Together with other aid initiatives, donors provided some recognition to the SPLM/A and some even built governance capacity, which could be read as implicit support for a change of sovereignty. The Sudan case illustrates the way in which aid can play a vital and perhaps unintended role in state creation. It raises several questions: would the SPLA/M have developed into a secessionist movement without this aid – in the 1980s it argued primarily for a secular, democratic republic? Would the SPLA been crushed had there been no aid to the south? To what extent has humanitarian intervention contributed to state creation? Is it neutral, in the sense of being potentially supportive of a united, possibly federal, possibly secular, Sudanese state? Would a separate state of southern Sudan be viable, or capable of good governance? It would be dependent on point sources (oil fields) and aid for revenue, with potentially negative impacts on the effectiveness and legitimacy of the state; political competition would facilitate the escalation of numerous inter-ethnic rivalries. This study cannot answer such questions; but they are worth asking.

Continued engagement with the Sudanese peace process and the planned referendum offer challenges to donors: the substantial aid promised in the event of peace is conditional only on peace, not on the quality of governance and the development strategy, both of which will determine whether Sudan will become an effective and legitimate state, or even two.

Kashmir has arguably had a significant influence on the *shape* of aid to India. The withdrawal of some countries' aid programmes in protest at India's nuclear testing was one of several reasons why the government decided in 2002 to reduce the number of donors to India by cutting out the smaller bilaterals.

Juridical sovereignty can remain unresolved for long periods, undermining the legitimacy of a state both internally and externally. Sudan and India have both experienced this to varying degrees. While there is a prospect that both these conflicts will be resolved during this decade, there are other nations with 'states-in-the-making' within or straddling their borders.⁴⁵ Continued poor development performance, and/or a failure to reduce or mitigate significant regional inequality, may have serious consequences in such cases.

In the case of the consistent 'poor performer' identified clearly in Chapter 3, Zambia, juridical sovereignty is not an issue; nor is it for Rwanda⁴⁶ or Niger, which are both identified on three counts (out of a possible four). For those countries without good data, juridical sovereignty may well become an issue in Afghanistan and North Korea; it has been for Eritrea and is for Somalia.

⁴⁵ States in the Balkans; and those under international or UN occupation.

⁴⁶ Though see the discussion in footnote 4 above.

What can we say about the hypothesis that at least two of juridical sovereignty, empirical sovereignty and international recognition need to be problematic before a country is difficult to assist, bearing in mind that our limited case studies cannot be representative? The volume, form and channels of aid were all affected in Sudan, but not in India, with the exception of the suspension of some bilateral aid programmes following its nuclear test. However, in Sudan the long-running existence of a potential juridical sovereignty issue – which had not previously slowed aid significantly – combined with strong negative external perceptions of the regime as a rogue state in the 1990s. Arguably, this latter factor was more powerful in reducing the volume of aid, and shifting the majority of remaining aid to humanitarian and extra-governmental modes. Both the Sudan and the India case suggest that a juridical sovereignty issue by itself is not enough to make a country difficult to assist. The difficulties were manifold. But it does demonstrate the difficulties of providing development assistance.

Sudan and India/Kashmir are not the equivalents of Kosovo, Iraq or Somalia/Somaliland. Juridical sovereignty may well still become more of an issue both globally and for aid for the reasons described in Chapters 2 and 4. What these case studies tell us is that the way aid is or is not given may lend legitimacy (or not) to struggles to redefine territorial sovereignty, and may therefore affect the final outcome in terms of state formation.

5.5 Aid and empirical sovereignty

Can varied empirical sovereignty explain why countries (or Indian states) are variably assisted and difficult to assist? Empirical sovereignty in the sense defined in Chapter 4 – the quality of state institutions in terms of their legitimacy, authority and effectiveness, with legitimacy supported by the ‘political contract’ and societal integration – is problematic in all three countries and a number of Indian states.

5.5.1 Effectiveness

Of the three principal manifestations of empirical sovereignty – state effectiveness, authority and legitimacy – donors have historically paid most attention to the first. Donors typically look first for effectiveness in managing the economy, partly on the assumption that everything else should follow. This of course makes sense from an accountability point of view, as giving money requires a capacity to manage it. Rwanda, Malawi and the Indian states illustrate this preoccupation.

The Rwandan state was perceived as effective in the 1980s, and is perceived as effective in some dimensions again today. The enormous needs of reconstruction following the civil war and genocide; the re-establishment of law and order; its attempt to seek a judicial solution to the genocide’s mass responsibility, including through the introduction of participatory *gacaca* processes; and the delivery of activities towards ‘national unity and reconciliation’ combined with economic reform, sensible and non-corrupt management of the economy and especially the development of a Poverty Reduction Strategy (PRS) have been used to justify significant aid flows. But Rwanda remains highly dependent on external aid, and government capacity,

notably for implementing the PRS, is still significantly weakened by the after-effects of genocide.

Malawi's transition to multiparty democracy, and the commitment of the newly elected government to sound fiscal and public expenditure management, engendered optimism about economic prospects in the 1990s. This optimism was unfounded. The governing party's attempts to retain and extend its political power distorted the behaviour of politicians. Meanwhile, the quality and effectiveness of the civil service declined. Despite this, donors provided substantial aid in the form of project and humanitarian aid and direct budget support. However, budget support was interrupted by Malawi going off-track in 2000–2003, and IFI and bilateral funds were restored in late 2003 only on condition that the Malawian government undertake reforms (e.g. to halt corruption) and live within its means.

There are two views of the effectiveness of the Malawian state in using aid, which relate to government effectiveness overall. One is that the government's impetus for good governance is undermined by the logic of neo-patrimonialism, and as a result critical economic and political reforms have been left undone or partially done. Examples include the reform of ADMARC, the state agricultural marketing agency, which has been used to reward party supporters, while contributing to household food insecurity. Similarly, the government has found it difficult to halt corruption by senior political figures because patronage politics is more important than structural reform. (Cammack, 2004). The second view⁴⁷ is that Malawi's poor governance is largely a consequence of its low level of development, that there are surprising variations in development performance across sectors – with good performance and high satisfaction levels in health and poor performance and low satisfaction levels in education. This may be explained by the absence of neo-patrimonial interest in some sectors, or by differences in sectoral leadership, and may also have been influenced by aid strategies. It is possible that the government leaves donors to 'get on with the job' in certain fields, such as providing agricultural inputs, either because of disinterest, or because it really wants a programme implemented. This illustrates the way in which donors' actions can have positive development effects, despite a poor and deteriorating policy environment. But it also shows how donors can be intimately tied up in the development performance of a low-income country, subject to limits set by the sovereign power.

Sudan presents a paradoxical picture: in terms of economic growth performance, and the policies necessary for sound macro-economic management, the state has been more effective in the 1990s than in the 1980s, when aid was allocated relatively liberally. In the 1980s, IMF-led structural adjustment conditions were broken several years running, but international aid to Sudan continued, backed by arguments about Sudan's geo-strategic position, and despite renewed civil war. Renewed conflict and the response of the security apparatus made aid practically difficult to administer. But it was not until the early 1990s that most aid was withdrawn, precisely at the time when Sudan's economic policies and economic growth picked up. Perceptions of the aid environment were largely formed by non-aid international political considerations.

⁴⁷ This second view was provided by Roger Wilson, DFID, in comments on the first draft.

Disengagement from the north of Sudan arguably contributed to the country's poor performance on human development during the 1990s. It achieved little in terms of persuading the regime to change its policies, either on its international relations or on the war. What achieved this was the post-9/11 international campaigns against terrorism, and Sudan's desire to 'come in from the cold', for security and economic reasons. Basic services, relief and famine prevention had depended substantially on donors since the early 1980s; continued engagement would have contributed to a higher level of basic service provision in the north, possibly better human development outcomes at least for those away from conflict areas, and a greater international capability to support peace, reconstruction and development.

The signing of a peace agreement and recent favorable economic conditions, driven in part by the government and interventions by the IMF, may bring about a resumption of structural adjustment support and provide a fiduciary incentive for bilateral donors to re-engage. But the drivers for aid re-engagement are not premised on core concerns of empirical sovereignty (in terms of effectiveness – there have been cuts in public expenditure, declines in human development according to many indicators and increased inequality).

A few donors have bucked the trend of providing most aid to Indian states which are performing best, and have focused at least part of their efforts on the persistently poor states. While the World Bank's overall pattern of aid allocation to states is similar to donors in general, it has developed a major focus on Uttar Pradesh, considered a poor performer. Along with DFID, it has been providing major aid to Orissa for some time. Other persistently poor states have been little aided, however. These have generally been seen as the least effective states, and while there is some evidence to back this view, in terms of commitment to reform and performance on economic growth and poverty reduction, there is also counter-evidence on some indicators. In terms of policy inputs, the proportion of state expenditure on health and education shows Andhra Pradesh – the favoured state – very high on health and very low on education; the unloved Assam and Bihar are high on education and low on health (Shepherd, Anderson and Kyegombe, 2004).

Aid has generally flowed to the states which have been perceived to have had strong commitment to economic reform, and the better fiscal management which has enabled them to benefit from a far higher proportion of Indian government programme funding. This has usually combined with flows of private sector investment, both domestic and foreign, to create a vicious exclusionary circle where aid flows have simply reinforced long-term public and private flows. With exceptions, aid has not contributed much to improving the effectiveness of the persistently poor states. However, until the 10th Five Year Plan, which is more focused on this issue, nor had the Indian government.

5.5.2 Authority

A degree of state authority, or power based on consent, is generally the basis for the national political stability which is necessary to development and to aid effectiveness. External assistance has supported state authority relatively little historically; in the 1990s, the advent of governance as a focus did introduce police and justice reform programmes, which began to contribute to state authority; civil service reform

programmes, however, typically had the more fiscal objective of retrenchment or control of unproductive expenditure. Arguably, structural adjustment programmes did not undermine state authority, but responded to the loss of authority. Some would argue that structural adjustment shifted power from state to the IFIs, with programmes which did not help to rebuild state authority, at least in the short term. What undermined the authority of the civil service and the state as a whole was the combination of neo-patrimonial politics, which influenced decisions in favour of particular groups or regions, and the development of excluded opposition movements, which eventually mobilised excluded people.

If the response of the state was repressive and/or the opposition movements became violent, loss of state control over territory could result. This pattern is most strongly visible in Sudan, but also operated in Rwanda, with the variation that the opposition organised largely in Uganda and an invasion was able to make a clean break with the past.

Regimes vary in the extent to which they are effective in exercising authority. In Rwanda, the authority of the post-independence regimes was based on a vision of 'Hutu democracy'. Combined with institutionalised discrimination, this led to significant numbers of Tutsi refugees and exiles. The Uganda-based RPF was able to capitalise on the absence of a solution to the 'refugee problem' in order to seize power, and thus allow refugees to return. This was however followed by up to 2m Hutu refugees fleeing, principally to Zaire, creating a new source of insecurity for the state, and prompting a military intervention. Most refugees have now returned, as have a significant number of exiles. Creating a unified 'political community' in Rwanda is the main challenge facing the current regime, on the basis of which legitimate state authority will be exercised without the recourse to the use (or threat) of force' (Piron and McKay, 2004).

Malawi in the 1990s has witnessed deteriorating (though still varied) effectiveness, but the state was still able to exercise authority, and was widely perceived as legitimate. The current police and justice reform programmes address the insecurity and lack of safety and justice in some communities, and are trying to develop stronger locally accountable institutions. While there are many in the police who want reform, some officials are finding it difficult to accept that, in a democracy, they must act with transparency and be accountable to the public. Similarly, the Anti-Corruption Bureau is trying to do good work, but is stopped by some politicians who wish to halt amendments to the law allowing it to operate effectively.

Aid actors have been most exercised by the absence of state authority where this has affected their ability to deliver aid. In Rwanda, this was a motivation for the strong emphasis placed on rebuilding post-genocide state authority. Perhaps the effect in Sudan will be similar. However, beyond the aid delivery aspect, this exercises donors relatively little as a programmatic issue. Governance programmes focused on building state authority can make significant contributions in situations where state authority has been undermined, particularly if there is a degree of governmental willingness to see peace and order re-established, and a minimal commitment to equity, respect for human rights and international humanitarian law. Significant donor support to the justice sector in Rwanda would be an example; though in a context where the other minimal commitments have not been met. . The Indian state of Bihar is a case in

point. Law and order is perceived to have deteriorated under the Rashtriya Janata Dal governments of Laloo Prasad and Rabri Devi. However, there is no inter-communal violence in Bihar, which has a substantial Muslim population. The Bihar government has attempted partially to redress the balance of power between upper and lower castes in the state. In doing so, it has faced a battery of anti-development 'vested interests' in many parts of the state, which have created a situation of lawlessness and gang rule. There have been significant institutional changes, including much greater access by lower castes to education, elections to local government which have brought in lower caste as well as women representatives, and challenges to the upper caste dominance of everyday life. External support focused on institutional development with equity in a very difficult environment would have lent a greater degree of credibility to these efforts. Entry points are the education system, in which the state already invests heavily, but which performs very variably; and actions which support the courts and the police deliver justice in a situation where both institutions have been corrupted.

In Malawi, donors have attempted to reconcile the ruling party and opposition parties at various times in the 1990s, by providing funds for conflict resolution processes, generally with little success. Donors have done little to help reconcile groups that feel excluded from government – some people in the north of the country, those who believe the 1999 election was unfair, and those who do not support the ruling party and have been told by UDF politicians that they are therefore ineligible for development assistance. So, for instance, donors continued providing funds to the Ministry of Information while the ruling party monopolised state radio and TV, even though civil society groups complained that opposition groups were being excluded.

Preventing the collapse of state authority has rarely been a focus of aid despite its obvious benefits. While it is difficult but not impossible to pinpoint indicators which would help identify the risks (Clement, 2004), this should not prevent the construction of aid strategies with reference to preventing collapse. What is to prevent a 'relapse' in Rwanda, especially given high levels of inequality and potentially controversial agricultural and land policies? Orissa or MP might well go the way of Bihar. Malawi's neo-patrimonial politics and low economic growth may drive it towards inter-ethnic competition. While none of these may result in collapse (Orissa and MP have different economic and social structures to Bihar), preventing collapse is long overdue as a strong focus for international relations. One example is the current effort by Malawi's donors to restart budget support to keep the country from 'meltdown', which meant (to them) cutting services, halting payment of wages to civil servants, increasing domestic borrowing (and thus interest rates and inflation), and impacting on the 2004 electoral process.

As with promoting effectiveness, supporting state authority has implications beyond aid programmes. The availability of arms in international markets has made it possible to challenge state authority, as well as possible to repress opposition more easily. The control of arms exports is a necessary adjunct of promoting authority and stability.

5.5.3 Legitimacy

Political legitimacy is derived from a number of sources, in particular the legitimacy of a charismatic leader, respect for traditional ways of governing, and the more

‘rational-legal’ forms of having and respecting a constitution, which may include holding free and fair elections; developing and respecting a social or political contract so that individuals know what they are entitled to and what is expected of them; and using the state to develop or maintain a degree of societal integration. The political contract may be formally expressed through manifestos or public statements, backed up by delivery on commitments; and/or informally developed based on the character of leaders and the functioning of institutions and decision-making processes.

Since the end of the Cold War, promoting multiparty democracy has been a major international strategy for enhancing the legitimacy of states. This can be a blunt instrument. The possible negative consequences of the combination of market reform and the promotion of multiparty democracy have been pointed out (powerfully but anecdotally) by Chua (2003): the likelihood that democracy will usher in populist opposition to business-based minorities who have benefited from market reforms. For example, Sudan has little experience of successful institutionalised political competition, many years of political exclusion and conflict, and a high level of regional and inter-ethnic inequality. Here, it would conceivably be important to promote multiparty democracy with strong consideration for other aspects of state institutional development. The rule of law and respect for equal rights is also an essential aspect of state legitimacy. In Rwanda post independence regimes grounded their legitimacy on majoritarian (Hutu) democracy rather than treating all citizens equally’

In Malawi, the absence of ideological differences between parties has led to the exploitation of regional and ethnic difference for political gain. This could be a slippery slope promoting societal disintegration along ethnic, regional and religious lines. ‘Vote for me if you want to benefit from aid’ has been a regular electoral gambit, with the implication that constituencies returning opposition MPs would be discriminated against.

Some poor Indian states where power has changed hands between upper caste-dominated political parties (Congress and the BJP) have hardly benefited: the exception may prove to be Rajasthan, which grew economically (more in the 1980s than 1990s) and reduced poverty significantly during the 1990s. Other states which have reduced poverty significantly have been those where either there is lower caste participation in government (West Bengal, Kerala, Tamil Nadu) or where the middle castes have reached an accommodation with the lower castes (Punjab, Haryana, Maharashtra, Gujarat, Karnataka and Andhra Pradesh).

It is particularly important to assess legitimacy with respect to the ‘political contract’. If a constitution embeds fundamental rights and freedoms, or a party or individual makes a public stand on a particular issue which proves critical in election victory, or there are certain guarantees which are assumed in political life, analysts of legitimacy need to establish whether these ‘promises’ are being implemented, or efforts made thereto, and whether this is appreciated. Thus in India, poverty reduction is a key part of the ‘political contract’ and the political discourse; the legitimacy of state governments is partly measured (by the media, by the government of India) by records on poverty reduction. Famine prevention is consensually guaranteed by all political parties. The 1999 ‘super cyclone’ in Orissa, which was an international scandal for India, resulted in considerable institutional innovation and investment in

famine prevention in the state. The 2002 Hindu–Muslim massacres in Gujarat undermined the commitment of India to a secular state. In both cases, continuation of the same party in power may result in reduced legitimacy of the state for significant minorities.

In Malawi, the government has promised improved education, but opening facilities to all children free of charge has not resulted in quality education for all. The government's promises to alleviate poverty and to reduce wasteful spending have not been followed through, and its human rights record (especially with regard to free expression) has been disheartening to campaigners. Nonetheless, donors have rarely criticised the government for not living up to its 'political contract', but have focused instead on structural adjustment.

In Rwanda, the 'contract' between the current government and the population seems to include a number of dimensions, with security and national reconciliation at the top of the agenda, but also poverty reduction as a key source of legitimacy. There is, however, limited political space to 'monitor' the contract (e.g. rural poverty reduction or the distributional impact of policy), or to provide a check on abuses, such as disappearances at election time or limits on freedom of expression.

Aid has a weak record in promoting real legitimacy, perhaps partly because legitimacy is such a key aspect of sovereignty and intrinsically difficult for external agencies. For example, serious attempts to promote effective democratisation through the institutional development of parliaments have not been widespread, though USAID and DFID are both providing assistance in this area. Support to the development of political parties, which are key political actors, has been even more difficult, though US institutions and the German political foundations have been able to work in this area. Support for anti-corruption agencies has only become a feature in the late 1990s, whereas assistance to the media and civil society has been more widespread, with the emergence of a focus on human rights, but could still be much stronger in many countries. Promoting and ensuring respect for fundamental rights and helping to promote non-military alternatives may be more appropriate solutions than advocating specific models for formal political institutions, regardless of the political culture or history of a nation.⁴⁸

A degree of equity, if not equality, is often an implicit and much debated aspect of the political contract. A minimum of societal integration is necessary to prevent state collapse. Given the power of ethnic and regional identities, it is often these inequalities which can do most damage and contribute to state collapse. Donors give little consideration to such distributional issues. Yet greater equality has been found to be good for growth in many circumstances of high inequality; growth with societal disintegration eventually undermines or limits the growth which can be achieved. Sudan is an example of this.

In the 1970s and 1980s, much aid was given in underdeveloped regions; today, there is relatively little of this sort of aid left. Support to local government potentially has the same sort of redistributive effect if local government is financed in an equity-enhancing way. However, this is politically difficult, and not always the case. India

⁴⁸ Much of this is, of course, easy to say, but very hard to do in practice.

has had numerous programmes and special subsidies for 'backward' areas and socio-economic groups. Aid has contributed relatively little except scepticism to these, despite the likelihood that small improvements could have substantial consequences, given the scale of resources allocated by the Indian government for such purposes.

5.6 International recognition and support for the incumbent regime

The question here is whether aid strategies are affected by the perceptions of aid actors based on a range of geopolitical and bureaucratic political factors, and on how donors *interpret* empirical sovereignty.

In both the 1980s and 1990s, international relations affected the flow, forms and channels of aid to Sudan, overriding other considerations. Sudan was seen as 'strategic' to aid during the Cold War, and its oil supplies may be making it a strategic country again. It benefited from privileged access to renewed IMF credits despite regularly renegeing on conditions. During the 1990s, aid to the Khartoum government was reduced to low levels largely because the military regime aligned itself externally with Iraq, and internally with the fundamentalist Muslim Brothers. The fact that the government did not progress peace in the country was almost certainly a secondary consideration, which had also applied to the elected coalition governments of Sadiq el Mahdi, under whom aid had begun to increase.

The proposed resumption of aid in Sudan as a result of peace looks set to happen irrespective of the absence of significant change in fundamental empirical sovereignty within the country. It may of course anticipate change in political, governance and socio-economic conditions as a result of peace. The changed attitude of aid donors to Sudan before and after 9/11 also suggested that aid actors were in the process of changing their interpretations of its empirical sovereignty.

As argued above, international recognition of the SPLM/A, and provision of aid including capacity-building for governance, has also provided a potential basis for the creation of a new state in the south. The achievement of peace will have enormous benefits for the people of the south and of Sudan generally; this illustrates the power that international recognition can bring into a situation on the side of state creation. A comparison could be made with Somaliland, where there is a *de facto* state, with improving levels of effectiveness, authority and legitimacy, but where there is no equivalent international recognition. This has limited the forms and channels for multilateral aid in particular. In Sudan, the recognition has come before the existence of a state, and may have strengthened the case inside the SPLM/A for a separate state.

The Rwanda example illustrates strongly how differently donors can interpret a country's empirical sovereignty, as well as how a state's own international behaviour affects aid. In addition to basic questions of the ability of the government to manage large aid flows, human rights considerations have meant that aid to Rwanda has been highly politicised.

Support for Rwanda over time has been affected by a number of political considerations and international alliances. For example, the Habyarimana regime

received military assistance from Belgium and France when it was attacked by the Uganda-based and Anglophone-dominated RPF in 1990. This was in line with French foreign policy, which aimed to protect perceived French interests in the region, and assistance continued once the genocide started (Prunier, 1995). The French government remains highly suspicious of the current regime, and this lack of trust is mutual. The failure of the UN and the international community more generally to intervene to prevent or stop the genocide in April 1994 is one of the most important failings of the international aid and political system in recent years.

Rwanda's own international behaviour has been problematic, and has led to differing interpretations of the legitimacy of its government by donors. Rwanda has been a source of instability for the region, in addition to being affected by events in neighbouring countries. Furthermore, the post-independence regimes' refusal to recognise the right of return for Tutsi refugees served as one of the justifications for an armed intervention by the RPF in 1990. Similarly, the presence of *ex-génocidaires* in Zaire/DRC was used repeatedly by the RPF-led government as a justification for military intervention. Whilst there is an acceptance of a genuine security threat, it seems that this is not the only motive for the continued Rwandan presence, and that, as with the Ugandan army, natural resources in eastern DRC are being exploited. Officially, Rwanda withdrew all its troops from the DRC in October 2002. It is, however, still exerting significant influence through its support for RCD-Goma, the militia that controls part of the eastern DRC. Certain donors have chosen to ignore or downplay these issues, and the continued authoritarian character of the state, and focus on the internal gains which have been made since the genocide.

In particular, countries with little history of pre-genocide support, such as the UK, Sweden and the Netherlands, have provided a greater volume of aid since the late 1990s. Possibly because it had no historical association with Rwanda, the UK has been able to push for a greater use of budget support, in line with its aid effectiveness policy. Some governments that were important funders in the past, such as Switzerland, have not resumed a normal development relationship in part because of significant domestic constituencies linked to the Rwandan diaspora, and a number of more critical donors, such as the US, Canada and Belgium, have placed great emphasis on progress on the rule of law. Even the more engaged donors are wary of providing assistance without accountability, and new tools, such as Memoranda of Understanding, have been developed to allow political as well as developmental dialogue to take place.

Aid decisions in Malawi and India, on the other hand, have been taken in the 1990s without any significant overriding international relations perspective; here, development considerations have dominated. Malawi lost the strategic position it held under Hastings Banda, as a bastion of capitalism in a region tilting towards socialism. Nevertheless, strong aid flows continued in the 1990s, based on the optimism generated by the change to multiparty democracy. Recently, the resumption of IMF credits and multi-donor budget support has been argued on the basis of preventing the economy from collapsing, despite the absence of significant movement on the conditions set by the IFIs. In India, aid allocation decisions between the states have been taken purely on grounds of perceived aid effectiveness; even states which are unable to guarantee the safety of aid workers or NGO staff, because their authority does not extend to certain geographical areas, have received considerable aid. Andhra

Pradesh, for example, has received significant aid despite the continued activities of the Naxalite movement in several remote areas. However, aid to India as a whole has been affected by the response of donors to its nuclear tests; and subsequently by the reactions of the government to those responses.

Malawi and aid to the Indian states illustrate the power which donor agencies have to decide aid strategies and allocation on technical grounds where other geopolitical or international factors are not significant. There is a small 'p' politics of such decisions, within which macroeconomic criteria still play a very important part.

5.7 Implications for the conceptual framework

Is it the case that two of empirical sovereignty, juridical sovereignty and international recognition have generally been problematic before a country is difficult to assist? It is argued here that there is an interaction between actual empirical sovereignty conditions in a country and international perceptions of the same, which may be based on international relations issues, or on the small 'p' development politics within and among donor agencies. Juridical sovereignty also combines with international perceptions in a similar interaction. In other words, both the juridical and empirical sovereignty of countries are filtered by international considerations which may not have much to do with the performance of the country in question.

In Rwanda, different donor countries have taken radically different views on the legitimacy of the pre- and post-genocide regimes. Some donors would judge Rwanda difficult to assist (or have preferred not to) while others have found ways of assisting it, despite the authoritarian character of the RPF government and the problems which the regime's interventions in the region have caused. Malawi's aid levels were higher and more consistent, with no significant problems (or advantages) in terms of international recognition during the 1990s. Once donors had decided to press the Malawian government to move to a multiparty electoral system, and this and domestic pressure resulted in regime change, arguing the case for aid at home no doubt became easier for bilateral agencies.

Aid to India as a whole has been affected by juridical sovereignty or international recognition issues around Jammu and Kashmir. However, as far as aid to Indian states is concerned, donors' perceptions of state effectiveness have driven aid allocations. Of course, these states are not juridically sovereign, nor do they engage in international relations in the same way as sovereign states, so the question does not arise in the same way.

It was argued above that aid to Sudan was predominantly determined by international relations considerations, supplemented by the uncertain prospects of state creation in southern Sudan. Juridical sovereignty has arguably emerged as an issue only because the Sudanese state's legitimacy and authority waned across swathes of territory, not just the south; and because of persistent aid to the south.

In conclusion, the case studies demonstrate the importance of international perceptions in shaping analysis of sovereignty: direct read across from a country's

juridical or empirical sovereignty to aid strategies is rare. Interpretations by aid or other international relations actors are also influential.

Further general observations include the fact that authority, effectiveness and legitimacy are not always co-variant attributes of states. Aid has been generally intentionally supportive of effectiveness, and may have been blind to other aspects. Authority is important and often fragile. Legitimacy may be the weakest link. It may also be the most subjective. Some universals help, such as attention to the political contract, an assessment of whether the regime deals with exclusion or generates it, or has respect for fundamental rights.

5.8 Implications for aid strategies

The first implication is that country (or Indian state) performance needs more rigorous, balanced analysis on a country-by-country basis, as a background to deciding on flows, forms and channels of aid, as well as its content.

The dangers of a partial analysis are illustrated in India, where perceptions of state performance have dominated analysis over a long period of time in the private, public and international aid sectors. The consequence has been worsening inequalities between states, and the creation of a group of increasingly fragile states among the persistently poor. There is effectively in India a two-tier international system, with results which indicate what may happen if the same logic is applied at international level.

In terms of aid content, the case studies reviewed here add to the argument for greater efforts to promote human development even where economic performance and governance are weak. The counter-argument is that this means states' elites no longer have to be concerned with the human development of poor populations if donors do this, which can undermine the contract between ruler and ruled.

A similar caveat needs to be made with respect to political development. The promotion of multiparty democracy needs to be tempered with concern for the effectiveness, authority and legitimacy of the state: too rapid or unprepared a change may be seriously damaging in terms of empirical sovereignty and, if violent conflict emerges as a result, for the welfare of the country for decades.

The power of structural constraints on development needs greater recognition. Work on getting policy inputs right needs to be complemented by much stronger efforts to work on structural constraints, whether these lie in the geographical character and vulnerability of a country, or in its relations with world markets. This would support the current efforts of OECD countries to 'join up' public sector actions which impinge on developing countries. It also suggests that donors should coordinate around helping a country deal with structural obstacles.

The question of what is gained by disengagement needs to be asked again. In Sudan, disengagement from large parts of the country gained little from a political point of view, and lost considerable developmental ground. It could be that Sudan's human development improvement would have been greater without disengagement.

Disengagement from the beginning of the 1990s has had many costs: the lack of data and knowledge with which to build up a picture of the country's performance trajectory and the limited understanding of the government's policy directives are key challenges for future aid policy-makers.⁴⁹ Rwanda during the late 1980s and early 1990s provides a counter-example where recognition of authoritarianism as a growing problem might have helped.

The availability and quality of data is a critical constraint on aid to many developing countries. It is likely that a systematic engagement with basic data-gathering and analysis of the political economy as well as basic indicators is one of the *minima* or *sine qua non* of development assistance in situations where donor countries are currently inclined to disengage.

⁴⁹ There are also more politically sensitive issues around the collection and disaggregation of data, as evident in the policies of the government of Rwanda after the genocide (and in relation to Sudan's IDPs).

Chapter 6: Conclusion

6.1 Overall conclusions

In seeking to move the agenda forwards, this report has covered many issues that are contentious, contested and inherently difficult. Its findings should be seen as tentative and preliminary, and as contributing towards the clarification of terminology and the identification of priorities for further thinking and research. Its conclusions in terms of operational consequences are also tentative. With this in mind, it is possible to draw the following main conclusions from the study:

- The ‘poor performers’ debate has attracted welcome and long-overdue attention to the needs of very poor people living in some of the most hostile environments on the planet. There is greater consensus that disengagement from these countries is not an option. It will be important to ensure that the agenda remains driven by developmental, poverty reduction and humanitarian concerns, and not subsumed within wider security agendas.
- Existing measures of development performance remain controversial. Quantitative methods can assist in prioritising aid interventions on the basis of need, and in refining the sectoral focus of aid programmes. However, performance league tables risk being both misleading and providing an unreliable basis for resource allocation and for predicting actual aid flows.
- The assumption that it is possible to distinguish easily between ‘good’ and ‘poor’ performers is flawed. Many very poor countries perform poorly in some ways at some times; very few perform badly universally and persistently. Yet there is a risk that a two-tier international aid system will emerge, in which different countries access different types of aid according to whether they are put in the ‘good’ or ‘poor performers’ category.
- Poor development performance *per se* is not the defining problem that is at issue for donors. Rather, it is the absence or perceived weakness of legitimate authority, and the perceived ineffectiveness of state institutions with which to engage in many countries. Responding to this challenge will require developing new understanding of the problem, new or modified aid instruments that can be deployed to support poor populations living in situations of contested or weak states. Ensuring that appropriate arrangements to govern such aid are developed will be important.
- New understanding of the problem needs to be based on a more rounded and politically informed analysis of development performance over time, in which aid and international relations more broadly are acknowledged to play a part, and where structural constraints are adequately recognised. Concern for the effectiveness of a state will need to be balanced with concern for its legitimacy and authority.
- Existing aid instruments can be adapted in difficult policy environments. However, new instruments will also be needed, especially to allow a balance between aid to states and extra-state assistance. Lessons can also be learned from humanitarian approaches.

More detailed findings can be divided between analytical and operational conclusions.

6.2 Analytical conclusions

Aid to ‘poorly performing countries’ presents significant dilemmas for the international community; the decisions that are taken are of consequence for the many millions of poor and very poor people who live in these countries. The current debate is welcome, as it is important to find ways to avoid ways of making some of the poorest populations on the planet suffering twice – neglected or even abused by their own governments, and then discriminated against by the international community. The debate is part of a wider trend towards the internationalisation of responsibility to promote human welfare and protect human life. This is highly contested territory with profound, but as yet unresolved, implications for development cooperation.

It will be important to ensure that the new energy garnered for aid in these difficult environments remains focused on the achievement of development and humanitarian goals, and does not become overshadowed by other concerns. This will imply being very clear about the primary aim of aid in these environments. It will also entail anticipating and managing the risk that multiple goals may conflict with, rather than complement, each other.

6.2.1 Identifying the ‘poor performers’: a hazardous enterprise

There have now been a number of attempts by donors to identify ‘poorly performing countries’ in order either to re-allocate aid away from them and towards countries which will make better use of it; or, more recently, to develop aid strategies to promote better performance. The conclusion of this report is that this is a hazardous enterprise. These attempts have not been rigorous in their methods, and in particular have not analysed performance over time (with the notable exception of the 2003 Human Development Report); have relied on subjective indicators, and have combined subjective and objective indicators in ways which obscure reality; and lead to unhelpful blanket categorisations of countries.

This study’s comparative analysis of quantifiable performance (i.e. change or trends) on development outcomes over time, and the establishment of associations with governance, policy change or aid, is worthwhile and justifiable. However, it has not yielded a robust category of countries which can be labelled ‘poor performers’. Most poor countries perform around the average in terms of development outcomes, which itself is not very promising; few were consistently poor performers across the two basic outcome performance indicators examined in this study, and across the two decades of the 1980s and 1990s. *This study concludes that the integrated league table approach to distinguishing good and poor performers is flawed.*

A small group of countries emerged as ‘poor performers’ by the criteria adopted: Zambia, and to a lesser degree Niger and Rwanda. There may be others for which data is unavailable (e.g. Afghanistan, North Korea, Somalia) and still others where the data may be wrong (Sierra Leone, Liberia). Even fewer countries emerge as consistently ‘good performers’. A much larger group of countries is ‘difficult to assist’, in the sense of not conforming to donors’ idealised paradigm of what makes development co-operation effective; within this large set, a smaller subset is characterised by

particularly poor security. *Understanding why countries are difficult to assist is as important a question for donors as analysing country performance.*

Performance on economic growth and infant mortality reduction has not been strongly associated during the 1980s and 1990s. This study confirms the findings of others, namely that better governance or policy inputs is associated with better performance on economic growth. Reductions in infant mortality are not correlated consistently with either governance or economic growth. Preliminary evidence suggests, however, that they are associated with aid volumes. *The balance of evidence is that aid contributes to both economic growth and human development even in poor policy environments,* though in the case of economic growth this is clearly less so the poorer the policy environment (Beynon, 2003). There is significantly less understanding of what drives human development outcomes, and the role of aid in this, than there is of the role of aid in economic growth. This deficiency deserves to be remedied. *The implication is that aid is part of the performance picture, and needs to be treated as such.*

More speculatively, there are two more promising approaches to the issue of producing categories of countries. The first involves looking for a number of common trajectories around development outcomes and associated other indicators, rather than a ranking of countries. The second is to develop a rigorous understanding of the features and processes underpinning the performance of a particular country, as a contribution to developing country-specific aid strategies, and building categories on the basis of qualitative analysis. The 2003 HDR offers an approach to the first, which can be built on; the case studies carried out for this report represent a first attempt at the latter.

This suggests the need for great caution in relying overly on using apparently objective, quantified data sets to inform resource allocation and in determining the selection of aid instrumentation.

6.2.2 Difficult partnerships

The current and growing state-centricity of aid is a key problem in formulating approaches to aid in difficult policy environments. The shifting political economy of states, the accountability and other demands on states of donors concerned with aid effectiveness, and the growing political importance of the global security agenda have combined to make state-centred aid increasingly problematic in many countries. This trend is likely to continue and to deepen in the near future as a result of globalisation, new political and economic formations, the redefinition of territorial boundaries and new, internationalised arrangements of governance, including occupation.

A strong conclusion emerging from this analysis is that governance and policy are two of several factors influencing performance: other important factors are structural constraints, starting conditions, aid volumes (and more speculatively the character of aid in terms of content, channels and instruments, though this remains relatively under-researched), international economic and political relations, and the nature of state–society relations. Given uncertainties about the direction of causality in these relationships, a more comprehensive approach would be repaid in the long term. Broadly speaking, donors' focus on policy inputs (especially in economic reform and

the social sectors) and governance in their country strategies, and the emphasis on policy dialogue, needs to be tempered with appropriate actions to address other dimensions of performance and aid and international relationships. A more holistic analysis and portfolio of interventions may be needed.

While there has been a strong focus on improving governance and policy inputs among donors, this has not addressed the issues involved in engaging with the neo-patrimonial political systems or emerging political complexes which have characterised the shifting political economies of some states with ‘difficult policy environments’. There may be valuable lessons to be drawn from the experience of the humanitarian community in engaging in these complex environments. It will also be important to consider whether and how international development actors fulfil their responsibilities under international law when engaging with state and non-state actors responsible for major violations of human rights and international humanitarian law.

Aid has also contributed more broadly to the degree of statehood or sovereignty achieved. Unusually, and perhaps where strategic interests are strong, aid strategies can contribute to the potential for state creation – humanitarian aid to southern Sudan may have contributed to the development of a platform for the consideration of the creation of a new state, with international approval, as with Eritrea before it. The same has not been true for Somaliland. More typically, donors have chosen to focus on certain aspects of statehood – effectiveness, and to a lesser degree aspects of authority – and not others – legitimacy in particular⁵⁰ – partly because state effectiveness and authority provide conditions for the short-term effectiveness of aid, which has become donors’ overriding concern. The conclusion of this report would be that focusing more strongly on the legitimacy and overall authority of the state is just as important for performance in the long term.

Deciding on priorities for action within this spectrum is clearly difficult, and requires both holistic and context-specific analysis and decision frameworks,⁵¹ cross-donor co-ordination and ‘joined-up’ initiatives by donor governments. It is now widely recognised that aid in difficult policy and institutional environments needs to be informed by a strong analysis of the political environment, and political dynamics. This report concludes that existing efforts to strengthen aid strategies in this respect, including the development of thinking on how to respond to neo-patrimonial politics and the emergence of new political-economic formations, which both constitute threats to established aid paradigms. Again, however, it is important to distinguish between aid that is politically informed, and aid approaches that are dominated by international political agendas.

Politics, political stability and state–citizen relationships all play important roles in influencing development outcomes. Advocating and working towards political change may have, since the end of the Cold War, excessively privileged multiparty electoral processes and democratic local government. This needs a sensitivity to the national situation which has not always been applied. The analytical framework developed in Chapter 4 is useful in this respect, in that it draws attention to key aspects of statehood

⁵⁰ With the exception of growing work in support of democratisation.

⁵¹ An example of this would be the Drivers of Change initiative in DFID (DFID, 2003), although this would need adaptation to deal with the risks, uncertainty, volatility which often characterises difficult policy environments.

– the legitimacy, authority and effectiveness of the state – concern for which should balance the pursuit of legitimate political development objectives.

Aid has contributed significantly to performance in this analysis, both with respect to economic growth and, more speculatively, to human development. Aid actors' perceptions of the quality of states' institutions have also structured their contributions to better or worse performance. Perceptions among some donors that the Rwandan state is effective and legitimate have facilitated positive contributions to economic growth, though in both countries donors have been divided in their responses to human rights violations and military-economic adventures in the DRC. The withdrawal of much aid to northern Sudan is likely to have contributed negatively to human development outcomes. The absence of aid from persistently poor Indian states has arguably restrained their attempts to catch up with states which have consistently advanced more rapidly. The dilemmas are illustrated by the recent decision to resume multilateral lending to Malawi, in order to prevent 'meltdown', and despite the failure to address substantially the underlying issues which prompted the suspension of support.

A strong conclusion of the study is that donors need to examine their own contributions not only to development performance in a country, but also to the development of state institutions and state–society relationships, which both underpin the quality of the aid relationship, and contribute to long term performance.

6.3 Operational conclusions

Labelling states (as good or poor performers) is generally an unhelpful guide as to what can be done to improve performance. The dangers have been strongly illustrated by the Indian case, where long-term discrimination against the poorest states by the Indian government, private investors and donors has prevented a significant group of states from catching up with the progress made by others, and has seen the poorest states risk high levels of disorder and insecurity. Further work to develop useful categories at the international level is required, as well as context-specific analysis and strategy design work at the country level. The 2003 Human Development Report provides a useful starting point, identifying countries which are in a variety of ways below the minimum thresholds needed to meet the various MDGs, and where additional and concerted effort will be needed to meet the goals. Without such effort, these countries will always be left near the starting line.

Continued engagement in difficult policy environments is a necessary basis for making a positive contribution, whether to human development or to political change; withdrawal should only be an option in extreme cases. Such engagement should be supported by better analysis of the situation, and strategies honed to make positive contributions, coupled with changes in the incentives in donor agencies to make this feasible. Continued engagement can be argued both on short-term developmental and humanitarian grounds – particularly in terms of contributing to human development – and on the basis of its contribution to long-term political development, for example through support to education and the development of a country's middle class.

Various aid instruments are in use in difficult policy environments, from budget support, policy dialogue and conditionality, through sector programmes, projects, engagement with civil society and the private sector, and a growing assortment of humanitarian assistance. A review of these instruments is urgently needed, with respect to the risks entailed in aiding such countries. A first step in the use of different instruments would be acknowledgement of the key political risks of aid in these environments.

The ‘poor performers’ agenda has resulted in only limited innovation in terms of programming strategies. Conventional developmental and humanitarian instruments cannot respond fully to the multiple demands of aid in these environments. *New, potentially radical, aid instruments are likely to be required to respond to the range of conclusions outlined above.* In particular, the challenges of supporting the legitimacy and authority of states, in addition to their effectiveness, will require significant innovation in both the content and modality of aid.⁵² In designing such instruments, it will be important to draw on a wide range of evidence regarding what does and does not work, and to develop principles to enable managers to cope with the inevitably complex dilemmas evoked when working in these environments. Again, the experience of humanitarian actors may be useful in this regard.

The application and impact of policy and political conditionality (which has continued in most poor countries, despite the widespread belief that it does not work) needs to be further examined and the approach may need to be reviewed.

Sector programming needs to be addressed without the expectation that it will result in a budget support arrangement.

Life needs to be re-injected into the project as an aid modality: both to engage in dialogue and work with the grain of positive change, and to assist the maintenance of basic services through local or provincial government, NGOs, the private sector and less problematic parts of the civil service. Thought will need to be given to forms of project which do not over-burden limited administrative capacity or create unsustainable enclaves. Humanitarian aid can play a more substantial and longer-term role, bringing both its increasingly principled approaches and its pragmatic micro- and meso-level operational capabilities to bear. Careful review of mechanisms of sub-contracting public service provision to private providers should be undertaken to understand more fully its advantages and disadvantages in enabling improved access to basic services where the state is unable or unwilling to invest.

Ways of addressing the neglected structural constraints faced by poor countries at international, regional and national levels need to be brought strongly back onto the agenda. This means both ‘joined-up’ initiatives on international issues like trade policies or arms control, and finding ways of including countries with poor states in massive support for spatially integrative infrastructure as well as efforts to deal with damaging social ills like HIV/AIDS, drugs and illicit trade.

⁵² Annex 4 provides a set of questions about juridical and empirical sovereignty and international recognition, around which aid actors can design an analysis to generate aid strategies in difficult policy environments.

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Interviews

World Bank

Colin Scott, Conflict Prevention and Reconstruction Unit, World Bank, Washington DC, April 2003

Kathryn Casson, DFID secondee to LICUS Unit, World Bank, Washington DC, April 2003

International Monetary Fund

Peter Fallon Deputy Chief, Development Issues, Policy Development and Review Department, IMF, Washington DC, April 2003

Mark Tareem, Development Issues, Policy Development and Review Department, IMF, Washington DC, April 2003

United Nations Development Programme

Ravi Rajan, Director, Operations Support Group, Overseeing LICUS team, UNDP, April 2003

Wandia Gichuru, Policy Adviser, Strategic Planning Unit, Bureau for Crisis Prevention and Recovery (BCPR), UNDP, April 2003

Bruno Lemarquis, Program Advisor for Crisis Countries, Sudan LICUS Adviser, UNDP, New York, August 2003

USAID

Letitia Kelly Butler, Director, Office of Policy Planning, Bureau for Policy and Program Coordination, USAID, April 2003

John Marks, Head of Task Force for Sudan, USAID, Washington DC, August 2003

Ami Henson, External Affairs, Task Force for Sudan, USAID, Washington DC, August 2003

Sara Brewer, Country Program Coordinator, Office of Transition Initiatives, USAID, Washington DC, August 2003

DFID

Simon Mansfield and Bernard Harborne, AGHD, DFID, London, August 2003

Research Institutes / Academics

Robert Ayres, Assistance Vice President, Office of International Affairs, American University, Washington DC, April 2003

Carol Lancaster, Georgetown University, Washington DC, August 2003

Jeremy Weinstein, Centre for Global Development, Washington DC, August 2003

Ron Waldman, Mailman School, Columbia University, New York, April 2003

Bruce Jones, Centre on International Cooperation, New York University, New York, April 2003

Steve Krasner, Department of Political Science, Stanford University, April 2003

Nicole Ball, Senior Fellow, Center for International Policy, Washington DC, April 2003

Dina Esposito, Sheba Crocker and Dan Werbel, Centre for Strategic and International Studies, Washington DC, August 2003

Annex 1: Poorly performing countries concept note

Background

Low income countries which have experienced lacklustre development performance and/or have not reformed their public sectors have been labelled ‘poor performers’ by the international community. However, the label is used to cover a variety of situations, and a variety of responses to poor performance is also possible. This piece of work is designed to clarify the problem and the useful responses to it.

The Overseas Development Institute has a programme of work on this issue, of which the current proposal forms a part. Case studies of a number of donors’ policies and practices have been made; a research planning workshop with potential partners in eastern and southern Africa has been held; a seminar series and special issue of Development Policy review is planned; work in S.E.Asia (Cambodia and Papua New Guinea) for AusAid is also under discussion.

Related work at ODI has includes an array of work on aid instruments and public expenditure planning and management; research on human rights and governance reform; and on Poverty Reduction Strategies (a project to monitor their development, research on the politics of PRSPs, advisory work on the development of PRSP monitoring and evaluation systems which measure performance). A comparison between the economic performance of Kenya and Bangladesh is under way, and there is a portfolio of work on the changing role of donors in humanitarian action. There is also substantial research on chronic poverty as part of the Chronic Poverty Research Centre. Work within the Humanitarian Policy Group will also contribute insights on the political economy of conflict and in relation to aid management in chronically unstable environments. Staff at ODI have a breadth of experience in both poor and better performing countries which will be brought to bear on this study.

Objectives

- (i) to clarify and make operational the concept of ‘poor performance’. Specifically to:
- analyse the criteria against which performance is assessed;
 - articulate the key conceptual and programmatic constraints to aid engagement in difficult partnerships and the strategies that have been evolved to confront these
 - develop an approach at the country level for better understanding poor performance and identifying exit routes
- (ii) to develop a quantified baseline of development and performance measures against which performance can be monitored, and against which the evolving concept can be tested.

Activities

There would be two major activities:

- a. conceptual work on the definition and understanding of poor performance, its determinants and existing strategies for management of difficult partnerships. This would be informed by desk studies drawing on selected country cases as well as the statistical work described under (b);

- b. statistical work on indicators of performance and its correlation with poverty outcomes and aid flows

Conceptual and definitional development

This work will attempt to define poor performance among low income countries more clearly and in a way which is operationally useful. Performance will be analysed with respect to development outcomes (economic growth, poverty, human development) as well as donor responses and strategies. A particular concern will be to identify the factors which enable the maintenance of basic health, education and social protection services in situations characterised overall by poor performance.

Existing typologies will be critically examined, and a framework of analysis developed which can be applied in aid programming. This work will be carried out in two phases: the range of existing definitions and concepts will be examined and an analytical framework will be developed. The analytical framework will then be applied to sets of indicators and a range of desk based country cases. Three countries will be studied in depth against a background of a wider range of countries where ODI has experience. In addition, two further countries will be studied under separate (Ausaid) funding, and the results fed into this work.⁵³

The final selection of countries for study will be made in March/April, with inputs from DFID.

Indicators of performance and aid flows

The analytical framework will be used to generate a baseline for 2000 against which performance can be monitored over the next decade. The performance indicators will include economic indicators (for example, growth, investment, budget deficits, trade), social indicators (for example, poverty, inequality, infant mortality, school enrolment), and institutional indicators (for example, democracy and corruption). The main work would involve an exploration of weighting systems to devise (input and outcome) performance indicators. These would be used to identify poor performers and compared with rankings from other lists (for example, those devised for the US Millennium Challenge Account, Collier and Dollar, and the LICUS initiative at the World Bank)

This work will be led by Oliver Morrissey (ODI) and Roger Southall (Human Science Research Council, South Africa).

Links to other activities

ODI will be developing further work in relation to poorly performing countries over the coming year. This is likely to include an application to the SSR and other research funding bodies.

An application is also being made to Ausaid for work in the short term on Cambodia and Papua New Guinea. These more detailed country case studies will add to those proposed here, and enable a richer, more global picture to be analysed.

⁵³ The three case study countries could include: India (where a number of states would be the focus), Kenya and Sudan. The wider range of countries could include: Ghana, Sierra Leone, Nigeria, Malawi, Uganda, Mozambique, Zambia, Zimbabwe, Pakistan, Somalia. The two countries to be studied under separate funding are Cambodia and Papua New Guinea.

Statistical analysis of aid flows and development performance will be partly supported by work at the University of Nottingham and WIDER.

ODI may also be involved in work on the 'Drivers for Change' initiative in Nigeria during 2003.

Outputs

A report will be produced that will synthesise the key findings of the study. In addition to reflecting the findings of the country study, the report will include chapters covering conceptual and definitional issues; international responses to poor performance; the in depth country cases; and presentation of the findings of the statistical analysis and information regarding performance indicators. Underpinning these chapters will be a set of background papers that will be available through the worldwide web and as photocopies. In addition, the key findings will be reported in a set of three briefing papers. All these outputs, including the statistical database will be made available on a CD-Rom.

In addition, a Special Issue of Development Policy Review will be produced in early 2004.

Dissemination

ODI's publications are widely disseminated among governments and donor agencies. Its website has more than 1 million hits per month. All outputs would be available electronically, and would also be disseminated using ODI's large and targeted database.

Additional funding will be sought to support the costs of a small series of seminars to be held in London, Brussels, Paris and Washington in late 2003 and early 2004.

Workplan

| Date | Milestone |
|---|--|
| March 2003 | Terms of reference for statistical analysis and country studies agreed |
| April-September 2003 | Literature review, ODI workshop on wider range of country experience, interviews with key informants, issue mapping. |
| April-September 2003 | Country case studies selected and drafted. Draft baseline statistical analysis of performance and aid flows |
| October 2003 | Preliminary brainstorm with invited audience re: initial findings of review and mapping exercise. Commissioning of further papers for DPR Special issue |
| Oct/November October 2003 | Drafting of report and Briefing Papers ODI seminar |
| November/December 2003/January 2004 March 2004 | Seminars in Brussels, Paris, Washington Special Issue of Development Policy Review |

Human Resources

The table below summarises the key staff to be involved at ODI, their roles in the project, and other related work in which they are currently engaged.

| Name* | Role | Other related work |
|--------------------|---|---|
| Andrew Shepherd | Project Co-ordinator, country case study material, conceptual framework | Deputy Director, Chronic Poverty Research Centre; PRSP Monitoring and Evaluation |
| Jo Macrae | Analysis of aid policy responses in difficult partnerships | Co-ordinator, Humanitarian Policy Group |
| Oliver Morrisey | Performance Indicators and Statistical analysis | Aid flows, aid management and country performance |
| Laure-Helene Piron | Politics of poor performance; country case studies. | Politics of PRSPs, governance and human rights |
| Adele Harmer | Conceptual framework and country case studies. | Humanitarian policy evaluation. |
| John Omiti | Kenya Case study (if selected) | Agricultural economics, development policy |
| Roger Southall | Conceptual and statistical framework. | Governance and democracy indicators, southern Africa. |
| Nambusi Kyegombe | Maintaining basic social services, case studies | PRSP Monitoring and Evaluation, research on chronic poverty and chronic food insecurity, poverty and health |
| Edward Anderson | Statistical analysis | Research on inequality and poverty reduction |
| Peer reviewers | Participation in preliminary workshop and review of draft papers | |

* Curricula vitae are available on request

Budget

| Item | Details | Amount (£) |
|--------------------------------------|---|------------|
| ODI Staff and Research Associates | Research staff | 82,480 |
| Peer reviewers | Two part time research officers | |
| International travel and subsistence | 15 days @£300/day | 4500 |
| Publications | For travel to US/Europe and for peer reviewers including from Africa | 3,000 |
| | Includes production and editing of 3 Briefing Papers and Reports, CD Rom. | 10000 |
| Total | | 99980 |

Annex 2: Comparing donor approaches to poor performance

| The Development Assistance Committee | | Countries |
|--|---|--|
| <p><i>Policy approach</i></p> <p><i>Focus on the relational issues which DAC member states have with poor performers as defined by ‘difficult partnerships’.</i></p> <p><i>The ‘partnership’ model cannot function properly because it lacks the key elements of recipient government ownership and commitment to effective poverty reduction policies and their implementation. Primarily problems of a limited political commitment and institutional capacity.</i></p> <p><i>The DAC approach attempts to address how the international community can support development in countries where the above factors prevail.</i></p> <p><i>The DAC identify the need for inter-donor collaboration/coordination on formulating common political analysis – via the network on conflict, development and peace.</i></p> | <p><i>Programming initiatives</i></p> <ul style="list-style-type: none"> • Remain engaged • Maintain services in support of the poor/pro-poor change structures and work with sub-national government between government and the public. • Short-term interventions • Enhance policy coherence and programming coordination - sharing analysis; building common criteria for assessment; agreeing on the most appropriate conditions for engagement; tasking focal lead agencies; and building on the comparative advantages of bilateral and multilateral agencies • Improve analysis of country issues and context • Promote change / nurture political environment - support to ‘agents for change’. • Support locally owned peer pressure mechanisms eg NEPAD • Regional dimensions, consider role of neighbouring countries and key regional leaders / orgs. • Utilise all policy instruments, including foreign policy, trade, investment, environment, drug control, national security issues, and arms exports. | <p><i>Not restricted to any specific group of countries – broad continuum.</i></p> |
| USAID | | Countries |
| <p><i>Policy approach</i></p> <p><i>The National Security Strategy elevates development to the third pillar of US national security, along with defence and diplomacy.</i></p> <p><i>Developing a policy on ‘fragile states’ – this is an umbrella for three categories of countries: failing; failed; and in recovery. Attempting to find tipping points for movement</i></p> | <p><i>Programming initiatives</i></p> <ul style="list-style-type: none"> • Address humanitarian need and reduce vulnerabilities. • Examining options for longer-term interventions and innovative institutions. • Developing country programmes with a conflict lens. | <p><i>It is understood that USAID’s ‘poor performers’ caseload will include the countries which did not pass the baseline on any of the six MCA criteria. There were 35-40 countries of this type.</i></p> |

between each category.

Developing a policy statement which will aim to increase USAID's capacities in conflict mitigation and conflict management.

| The European Union | |
|---|---|
| <p><i>Policy approach</i></p> <p><i>No explicit statement, but broadly defined as 'politically fragile' countries which are located within the EU's Africa Caribbean and Pacific group of countries (77 in total) which make up the ACP-EU Partnership Agreement (Cotonou).</i></p> <p><i>Analysts are looking closely at the implications of the future Mid-Term Review of the Country Strategy Papers and the EDF9 allocations in 2004 for ACP states, which might see a level of redistribution of resources to recompense good performers and remove unused resources from poor performers.</i></p> | <p><i>Programming initiatives</i></p> <ul style="list-style-type: none"> <i>Looking to improve aid instruments in protracted crises, particularly new mechanisms to shift financing responsibilities from ECHO (humanitarian assistance) to development pools.</i> <i>Experimenting with 'Humanitarian Plus' model in Sudan; aiming to extend this model to other countries</i> <p><i>Countries</i></p> <p><i>No specific group of countries identified. Studies have been undertaken on the following 'politically fragile' countries: Angola, Burundi, DRC, Guinea-Bissau, Rwanda, Somalia, Sudan.</i></p> |
| CIDA | |
| <p><i>Policy approach</i></p> <p><i>The Human Security and Conflict group is developing a policy on 'Fragile states in crisis'. It is part of a broader cross-departmental '3D model' bringing together departmental representation on diplomacy, defence and development – with the aim of increasing coherence, impact and effectiveness and promoting sustainable development.</i></p> | <p><i>Programming initiatives</i></p> <ul style="list-style-type: none"> <i>Emphasis on capacity-building: material aid not enough – need institutions that work, and that are seen to be working so that laws are properly debated and universally applied and obeyed.</i> <ul style="list-style-type: none"> <i>Flexible delivery mechanisms.</i> <i>Significant amounts of well-targeted aid – beneficial impact on economic growth and poverty reduction.</i> <i>Acknowledgement that without sufficient outside assistance countries are likely to slip back into conflict.</i> <p><i>Countries</i></p> <p><i>More traditional conflict/post-conflict focus ie Afghanistan, Iraq, Balkans, DRC, Liberia.</i></p> <p><i>Engaged with the LICUS initiative.</i></p> |
| DFID | |
| <p><i>Policy approach</i></p> <p><i>Poverty Reduction in Difficult Environments (PRIDE)</i></p> <p><i>To reduce poverty for people living in these difficult environments by enhancing the capacity of DFID and key</i></p> | <p><i>Programming initiatives</i></p> <p><i>Looking for innovative policy options for engagement with poor performers – in support of DFID's PSA objectives.</i></p> <p><i>Targets – Reduce poverty (in Africa, Asia, Europe, Central Asia,</i></p> <p><i>Countries</i></p> <p><i>No explicit list, examples might be Georgia, Nigeria, Myanmar, Guyana, Somalia, Sudan, Nepal.</i></p> |

partners to engage effectively with the wide range of poorly performing countries.

Latin America, the Caribbean, the Middle East and North Africa); Increase the impact of key multilateral agencies in reducing poverty; Develop evidence-based, innovative approaches to international development

Engaged with the LICUS initiative.

1. *Looking to develop a toolkit of engagement and policy options for basic services to promote greater responsiveness to the needs of the poor.*
2. *Develop policy options for delivering basic services where donors cannot work with government.*
3. *Influence international development community.*

AusAID

Policy approach

Explicit policy statement on poor performers. Has developed a graduated strategy that aims to reduce the impact of failed systems on the poor and encourage governments to adopt reform strategies. Driven through country programmes. Enhance the effectiveness of aid investments within a whole-of-government approach to poor performing states in the Asia-Pacific region.

Realistic expectations – fully sustainable outcomes are unlikely to be achieved in poor performing environments. Instead, creative approaches and more intermediate goals are necessary.

Programming initiatives

- *Analysis of the underlying causes of state failure or conflict.*
- *Maintaining service delivery – focus on humanitarian assistance that directly targets the poor and reduces their vulnerability.*
- *Channel assistance directly to community organisations and NGOs.*
- *Strengthen the institutional capacity of legal and police systems, including community policing efforts.*
- *Engage governments on governance reform, including offering incentives.*
- *Invest aid funds in projects that support civil society, including the media, as an advocate for accountability and reform.*
- *Engage with other donors to strengthen leverage, by adopting a leadership role in coordinating donor engagement.*
- *Address conflict – offer a ‘peace dividend’ through the resumption of basic services.*

Countries

Pacific countries, primarily Melanesia, in particular PNG and Solomon Islands.

Engaged with the LICUS initiative – leads on PNG.

The World Bank

Policy approach

LICUS countries are characterised by weak policies, institutions and governance. Aid does not work well because governments lack the capacity or inclination to use finance effectively for poverty reduction.

Programming initiatives

- *Emphasis on engaging differently, as opposed to disengaging*
- *Strategies for improving policies, institutions and governance: either through formal or informal institutions. Transform institutions rather than create new ones.*

Countries

No definitive list of LICUS countries. A number of case studies have been identified where the LICUS approach is

- The LICUS approach involves establishing a dialogue with the government; undertaking analytical work with a view to developing a set of 'knowledge products', such as institutional and governance reviews and financial accountability reviews; and developing a socio-political understanding of each country.*
- *Recognise that institutional incentives may be perverse, not neutral. Allow for vested interests in the status quo.*
 - *Strategies for improving provision of basic social services: supplementing government provision through, for example Independent Service Authorities.*
 - *Emphasis on donor coordination – establishing joint agreements in policy approach, establishing a shared agenda and ideally – joint financing facilities – Trust Funds etc.*
 - *Mainstream the LICUS approach into operational areas in the form of Watching Briefs, Transitional Support Strategies (TSS) and Country Assistance Strategies (CAS).*
 - *No new financing arrangements for LICUS countries (have to identify resources from operations budgets for their activities)*
 - *'Ring-fenced' financing mechanisms – Social Action Plans and multi donor trust funds for selected activities.*
- being piloted: Angola, Burundi, CAR, Comoros, Guinea-Bissau, Haiti, PNG, Sudan, Somalia, Tajikistan, and Togo.*
- No strict methodological approach in the selection.*
- Looking for 'regional spread', and chance of achieving some level of success.*

The IMF

Policy approach

The IMF is engaged with the World Bank's LICUS approach. Particularly focused on mechanisms to assist countries that remain ineligible for the Fund's Poverty Reduction and Growth Facility (PRGF).

Three Working Papers of note:

- *Fund's Experience in Emergency Post Conflict Assistance.*
- *Fund Assistance for Countries Facing Exogenous Shock.*
- *Role of Fund in Low-Income Member Countries over the Medium Term.*

Programming initiatives

- *Surveillance framework provides a platform for dialogue with member countries.*
- *Technical assistance programmes aim to support the development of institutional capacity for policy design and implementation.*
- *For post-conflict countries, the Fund provides Emergency Post Conflict Assistance.*
- *The Fund notes the limitations of their involvement in low-income countries (focusing on core areas and macro-critical structural issues).*
- *Recognises the need to be more selective, particularly where the lack of political commitment and capacity constrains positive results.*
- *Emphasis on institutional and governance issues to encourage more rapid private sector development.*

Countries

Maintains a presence in many LICUS-type countries through the Surveillance mechanism.

The UNDP

Policy approach

UNDP's HDR 2003 highlights an outcome-oriented approach to addressing poverty and low, stagnant and/or declining rates of growth/poor performance.

- *Top priority countries are defined as those which have very low levels of human development and very slow/negative progress towards the MDGs.*
 - *High priority countries are either:*
 - 1) *those which have very low levels of human development and moderate progress toward the MDGs; or*
 - 2) *those which have moderate levels of human development and very slow/negative progress toward the MDGs.*

Programming initiatives

Two-pronged strategy for African LICUS pilots:

- 1) *provision of social services (particularly supporting local community groups in service delivery)*
- 2) *identification of change agents (reform champions) to achieve zero generation reforms (particularly at the local/sub-regional level).*

Countries

UNDP is partnering with the World Bank's LICUS initiative in African countries – Sudan, Somalia, CAR and Angola. For Somalia, a joint strategy has been developed.

Annex 3: Country classification

Developing countries classified as 'pilot' Low Income Countries Under Stress (LICUS), countries requiring special attention (UNDP), Low Income Poorly Performing States (LIPPS), Least Developed Countries (LLDCs), top and high priority (poorest progress on MDGs)¹

| <i>Country</i> | <i>LICUS 'pilot' country²</i> | <i>UNDP Composite³</i> | <i>LIPPS⁴</i> | <i>HDR 2003 (progress on MDGs)⁵</i> | <i>LLDCs</i> |
|---------------------------------|--|---------------------------------------|--------------------------|--|--------------|
| <i>Afghanistan</i> | | 8 | | TP | ✓ |
| <i>Angola</i> | ✓ | 10 | | TP | ✓ |
| <i>Bangladesh</i> | - | - | ✓ | - | ✓ |
| <i>Benin</i> | - | - | | TP | ✓ |
| <i>Bhutan</i> | - | - | | - | ✓ |
| <i>Burkina Faso</i> | - | - | ✓ | TP | ✓ |
| <i>Burundi</i> | ✓ | 8 | | TP | ✓ |
| <i>Cambodia</i> | | - | | HP | ✓ |
| <i>Cameroon</i> | | 6 | ✓ | HP | |
| <i>Central African Republic</i> | ✓ | 8 | ✓ | TP | ✓ |
| <i>Chad</i> | | 7 | ✓ | TP | ✓ |
| <i>Congo DRC</i> | | 8 | | TP | ✓ |
| <i>Congo Rep</i> | | 6 | | TP | |
| <i>Equatorial Guinea</i> | - | - | | - | ✓ |
| <i>Eritrea</i> | - | - | | HP | ✓ |
| <i>Ethiopia</i> | - | 6 | ✓ | TP | ✓ |
| <i>Gabon</i> | - | - | | HP | |
| <i>Gambia</i> | - | - | ✓ | HP | ✓ |
| <i>Guinea</i> | - | 8 | ✓ | TP | ✓ |
| <i>Guinea-Bissau</i> | ✓ | 9 | ✓ | HP | ✓ |
| <i>Haiti</i> | ✓ | 7 | ✓ | TP | ✓ |
| <i>Indonesia</i> | - | 4 | | - | |
| <i>Ivory Coast</i> | - | 8 | ✓ | HP/TP | |
| <i>Kenya+</i> | - | 5 | ✓ | TP | |
| <i>Laos</i> | - | - | ✓ | - | ✓ |
| <i>Lesotho</i> | - | - | | TP | ✓ |
| <i>Liberia</i> | ✓ | 8 | | TP | ✓ |
| <i>Madagascar</i> | - | - | ✓ | TP | ✓ |
| <i>Malawi</i> | - | - | | HP | ✓ |
| <i>Mali</i> | - | - | ✓ | TP | ✓ |
| <i>Mauritania</i> | - | - | ✓ | TP | ✓ |
| <i>Mongolia</i> | - | - | - | HP/TP | |
| <i>Mozambique</i> | - | - | | TP | ✓ |
| <i>Myanmar/Burma</i> | | 5 | | - | ✓ |
| <i>Nepal</i> | - | 5 | ✓ | - | ✓ |
| <i>Niger</i> | - | 5 | ✓ | TP | ✓ |
| <i>Nigeria</i> | | 9 | ✓ | TP | |
| <i>Pakistan</i> | - | 6 | ✓ | - | |
| <i>Papua New Guinea</i> | ✓ | - | | HP | |
| <i>Rwanda</i> | - | 6 | ✓ | TP | ✓ |

| <i>Country</i> | <i>LICUS</i> | <i>UNDP composite</i> | <i>LIPPS</i> | <i>HDR 2003 (progress on MDGs)</i> | <i>LLDCs</i> |
|---------------------|--------------|-----------------------|--------------|------------------------------------|--------------|
| <i>Senegal</i> | - | 4 | ✓ | <i>HP</i> | ✓ |
| <i>Sierra Leone</i> | | 7 | | <i>TP</i> | ✓ |
| <i>Somalia</i> | ✓ | 8 | | - | ✓ |
| <i>Sudan</i> | ✓ | 7 | | <i>HP</i> | ✓ |
| <i>Tanzania</i> | - | - | ✓ | <i>TP</i> | ✓ |
| <i>Togo</i> | ✓ | 5 | ✓ | <i>TP</i> | ✓ |
| <i>Uganda</i> | - | 8 | ✓ | <i>HP/-</i> | ✓ |
| <i>Yemen</i> | | - | ✓ | <i>TP/HP</i> | ✓ |
| <i>Zambia</i> | | 7 | ✓ | <i>TP</i> | ✓ |
| <i>Zimbabwe</i> | ✓ | 4 | ✓ | <i>TP</i> | |

Notes

¹ This table excludes very small and transitional countries

² Source: World Bank (2003) Low Income Countries under Stress Implementation Overview, for Board Meeting, January 15th 2004, Washington DC

³ Source: Abacus International Management LLC for UNDP. This list was developed by consultants for UNDP. It is not a formal UNDP position. Indicators on which the country is 'fragile'/in need of special attention: negative GDP growth 1990–2000; primary product dominated; HIPC; low HDI; High HIV incidence; severe political change; armed conflict; adult literacy less than 50%; low level of democracy; high corruption level; neighbouring conflict of significant magnitude.

⁴ Ayres (2002), pp. 49–50.

⁵ The HDR 2003 does not have a list of countries. This list has been generated using the HDR's own rules. TP = top priority; HP = high priority. We are grateful to Karen Moore, Chronic Poverty Research Centre, University of Manchester, for the calculation.

Annex 4: A framework of key questions for assessing the processes underlying country performance⁵⁴

A number of questions, derived from the conceptual framework developed in Chapter 4, have been addressed to the case study experiences as a way of framing this chapter. Country aid programmes can use these questions to broaden their analysis and concerns about statehood and development performance. The checklist is meant to help donors become developmentally more sophisticated in the way they analyse the history, international relations and domestic politics of a state, and its consequences for development. It is not meant to provide benchmarks against which to measure countries' performance or governance. It provides a way of analysing state behaviour without imposing a specific political institutional framework through the provision of aid, which may not be suited to the country at a given moment in time. It also encourages donors to look beyond their preferred habitat of economic management to other important aspects of statehood.

All of these questions need to be asked with a historical perspective, so that past experience can be learnt from. This is difficult for aid agencies whose international personnel are often on short postings.

- *Juridical sovereignty*

What is the juridical history? What have been the consequences and contributions of aid actors?

What are the current unresolved juridical issues, and strategies [by government and international actors including aid] for dealing with them?

Is there a process of state creation, however embryonic?, and what consequences will different approaches to aid have for this process?

- *Empirical sovereignty*

To what extent can focusing on 'governance' (as in governance programmes, or the governance elements of sectoral or other programmes) deal with the range of issues under these headings? Has aid to governance increased effectiveness, authority, and legitimacy of the state?

What balance of emphasis is put on these three factors describing the quality of state institutions – the framework suggests that authority is a recent concern and legitimacy selectively addressed?

Do aid actors develop a detailed understanding of the underlying political economy, and the two way causal relationship between politics and economics?

⁵⁴ This sort of question is similar to the framework proposed in Moore (2001). However, these questions are designed to provoke analysis rather than comprehensive description, and to focus on assessing donor interventions.

Have strategies been devised to address the detrimental attributes of neo-patrimonial politics or new emerging political complexes? (These might include working with more effective parts of the state, judiciary, parliament, local government, and with civil society and the media.)

○ *The 'political contract'*

Can a 'political contract' be identified between the state and citizens, which grounds the legitimacy and capacity of the state?

Has aid supported progressive aspects of the political contract, or addressed their absence?

Have donors helped increase the (historically weak) capacity of civil society to monitor the political contract?

○ *Societal integration*

Has the state been able to find ways of enhancing social and spatial integration? What role has civil society played? Has aid helped? What role have donors and civil society played? Has aid contributed positively to greater integration?

Are different forms of aid more or less able to take these issues on board? (includes aid via civil society organisations; humanitarian aid as well as projects, budget support, debt relief in support of PRSPs, SWAs, etc)

Does the state effectively mediate between competing groups, and how have donors helped the mediation process?

○ *Structural constraints*

What are the key structural factors in the country which explains poor performance on some indicators?

Would greater consideration for the structural constraints in decision-making lead to a better aid process?

● *International recognition*

What are the key aspects of the international and regional relations of the state?

How does aid reflect broader international relations and priorities, e.g., geopolitics, globalisation, democratisation, etc? What impact does this have on aid strategies and programming?

Is there international consensus on the 'performance status' of the country? If so why, and if not what were the grounds for disagreement?

Have performance labels affected aid allocation and decisions?