EMBASSY

The New Deal’s fragility trap

Opinion | Development | DAVID CARMENT | TEDDY SAMY
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The so-called New Deal for international engagement in fragile states is intended to be an innovative model of partnership between fragile and conflict-affected countries and their development partners from the Development Assistance Committee at the OECD.

Signed by 40 countries, including Canada, the deal sets out five peacebuilding and statebuilding goals for rescuing failed and fragile states: legitimate politics; justice; security; economic foundations; and revenues and services. These are all based on principles of country leadership rather than the dictates of the donor community.

The key distinguishing feature of the New Deal is country ownership of the policy process. This change is perhaps a reflection of donor desperation and geo-strategic realities.

Handing over some of the responsibility for decision making to the leaders of failed and fragile states may be smart politics, but is it smart development policy? Perhaps the decision reflects greater confidence in these failed and fragile states. After all, a number of them such as Sierra Leone and Liberia have managed to achieve economic and political gains over the last five years.

But for places that are still lacking in effective authority, legitimacy, and capacity, will the New Deal work as planned, or is it destined to take its place alongside other notable policy disappointments such as the New Partnership for Africa’s Development, and the Millenium Development Goals?

Our 10-year research initiative evaluating changes in fragile states performance over time is well-suited to provide some preliminary answers to that question. For those countries mired at the bottom of the fragility spectrum, we argue there are few reasons to be optimistic about their likelihood of significant improvement in the short run.

But if a focused effective outcome is to be met, it will be important that an independent evidenced-based capability be implemented to monitor their progress over time.

There are several reasons for that conclusion. First, among the worst-performing countries in our rankings are those that have signed up for the New Deal, including the Democratic Republic of Congo, Chad, Afghanistan, Burundi, and Somalia. The fact that none of these countries are on target to meet any of their MDGs by 2015 is telling. In evaluating our data over a 10-year period we have found that many of these New Deal partners are part of a group of failed and fragile states that are perpetually stuck in a fragility trap.

These are countries that show little indication of lifting themselves out of their political, economic and social malaise, are some of the biggest recipients of our aid dollars, and—despite being resource rich—in some cases have the lowest GDP-per-capita scores in the world.

Among those caught in the trap are heavily aid-dependent states. As a group, the International Network on Conflict and Fragility reports that official development assistace to fragile states was

50 billion (38 per cent) in 2010.

Individually some of these countries are the most aid dependent in the world. For example, Burundi received 31 per cent and Afghanistan 42 per cent of assistance as a percentage of their gross national income.

Others on the list are states that until recently suffered from international neglect or were under resourced, given their size and importance, such as Sudan, Somalia, and the DRC, which are not among the largest recipients of ODA per capita.

In brief, fragility trap countries comprise both aid darlings and aid orphans. This finding alone is troubling since much of the recent focus on the New Deal is built on the assumption that transitions out of fragility can be best achieved through sustained donor–recipient partnerships focusing on economic and political development.

In situations such as Afghanistan, for example, where such a partnership has been in place for over a decade, there is little evidence to conclude that it has proven to be the best course of action.

Second, when we consider states that are trapped in fragility and where the recipient country already has an independent capacity for decision making, there is no reason to believe that those aid dollars will be used wisely. Consider the case of Pakistan, which is particularly vulnerable in certain aspects of stateness. Pakistan is one of the Middle Income Failed or Fragile States. Our rankings have placed it in the top 20 fragile states in the world in most years over the past three decades.

A core component of the New Deal is to develop an independent state capacity to provide services for the good of the public. Pakistan's economy is run by a largely untaxed middle class that benefits from a lax financial system, and a strong military apparatus. MIFFs like Pakistan typically suffer from undergoverned spaces that have just enough linkages to the world (roads, phones, etc) to allow terrorists, drug lords, and the like to operate, but don't have enough governance to purge these threats from the country. These are countries typically combining reasonable economic performance with extremely poor governance.

Third—and perhaps most importantly, the New Deal's rhetoric notwithstanding—donors and recipient countries are still uncertain on how to tie economic success to effective political development. Africa's economy may well be booming, but unless those economic gains lead to positive political change their future could just as easily result in deeper corruption, cronyism, and increasing inequality.

While it is true that the most egregious cases of fragility are those that suffer from a combination of weak economic capacity, low political legitimacy, and poor authority, it really comes down to effective leadership. The leaders of the New Deal for fragile states must ensure they have institutions to provide adequate services to the population. They must also find ways to properly channel ethnic, social, and ideological competition that will otherwise erode the effectiveness of weak institutions even more.

Finally, leaders must find a way to overcome the cumulative effects of poverty, over-population, rural flight, and rapid urbanization, as well as environmental degradation that can otherwise overwhelm a vulnerable state's capability to function. This is a very big agenda for countries now expected to carry the burden of proof.

From a CIDA perspective, particular attention must be paid to strategic dilemmas in terms of weighting, prioritizing, and sequencing aid instruments at various junctures in the state building process and the degree to which specific initiatives may contribute to both economic development but undermine political change.

Of particular relevance are the implicit trade-offs between short-term economic growth and longer-term institutional development. At its core, effective state building involves the fundamental transformation of a broad spectrum of state-society relationships, and that is something the donor community has historically shown to be utterly unskilled at addressing.

Far too often, CIDA relies on qualitative experts who tend to focus on the same cases repeatedly in the absence of any theoretical or methodological rigor. This won’t do, even when there is the need for specificity at the policy level because we need to know why some countries that were once considered fragile have successfully recovered and become resilient, functional, and effective while others have been less successful and remain fragile for long periods of time.

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