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Failing and Failed States: Toward a Framework for U.S. Assistance

Carol Lancaster

In 2002 President Bush announced the creation of a US$5 billion Millennium Challenge Account (MCA) to provide aid to those low-income countries that are good performers to help them reduce poverty and develop more rapidly. Good performance includes good governance (upholding the rule of law, protecting human rights, fighting corruption), public investments in health and education, and sound economic policies that encourage private initiative. The creation of the MCA immediately raised the issue of what is to be done for "poor performers"—those countries that did not qualify for MCA monies—and especially the failed and failing (and "fragile") states. Fragile states are those that are unable to provide basic security and services to their populations and appear headed for civil conflict and the collapse of governmental authority and capacity to function. Depending on the criteria for state failure, anywhere between twenty and forty-six states have been categorized as failing or failed.[1]

What is the role of foreign aid in these countries, which suffer from poverty and inequality, are vulnerable to natural disasters and thus needful of aid, but which are also often poorly governed, exhibiting serious social cleavages and civil violence, which compromise the effectiveness of foreign aid in spurring development? This chapter examines these questions, providing a quick overview of U.S. foreign aid generally, examining the role of the United

States in the past in helping poor performers become good performers, and focusing on a new category of poor performers—failing and failed states—asking what role foreign aid should play in these unfortunate countries.

An Overview of U.S. Foreign Aid

Foreign aid, for the purposes of this essay, is defined as a voluntary transfer of public, concessional resources (with at least a 25 percent grant element) from one government to another government of a low-income country or to an international organization or nongovernmental organization working in such a country, one purpose of which is to further development in the recipient country. This is the official definition of foreign aid used by the Development Assistance Committee of the Organization for Economic Cooperation and Development. By this definition, U.S. foreign aid (both bilateral and multilateral) amounted to US$20 billion in 2003 and has totaled US$400 billion between 1948 and 2003.[2]

The principal U.S. aid programs are Development Assistance (including child survival monies), primarily to support economic and social progress in recipient countries; Economic Support Funds (ESF), primarily to support governments with a particular importance to U.S. foreign policy and security concerns; food aid provided under Public Law 480, mainly used for balance of payments support, nutrition intervention, and emergency relief; aid to Eastern Europe and the former Soviet Union to support economic and political transitions in those countries; the Millennium Challenge Account, managed by the Millennium Challenge Corporation to provide aid to "good performers"; and multilateral aid, primarily contributions to the World Bank, the regional development banks, and various UN agencies engaged in development activities.

For fiscal year 2006, the administration requested US$19 billion in aid, US$17 billion of which is bilateral aid. Just over US$2.3 billion in aid was to be concentrated in six countries: Afghanistan, Egypt, Iraq, Pakistan, Jordan, and Israel, reflecting the administration's foreign policy priorities in the Middle East and the war on terror. The rest of bilateral economic assistance was planned for some 120 countries, many of which were low-income ones, including US$1.6 billion to countries in sub-Saharan Africa and more than US$100 million each to Indonesia, Liberia, Haiti, India, Uganda, Sudan, and South Africa.[3] U.S. bilateral aid, especially Development Assistance, is used to further economic growth and agriculture, to improve health and family planning, and to promote democracy. It is also used for humanitarian relief. U.S. aid is provided almost entirely in the form of grants.

The Evolution of U.S. Aid to Poorly Performing Countries

President Bush has defined poor performance in terms of the choices made by governments: choices about how to govern, about how to manage their economies, and about how to spend public resources. This is not, of course, the only way to define performance, and these are not the sole factors affecting the actual performance of economies. But choices are important and are amenable to change. In fact, promoting development is all about choice and change—for example, how to use aid to persuade governments to make choices (and to help them once they have made these choices) is essential to sustained development and poverty alleviation.

This challenge is not new to foreign aid. Much of the history of aid giving by the United States and other governments has been a series of approaches intended to influence governments of poor countries to make choices that will improve the incomes, growth, and quality of life for their citizens. There have been three major approaches to choice and change in the history of aid giving, with one not so much replacing another as being added to earlier ones.

Approach 1: Laying the Foundations for Development

If we mark the start of the modern "development aid era" at 1960, we can identify the first approach to bringing about changes essential for development taking place between that year and 1980. During this period, the major thrust of development aid was to expand the capacity of government to manage its economy through requiring that aid recipients produce development plans (and providing technical assistance where it was needed to produce those plans) and to expand education and health services. Aid was also provided to increase the productive base of the economy, through funding infrastructure and the development and spread of new agricultural technologies and services and through transfers to ease balance of payments constraints. By helping to strengthen the capacity (including the absorptive capacity) of governments and providing training and advice, it was hoped that governments would be able to make the right choices to spur economic and social progress in their countries. Expanding the pool of educated and healthy citizens would, among other things, eventually provide them a pool of individuals who could further increase the capacity for beneficial choices and change.

While a widely held view at this time was that governments were generally committed to making the right choices for the development of their countries, it was also recognized that for a variety of reasons some governments chose not to make those choices. The government of Syngman Rhee of Korea during the 1950s, for instance, chose to manage its economy poorly, pursuing inflationary fiscal policies. The United States put pressure on the Korean government to make policy changes but with little effect. In Latin America, it was recognized that development and democracy would be spurred if there were a more equal distribution of national resources in this most unequal of regions. The Alliance for Progress, initiated by President Kennedy, attempted to tie aid funding to tax and land reforms, but it also had limited success. A further approach during the latter part of this period was using aid to address the basic human needs of the poor (primary education and health care, water and sanitation, primary roads, and agricultural services) in an effort to channel resources to the poor despite governments' reluctance to redistribute national resources. This aid-funded approach improved education and health services, extended infrastructure, and revolutionized agriculture (the "green revolution"). Most of the evidence of aid effectiveness from this period suggests, however, that the "good performers" (such as Korea after 1960, Costa Rica, and Botswana) chose to become good performers for reasons having little to do with foreign aid. And once they decided to manage their economies well, they were able to tap into aid and draw on a pool of educated individuals (whose higher education had often been partly funded with foreign aid).

Approach 2: Aid as an Incentive for Responsible Economic Policies

The debt and balance of payments crises that erupted throughout much of the developing world in the 1980s drew attention to the problems of poor economic policy choices by the governments of many less developed countries. Policy distortions—including overvalued exchange rates; controls on prices, wages, and interest rates; subsidies; tariff and nontariff barriers to trade; weak financial systems; inefficient state-owned enterprises; and large budgetary deficits—had impeded growth and development by reducing the incentives for private entrepreneurs to produce and invest. Aid was increasingly conditioned on governments agreeing to stabilization and structural adjustment programs that would remove these impediments and increase the scope for private economic initiatives. Many governments in Africa and Latin America agreed to such programs, but not all the reforms in those programs were implemented or sustained. (Those most sustained were currency adjustments; those least sustained were the more administratively complex and politically sensitive reforms in the financial sector or civil service.) The World Bank's report *Assessing Aid* concludes that using aid as an incentive for economic policy reforms where government had little commitment to such reforms is generally ineffective.[4]

Approach 3: Aid for Political Reform

At the end of the 1980s, the use of aid to persuade and press governments to improve the quality of governance (often defined in terms of democratization) gained prominence. A confluence of factors led to this shift in emphasis. One was the disappointing outcome of a decade of economic reforms. One of the reasons, it was concluded, that economic reforms had been disappointing was poor governance, meaning a lack of transparency, accountability, and predictability on the part of the governments of poor countries. A 1989 World Bank report gave an early voice to this concept, which echoed work being done in the academy on the role of institutions in promoting or impeding economic growth—in particular, the importance of the rule of law to protect property, including investment.[5] The U.S. government (and eventually other aid-giving governments) took this argument one step further and asserted that democracy was essential for development since it would create an environment in which the public and public interest groups would demand accountability and the rule of law from governments. Another source of the new focus on political reform came from the wave of democratization sweeping Eastern Europe, the former Soviet Union, Africa, and elsewhere. In many ways, democratization was an extension of the human rights movement of the 1970s and 1980s to include political rights.

Whatever the sources of the ideas behind the emphasis on good governance and democracy, aid in support of political reform became an important focus of the U.S. Agency for International Development (USAID) during the 1990s. Aid was used as an incentive for political reform in Kenya, for example, where a group of aid donors withheld assistance until the government there agreed to multiparty elections. Aid was used to further democratic governance, funding efforts to strengthen civil society, the legislature, and laws, to reform the judiciary, to support independent media, to train political party members, to draft new constitutions, and to organize elections.

The consequences of aid in support of democratization are yet to be fully assessed.[6] But anecdotal evidence suggests that, as in the case of other types of intervention, immediate goals are often achieved, such as ensuring free and fair elections and helping to expand and strengthen civil society organizations—

but that the longer term goal of effective democracies is much more difficult to achieve. In Kenya, the government of Daniel arap Moi ruled in a corrupt and often repressive manner even after the adoption of multiparty elections, since the president and his supporters were able to manipulate the political process (and the opposition proved unable to collaborate effectively) so as to remain virtually unchallenged in power for ten years.

What this brief review of the use of U.S. aid to turn poor performers into good performers suggests is that where some portion of the political elite—especially the political leadership—wants to make the choices that turn a poorly performing government into a good performer, foreign aid can be helpful. Where elites are opposed to such changes (often because their own political and economic interests are threatened), as in the case of Korea in the 1950s, Latin America in the 1960s, and much of Africa and the Middle East today, foreign aid may have little impact, at least in the short run, on the difficult choices that are necessary to become a good performer. One of the reasons aid has not been effective against a resistant elite is that it is seldom adequate to alter the calculation of costs and benefits of change that elites must make. Where desired policy and behavioral changes threaten to undercut their economic positions or political power, aid alone has seldom been large enough to alter that calculus.

The U.S. government is now once again considering what policies it should adopt toward poor performers so as to help them become good performers. In 2003 Andrew Natsios, USAID's administrator, listed four categories of poor countries in addition to the good performers qualifying for MCA monies: those that just missed qualifying, those whose governments lacked the commitment to make the choices necessary to qualify, those that were such poor performers that they were failing or failed states, and those the United States wished to support for national security reasons (regardless of performance).[7] For those governments that almost made the good performer class (and presumably had a commitment to doing so), USAID proposed to help them improve where they fell short on the indicators of good performance, such as providing adequate educational services or implementing needed reforms. For the second group of countries, USAID would "continue programs that address global issues such as HIV/AIDS and environmental degradation" but would review "broader development assistance."[8] This remark suggests that foreign aid would be limited to those poor countries that appeared to lack the commitment to become good performers but were not yet in the category of failing states. For the category of failing and failed states, USAID was "actively developing new assistance models that will integrate emergency relief and food with transitional assistance, governance investments, and civil society building."[9]

These categorizations of poor countries suggest a fundamentally new approach to the policies and strategies governing U.S. foreign aid. The remainder of this chapter focuses on the issues raised by this approach and the policies and programs that do exist or should exist to implement it. The first issue involves a further definition of these categories. The second involves policies and programs for poor performers not yet heading toward failure. The third section focuses on failing and failed states. A final section draws conclusions and points toward the future for foreign aid and poorly performing states.

Categorizing States by Performance

Categorizing anything implies that one has clear definitions and concepts or theories regarding the differences among the things categorized. The Bush administration has created the category of good performers on the basis of three broad qualities: good governance, investment in people, and sound economic policies fostering entrepreneurship. Sixteen quantitative indicators have been proposed as the basis for governments qualifying as good performers. It is assumed that good performers can use aid monies effectively to further economic and social progress in their countries.

It is hard to fault the basic idea that more aid ought to be provided to governments that can use it effectively. And the idea of identifying those governments on the basis of objective criteria is attractive. But identifying those governments based on the use of multiple quantitative indicators (some of which, such as the corruption indicators developed by Transparency International, are subjective in any case) risks creating the illusion of false precision and encouraging the gaming of the indicators. Good performance may well *not* be captured by the indicators; and poor performance can easily be missed, as is indicated by some of the countries that nearly qualified as good performers when Steve Radelet applied the indicators to low-income countries. (The fact that Georgia made the list despite a high degree of corruption underlines this danger.) It would be far better to simplify the quantitative basis for qualification as a good performer and supplement it with the judgment of experts.

Another definitional problem arises with the category of failing and failed states. What does *failed state* mean? It is often defined as a state that cannot provide security to its people, control its territory, or offer basic services. But if a government controls three-quarters of its territory, has it failed? If it has chosen to limit social services but controls most of its territory, has it failed? Does a failed state automatically include civil violence? Is failure the cause or consequence of such violence? Is state failure to be judged by other standards, like human rights, abusive government, or repression of minorities? And what are the international implications of state failure? Does it give a right to other governments to intervene militarily or politically or with humanitarian aid? The reason this definition is important is because there is a tendency in official circles to apply the term *failed state* to states that are not liked for their policies, ideologies, or orientation. Was Afghanistan under the Taliban really a failed state? It controlled most of its territory, chose to close its schools to girls, and gave refuge to al Qaeda. It was not an admirable state, but it was also arguably not a failed state. This is not the place to propose definitions, but they are clearly needed to provide the basis for policies vis-à-vis failed states. I focus on the even more difficult problems of defining and identifying failing states below.

U.S. Aid Policies toward Poorly Performing States

What policies should guide U.S. foreign aid to poorly performing (but not failing) states? As we have seen from Andrew Natsios's comment above, USAID appeared to be considering funding activities associated with such transnational problems as HIV/AIDS but phasing out other types of funding. If this is to become the U.S. aid policy toward poorly performing countries, it would be an unfortunate shift. In the past, the United States has funded activities in the areas of health, education, and poverty alleviation in poorly performing states even though their governments were pursuing policies that limited economic and social progress in the short term. U.S. aid to Korea in the 1950s is a case in point. Despite the poor policy environment and the unwillingness of the government to implement needed policy reforms, the United States funded the education of a number of promising young Koreans, particularly in the field of economics. Most of them returned to their country and were available to advise and serve in government when a new president, Park Chung Hee, took power in 1961 and adopted growth-promoting policies. The lesson is that where the performance of government is not so bad that any efforts to expand the basic conditions for economic and social progress are doomed to failure, it makes sense to continue sending aid so that when improvements in governance and economic management come, the country will have the human and physical resources to make rapid development progress.

There are other reasons to continue aiding poor performers. One is that such aid may over the long term help change the calculus by elites of the benefits and costs of implementing economic and political reforms or persuade them of the value of such reforms. Education, especially when combined with gradually improving incomes, can increase the number of citizens who demand improved governance. Strengthening the civil society can increase the numbers of organized groups articulating such interests to government. Aid-funded advisers, interacting with local government officials and other elites, may over time even convince the government of the value of economic and political reforms. Such reforms have taken place over the past several decades in, for example, Tanzania, Ghana, Bolivia, and Vietnam.

U.S. Aid Policies toward Failing, Failed, and Fragile States

A failing state, for the purposes of this essay, is one whose government is losing the ability to provide security and essential services for its population and to protect its borders. A failed state is one in which the government has lost this ability entirely (in some cases, the state has collapsed and civil conflict has erupted, with warring groups competing for power and control of resources). A fragile state is a failing, failed, or recovering state.[10] Various organizations use different estimates for the number of these states: the Carnegie Endowment and Fund for Peace, for example, identify twenty "at risk" states out of sixty "vulnerable" states.[11] The World Bank counts thirty "low income countries under stress," while the United Kingdom's Department for International Development lists forty-six "fragile states of concern."[12]

Failing and failed states have become a source of concern to the United States for three reasons. First, state collapse is usually accompanied by prolonged civil conflict, leaving destitution, death, displaced persons, refugees, and the destruction of economic assets in its wake, creating severe human suffering. Second, civil violence in one country often spills over into neighboring countries, undermining their political institutions, economies, and social harmony and further spreading human suffering. And third, failing and failed states can attract and provide sanctuary to criminal and terrorist organizations as well as spread disease; these problems, in turn, can affect the security and well-being of Americans at home and abroad. The terrorist attacks of September 2001 reminded Americans that problems in distant lands can become problems at home if they are ignored.[13]

A comprehensive U.S. strategy for preventing state failure and for reconstituting failed states requires, first, the ability to identify failing countries.

The second requirement is policies crafted for various ends: to help such countries avoid failure in the first place, to bring an end of a conflict once it has erupted, and to help countries recover from state failure and avoid regressing into violence again.

Identifying Failing States

What are the indicators of state failure? What are the causes of state failure? When does a failing state become a failed state? We do not yet have definitive answers to these questions or even analytically rigorous definitions of state failure. However, in recent years some interesting research has been undertaken on these questions, a portion of it funded by the U.S. government with the intent of developing policies and programs for failing and failed states. For example, the State Failure Task Force, formed under Vice President Gore's leadership and now located at the University of Maryland, has produced a series of reports on factors that contribute to the probability of state failure. At the core of these factors is the quality of governance (a finding of numerous other studies as well). Other factors include inequality, the material well-being of the population, international influences (especially war in neighboring countries), and the ethnic composition of society.[14] The reports of this task force have been interesting, but they do not take us very far in developing strategies to avoid or reverse state failure.

Another way of looking at the causes of state failure is to categorize causal factors according to underlying motives (for example, the motives underlying civil violence), facilitating factors (in this case, the means to commit civil violence, including organization and financing), political and social institutions (such as the policies or weaknesses that create opportunities for civil violence), regional and international factors (such as war in a nearby country), and triggering factors (such as an election, a disaster, an assassination). This approach offers a conceptual framework for predicting state failure and a template for developing policies to prevent it.[15] The USAID's "fragile states strategy" emphasizes the problems of effectiveness and legitimacy that underlie fragility and recommends the following generic policies to address these problems:

—Security: For effectiveness, military and police services must secure the borders and reduce crime. For legitimacy, such services must be provided reasonably, equitably, and without major violations of human rights.

—Political: For effectiveness, political institutions and processes must adequately respond to citizens' needs. For legitimacy, political processes, norms, and leaders must be acceptable to the citizenry.

—Economic: For effectiveness, economic and financial institutions and infrastructure must support economic growth (including jobs), adapt to economic change, and manage natural resources. For legitimacy, economic institutions, financial services, and income–generating opportunities must be widely accessible and reasonably transparent, particularly related to access to and governance of natural resources.

—Social: For effectiveness, provision of basic services must generally meet demand, including that of vulnerable and minority groups. For legitimacy, providers of these services must be tolerant of diverse customs, cultures, and beliefs.[16]

Meanwhile, beginning in 1999, USAID missions in the field were instructed to conduct "conflict vulnerability analyses" as part of their country strategies to provide some indication as to the likelihood that their country might suffer from civil conflict. There was no template, based on a theory of the causes of conflict, to give shape to this analysis, but the agency felt it had to start somewhere to begin to grapple with the problem of conflict. This is a somewhat different focus from identifying failing states, but it certainly is one of the precursors of the effort in that direction.[17] In 2002 USAID established the Office of Conflict Management and Mitigation to provide a focal point of work and leadership in this area.

All of these efforts appear promising, but the U.S. government and USAID are still far from being able to identify failing states in time to reverse state failure. Identifying failing states and understanding why states progress from fragility, to failing, to failure remains one of the significant gaps in addressing the problems of low-income, poorly performing countries.

Conflict Prevention in Failing States

Although no U.S. administration thus far has had an explicit policy of preventing state failure, there have been a number of policy pronouncements on "preventive diplomacy" and efforts, mentioned above, to develop a policy of conflict prevention.[18] At the most fundamental level, the promotion of development and effective democracy is a way of helping to prevent state failure and has been justified as such by USAID since the early 1990s. It is clear that poor countries tend to be more vulnerable to civil conflict and state failure than richer ones—for one thing, their governments tend to be less effective and their populations tend to be under greater economic stress. It is also true that functioning democracies are less plagued with civil conflict and a lack of legitimacy than authoritarian regimes relying on patronage and repression to remain in power. However, these observations do not take us very far, since many poor countries and authoritarian governments avoid state failure, and since some better off, democratic countries (like Colombia) suffer from severe civil conflict and faltering government. (Further, the transition from an authoritarian regime to a democratic regime is especially vulnerable to civil conflict.) What is needed, in addition to general support for development and democracy, are policies and programs designed specifically to address failing states.

First, reversing the fate of a failing state requires changing the choices made by the political elites of the state, choices that lead to the state's failure. Where these elites see good state performance as colliding with their interests and ideologies, good state performance is not likely to be their choice. Second, in addition to changing the calculus of political elites, political institutions also need to change, since they failed not only to constrain those elites from making decisions that led to state failure but also to facilitate conflict resolution. Changing political institutions takes time (and there is not always a lot of time to reverse a failing state) and may include strengthening civil society (as a vehicle for demanding accountability from government) and reforming political institutions. Tactics for achieving these goals include identifying and working with partners in society and, preferably, with political elites committed to reforms. An effective policy must be comprehensive and sustained. Diplomatic pressure, foreign aid, even peace-keeping forces may be required.

These are not easy tasks. The literature on preventing conflict and state failure sometimes seems to assume away the problem of political elites and their interests.[19] Practitioners have at times thought that a single fix here and there might help reverse a slide toward political disaster. This has seldom worked. For example, at one point the United States sought to improve government performance in Liberia under the incompetent, corrupt, and repressive President Doe by sending a team of expatriate fiscal experts to control government revenues and expenditures. The effort was a total failure, and the experts left in frustration after six months. The International Monetary Fund had a similar experience earlier in the former Zaire. In another part of the world, El Salvador, the U.S. government decided in the 1980s to attempt to reform the judiciary (which lacked independence from the repressive military regime in power at the time) as a first step to improving governance. Not much progress was made in upgrading the judiciary, and little change took place in the quality of governance until much greater, across-the-board diplomatic pressures eventually persuaded the army to return to its barracks.[20]

An example of a more comprehensive approach involved Burundi, which threatened to dissolve into communal violence in the early 1990s. The U.S. government appointed Howard Wolpe as special envoy to the Great Lakes in East Central Africa to help further the peace process there. Wolpe, together with other outside actors, including the World Bank, South African peacekeeping forces, and USAID, acted as "calming forces" while negotiations proceeded between the Hutus and Tutsis.[21] Aid was (and still is) necessary to reintegrate a million displaced persons and refugees (another potential source of discontent and violence). The peace process in Burundi remains incomplete, but it seems likely that the involvement of diplomats, peace-keeping forces, and foreign aid has helped prevent large-scale bloodletting, potentially on the order of the genocide in Rwanda in 1994.

Third, state failure can be addressed by removing the international incentives that encourage failing performance. The effort, for example, to limit the sale of "conflict diamonds" by requiring their source to be labeled is a useful initiative that could be extended to other valuable natural resources that can be exported illegally to fund aspiring warlords or corrupt dictators. Greater transparency in international banking and the willingness of international banks to return the ill-gotten gains of autocrats to their treasuries is another important initiative, and it appears to be growing. The application of human rights law by foreign courts to repressive dictators (as in the case of the former Chilean president Pinochet) may also change the calculus of such power elites.

Fourth, because the instruments for preventing state failure differ from country to country as the particular causes of failure themselves differ, these instruments have to be considered case by case. Policies that might have prevented state failure in Somalia in the early 1990s—with its lethal combination of corrupt, repressive, exclusionary government and clan allegiances—would have been different from the policies that may have avoided the civil conflict and near state collapse in democratic, drug-lord-penetrated, historically conflicted Colombia.

Fifth, there may be cases of failing states where no amount of external involvement short of a military conquest will persuade political elites to adopt responsible policies. Zimbabwe under Robert Mugabe appears to be such a country. In this case, the best that can be done with foreign aid is to provide for humanitarian relief and to protect and extend where possible the investments already made in people and economic assets.

This consideration leads to the last one: sixth—do no harm. Foreign governments, including the U.S. government, should avoid exacerbating the problems leading to state collapse. This challenge particularly relates to the allocation of foreign aid, both sins of omission and sins of commission. An example of a sin of omission is Burundi, where (before the current emergency) foreign aid—intended to foster development in the country but channeled through an exclusionary and repressive minority Tutsi government—appears to have increased inequalities and exacerbated tensions that fed conflict.[22] The quintessential case of a sin of commission is the former Zaire, where the over US$1 billion in U.S. aid provided to that country during the regime of Mobutu Sese Seko was in fact intended to avoid state failure in the short run (the regional consequences feared by successive U.S. governments focused on cold war concerns). But by ignoring the deepening problems of governance and economic management, the aid likely increased the probability of state failure over the long term.

Another potential sin of commission is too much aid. Where aid from all sources becomes too large over an extended period of time (several years), incentives are created for public officials and private individuals to spend their productive hours pursuing access to aid rather than producing goods and services. Thus aid can become destructive of development and even social comity. This was arguably the case during the early 1990s in Somalia, where foreign aid exceeded at one point 200 percent of the country's gross national product. One study suggests that when aid surpasses 20 percent of gross domestic product, it is likely to have negative effects on the economy.[23] This percentage will of course be different from country to country, depending on the nature of its political institutions. The percentage is likely to be low in a place like Somalia (before the state collapsed), where government is based on support by and manipulation of clans, primarily through patronage, which aid fueled. A country like Botswana, with more transparent, accountable, inclusive, and democratic political institutions (and a capable civil service), could handle a higher level of aid without negative effects. But these are hypotheses and have yet to be tested.

These cases of aid aggravating tendencies toward state failure are of more than just historical interest. Where U.S. aid is provided with minimal concerns or conditions regarding the nature and performance of governments, that danger can arise. It may be that in the future we will count Egypt and Pakistan—two of the largest recipients of U.S. aid today and arguably exhibiting the problems that often lead to state failure—as failed states for those reasons. This is not to argue that the U.S. government should never provide aid to poorly performing states with high diplomatic priority. But in doing so, there should be an effort to understand and address the root causes of potential state failure within the constraints set by foreign policy imperatives.

Ending Conflict in a Failing State

Once a state has collapsed and conflict has erupted, the policy challenge is to bring that conflict to an end. It is in meeting this challenge that the role of aid is preeminent. It is also in this arena—using aid to support a transition from war to peace—that the most experience with failing or failed states has been gained, not only by the United States but also internationally. Beyond providing humanitarian relief for the victims of war and state collapse, aid can be used to demobilize and retrain troops, to clear the country of mines, to support community-based efforts to overcome past hostilities among warring parties (often ethnic groups), and to reestablish political institutions.

To provide a focus within the U.S. government for aid-funded work in postconflict transitions, USAID established in 1994 the Office of Transition Initiatives (OTI), whose purpose is to "provide fast, flexible, short-term assistance to take advantage of windows of opportunity to build democracy and peace."[24] It lays the foundations for long-term development by promoting reconciliation, jump-starting economies, and helping stable democracy take hold. The OTI began with a mission to address postconflict and transition activities to strengthen peace and democracy and has since worked to evolve principles and best practices. By 2003 the office had worked in twenty-five countries funding and supporting a variety of programs, including community-based organizations, support for media, and conflict management and peace initiatives. Evaluations thus far undertaken by USAID (by independent contractors) of OTI's work have been generally favorable.[25]

USAID has promoted postconflict state resuscitation in addition to the work of the OTI and has published a number of studies, including Krishna Kumar and Marina Ottaway's edited volume, *From Bullets to Ballots: Electoral Assistance to Postconflict Societies*, and Krishna Kumar's edited volumes, *Rebuilding Societies after Civil War* and *Postconflict Elections, Democratization, and International Assistance.*[26] This body of literature, plus that of other scholars, practitioners, and other aid agencies, has begun to recount and analyze the growing experience of foreign aid in this area, providing the basis for a sophisticated set of best practices and policies.

Summing Up

The policies and programs needed to address the problem of failing and failed states are part of a broader approach to problems of poor performance among low-income countries, but they are an increasingly important part of that approach, with the continuing problems of state collapse, the humanitarian costs of the conflicts associated with state collapse, and the dangers that failing and failed states present to the international community generally. This category of states may become a major focus for foreign policy and foreign aid in coming years, especially in a world of terrorism and the transnational problems that can emerge from state failure.

An effective approach to reversing state failure must be a comprehensive one, dealing with the problems of failing states, periods of conflict and chaos, and the postconflict resuscitation of states, economies, and societies. Foreign aid has a role to play in each of these stages, though its role is likely to be most important in the first stage and the final stage. In the first, crucial stage, a good deal more thought and experience is needed to clarify and deepen policies that can help identify failing states and address their problems. Foreign aid alone is seldom enough to reverse the problems of a failing state: diplomatic engagement is also essential (which can be costly and time consuming). In some cases, there may be no effective way to reverse the fate of a failing state, where external pressure and persuasion is inadequate to change the calculus by entrenched political elites of policies and behavior that have put the state on the path of failure.

However, not even this panoply of policies is likely to be adequate to address the problems of low-income, poorly performing states. Three more elements are needed: the organization in the U.S. government designated to address these issues, the political will to do so (and criteria to choose when the United States will and will not mount an effort to prevent state failure), and international collaboration.

Government Organization

The challenge of reversing state failure is a new one, at least in the explicit form discussed here. It involves several U.S. government agencies, primarily the Department of State and USAID but potentially the Department of Defense and others still. If the administration wanted to elaborate such a policy quickly and manage it effectively (including coordinating the involvement of multiple agencies), it would have to consider creating an organizational locus to do so. Where would such a locus be and what might it look like?

The obvious locus of leadership in the U.S. government to address reversing state failure is the Department of State. The locus should be in the form of a permanent organizational entity rather than a coordinator (an individual with a small staff, often regarded as temporary). The locus should be at a sufficiently high level—perhaps a bureau—to have visibility and stature. It should have resources of its own to put behind its initiatives. And a designated official in the National Security Council should be responsible for issues involving state failure, an official with whom this new bureau can collaborate. It would also liaise with USAID's Office of Conflict Management and Mitigation and would work with U.S. ambassadors, USAID mission directors, and possibly Central Intelligence Agency station chiefs to identify failing states and develop strategies for preventing failure, including mobilizing other resources and individuals available to the U.S. government for diplomatic initiatives. When states do collapse and conflict erupts, this bureau could take the leadership in mitigating conflict and in designing an approach to resuscitation (in this latter stage, relying on USAID's Office of Transition Initiatives to respond to opportunities in the postconflict period).

Political Will

The lack of political will on the part of governments has been the main reason that these governments have failed to act to prevent state failure. When the genocide in Rwanda began, there was an opportunity for other countries to act to stop the killings, but the U.S. government, for one, resisted such an intervention and reportedly even opposed terming the killings *genocide* to avoid being obliged to act under international law. The reluctance to intervene in Liberia, a very troubled country with special ties to the United States, is another case in point. Both of these cases would have involved military intervention to stop the violence, but the principles and problems involved with such an intervention apply to a policy of diplomatic and foreign-aid-based interventions as well. The essential deterrents to intervention are the lack of government resources and bureaucratic attention and domestic (perceived or real) political constraints.

Even a superpower like the United States has constraints on the time its officials can put into significant diplomatic initiatives abroad, and even in an era of budgetary exuberance, there are limits to the resources that can be dedicated to preventing state failure. So how does the United States decide where to put its efforts, assuming that it adopts a policy of preventing state failure? And who takes responsibility for those problems of state failure when the United States chooses not to become involved?

The policies of both the Clinton and Bush administrations suggest that active U.S. engagement on these issues occurs only when important U.S. interests are at risk: the threat of illegal drugs being smuggled into the United States from Latin America; a surge in illegal immigration, as in the case of Haiti during the 1990s; the threat of terrorism, as in the case of Afghanistan.

When fundamental U.S. interests are not threatened (Rwanda and Liberia), the U.S. government has been reluctant to take a leadership role in conflict prevention or mitigation. This pattern clearly relates to domestic politics—specifically, the ability of an administration to justify a significant diplomatic initiative to Congress and the public. There may be times when such initiatives are not high profile and so do not engage domestic political attention, as was the case in Burundi. But where they are high profile, domestic politics will intrude.

The criterion of how a failing state is likely to affect U.S. national interests is a logical and essential one for determining when the United States will take the initiative to prevent state failure, but should this be the only criterion? The answer to this question must be no if the United States is to live up to its ideals and international obligations. When there is a threat of massive violence, as in the case of Rwanda, the United States must be prepared to act to prevent or mitigate state failure, collapse, and conflict. And when a U.S. intervention promises to be effective, especially if the costs of that intervention are limited, the United States should also consider taking action.

International Collaboration

No one government is in a position to take on the leadership of all of the problems of failing and failed states. In several areas multilateral approaches are needed, such as in information gathering and monitoring failed states. It would be useful for an international entity to undertake these charges, drawing on information provided both by governments and by its own staff and consultants. On the basis of agreed standards and norms for identifying failing states, such an organization could provide credible reporting and early warnings on failing states that would not have the taint of self-interest. Such an international organization could also act as a coordinating mechanism for the activities of bilateral and multilateral aid agencies in postconflict situations. Without such an organization, it is likely that the fragmentation of activities now evident—plus the lack of definition of and focus on state failure—will continue.

Diplomatic action to reverse state failure must rest primarily with governments (both those in the region of the conflict and those more distant) with the resources and influence to act effectively. Regional organizations and arrangements could be useful in this regard—and have been at times in Latin America and Africa. But in Africa in particular, regional organizations are often too weak or (because of the hesitancy of their member states) unwilling to persuade failing states to change their policies and behavior or also unwilling to provide peacekeeping services. Since these regional organizations are not always able to work effectively to prevent state failures, the United States should not refer such problems to these organizations just to get them off of the U.S. diplomatic agenda.

Conclusion

The issues of how to deal with poor performers and especially with failing states are new ones. The categories themselves are new and still fuzzily defined. Developing comprehensive policies and an organization to address these issues remains a challenge, one that is related to another priority of the Bush administration: nation building. Whether these issues will become a new paradigm in aid giving in the early part of the twenty-first century is unclear. A start, at least, has been made.

Notes

1. The U.S. Central Intelligence Agency proposes twenty; the U.K. Department for International Development proposes forty-six. The Failed States Index, produced by *Foreign Policy* and the Fund for Peace, identifies some forty countries as vulnerable to state failure by varying degrees. See www.foreignpolicy.com/story/cms.php?stody_id=3098.

2. USAID, "US Overseas Loans and Grants" (//qesdb.cdie.org/gbk/ [October 2005]).

3. See USAID, "Congressional Presentation 2006" (www.usaid.gov/policy/budget/cbj2006/summtables.html [October 2005]); Department of State, "FY 2006 International Affairs Budget Request" (www.state.gov/s/d/rm/rls/iab/2006/pdf [October 2005]). The country figures do not include assistance from the MCC.

4. See David Dollar and Craig Burnside, *Assessing Aid* (Washington: World Bank, 1998).

5. World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington: 1989).

6. An excellent place to start is Tom Carothers, *Assessing Democracy Abroad: The Learning Curve* (Washington: Carnegie Endowment, 1999).

7. Testimony of Andrew S. Natsios, Administrator, U.S. Agency for International Development, "Millennium Challenge Account," before the Senate Foreign Relations Committee, March 4, 2003 (www.usaid.gov/press/speeches/2003/ty030304a.html [December 2005]).

8. Ibid., p. 3.

9. Ibid., p. 4.

10. See USAID, *Fragile States Strategy* (2005), p. 9.

11. See "Failed States Index," *Foreign Policy,* July–August 2005.

12. Ibid., p. 1.

13. It must be recognized that terrorists, criminals, and others may base their activities in states that have not failed. Afghanistan under the Taliban was not a failed state by the

definition used here and elsewhere. The Taliban government was in control of most of Afghanistan's territory and chose to welcome al Qaeda into the country for ideological and financial reasons. It is not the point of this essay to do so, but considerably more rigorous thought needs to be given to the definitions of failed and failing states if the categorizations (often based on whether we like a particular government and its policies or not) are not to defeat U.S. policy goals or simply justify U.S. interventions for reasons other than preventing state failure.

14. See Jack Goldstone and others, "State Failure Task Force Report, Phase III," September 2000 (www.cidcm.umd.edu [May 2004]). For a critique of Goldstone and a review of the literature on state failure, see David Carment, "Anticipating State Failure," January 2001 (www.carleton.ca/cifp/docs/anticipatingstatefailure.pdf [December 2005]). See also Robert Rotberg, ed., *When States Fail* (Princeton University Press, 2004).

15. For an exposition of this approach, see USAID, *Foreign Aid in the National Interest* (2002), chap. 4.

16. USAID, *Fragile States Strategy,* p. 12.

17. A conflict vulnerability assessment for Bulgaria is available on USAID's website, www.usaid.gov.

18. Although there is a degree of overlap in the concepts of preventing state failure and preventing conflict, these are somewhat different. Conflict can erupt even when states are not failing—for example, between states rather than within states. And in theory, states can fail without conflict occurring, though a case of state failure without civil conflict is rare in today's world. It is also unclear whether and when state failure leads to civil violence or when it is the reverse: civil violence leading to state failure.

19. The Development Assistance Committee of the OECD, a club of bilateral aid agencies, has undertaken some useful work on conflict prevention and peace building. See, for example, the committee's publication *Helping to Prevent Violent Conflict: Orientations for External Partners* (Paris: OECD, 2001). However, this document skirts the difficult issue of changing the political calculus of entrenched elites and so seems to ignore the core problems behind failing states.

20. U.S. General Accounting Office, "US Rule of Law Assistance to Five Latin American Countries," GAO, National Security and International Affairs Division 99–195 (1999); also see USAID, "Achievements in Building and Maintaining the Rule of Law," occasional paper, Democracy and Governance Center, November 2002, pp. 68ff.

21. See testimony of Howard Wolpe, Consulting Director, Africa Project, Woodrow Wilson International Center, before the House Subcommittee on Africa, House Committee on Foreign Affairs, April 3, 2003 (www.house.gov/international_relations/108/wolp0403.htm).

22. See International Crisis Group, "A Framework for Responsible Aid to Burundi," *Africa Report* 57, February 21, 2003.

23. Paul Collier, "Aid 'Dependency': A Critique," *Journal of African Economies* 8, no. 4 (1999): 528–45.

24. See OTI website, www.usaid.gov. Other countries and institutions, including the World Bank, Denmark, and the United Kingdom, have followed USAID's initiative and established their own postconflict offices and funds.

25. See, for example, Robert Rotberg, "The First Ten Years: An Assessment of the Office of Transition Initiatives" (Belfer Center Program on Intrastate Conflict, John F. Kennedy School, Harvard University, 2005).

26. See Krishna Kumar and Marina Ottaway, *From Bullets to Ballots: Electoral Assistance to Postconflict Societies* (Washington: Center for Development Information and Evaluation, USAID, 1997); Krishna Kumar, ed., *Rebuilding Societies after Civil War: Critical Roles for International Assistance* (Boulder, Colo.: Lynne Rienner, 1997); and Krishna Kumar, ed., *Postconflict Elections, Democratization and International Assistance* (Boulder, Colo.: Lynne Rienner, 1998).