



UNITED NATIONS
UNIVERSITY

Research Brief

NUMBER 3, 2008

Overview

Many of the world's poorest countries can be described as "fragile states" wherein governments cannot or will not provide an environment for households to reduce, mitigate or cope with poverty and other risks to well-being. Many of these states are in conflict or just emerging from conflict. The UNU-WIDER project "Fragility and Development" explored state fragility and its relationship to household vulnerability, noting that there is a lack of research on the economic dimensions of conflict, aid and development in fragile states. This research brief provides a summary of the various contributions made by this project, including case studies on Iraq, Kosovo, Palestine and Somalia. It also addresses a number of pertinent questions. When are states fragile? What are the costs that fragile states impose on their people and the international community? Should the sovereignty of fragile states be reconsidered? And how can aid flows to fragile states be made more effective?

Written by WIM NAUDÉ, AMELIA U. SANTOS-PAULINO and MARK MCGILLIVRAY

© United Nations University, 2008
ISBN 978-92-808-3511-3
ISSN 1816-5796

Licensed under the Creative Commons Deed "Attribution-NonCommercial-NoDerivs 2.5"



UNITED NATIONS
UNIVERSITY

UNU-WIDER

World Institute for Development
Economics Research

Fragile States

THE UNU-WIDER PROJECT ON "FRAGILITY AND development" began with the premise that dealing simultaneously with household vulnerability and state fragility is probably one of the most urgent development challenges of our time. Consequently, the project explored the dimensions of household vulnerability and state fragility in development. This research brief is about the roughly 50 or more fragile states that are home to around a billion people. An accompanying UNU research brief considers vulnerability in developing countries (see UNU Research Brief No. 2, 2008).

State fragility has serious repercussions for national and international security and prosperity. Many fragile states are ravaged by conflict and have become "failed" states. Some have only recently emerged from devastating civil wars and remain fragile. Others have histories of military coups or have been through serious political crises. Others still are small states with limited resource endowments and high debts, and are subject to natural hazards that render them extremely unstable.

The UNU-WIDER project on "Fragility and Development" brought an economic perspective to the concept and classification of fragile states, the costs they impose on global development and security, and the challenges they and the international community face in the quest for development, particularly for those in or emerging from conflict. A number of pertinent questions were addressed. When are states fragile? What are the costs that fragile states impose on their people and the international community? Should the sovereignty of fragile states in conflict be reconsidered? How can peace agreements be enforced through appropriate economic incentives? How does conflict impact disproportionately on women? How can aid flows to fragile states be made more effective?

The studies addressing these questions are summarized in the box "Selected WIDER Papers Dealing with Fragile States", which also refers to their UNU-WIDER research paper numbers to facilitate downloading from the website (www.wider.unu.edu).

Which States are Fragile?

The *Oxford English Dictionary* (2nd edition, 1989) defines the word "fragile" as meaning "liable to break or be broken; easily snapped or shattered; in a looser sense, weak, perishable, easily destroyed". In the context of independent political states or countries, the term "fragile" seems to imply the existence of states or territories whose very being is under threat. In the extreme case, where states do cease to exist



About the Authors

Wim Naudé is a Senior Research Fellow at UNU-WIDER. Previously he has been a Research Director at North-West University, South Africa, and a Research Officer at the Centre for the Study of African Economies, University of Oxford, UK. He specializes in regional and urban development, entrepreneurship and African development.

Amelia U. Santos-Paulino is a Research Fellow at UNU-WIDER. Previously she was a Research Fellow at the Institute of Development Studies, University of Sussex, UK. She specializes in trade, macroeconomics and development issues.

Mark McGillivray is Chief Economist of the Australian Agency for International Development. He was previously Deputy Director of UNU-WIDER. He is also an honorary Professor of Development Economics at the University of Glasgow, UK, an External Fellow of the Centre for Economic Development and International Trade at the University of Nottingham, UK, and an Inaugural Fellow of the Human Development and Capability Association.

or function to any normal degree, they can even be labelled as “failed states”.

A number of definitions and measurements of fragile states have been proposed. Most of these have been developed by international financial institutions and development agencies, reflecting their concern that countries may be too fragile to use aid effectively.

One of the best-known definitions is that of the UK’s Department for International Development (DFID), which defines a fragile state as one where “the government cannot or will not deliver core functions to the majority of its people, including the poor”. Core functions here include the provision of basic services such as education, health, safety and security, often the focus of donor aid programmes.

The World Bank and the OECD classify states as fragile based on their score in the Country Policy and Institutional Assessment (CPIA) ratings: a low-income country with a CPIA score of 3.0 or less is seen as fragile. These countries are also termed “low-income countries under stress” (LICUS), and have been described as “difficult partnership countries” to denote the fact that the underlying concern of the World Bank and the OECD is that countries may be too fragile to use aid effectively.

Mina Balamoune-Lutz and Mark McGillivray (RP2008-44) take issue with the choice of a rigid CPIA score of 3.0 as the cut-off point for deciding whether or not a country is too “fragile” to use aid effectively. In their words, “all countries are fragile to the extent that their ability to use aid differs. Some are simply more fragile than others.” To take into account that fragility differs along a continuum, they propose a framework that uses fuzzy-set theory, which allows for a more gradual distinction to be made between fragile

and non-fragile states. They apply this to the 2005 CPIA scores from 76 countries, and conclude that using the traditional methods to classify countries may lead to some countries being incorrectly classified.

Another operational definition of fragile states stems from the Canadian International Development Agency’s “Country Indicators for Foreign Policy (CIFP)” project. For the UNU-WIDER project David Carment, Yiagadeesen Samy and Stewart Prest (RP2008-46) provided a critical review of the CIFP Fragility Index. In this index the fundamental causes of state fragility are broader than just violent conflict. In particular, in the CIFP Fragility Index, state fragility is due to threats to the authority (A), legitimacy (L) and capacity (C) of the state. These so-called ALC components are used to gauge state performance across various dimensions, including economic, governance, security and crime, human development, demographic and environmental dimensions. They use this approach to compile a fragility index for countries over the period 1999–2005. Here it is only the degree of fragility that differs between countries. In the CIFP Fragility Index 70 per cent of the 40 most fragile states are in sub-Saharan Africa.

When Do Fragile States Fail?

The Political Instability Task Force (PITF), previously the State Failure Task Force, describes four types of conflict events that can push a fragile state into failure: revolutionary wars, ethnic wars, adverse regime changes, and genocides and politicides (see <http://globalpolicy.gmu.edu/pitf/>). From these types of conflict the PITF has compiled a consolidated list of state failures over the period 1955 to 2006. Over this period they record no fewer than 139 “state failure events” across

107 countries. Although they note that the number of wars and civil conflicts in the world had declined since the end of the Cold War, there were still at least 18 countries that, by the end of 2006, were in a state of serious conflict or state failure. A disproportionate number of failing states in conflict are in Africa (about 40 per cent) and the Middle and Near East (50 per cent).

state fragility and failure and conflict is multi-directional. In practice, given the complex nature of many conflicts, it is most often difficult to disentangle the various influences, especially when conflicts have persisted for many years.

The relationship between state fragility and state failure has been taken up in this project.

All countries are fragile to the extent that their ability to use aid differs. Some are simply more fragile than others

Many of the states that were in conflict previously, and which are now in post-conflict reconstructive phases, remain in a precarious, very fragile condition. One major reason for continued fragility is that the possibility of a relapse into conflict is high. Another reason is the economic impact of violent conflict on a country's development and development prospects. A growing literature has examined the costs of conflict, especially civil war. Most estimates suggest that the impacts of civil war are substantial and long-lasting and include direct costs such as destruction of infrastructure, diverted (military) expenditure and indirect costs such as the disruption of markets and increase in risk and uncertainty. Civil conflict also has spillover effects reducing growth in neighbouring countries.

Conflict, which undermines the authority and legitimacy of the state and limits prospects for development, is clearly a major cause of fragility, and of identifying countries as fragile. However, weak or fragile states, due to low development status, in themselves can lead to conflict and an ensuing vicious cycle from fragility to conflict, and from conflict to further fragility. Thus the causality between

Ghassan Dibeh ([RP2008-35](#)) studies the causes and consequences when fragile states become failed states. He does so using the cases of Iraq and Somalia, and shows that while states such as oil-rich Iraq may fail due to conflict over bountiful resources, those poor in resources, like Somalia, may also fail because no group has an interest in forming a central authority. To understand the relationship between resources, state structures and economic growth, Dibeh provides an overview of the theoretical literature and a model of the relationship between resources and the formation of government. This is then applied to the situations in Iraq and Somalia. He provides a useful reminder that it is often difficult to predict in advance state failure, and that the importance of good leadership in the context of strong governance institutions should not be underestimated. These lessons emerge from a historical overview of Iraq's economic development since the 1960s. Three periods are contrasted: the era before the first Gulf War (1991), the era of international isolation between 1991 and 2003, and the subsequent post-Saddam Hussein period following the 2003 US-led invasion. In essence



Selected WIDER Papers Dealing with Fragile States		
<i>Mina Baliaoune-Lutz and Mark McGillivray</i>	State Fragility: Concept and Measurement	RP2008-44
<i>David Carment, Yiagadeesen Samy and Stewart Prest</i>	Determinants of State Fragility: The Country Indicators for Foreign Policy Project	RP2008-46
<i>Ghassan Dibeh</i>	Resources and the Political Economy of State Fragility in Conflict States: Iraq and Somalia	RP2008-35
<i>Lisa Chauvet, Paul Collier and Anke Hoeffler</i>	The Cost of Failing States and the Limits to Sovereignty	RP2007-30
<i>Sebnem Akkaya, Norbert Fiess, Bartlomiej Kaminski and Gael Raballand</i>	Economics of “Policy-Induced” Fragmentation: The Costs of the Closures Regime to the West Bank and Gaza	Not published as a WIDER research paper
<i>Sumon Kumar Bhaumik, Ira N. Gang and Myeong-Su Yun</i>	Gender and Ethnicity in Post-Conflict Kosovo	RP2008-43
<i>Tilman Brück and Kati Schindler</i>	The Impact of Conflict and Fragility on Households	RP2008-83
<i>S. Mansoob Murshed and Phillip Verwimp</i>	Enforcing Peace Agreements through Commitment Technologies	RP2008-45
<i>Mark McGillivray</i>	Aid Allocation and Fragile States	DP2006-01
<i>Sanjeev Gupta</i>	Enhancing Effective Utilization of Aid in Fragile States	RP2008-07

the story of the rise and fall of Iraq is of a country failing due to avoidable external conflicts (war with Iran and the occupation of Kuwait) and internal conflicts (failing to establish trust and co-operation between Sunni, Shiite, and Kurdish groups). The policy implication is that efforts to end conflict in failed states will differ significantly depending on the availability and distribution of resources, and the resulting incentive structures facing conflicting parties: one-size-fits-all externally imposed solutions are not likely to bring lasting peace and development.

What are the Costs and Consequences of Fragile States?

Major contributions were made by the UNU-WIDER “Fragility and Development” project in quantifying the macro-level costs, and illustrating the micro-level impacts, of failed and

fragile states. Much of the existing literature on the costs of fragile states is limited to an assessment of the costs of violent conflict (war, civil war). In contrast, Lisa Chauvet, Paul Collier and Anke Hoeffler ([RP2007-30](#)) estimate the full costs of a failing state. They argue that states can fail in three ways: by causing negative spillovers for citizens of neighbouring countries, by failing to provide basic security for their own citizens and by failing to create and maintain an environment for the progressive and sustainable reduction of poverty. The core argument here is that in these three ways failing (or fragile) states impose costs which, if large enough, may justify overriding their national sovereignty by international intervention. They calculate that the combined total cost of failing states (using the World Bank’s classification of LICUS) is around US\$276 billion

per annum – more than twice what international aid flows would be if the OECD countries actually reach the UN target of giving 0.7 per cent of their GDP in aid. This suggests that there are significant benefits in solving the problems of fragile states.

Other papers in this project provide country and household-level assessments of the costs of state failure. Sebnem Akkaya, Norbert Fiess, Bartłomiej Kaminski and Gael Raballand (in a paper presented at the UNU-WIDER Conference on Fragile States in June 2007) assess the costs and consequences of Israeli border

society: women are often seen to be particularly affected. Sumon Kumar Bhaumik, Ira Gang and Myeong-Su Yun ([RP2008-43](#)) investigate whether female-headed households, particularly in relation to their ethnic group, suffer more after a conflict. They do this using household data on Serbian and Albanian households in the Balkan region of Kosovo, a region characterized by decades of political strife and outright armed conflict during most of the 1990s. They find that female-headed households did not on average suffer more than male-headed households, but when ethnic

The combined total cost of failing states is around US\$276 billion per annum

closures for the West Bank and Gaza (WB&G) economy. This research notes that Israeli security arrangements (such as checkpoints and road closures) have placed restrictions on the movement of goods and people to and from the WB&G, imposing significant economic costs. The authors estimate that one day of closure costs the WB&G about US\$7 million in lost income. In addition to these macro-economic costs they consider the impact of closures on remittances, employment, transport costs, external trade and future economic activity. The loss in income of Palestinian workers in Israel between 2001 and 2003 is estimated to total more than US\$3 billion, and the loss of export earnings as US\$693 million. As the case of Palestine illustrates, conflict leads to isolation and fragmentation, which ultimately imposes huge economic costs, further weakening the state's capacity to address development progressively.

The costs of state fragility do not impact equally on all members of a

affiliation is taken into consideration, the picture changes. They also find that living standards of minority Serb households are lower than those of Albanian households, with female-headed Serbian households having the lowest standard of living in Kosovo. The authors conclude that “we need to study welfare in fragile states, where conflicts among ethnicities or tribes or political ideologies are at the forefront, not only from the ethnicity/tribe/ideology perspective, but also from gender perspectives”. This is an important message for finding ways and means of mitigating the impact of violent conflict in fragile states and aiding post-conflict reconstruction.

Tilman Brück and Kati Schindler ([RP2008-83](#)) further explore the plight of women when states fail to provide security. The paper shows that, based on published statistics, the wars in Afghanistan and Vietnam and the 1994 genocide in Rwanda brought 700,000, 1,000,000 and 500,000 women into widowhood, respectively.



This study fills an important gap in the literature on “widows and conflict” by analysing the main channels through which mass violent conflict affects households, namely household boundaries, household activities and intra-household relations and gender roles. Their findings indicate that, first, household boundaries, activities and intra-household relations and gender roles are likely to be affected strongly by mass violent conflict and fragility. Second, households are likely to be

Carment and co-authors ([RP2008-46](#)), this range of interventions should include aiming to improve the authority and legitimacy of states and their capacity to provide basic services.

One controversial form these interventions can take is the suggestion by Chauvet and co-authors ([RP2007-30](#)) that national sovereignty should be overridden in certain cases in order to limit the negative spillover effects that fragile states impose on neighbouring countries.

It is in the global interest to help fragile states

constrained in their choice of coping strategies because conflict potentially destroys various production inputs. As a result, a household’s income-generating activities may entail higher risk and a reduced profit margin. Arguably, the efficiency of aid to countries in or emerging from conflict may be improved from this better understanding of the situation facing the many women-headed households that characterize post-conflict communities.

What Can Be Done About Fragile States?

The final group of research papers asks how the international community can assist fragile states, given what we know of their causes, costs and consequences.

A two-pronged approach can be supported from the findings of this project, consisting of adopting a holistic approach towards fragile states and improving the effectiveness of assistance to these states.

A broad and holistic approach is needed, requiring a wide range of interventions from the international community. As explained by David

On a related note, Mansoob Murshed and Philip Verwimp ([RP2008-45](#)) argue strongly for the vital role of international intervention and mediation in securing sustainable peace agreements. The paper implies that it is difficult to sustain peace agreements following civil wars, citing as examples the Addis Ababa Agreement (1972), the Arusha Agreement (1993) and the Angolan Peace Agreements (1991 and 1994). They recognize that “most peace agreements between warring factions in contemporary developing country civil wars are not self-enforcing” and that “most civil wars cannot be ended without outside intervention, including the use of aid, trade restrictions, and peacekeeping efforts”. The paper’s arguments are illustrated by a discussion of the fragile state of Rwanda, where the 1993 peace agreement failed, setting in motion events that led to the massacre of at least 500,000 Tutsis. The authors also construct an analytical “signalling” model of peace agreements that shows why self-enforcing peace agreements are so difficult to achieve. The model in particular shows that external intervention can work if it is



credible – providing important food for thought for those concerned about the effectiveness of such intervention in many of today's most enduring violent conflicts.

The second prong of the approach to dealing with fragile states is to improve the effectiveness of international assistance, in particular aid and humanitarian assistance. Aid effectiveness has spawned a large literature, which is partly surveyed by Mark McGillivray, but has tended to neglect the case of fragile states. In McGillivray's survey and that by Sanjeev Gupta, the question of how to improve aid effectiveness in fragile states is investigated.

Mark McGillivray ([DP2006-01](#)) reviews the extensive literature on how aid should be allocated to developing economies and how it is in practice allocated to these countries. He shows that, despite the apparent view that fragile states use aid less effectively, there is little in the literature to substantiate this view. In particular, aid does not affect only growth (the focus of much of the economics literature) but is important in preventing instability and conflict, improving human rights and preventing or limiting negative spillovers to neighbouring countries. Therefore, McGillivray argues for aid to fragile states, arguing that to the extent that there might be absorptive capacity constraints, these might be avoided by allocating aid via non-governmental channels.

Sanjeev Gupta ([RP2008-07](#)) points out that the literature on aid spending absorption in fragile states is still in its infancy. He adds to this literature by discussing the macro-

economic implications of aid flows for fragile states, and in particular for post-conflict countries. The paper shows that these depend on the configuration between aid absorption and spending; that is, whether or not aid is absorbed and spent, or absorbed but not spent, or neither absorbed nor spent, or spent but not absorbed. Aspects that influence this decision are a country's macro-economic position, its capacity to absorb aid and the quality of its institutions. Two options for fragile states are explored: front-loading of expenditure, and expenditure smoothing. Under the first, a country increases spending sharply as aid flows in, and reduces it again afterwards. Gupta suggests that this might be a relevant approach for post-conflict countries where returns to physical infrastructure investment are likely to be substantial. Under the second option, a country aims to keep its spending stable over time. According to Gupta, this might be an appropriate strategy for fragile states that face high uncertainty and only temporary access to aid. A challenge that remains if fragile states are to adopt these strategies successfully is the implementation of a supportive medium-term expenditure framework in fiscal planning. Currently such a level of planning is beyond the capabilities of many fragile states, and remains an area wherein the international community can provide valuable assistance.

In conclusion, this UNU-WIDER project has brought together a number of crucial contributions that have shown it is possible to identify fragile states and their causes, and to address these causes – and moreover that it is in the global interest to do so.



UNITED NATIONS
UNIVERSITY

UNU-WIDER

World Institute for Development
Economics Research

The World Institute for Development Economics Research (WIDER) was established by the United Nations University (UNU) as its first research and training centre and started work in Helsinki, Finland in 1985. The Institute undertakes applied research and policy analysis on structural changes affecting the developing and transitional economies, provides a forum for the advocacy of policies leading to robust, equitable, and environmentally sustainable growth, and promotes capacity strengthening and training in the field of economic and social policy making. Work is carried out by staff researchers and visiting scholars in Helsinki and through networks of collaborating scholars and institutions around the world.

INSIDE:

Research Brief

Fragile States

This policy brief deals with the identification of fragile states and the causes and consequences of state fragility. Addressing the problem of fragile states is in the global interest.

World Institute for Development
Economics Research
of the United Nations University
Karajankallatunturi 6 B
FIN-00160 Helsinki
Finland
Tel. +358-9-6159911
wider@wider.unu.edu
www.wider.unu.edu

World Institute for Development
Economics Research

UNU-WIDER

UNITED NATIONS
UNIVERSITY

