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**Globalization and
International Development Research:
Study Report on
“Development Strategy of Fragile States”**

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Preface

This is an English version of excerpts from the original Japanese study report, “Globalization and International Development Research – Development Strategy of Fragile States”, prepared at the request of the Japanese Ministry of Foreign Affairs in FY2007.

The developing economy today is largely polarized. Some countries, such as China, India and Brazil, are experiencing rapid economic growth, increased per capita income and steady progress in poverty reduction. At the same time, other countries are trapped in a vicious cycle of internal conflict or weak governance and thus experiencing economic stagnation or regression. These countries are referred to as “fragile states.” Many of these fragile states are in Africa (particularly the Sub-Saharan region) and in part of South Asia, and facing a myriad of critical challenges; in some cases the government is unable to exercise control over a part of its own territory due to ethnic conflicts or insurgencies. In other cases, the government has serious problems in its governance. Many fragile states have difficulties in achieving development objectives, such as Millennium Development Goals (MDGs). Fragile states can also become potential hotbeds for terrorists and therefore development assistance to these states needs to focus on political development (such as state-building and institution-building) in addition to social and economic development. Another key challenge is how to ensure aid effectiveness in delivering aid to these countries. Despite a greater urgency and need for aid, fragile states generally have weak governance capacity or weak will, and are prone to suffer from reduced aid allocation compared to countries with good governance. The purpose of this study is to explore appropriate aid strategies to fragile states from the context of Japanese development assistance.

Current official development assistance (ODA), provided on the basis of inter-governmental agreement in which the government of a developing country is an equal counterpart, is limited in its ability to effectively deliver aid to all citizens of a country when the government lacks capacity or will to provide needed services for its people. We believe that a drastic paradigm shift is needed in considering development assistance to fragile states. To explore approaches to development assistance to fragile states, this paper will first clarify the definition and classifications of “fragile states”, then it will present a broad overview of a number of approaches to fragile states currently taken by major donor countries and aid organizations as well as the measures taken by Japan. Following this overview, problems and issues that Japan may face when rendering assistance to fragile states will be reviewed. In addition to the contents

described above, the original Japanese study report contains a review of current academic debate on the fragile states issue as well as a case study on Nepal,.

The chief editor of this book is Takamasa Akiyama, senior advisor for the International Development Research Institute of FASID. We extend our heartfelt gratitude to Mr. Yuichi Sasaoka, a visiting expert on assistance to fragile states in Africa from the Institute for International Cooperation, Japan International Cooperation Agency for his written contribution to the Japanese report. In addition to Takamasa Akiyama, other contributors from the International Development Research Institute of FASID were Naonobu Minato (Acting Director), Yuki Nakamura (Program Officer), Mai Ono (JPO) and Hiroaki Hamana (JPO).

The content of each chapter reflects the individual views of the author and are not the views of FASID. The positions of the authors are as stated at the time the chapters were written.

We hope this paper will serve to expand discussions on assistance strategies for fragile states and subsequently, be of use to Japan's future contribution to the peace and stability of nations.

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Introduction

The September 11 attacks in 2001 on the U.S. have radically changed the trend in international development assistance. Although there were terrorist attacks before, the 9/11 incident claimed the heaviest casualties in a single assault on the U.S. mainland and the political and social impact was profound. The fact that al-Qāida was based in Afghanistan where the poverty rate is notably high and the legitimacy of the government is weak inevitably aroused serious concern in the U.S. government over so-called “fragile states.” The fact that subsequent military interventions in Afghanistan and Iraq as well as US state-building efforts in these countries did not progress satisfactorily raised the level of concern over fragile states even further. Consequently, in addition to the U.S., main donor countries and international organizations such as OECD-DAC, the World Bank and the UNDP have come to consider the issue of fragile states as a major challenge. The awareness that many countries which do not have the political will or the capacity to provide their people basic services (especially security) have a higher probability of threatening the security of their surrounding regions or even the world’s security further heightened their increased concern over fragile states. Prior to 9-11, the issue of fragile states was addressed either as a combined security and military problem or as a development issue (poverty and governance). However, the focus of recent discussions seems to have shifted to issues such as what is the state or how can a legitimate state be built (i.e. state-building) or what can be done to prevent conflicts in these countries. These types of questions will in all likelihood bring about a profound transformation in the existing development paradigm from its current emphasis on economics and poverty reduction to an emphasis on politics or in some countries, on security. If so, for DAC states, the issue of fragile states is no longer a matter of development or economic cooperation that can be dealt with by one specific department/bureau, but requires the whole-of-government approach in which diplomacy, defense and development (3Ds) are all involved. This argument has many implications for Japan as well and suggests the need to rebuild Japan’s basic policy stance at the earliest stage possible.

OECD-DAC provides the most widely-accepted definition of the FS defining state fragility in terms of the capacity and/or willingness of state structures in delivering key services needed for poverty reduction, development, security and the protection of human rights. Most donors avoid labeling any specific country as a “fragile state” probably due to diplomatic considerations. The exception is the World Bank, which identifies 34 states according to its CPIA ratings. Often, donors and researchers focus on

the 39 nations that are included in the fourth and fifth quintile of the World Bank's CPIA ratings, including OECD-DAC. The discussions presented in this report are based on the OECD-DAC's definition of state fragility.

The purpose of this report is twofold, first to review discussions concerning fragile states held in the international development community and among researchers and second, to study the implications fragile states have on the international development community and Japan. The issue of fragile states has stirred up interest in the international development community rather recently, and therefore discussions are still fluid. We believe Japan will be able to play a significant role in these discussions and hope this report will help identify appropriate ways in which Japan's aid community should address the challenges posed by fragile states.

This report is organized as follows. Chapter 1 explores the various definitions, classifications and indicators of "fragile states" as identified by main donor countries, international organizations, research organizations and individual researchers. Although not all aid institutions adopts the term "fragile states," discussions concerning countries based on the above OECD-DAC definition have been pursued in many institutions. Chapter 2 sketches out the policies and trends in assistance to fragile states by major donor countries, and Chapter 3 provides a broad overview of Japan's approach and performance to fragile states and the differences between Japan's approach and other donors. In chapter 4, Japan's past policy towards and assistance to fragile states is analyzed. Based on this analysis, the chapter will discuss what course Japan should take in the future and will address the subsequent issues that will arise. Key points are raised in Chapter 4 but discussions on such complex issues are only preliminary. The points raised in Chapter 4 regarding fragile states should, however, provide basic material for further discussions. Chapter 5 presents our conclusions.

Chapter 1: Definition and Classification of Fragile States

After the high-level forum jointly held by UNDP, World Bank, EC and OECD-DAC in London in 2005, the international community began to use the term “fragile state” to refer to unstable and conflict-affected countries. However, there is no agreed-upon definition of the fragility of a state, nor is there general consensus as to which countries fall under the fragile state category. Countries identified as being fragile may be afflicted by extremely weak governance and sudden outbreaks of conflicts; and during the post-conflict transitional period, they often face social instability, a lack of public order, fissures among social groups, widespread political corruption, a collapse of the rule of law, stagnated demand for investments and depleted development resources. Fragile states are generally recognized as being trapped in complex and chronic problems that are qualitatively different from other low-income countries, and therefore, often require a careful political response that is different from those taken in the past.¹ For this, the international community has agreed on the importance of carrying out sound analysis on the factors of fragility and has agreed to deliver aid that well-reflects the specific conditions of a recipient country (Prest *et al.* 2005) and, in accordance with their own aid purposes, policies, and relationship with partner countries, has developed various tools for assessing factors of state fragility.

The definitions and classifications of fragile states used by donors and researchers vary, depending on whether the focus is on the country’s proneness to dissolve into conflicts, their potential effect on global security, or the degree of institutional and political maturity. The difference also reflects the perception gap among donors and researchers with regard to the country in question. The explicit list of fragile states by the World Bank, calculated based on the Country Policy Institutional Assessment (CPIA – to be discussed later), provides a cornerstone for international debate on fragile state issue². It should be noted, however that the problems and conditions facing each so-called fragile state are in flux and therefore the classification of fragile states based on such situational analyses can only be considered tentative and explorative in nature.

This chapter will examine the concept of fragile states (the fragility of states)

¹ In order to realize this, OECD-DAC, etc. has been advocating the importance of the “whole-of-government” approach in which collaboration should be consciously promoted with security and judicial system in addition to the development department/bureau that had been the main agency in the past.

² In 2002, the World Bank started the Initiatives for Low Income Countries under Stress (LICUS, which is discussed later) and first used the term LICUS. The World Bank has in recent years been in a transitional process in its use of the term, fragile states.

through a broad comparative study of the practical definitions and classifications of fragile states used by major donor organizations, NGOs, private think tanks and scholars.

1-1 Definition and Indicators of Fragile States and the Fragility of States

As stated above, the definition of fragile states and the criteria for their classification vary depending on the assistance strategy of each donor country or organization and its relationship with the aid-recipient country, but the focus of these discussions can be consolidated into three areas (1) governance and the economic performance of the administrative organization of the aid-recipient country, (2) threat to international security and (3) human security. The first area, governance and economic development, focuses on the absence of sound administrative systems and social infrastructure in fragile states, and the resulting restricted and unstable flow of aid funds to fragile states in comparison to countries with good performance (“aid orphan”). In regards to the second area, since the terrorist attacks in 2001, focus has been placed on defining fragile nations from the standpoint of international security, and this approach has rapidly gained momentum. The U.S. is an excellent example of a donor that has incorporated assistance to fragile nations as a part of its international security strategy. The issue of human security in area (3) considers fragile states primarily from the perspective of poverty reduction and MDGs— the U.K. (DFID) is an example of this approach. However, many major donor countries and organizations define fragile states using a combination of the three issues mentioned above.

In the following section, the definitions and indicators of fragile states used by major donor countries, institutions, and private think tanks are reviewed.

(1) World Bank (WB)

The Fragile and Conflict-Affected Countries Group of the World Bank identifies approximately 30 poor countries that are experiencing difficulties arising from conflict or that have weak governing capacity and weak institutions as fragile states. As of 2002, the World Bank specifically defined and categorized these countries as Low-Income Countries under Stress (LICUS), in view of their weak administrative policies, weak institutions, and low aid efficiency. Following the joint high-level forum by the UNDP, WB, EC and OECD-DAC held in 2005, the category was expanded to include those countries that faced the risk of conflict and political instability, and the term, “fragile state”, was adopted in order to harmonize with other donors.

The World Bank emphasizes that fragile states are a diverse group. For analytical purposes, however, the WB defines countries rated 3.2 or less under the Country Policy and Institutional Assessment (CPIA) as fragile states. Countries with a CPIA of 2.5 or less are classified as “severe countries.” Countries with a CPIA of 2.6 or higher, but less than 3.0 are grouped together as “core countries,” whereas countries rated 3.1 or higher, but less than 3.2 are grouped together as “marginal countries”. As of fiscal 2007, 34 countries and regions were identified in the list. However, the CPIA ratings are given only on countries financed by the International Development Association (IDA). As a result, some countries such as North Korea are not included.

The CPIA consists of 16 performance criteria in four areas—economic management; structural policies; policies for social cohesion and equality; and public sector management and institutions. These criteria are used as major reference indicators for deciding the WB’s IDA credit. CPIA ratings are based on judgments by the Bank’s country team. The CPIA ratings are used by other donor countries and aid organizations such as DFID and OECD-DAC as reference indicators when making policy decisions. The African Development Bank (AfDB) includes the CPIA rating as one of its indicators on which funding is allocated.³ On the other hand, the CPIA ratings are structured to give high scores to policies that are in line with neoliberalist-oriented market economic thinking such as low tariffs and deregulated capital inflows which raises some doubts about its objectivity. There is also some concern about the reliability of CPIA ratings in areas such as gender, labor and environmental sustainability where the WB does not have a comparative advantage (Bretton Woods Project 2005).⁴

(2) United States Agency for International Development (USAID)

Out of all ODA-related organizations in the US, the USAID is the only organization that adopts explicit policies for fragile states. The Agency focuses especially on the element of “crisis” in its approach to state fragility.⁵ It has adopted a comparatively broad

³ In addition to the CPIA, the AfDB established the Post-Conflict Country Facility (PCCF) as an additional indicator when making funding decisions (in 2004). This has allowed the AfDB to meet its assistance criteria for many African countries that have experienced conflicts. Burundi and the Republic of Congo, for example, have received debt reductions through this mechanism.

⁴ <http://www.brettonwoodsproject.org/art.shtml?x-84455>

⁵ *Crisis states* are defined as “those where the central government is unable or unwilling to assure the provision of vital services to significant parts of its territory, where legitimacy of the government is weak or nonexistent, and where violent conflict is a reality or a great risk.” *Vulnerable states* are defined as “those unable or unwilling to adequately assure the provision of security and basic services to significant portions of their populations and where the legitimacy of the government is in question. This includes states that are failing or recovering from crisis” (USAID’s Approach to Fragile States Programming in Africa 2006).

definition that includes “failing states”, which are vulnerable to crises, “failed states” that are already in crisis and “recovering states” that are on the way to recovery. In order to make clear its approach to stabilization, USAID formulates a different aid strategy in response to the speed of crisis recovery for each country (USAID 2005). However, USAID has not made public its list of target countries probably due to concern over possible political repercussions.⁶

In 2006 the USAID announced its Fragile States Indicators (FSI) which measures the vulnerability of a state using 33 indicators to analyze the effectiveness and legitimacy of a government in the areas of the economy, politics, security and society. However, due to the ambiguous conceptualization of government effectiveness and legitimacy and the difficulty in collecting data outside areas where the USAID renders its aid, initiatives to measure and diagnose the vulnerability of a specific state have been temporarily suspended (Rice and Patrick 2008).

(3) UK Department For International Development (DFID)

DFID’s concept of “fragile states” is primarily based on aggressive poverty reduction policies promoted during the Blair administration. DFID defines the fragile state as “a state that is unable or unwilling to carry out its basic functions for its people including the poor.” DFID tentatively identifies 46 countries as fragile states. The 46 countries consist of the 39 countries that are classified under the fourth and fifth categories of CPIA from 1999 to 2003 and seven countries that cannot be assessed. The definition used by DFID focuses on the capacity and will of a government to enforce social security policies irrespective of whether the country has experienced conflict or not. Under this definition, Thailand, for instance, is not considered a fragile state even though it experiences conflict within its national boundaries because its government provides sufficient services to the majority of its citizens including the poor. In contrast, countries such as Guyana are defined as fragile state despite the lack of any conflict because its government lacks the capacity to deliver basic services (Brown and Stewart 2007).

(4) Organization for Economic Co-operation and Development—Development Assistance Committee (OECD-DAC)

⁶ USAID (2005) lists Afghanistan, Sudan, El Salvador and Sierra Leone as “at-risk states” and Indonesia, Macedonia, Serbia and Mote Negro as crisis states.

According to the OECD-DAC, “states are fragile when state structures lack the will or capacity to provide the basic functions needed for poverty reduction, development and safeguarding the security and human rights of their populations” (OECD-DAC 2007a). Unlike the DFID definition, OECD-DAC includes security as one of the basic functions of a state. OECD-DAC does not provide an explicit list of fragile states but it focuses on countries that were either classified in the fourth and fifth quintiles of CPIA as well as the four countries that were not rated in 2003 CPIA ratings (Afghanistan, Liberia, Myanmar and East Timor) to monitor aid flow to fragile states. For analytical purpose, these countries are further categorized into four groups based on their CPIA ratings, GNI and the needs and level of ODA (Morcos 2005).

(5) Fund for Peace

Since 2005, the Fund for Peace, a Washington-based NPO, publishes the *Failed State Index (FSI)* in the journal *Foreign Policy* as an early warning index of internal conflict and risk of “state failures.” In FSI 2007, 177 countries were ranked. The FSI consists of twelve instability indicators including demographic pressure, group grievance, uneven economic development, economic stagnation, delegitimization of the state, security apparatus and the intervention of other states. From 1996, the FSI has been evaluating countries based on the Conflict Assessment System Tool (CAST) developed by Professor Pauline Baker (president of the Fund and also a member of the U.S. Senate Foreign Relations Committee). A report prepared by the US Central Intelligence Agency (CIA) categorized 20 countries as “alerted zone countries” (Fund for Peace 2007) based on the FY2007 FSI. Despite a limited perspective to internal conflicts, FSI analysis is broadly used as a reference indicator to assess the relative risk of “state failure”. In addition, concern over the transparency of the information has also been raised since the assessment is limited to only those media sources that have been selected by CAST.

(6) Brookings Institution

Rice and Patrick of the Brookings Institution define weak states as governments that lack the capacity or will to carry out core functions (politics, economy, security and social welfare) and published an Index of State Weakness in 2008 that measure the weakness of a state from the standpoint of efficiency, responsiveness and legitimacy (Rice and Patrick 2008). The index ranks 141 countries including North Korea that the

WB defines as low-income, low-middle income, and high-middle income countries, while displaying each country according to a total of 20 indicators in the above four areas. This index was developed as a comprehensive and well-defined reference tool for policymakers. At present, all 20 indicators are weighted equally.

In general, all of the definitions and indicators of fragile states explained above focus on state effectiveness, i.e., the effectiveness of a governing body, and considers whether the administrative body of a specific country has the capacity and will to deliver appropriate social services including security and whether there is legitimacy of governance, thus recognizing the need for a special assistance modality for countries outside the development assistance framework for low-income countries.

Box 1. Other Debates on the Definition and Indicators of “Fragile States”

European Commission (EU)

The EU, under the initiative of the chair country (Portugal), held a public debate that addressed the fragility of developing countries from July to September 2007. The report, EC Communications on Situations of Fragility (EC 2007) that was prepared based on these debates is the first official EU document that focuses on this issue. The document defines the fragility of a state as characterized by the weakness of governance and its administrative institutions and the lack of institutional capacity to provide services. The deciding and permanent factor of a country’s fragility is its power structure, which is created by specific political, social, economic and historical processes; and the triggering factors are political instability, ethnic and religious conflicts, food shortages, smuggling of small weapons, and unemployment among the youth.

France

The French government does not officially use the term, fragile states. According to Châtaigner (2005), an analyst for the Agence Française de Développement, fragile states are characterized by weak economic performance, the absence of an effective government with low expectations of achieving MDGs. The extent of fragility can be measured by indicators such as the rule of law, governmental authority within national borders, government treatment of minority groups, and its capacity to deliver basic services. Châtaigner points out that the approach to so-called fragile states incorporates the concept of preventive measures, while minimizing the external fragility of a state through development policy and intervention by the private sector.

Canada

In 2006, the Country Indicators for Foreign Policy (CIFP) Project of Carleton University developed an index of state fragility at the request of the Canadian International Development Agency (CIDA) and the Canadian Department of Foreign Affairs and International Trade (DFATT). The index is an analytical tool that diagnoses the fragility of a state beyond conventional conflict analysis. It prepares a structural profile of each country by integrating indicators in six clusters: economy; governance; security and crime; development of human resources; population; and environment. The profile is then reviewed from three different angles: authority, legitimacy and the

capacity of the state, and analyzes the relative stability of each state, while respecting the context of each country. Currently, Carleton University is engaged in research with CIDA on the index that will allocate assistance for fragile states (Rice and Patrick 2008).

Germany

According to the “Action Plan for Civilian Crisis Prevention, Conflict Resolution and Post-conflict Peace Building” announced by the German government in 2004, failed states and failing states are characterized by the lack of good governance and the gradual collapse of state structures (Cammack et al. 2006).

1-2 List of Fragile States

Presently, there are few donor countries and aid organizations that have published specific classification criteria of fragile states. Since 2005, the World Bank has published its classification which identifies approximately 30 fragile states based on the CPIA and DFID has published a list of 46 fragile states based on the WB criteria. Table 1 contains a listing of the top priority and high priority countries (59 countries in total) according to the UNDP (2003) and a list of the least developed countries (LDCs) (50 countries)⁷ as identified by the United Nations, in addition to a list of fragile states as defined by the WB and DFID. For comparison, Table 2 shows a list of fragile states published by the WB, a few indices of fragile states introduced in the above section, and the categories of collapsed, failed, failing and weak states created by political scientist, Rotberg (2003).

A considerable number of countries identified as fragile in each list overlap and an overwhelming number of them are small countries in Sub-Saharan Africa. Table 2, however, shows that classifications by donors and by each index are not necessarily identical (this trend is marked in Central Asia, Latin America and CIS countries). In general, fragile states targeted for assistance are rarely explicitly discussed, but they are nearly the same as those countries that fall into the category of least developed country. The debate over assistance to fragile states carries additional value for the following two reasons: First, it sheds light on the need for assistance resources for those countries that are unable to secure a stable flow of aid funds because of their inability to meet the criteria for development assistance due to conflicts and governance problems. Second, it urges the international community to establish a new development assistance modality that differs from conventional assistance schemes, which gives the debate on assistance

⁷ <http://www.un.org/special-rep/ohrrls/ldr/list.htm> (date of access; January 24, 2008)

to fragile states added significance.

As has been pointed out by many donors including the WB, the circumstances and challenges faced by fragile states are diverse. A few countries such as Angola, Democratic Republic of Congo, Nigeria, and Papua New Guinea are resource-rich countries, but there are many resource-poor countries such as Burundi and Haiti. The World Development Indicators 2007 show that from 2000 to 2005 Cambodia and Angola achieved a growth rate of 9~10% on average, whereas Guinea Bissau and Haiti recorded on average minus growth of 0.5% and Zimbabwe recorded a minus average of 6% during the same period (World Bank 2007a). The Human Development Index (HDI) by UNDP (2007) indicates that many fragile states are categorized as “low human development countries” (HDI under 0.5). However, a high HDI has been recorded for Uzbekistan (HDI 0.702) and Tonga (HDI 0.819). Hence, it is generally agreed that conducting a detailed analysis to formulate an effective assistance strategy for each fragile state is critical. In response, aid donors have developed a range of conflict analysis tools, such as the Country at Risk of Instability (CRI) program of the Strategy Unit of the UK Cabinet Office, Canada’s CIFP Project (see Box 1), and Japan’s Peacebuilding Needs Assessment (PNA) (to be discussed in Chapter 3).

Many of fragile states are similar in that they all share a high risk of conflict eruption that is accompanied by markedly weak government functions. For example, three-quarters of the fragile states identified by the WB are conflict-affected countries (World Bank 2006c). Therefore, conflict-sensitive development assistance and conflict preventive measures lie at the core of strategies for fragile states. Restoring state functions that have collapsed due to conflict, i.e. deciding what state-building measures should be taken, are major issues. Chapter 4 of this report will examine these issues in detail.

Table 1: List of “fragile states” by donors

		Name of country	WB (2007) Severe/Core/Marginal/LICUS	DFID (2005) Fragile states	UNDP (2003) Top priority/high priority countries	UN (2006) Least Developed Countries
Africa	1	Angola	Core LICUS	x	Top priority	x
	2	Uganda			High priority	x
	3	Ethiopia		x	High priority	x
	4	Eritrea	Core LICUS	x	High priority	x
	5	Cape Verde				x
	6	Gabon			High priority	
	7	Cameroon		x	High priority	
	8	Gambia	Marginal LICUS	x	High priority	x
	9	Guinea	Core LICUS	x	Top priority	x
	10	Guinea Bissau	Core LICUS	x	High priority	x
	11	Kenya		x	Top priority	
	12	Cote d'Ivoire	Severe LICUS	x	High priority/top priority	
	13	Comoro	Severe LICUS	x		x
	14	Republic of Congo	Core LICUS	x	Top priority	x
	15	Democratic Republic of Congo	Core LICUS	x	Top priority	x
	16	Sao Tome and Principe	Marginal LICUS	x		x
	17	Zambia			Top priority	x
	18	Sierra Leone	Marginal LICUS	x	Top priority	x
	19	Djibouti	Marginal LICUS	x		x
	20	Zimbabwe	Severe LICUS	x	Top priority	x
	21	Sudan	Core LICUS	x	High priority	x
	22	Equatorial Guinea				x
	23	Senegal			High priority	x
	24	Somalia	Severe LICUS	x		x
	25	Tanzania			Top priority	x
	26	Chad	Core LICUS	x	Top priority	x
	27	Central African Republic	Severe LICUS	x	Top priority	x
	28	Togo	Severe LICUS	x	Top priority	x
	29	Nigeria	Marginal LICUS	x	Top priority	
	30	Niger		x	Top priority	x
	31	Burkina Faso		x	Top priority	x
	32	Burundi	Core LICUS		Top priority	x
	33	Benin		x	Top priority	x
	34	Madagascar			Top priority	x
	35	Malawi			High priority	x
	36	Mali		x	Top priority	x
	37	Mauritania	Marginal LICUS		Top priority	x
	38	Mozambique			Top priority	x
	39	Liberia	Severe LICUS		Top priority	x
	40	Rwanda		x	Top priority	x
	41	Lesotho			Top priority	x
East Asia and the Pacific	42	Indonesia		x		
	43	Cambodia		x	High priority	x
	44	Kiribati	Marginal LICUS	x		x
	45	Samoa				X
	46	Solomon	Core LICUS	x		x
	47	Tuvalu				x
	48	Tonga	Core LICUS	x		
	49	Vanuatu	Marginal LICUS	x		X
	50	Papua New Guinea	Marginal LICUS	x	High priority	
	52	Philippines				x

	53	East Timor	Core LICUS	x		
	54	Myanmar	Severe LICUS	x		x
	55	Maldives				x
	56	Mongol			High priority/ Top priority	
	57	Laos	Core LICUS	x		
South Asia	58	Afghanistan	Severe LICUS	x	Top priority	x
	59	Nepal		x		x
	60	Bhutan				x
	61	Bangladesh				x
Central Asia	62	Azerbaijan		x		
	63	Uzbekistan	Core LICUS	x		
	64	Georgia		x		
	65	Tajikistan		x		
	66	Kosovo	Core LICUS			
Near East	67	Yemen		x	High priority/top priority	x
	68	West Bank and Gaza district	Severe LICUS			
Central and South America	69	Guyana		x		
	70	Dominica		x		
	71	Haiti	Core LICUS	x	Top priority	x

Source: World Bank (200); DFID (2005), Cammack et al. (2006) and UN (2007)

Note: UNDP (2003) explicitly indicates neither top priority countries nor high priority countries. The above categorization is taken from the classification by Cammack et al. (2006).

Table 2: List of Fragile States and Index of State Weakness by WB; Failed State Index 2007; and Rotberg (2004)

			World Bank (2007) Fragile states	Index of state weakness Bottom/2nd quintile	Fund for Peace Failed State Index (2007) Critical/In-danger countries	Rotberg (2004) Collapsed/failed /failing/weak states
Africa	1	Angola	Core countries	Bottom quintile		Failed stated
	2	Uganda		Bottom quintile	Critical	
	3	Ethiopia		Bottom quintile	Critical	
	4	Eritrea	Core countries	Bottom quintile		
	5	Cameroon		2nd quintile	In danger	
	6	Gambia	Marginal	2nd quintile		
	7	Guinea	Core countries	Bottom quintile	Critical	
	8	Guinea Bissau	Core countries	Bottom quintile	In danger	
	9	Kenya		2nd quintile	In danger	
	10	Cote d'Ivoire	Severe countries	Bottom quintile	Critical	Failing state
	11	Comoro	Severe countries	2nd quintile		
	12	Republic of Congo	Core countries	Bottom quintile	In danger	
	13	Democratic Republic of Congo	Core countries	Bottom quintile	Critical	Failed stated
	14	Sao Tome and Principe	Marginal			
	15	Zambia		2nd quintile		
	16	Sierra Leone	Marginal	Bottom quintile	In danger	Failed stated
	17	Djibouti	Marginal	2nd quintile		
	18	Zimbabwe	Severe countries	Bottom quintile	Critical	Failed stated
	19	Sudan	Core countries	Bottom quintile	Critical	Failed stated
	20	Swaziland		2nd quintile		
	21	Equatorial Guinea		Bottom quintile		
	22	Somalia	Severe countries	Bottom quintile	Critical	Collapsed state
	23	Tanzania		2nd quintile		
	24	Chad	Core countries	Bottom quintile	Critical	Weak state
	25	Central African Republic	Severe countries	Bottom quintile	Critical	Weak state
	26	Togo	Severe countries	Bottom quintile		Weak state
	27	Nigeria	Marginal	Bottom quintile	Critical	Weak state
	28	Niger		Bottom quintile	In danger	Weak state
	29	Burkina Faso		2nd quintile	In danger	Weak state
	30	Burundi	Core countries	Bottom quintile	Critical	Weak state
	31	Madagascar		2nd quintile		Weak state
	32	Malawi		2nd quintile	In danger	Weak state
	33	Mali		2nd quintile		Weak state
	34	Mauritania	Marginal	2nd quintile		
	35	Mozambique		2nd quintile		
	36	Liberia	Severe countries	Bottom quintile	In danger	Failed stated
	37	Rwanda		Bottom quintile	In danger	
	38	Lesotho		2nd quintile		

Table 2: List of Fragile States and Index of State Weakness by WB; Failed State Index 2007; and Rotberg (2004)

			World Bank (2007) Fragile states	Index of state weakness Bottom/2nd quintile	Fund for Peace Failed state Index (2007) Critical/In-danger countries	Rotberg (2004) Collapsed/failed /failing/weak states
East Asia and the Pacific	39	Indonesia				Failing state
	40	Cambodia	Marginal	2nd quintile		
	41	Solomon	Core countries	2nd quintile		Weak state
	42	Tonga	Core countries		In danger	
	43	Vanuatu	Marginal			
	44	Papua New Guinea	Marginal	2nd quintile		Weak state
	45	Fiji				Weak state
	46	Philippines				Weak state
	47	East Timor	Core countries	2nd quintile	Critical	
	48	Myanmar	Severe countries	Bottom quintile	Critical	Weak state
	49	Laos	Core countries	2nd quintile		Weak state
	50	North Korea		Bottom quintile	Critical	Failing state
South Asia	51	Afghanistan	Severe countries		Critical	Failed state
	52	Sri Lanka		2nd quintile	In danger	
	53	Nepal		Bottom quintile	In danger	Failing state
	54	Pakistan		2nd quintile	Critical	
	55	Bangladesh		2nd quintile	Critical	
Central Asia and Europe	56	Uzbekistan	Core countries	2nd quintile	In danger	
	57	Kyrgyz				Weak state
	58	Georgia				Weak state
	59	Kosovo	Core countries			
	60	Tajikistan		2nd quintile	In danger	
	61	Turkmenistan		2nd quintile		Weak state
	62	Belarus				Weak state
	63	Maldives				Weak state
Near East	64	Yemen			In danger	
	65	Iraq			Critical	Failing state
	66	Egypt			In danger	
	67	Syria			In danger	
	68	Lebanon			In danger	Weak state
	69	West Bank and Gaza District	Severe countries			
Central and South America	70	Ecuador				Weak state
	71	Guyana				Weak state
	72	Guatemala				Weak state
	73	Colombia		2nd quintile	In danger	Failing state
	74	Dominica				
	75	Haiti	Core countries	Bottom quintile	Critical	Weak state
	76	Paraguay				Weak state
	77	Bolivia				Weak state

Source: World Bank (2007c), Rice and Patrick (2008), Fund for Peace (2007) and Rotberg (2004)

Chapter 2: Approach to Fragile States by Major Development Assistance Institutions

WB and IMF (Bretton Woods Institutions) started structural adjustment lending in the early 1980s, which marked the beginning of an interventionist policy that viewed many governments of developing countries are failing to carry out state functions in regards to its people. However, there were numerous problems related to conditionalities attached to these loans and this policy was heavily criticized. As a result, the strategy was changed during the late 1990s, and poor countries were asked to formulate a Poverty Reduction Strategy (PRS), and assistance by the international development assistance community was provided according to a countries' PRS.⁸

In 1993, Mr. Wolfensohn was inaugurated as the president of the World Bank, and he made governance centered on corruption a major theme in development strategy.⁹ Until that time focusing on corruption was a taboo. The 1998 WB report provided the international assistance community with an opportunity to review the relationship between development assistance input and the institutions and policies of developing countries (World Bank 1998). This report argued that assistance to developing countries with inadequate governance institutions and development policies would yield few results. In response to this report, the WB formulated CPIA to assess developing countries' institutions and policies including governance had developed; and the WB began to allocate IDA fund based on CPIA ratings. The Millennium Challenge Corporation (MCC) founded in 2003 in the US, followed suit in qualifying countries for funding using the indicators related to institutions and policies including governance. Qualifying countries for funding in this way greatly differs from structural adjustment lending in that the former is *ex ante*, whereas the latter is *ex-post*.¹⁰

Military intervention subsequent to the attacks of September 11, 2001 significantly changed the course of development assistance as explained above. Since the 9-11 attacks, the U.S. government has taken the position that terrorist countermeasures are vital to its security and foreign policies. Afghanistan and Iraq have been regarded as crisis nations and military intervention has been carried out. Initially, U.S. military intervention appeared to be progressing well, but as the number of casualties grew, the movement against military intervention gained force in Great Britain, the U.S, and other countries. Apart from the question as to whether military intervention was appropriate or not, there have been criticisms that the approach to

⁸ Refer to Akiyama, et al. (2003).

⁹ Refer to JICA (2007).

¹⁰ In *ex-ante*, the country in question makes a pledge that it will modify its policies in the future as a condition of lending, whereas in *ex-post*, lending is made only to the countries that have already adopted acceptable policies.

fragile states such as Iraq and Afghanistan had tended to be excessively biased towards military intervention and development effects had been disregarded.¹¹

In contrast, the U.K. approach towards fragile states is strongly oriented for the purpose of poverty reduction. The achievement of the Millennium Development Goals (MDGs) is paramount policy in U.K. development assistance, and for this the UK believes that continued assistance for states that are unable or unwilling to carry out its basic functions for its people including the poor is critical (DFID 2005).

Professor Collier (Oxford University), the former director of the Research Group of WB who carried out research on fragile states, advocated that conflicts, which occur easily in countries with undeveloped institutions and policies, can be avoided before they erupt by providing comprehensive assistance based on policy coherency among development and other related policy domains, such as security and trade finance.

To recapitulate the above-mentioned trends in assistance to fragile states over the past several years, the following factors explain why assistance to these countries has gained the attention of the international assistance community.

- Since the 9-11 terrorist attacks on the U.S. in 2001, public outcry supporting the fight against terrorists became vociferous. Thus, measures against international terrorism became a foremost political concern among the major advanced countries, which shared a sense of crisis that fragile states were potential hotbeds of terrorism.
- As seen in the case of Iraq, Afghanistan and North Korea, intervention is massively more costly when early measures are not taken. Civil conflicts tend to occur more readily in fragile states and on average, their cost is estimated to be US\$54 billion (Collier and Chauvet 2004). The cost of prevention is estimated to be only a small portion of this amount.
- Fragile states are home to the majority of the world's poor, and unless development assistance is provided, MDGs will not be achieved.
- The problems harbored by fragile states are not confined to within their borders. Their social, political, and military instability may affect neighboring nations and may even develop into regional problems.
- The extreme poverty that prevails in these countries is a humanitarian challenge as well.
- Terrorist activities, illegal immigration, refugees, international crimes and infectious diseases may lead to social problems in donor countries.

¹¹ This point became a controversial issue in Japan as well in relation to the problem of refueling mission in the Indian Ocean.

In international political and diplomatic circles over the past several years, discussions have focused on intervention and the approach to assistance in fragile states, including military intervention. Within the domain of development assistance, OECD-DAC has played a central role in the discussions.

2-1 OECD-DAC

The OECD report, “Policy Statement on Conflict, Peace and Development Co-operation in the Threshold of the 21st Century” published in 1997, paved the way for discussions that addressed the issue of fragile states in the international assistance community (OECD-DAC 1997). The report argued that war and conflict in developing countries greatly deter their development and that from a humanitarian point of view as well donor countries cannot ignore the issue. In 1999, the Berlin communiqué declared that DAC members should make efforts to prevent internal conflict. In response to the growing concern among major donors led by US and UK over issues involving fragile states, the OECD-DAC Fragile State Group (FSG) was formed at the DAC 2003 High Level Meeting. The purpose of the FSG was to enable donors to share their experience and research on assistance to fragile states.

The Senior Level Forum on Fragile States held in January 2005 in London drafted the Policy Commitment and Principles for Good International Engagement in Fragile States and Situations, which was then adopted by DAC members in the High Level Meeting (HLM) held in April 2007. The main points of the principles stipulated in the statement are summarized as follows (OECD-DAC 2007a).

Table 3: Principles for Good International Engagement in Fragile States and Situations

THE BASICS	<ol style="list-style-type: none"> 1. Take context as the starting point.. 2. Do no harm.
THE ROLE OF STATE-BUILDING & PEACEBUILDING	<ol style="list-style-type: none"> 3. Focus on state-building as the central objective. 4. Prioritize prevention. 5. Recognize the links between political, security and development objectives. 6. Promote non-discrimination as a basis for inclusive and stable societies.
THE PRACTICALITIES	<ol style="list-style-type: none"> 7. Align with local priorities in different ways in different contexts. 8. Agree on practical coordination mechanisms between international actors. 9. Act fast ... but stay engaged long enough to give success a chance. 10. Avoid pockets of exclusion.

Source: OECD-DAC (2007)

To realize these principles, two task teams were created under the FSG, namely: the Whole-of-Government and Integrated Approach to Fragile States, and State-building in Fragile States. The former supports the idea that assistance to fragile states must be pursued based on collaboration among the different departments/ bureaus that oversee a donor government's military, foreign diplomacy, and development assistance. The team has carried out a study on whole-of-government approach experiences from several DAC members (OECD-DAC 2006a), which includes the case study from Australia, Belgium, Canada, France, Netherlands and U.K. Although their findings endorsed the need for donor countries to adopt the whole-of-government approach in their assistance to fragile states, they also pointed out the difficulty of collaboration between domestic institutions and other practical roadblocks and challenges.

The main themes of the task team on State-building in Fragile States are as follows.

To deepen and share the understanding between donor countries about what state-building means for fragile states.

To deepen understanding of and to share the best practices for integrated assistance for state-building.

To point out the need to change existing donor policies as needed and to propose

new tools and methods.

The two task teams recognized that a nation-state cannot be constituted unless the people approve its legitimacy, and their discussions took the stance that assistance to fragile states must help establish a legitimate relationship between the recipient government and its people. The task teams also proposed reexamining donor assistance policies that are focused on PRS.

In addition, DAC also carries out research and studies concerning security reforms, prepares the Security Sector Reform (SSR) handbook (OECD-DAC 2007b), and since 2005 publishes an annual report containing statistics on the flow of assistance to fragile states (OECD-DAC 2006b).

2.2 World Bank (WB)/International Development Association (IDA)

The LICUS Initiative that was launched in 2001 under the leadership of Mr. Wolfensohn, former president of the WB, can be credited with enhancing assistance to fragile states as defined by the WB, i.e. chronically weak-performing countries that are unable to meet the conditionalities for assistance, unable to achieve sustained growth and development, and unable to move toward poverty reduction. Since then, the total amount of aid from the WB through IDA has increased markedly (interest-free loans and IDA subsidies introduced after IDA13/IDA14). The total amount of IDA loans from 2003 to 2005 amounted to \$4.1 billion (this represents a 67% increase from the \$2.5 billion loaned during the period from FY2000 to FY2002) of which 64% went to seven conflict-ridden countries.¹² Combined with the amount of funding from the LICUS Trust Fund (LICUS TF), which will be discussed later, loans given to LICUS countries exceeded the total loan amount given to non-LICUS low-income countries (World Bank IEG 2006). In his speech in October 2007, President Zoellick stated that addressing the issue of post-conflict countries and countries at risk of collapse was one of the major challenges to an inclusive and sustainable globalization.¹³

When the LICUS Initiative was instituted in 2001, WB assistance primarily focused on improving the efficiency of aid to these countries.¹⁴ However, in recent years, in parallel with increasingly active discussions about fragile states,

¹² In addition, the loan amount for administrative budgets was \$160.1 million (a 55% increase from \$104 million in FY2000-FY2002) of which 34% went to seven conflict-ridden countries.

¹³ <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21504730~pagePK:34370~piPK:42770~theSitePK:4607,00.html>

¹⁴ The report published by the LICUS Task Force in 2002 identified the following as the core principles of the WB's assistance strategy for these countries: "staying engaged, anchoring strategies in stronger socio-political analysis, promoting domestic demand and capacity for positive change, supporting simple and feasible entry-level reforms, exploring innovative mechanisms for social service delivery, and working closely with other donors."

conflict-affected countries and development led mainly by OECD-DAC, the WB assistance strategy for fragile states has expanded with emphasis being placed on state-building and peace building in conflict-affected countries. In 2007, the WB merged the Fragile States Unit with the Conflict Prevention and Reconstruction Unit (which belonged to the old Sustainable Development Network) to establish the Fragile and Conflict-Affected Countries Group (OPCFC). This merge reflects the WB's recognition of internal conflict and weak administrative institutions as common issues shared by all fragile states as well as the WB's aim to address these two issues comprehensively and with consistency.

The evaluation report published in 2006 by the Independent Evaluation Group (IEG) proposed the following four measures for more effective WB assistance in fragile states; (1) clarify its areas of strength in its assistance strategy for fragile states, (2) strengthen its internal organization (especially its personnel system), (3) develop special aid-allocation criteria and (4) implement sustainable reevaluation (World Bank IEG 2006). In particular, (1) questions the relationship between the WB's contribution in peace-building and "the principle of non-political nature" as stated in the World Bank's Articles of Agreement. In response to this issue, recognizing the roles of the UN and other donors in the fields of humanitarian aid and peace-building, the WB approved a policy in which its operations are concentrated on economic development that contributes to sustainable reconstruction (World Bank 2007b), and emphasizes its stance to improve social systems and governance in order to address the issue of conflict, which obstructs poverty reduction (World Bank-IDA 2007).

With respect to (2), the WB established the OPCFC as its core in dealing with countries plagued by conflict or weak administrative institutions. OPCFC coordinates multiple sectors within the Bank, carries out business investigations and post-conflict needs analysis, develops and trains the Bank staff, and has been reorganizing the WB's internal structure to that end. With regard to its personnel system, it is noteworthy to mention that incentives have been strengthened to facilitate the staffing of qualified people to fragile states.

Concerning (3), in addition to aid allocation based on IDA's PBA system, there is an allocation framework for special assistance to countries in conflict and for countries where IDA loans are to be resumed. Firstly, there is an assessment based on Post Conflict Performance Indicators (PCPI) in lieu of a CPIA for post-conflict countries¹⁵ and a special framework was created where IDA loans are provided using

¹⁵ As to assistance for post-conflict countries, prior to the start of the LICUS initiative, the Post-Conflict Unit and the Post-Conflict Fund (PCF) were established in 1997, through which grant aid and technical cooperation were rendered

these indices as reference indicators for countries with portfolio performances.

Furthermore, of the countries where IDA loans will be resumed following a prolonged period of suspended assistance, a special framework for loan disbursement was created for those that did not meet the conditions of a post-conflict country. Thus far, Haiti and the Central African Republic have received loans through this special framework. At present, more precise eligibility criteria and assistance allocation guidelines are being prepared, but concern has been voiced over the rapid input of large-scale funds; and the issue of establishing lending methods has to be addressed in future.

Examples of revenue allocation frameworks for fragile states are LICUS TF and PCF. They provide restricted grants to non-accrual IDA loan countries.¹⁶ OPCFC is in control of these funds and aims to facilitate their integrated management in the future.¹⁷ Table 4 is a list of major target countries and credits of LICUS TF and PCF.

Table 4 Funding Amounts of the LICUS Trust Fund and Post-Conflict Fund to Major Target Countries (in US dollars)

	LICUS Trust Fund (Total in Oct. 04~06)		Post-Conflict Fund (Total from FY98~05)	
	Major target country	Approved amount	Major target country	Approved amount
1	Liberia	11,657,170	Somalia	6,607,156
2	Central African Republic	10,790,720	Kosovo	5,782,587
3	Haiti	6,868,680	Afghanistan	5,175,000
4	Cote d'Ivoire	6,400,000	Democratic Republic of Congo	4,855,000
5	Sudan	5,144,725	Burundi	3,993,524
6	Guinea Bissau	1,600,000	Haiti	3,714,519
7	Somalia	1,413,555	Sudan	3,398,160
8	Zimbabwe	1,168,450	East Timor	3,275,483
	Total	46,993,469	Total	66,711,253

Source: Inada (2007)

As part of its assistance strategy for fragile states at the implementation level, the WB classifies those countries into four business models, (1) deterioration, (2)

by a donor country. This move was made in response to the need to prevent conflict or its recurrence and to meet special needs during the reconstruction stage, based on the understanding that many countries targeted for WB (especially IDA) loans have some form of conflict. Specifically, post-conflict countries identified by using a specially developed conflict analysis method called the Conflict Analysis Framework (CAF) and implementing an ex-ante appraisal based on the Post-Conflict Performance Rating (PCPR), are how operations in these countries are carried out.

¹⁶ There were seven non-accrual countries in 2007, Liberia, Cote d'Ivoire, Myanmar, Somalia, Sudan, Togo and Zimbabwe.

¹⁷ http://siteresources.worldbank.org/INTLICUS/Resources/PCF_LICUS_TF_Annual_Report_FY07.pdf

post-conflict or political transition, (3) prolonged crisis of impasse and (4) gradual improvement, and takes measures to meet the respective circumstances of each country (Table 5). A majority of fragile states suffer from a lack of policy formulation capacity, underdeveloped administrative institutions, lack of administrative capacity, low capacity of financial management and lack of policy transparency and accountability. It is, therefore, difficult for them to formulate Poverty Reduction Strategic Papers (PRSP). Hence, they are requested to prepare a Transitional Results Matrix (TRM), which is much simpler and captures the needs of each recipient country compared to PRSP.¹⁸

Table 5 Four business models of fragile states and approach to each by the WB

<p>Deterioration</p> <ul style="list-style-type: none"> • Interim Strategy Note (ISN): Focus on portfolio restructuring, limited new financing • Increased use of CDD reconstruction; restrict new credits, private sector and NGO • State capacity and accountability: focus on transparency, dialogue and maintaining institutional capital • Contributing to community level conflict prevention, and to efforts for peacebuilding or governance reform at a national level. 	<p>Prolonged crisis of impasse</p> <ul style="list-style-type: none"> • Interim strategy note, focusing on maintaining operational readiness for re-engagement and providing economic inputs to early peace or reconciliation dialogue. • Small grant-based finance (generally through non-government recipients) • State capacity and accountability: focus on institutional analysis, dialogue and counterpart training. • Use of socio-economic issues (for restoration of dialogue/identification of entry points for change).
<p>Post-conflict or political transition</p> <ul style="list-style-type: none"> • Interim strategy note, focusing on rebuilding state capacity and accountability, and delivering rapid visible development results in support of peacebuilding. • Exceptional IDA allocation • Joint needs assessment/recovery planning, linking political, security, economic, and social recovery. 	<p>Gradual improvement</p> <ul style="list-style-type: none"> • Country Assistance Strategy, focusing on building state capacity and accountability, achieving selective development results, etc. • Moderate IDA allocation • Activities to boost domestic reform currents, including leadership support, etc.

Source: Excerpt from World Bank 2005

¹⁸ The following seven fragile states have formulated PRSP; Cambodia, Chad, Gambia, Georgia, Guinea, Niger and Tajikistan (2004). There are five countries that have formulated TRM; East Timor, Haiti, Liberia, Sudan and Central African Republic (Inada 2005).

2-3 United States (US)

Historically US foreign assistance has been used for purposes which include its security concerns and diplomatic efforts. In particular, in the 1950s and 60s US assistance was used as a way to support its Cold War policies. With the end of the Cold War, the major purpose of US development assistance policies become ambiguous. However, the terrorist attacks carried out in 2001 by al-Qāida, which quickly provoked concerns that fragile states and, in turn, developing countries at large pose serious problems for US national security. A USAID report published in 2004 methodically argued that a link exists between the collapse of a state and poverty (USAID 2004). Subsequently, America's concern over fragile states grew drastically and a very strong inclination for military intervention emerged in regards to engagement.

One major problem was having more than 50 organizations are involved in overseas assistance, engagement in fragile states has not necessarily been harmonized among departments and agencies within the US administration. In addition to the executive branch, Congress which has the authority to approve all budgets, also has a big say in assistance policies. There are more than 40 budgetary items related to foreign assistance and nearly all of them need to be individually approved by the Congress. Congress involvement is not limited to budgetary approval but includes earmarking (that is setting conditions on the allocations of budgets for specific purposes).

In 2004 the USA established the Millennium Challenge Corporation (MCC), which roughly separated aid organizations by functions: MCC renders assistance to countries where policies and institutions have been somewhat developed, whereas USAID provides assistance to all other countries. One of the reasons behind this separation is to strengthen links between USAID and the Department of State. To put it another way, the aim of linking USAID to the State Department lies in providing assistance which in addition to the stated aim of development also incorporates military, security and diplomatic objectives. This means that the US combines the so-called 3D's (defense, diplomacy and development) into its foreign assistance. In fact, the *Transformation Diplomacy* announced by Dr. Rice, Secretary of State, in 2005 stated as such. Since the 2001 terrorist attacks, American security issues form the very core of the discourse in the US administration. That is to say, the focus of US diplomacy and military policy, which had been shaped by concerns over the former Soviet Union in the past, has now shifted to developing countries including those that might be hotbeds of terrorism. Of the 3D's, however, development policies for fragile states tend to be neglected. According to the HELP Commission Report on Foreign Assistance Reform

(2007), the US budget for development assistance is appallingly small compared to its defense budget.

The USAID published a strategy paper for fragile states in January 2005 in line with the new assistance policy (USAID 2005). In this paper USAID classifies problems into security, political, economic and social and gives examples of the types of assistance provided to vulnerable states within the framework (Table 6).

Table 6: Assistance to vulnerable states by purpose (USAID)

Security	<ol style="list-style-type: none"> 1. Develop and strengthen civilian control of the military. 2. Establish a capable police force (particularly at the community level) 3. Strengthen courts and other forums for resolving disputes.
Political	<ol style="list-style-type: none"> 1. Support reforms within government institutions (particularly, the rule of law, core social services, and food security). 2. Support reformers outside government (particularly non-governmental actors advocating improvements in security, human rights, core services, food security, natural resource management, and anticorruption). 3. Strengthen oversight institutions, such as legislative and parliamentary committees. 4. Support free and fair elections and encourage formal means of political competition in other political processes. 5. Encourage private sector/NGO/political party reform alliances (including the perspectives of traditional identity groups). 6. Develop the professionalism of the media, particularly in investigative journalism, and expand access to information.
Economic	<ol style="list-style-type: none"> 1. Foster institutional and policy development that promotes economic growth and effective management of natural resources. 2. Improve revenue generation/tax systems and expenditure.
Social	<ol style="list-style-type: none"> 1. Reform and build the technical and administrative capacity of those parts of the civil service responsible for economic management, core services, and food security. 2. Assist the government to ensure the provision of public health and basic education.

Source: USAID (2005)

US assistance to fragile states emphasizes its own security and therefore tends to be military-related. Target countries likewise tend to be countries in conflict and countries with potential risks of conflicts. The final objective of assistance lies in political stability and democratization (Patrick 2007). At present its two pillars are the measures taken against international terrorism and its militaristic engagement in

Afghanistan. The Center for Global Development (CGD), a think tank based in Washington D.C., identifies 52 countries as fragile states. Patrick and Brown (2006) reported that approximately \$5.2 billion, i.e. 40% of the total \$13.2 billion US bilateral assistance had been approved for assistance to fragile states for FY2007. However, 50% of the \$5.2 billion was directed to Iraq, Afghanistan and Pakistan, and the remaining 50% (\$2.6 billion) was spent addressing HIV/AIDS. The reason is that the US launched the President's Emergency Plan for AIDS Relief (PEPFAR) and a sum of \$15 billion was budgeted for five years from 2003. In May 2007 the plan was approved to continue, and an additional amount of \$30 billion was appropriated.

PEPFAR target countries are all African countries, and many are also fragile states. PEPFAR accounts for 63% of the total pie, that is, \$1.4 billion out of a total of \$2.2 billion that was doubled from FY07 as US assistance for African nations (Patrick and Brown 2006).

Organizational changes were made within the US administration to focus on security and measures against terrorism. In 2004 the Office of the Coordinator of Reconstruction and Stabilization (S/CRS) was established in the Department of State. The S/CRS is composed of 35 persons from the Ministry of State, CIA, USAID and the Department of Defense. S/CRS facilitates coordination among departments/agencies when measures are planned to address the issue of fragile states. The Office of Military Affairs was also set up in the USAID to promote harmonization between USAID and the Department of Defense. In the Department of Defense, the Director of Foreign Assistance was assigned to enhance coordination between development assistance and diplomacy. The Director concurrently assumes the Office of the Administrator of USAID.

The main difficulty these organizations face is that assistance to fragile states do not normally yield positive results and consequently, assistance to fragile states receive poor evaluation. A critical eye is being kept on the performance of such assistance even more so since 1993 when the Government Results Performance Act of 1993 was enacted with the express aim of assessing the outcome of government activities. However, in many cases general assessment cannot be applied to assistance to fragile states and separate criteria are established.

A review of US development assistance policy is now under way. The Congress established the HELP Commission consisting of 20 members, which published a report (The HELP Commission 2007). The report made some recommendations to reform US development assistance including strengthening aid institutions within the US government to meet fast-changing circumstances around the

globe in the 21st century. The backdrop for Congress requesting the report is a concern for fragile states since the 9-11 attacks.

2-4 United Kingdom (UK)

The UK has been leading the discourse on aid policies for fragile states in OECD-DAC. Since the terrorist attacks on the US in 2001, the UK integrates the issue of security into an extensive development agenda. Yet, the overriding priority of its assistance is characteristically placed on development rather than its security agenda.

The UK government has not yet established a single consistent definition of fragile states. Therefore, DFID adopts the working definition that fragile states are “states where the government cannot or will not deliver core functions to the majority of its people including the poor”. It further groups fragile states into the following four categories.¹⁹

- “Good performers” with capacity and political will to sustain a development partnership with the international community;
- “Weak but willing” states with limited capacity;
- “Strong but unresponsive” states that may be repressive; and
- “Weak-weak” states, where both political will and institutional capacity pose serious challenges to development.

Twenty-one countries out of 34 low-income countries where DFID implements its bilateral aid programs are classified as fragile states, and seven countries out of the sixteen African priority countries with which DFID has a Public Service Agreement fall under its definition of fragile states.²⁰

In January 2005 the UK announced its assistance policy for fragile states and the UK policy paper, *Why We Need to Work More Effectively in Fragile States* (DFID2005) provides a good indication of what that policy is. In this paper DFID argues that the UK attaches importance to assistance policy for fragile states for the following reasons (DFID 2005).

Poverty rates are extremely high in fragile states and the possibility of achieving MDGs is very low in comparison to other developing countries.

Fragile states are more likely to be destabilized, and the instability will spread to the region and eventually around the world.

It is much more cost-effective to prevent states from falling into conflict or major

¹⁹ Cammack et al. (2006)

²⁰ <http://www.dfid.gov.uk/mdg/aid-effectiveness/fragile-states.asp>

collapse.

In this policy paper, DFID also puts forward its priority issues for UK policy for fragile states from 2005 onward. They include a review of aid allocation to fragile states, more extensive use of a longer-term planning mechanism, policies based on common analysis of the findings integrated from the British Foreign and Commonwealth Office (FCO), the Ministry of Defense (MOD), the Cabinet Office and other relevant departments, and focus on the link between humanitarian aid and development aid.

When reviewing aid allocations to fragile states, DFID considers it essential that each donor country understands the reasons for fragility and predicts the effect of assistance. DFID has introduced the “drivers of change” approach, in which institutional performance works as the key element in understanding the process of change and the way in which the poor are influenced. It focuses on formal and informal rules, power structure, vested interests and incentives under such system, and untangling the relationships among them.²¹ As a result of this approach and political-economic analysis, DFID has come to the conclusion that politics lies at the center of development and “DFID’s fragile states work is increasingly exploring the role of politics and governance vis-à-vis state fragility.”²²

The UK has been making efforts to raise the coherence of its government’s policies for fragile states through staff changes, economic support and a number of inter-ministerial measures. The establishment of the Post Conflict Reconstruction Unit (PCRU) within DFID in 2004 is a good example. This Unit is both financed and staffed jointly by FCO, MOD and DFID, thereby attempting to translate the concept of the so-called 3Ds (defense, diplomacy and development) into concrete action and also to strengthen the capacity of the UK government to address the issue of post-conflict stabilization. Another measure meant to harmonize 3Ds is the establishment of the Nepal Group (in 2003) as an aid coordinating organization for Nepal with one dedicated Asian Director for the 3Ds. Under the same strategy, meetings are held periodically. Also, DFID has a Fragile States Team which is a policy coordinating unit within the government.

The above-stated three ministries set up and now manage the Global Conflict Prevention Pool and the Africa Conflict Prevention Pool for increasing the UK’s contribution to the prevention and management of conflict. The aim is to integrate the 3Ds under one united strategy based on conflict analysis jointly carried out by the three

²¹ <http://www.gsdrec.org/docs/open/DOC59.pdf>

²² Cammack et al. (cited above)

ministries. The GCCP is currently engaged in operations through three thematic strategies, i.e. security-sector reforms (SSR) and small arms and light weapons (SALW) and UN, and also through twelve regional strategies including Afghanistan and Iraq. Its yearly budget for FY2006 to 2007 was 74 million pounds.²³ More than half of the budget, however, is used for operations in Iraq and Afghanistan. Under such circumstances, some people insist that its focus should be on a conflict-sensitive development approach or conflict prevention efforts, such as activities in SSR or peacebuilding. Others maintain that the project approach itself limits the strategic approach. To support post-conflict reconstruction, security maintenance is essential. It is extremely important to pursue a coherent strategy which both assists such countries with reconstruction and takes militaristic measures for security maintenance and restoration. Such a coherent strategy can be expected to yield a synergistic effect.

On the other hand, the ACPF focuses only on conflict prevention in Sub-Saharan Africa. An overall approach taken by the UK for conflict prevention in Africa derives from the next three broad purposes: “1) support the building of African conflict management capacity, 2) assist with conflict prevention, management and post-conflict reconstruction in a number of priority sub-regions and country conflicts, and 3) support pan-African initiatives for security sector reforms, small arms control, and the measures to address economic and financial causes of conflict.” The Pool’s objectives and their respective implementation plans are described in the UK Sub-Saharan Strategy for Conflict Prevention and are revised each year. The ACPF primarily focuses on the thematic issues – security sector reforms, disarmament, demobilization and reintegration (DDR), control of expansion and abuse of small arms, and economic and financial causes of conflict. Its yearly program budget was 60 million pounds for FY2004. It also oversees all UK expenditures for peace support activities in Africa including UN activities and other engagements.²⁴

2.5 France

Although the French government has not established any special assistance policies, organizations and aid schemes for “fragile states,” it has, however, rendered development assistance for fragile states (in line with traditional French assistance policies) as the main tool for its economic and military supremacy in the countries and overseas territories formerly under French rule. This is particularly the case for Africa; If France’s contributions to the EU’s European Development Fund for Africa are taken

²³ <http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c-Page&cid=1091891937471>

²⁴ DFID (2004)

into account France is still the top donor for Africa, although the US took over the position in 2000. Unlike other former colonial states, France has been willing to intervene economically and militarily the stabilization of countries and overseas territories formerly under French rule and remains the sole donor country that maintains close cooperative relationships in Africa and plays the role as “Africa’s military police.”²⁵ (Kataoka 2001)

With recognition that police intervention is essential for improving conditions for a new start in states where the functions of national institutions have been deteriorating, France dispatches both civilian and military police around the world, albeit in small numbers, to the Police International Technical Cooperation Service (SCTIP) established in 98 countries (as of 2006). SCTIP was originally set up with the aim of supporting the management of the police organizations and fulfilling some functions for the local police in newly emerging countries in the old French territories. In case of open hostilities, SCTIP has a scheme to dispatch military forces within a few days. SCTIP is also a participating member of the International Police. Today, however, SCTIP increasingly works as the liaison and coordination office between the French police and the police of other countries and extends technical cooperation (knowledge and technology transfer) to its partners. For instance, when tsunamis struck Southeast Asia, France assumed the role of commander for emergency relief activities. International cooperation among police organizations also plays a vital part in ensuring the security of France (control of drug trafficking, control of illegal immigration and measures against crimes, etc.) (J. C. Cady 2006).

As discussed above, France’s development assistance is provided with the intention of supplementing its trade policy and military intervention and there is no development assistance policy paper addressing medium and long-term strategies. It seems that a political statement announced by the administration in power has played the central role to decide the tenor of external assistance of France on each occasion (Daimon 2007). However, the report on the “fight against poverty, inequality and barrier” published in 2001 by the French government aims to render assistance with a broader scope including economic growth and social inequality alleviation. The report indicates that France now focuses on better governance, establishment of stable law-governed states and democratic systems and capacity building specially in Africa with a commitment to structural development issues rather than development assistance. As a case in point, France is now providing financial aid to the African Peer Review Mechanism (APRM) in NEPAD as an effective means to improve governance.

²⁵ http://www.jiia.or.jp/pdf/global_issues/h12_africa/kataoka.pdf

Poverty reduction constitutes a major pillar, but it is not regarded as the sole objective of French development policy.

In recent years, France seems to be strengthening peacebuilding operations in response to much heated discussion on the link between conflict and development in OECD-DAC and a growing number of internal violent conflicts in Côte d'Ivoire, a former colony. In 2005 the Bureau for Crisis Prevention and Recovery (BCPR) was set up in the Ministry of Foreign and European Affairs and instituted a framework to provide grant aid for post-conflict countries. The Bureau is now also formulating an assistance implementation policy and action programs concerning assistance for conflict prevention and reconstruction as well as the criteria to decide aid allocations to post-conflict countries. The Agence Française de Développement (AFD), aid executive organization of France, has been trying to formulate a "post-conflict aid" scheme in collaboration with the Ministry of Foreign and European Affairs (JBIC 2006; Kudo 2006). This scheme, however, primarily focuses on measures to address issues of conflict and peace as activities of diplomacy and military affairs only in countries which had been under French rule in former days. The grand total of assistance for countries (such as Afghanistan) which have never been placed under French rule is comparatively small.²⁶ (Daimon 2007)

In regards to multilateral assistance, France as the chair country of the Paris Club has taken an active position on debt reduction for HIPC countries. In addition, as one of the more influential EU countries, France has been playing a leading role in strengthening development aid to Africa in particular: for instance, it has recommended that the EU increase its share of development assistance for Africa, and also proposed the formulation of a common strategy for aid policy for Africa (adopted in the European Council Meeting in December 2005). France also projects a strong presence at UN Security Council, taking a different standpoint from US with regards to diplomacy and military strategy for post-conflict countries.

2-6 UNDP

UNDP identifies a group of countries with low GDP per capita or HDI (human development index) scores as priority countries and urges donor countries to increase their engagement with these countries. Consistent with its focus on a human

²⁶ In 1998, the aid reform brought about an important shift and began to include English-speaking African nations and developing countries in the Middle East and Asia in the "Zone de Solidarité Prioritaire (ZSP)" ZSP lists the major target countries of French bilateral assistance. The current ZSP list, revised in 2002, contains 54 countries. (The breakdown – 40 countries in Sub-Saharan Africa (out of which 20 are French speaking countries), three (3) in North Africa, four (4) in Central and South America, three (3) in Asia, one (1) in Oceania and three (3) in Middle and Near East)

development agenda, UNDP's aid policy to countries with weak governance or for peace-building places an emphasis on human security and capacity development. UNDP aims to address this challenge by implementing a number of pilot projects and sharing success cases (Kondo 2003).

As the central issue in achieving MDGs, democratic governance is one of the major aid sectors supported by the UNDP. In fact, it accounts for 46% of the total sum of UNDP technical assistance (about \$1.5 billion) (UNDP 2005). The UNDP, grounded on the political neutrality of its activities as a UN organization and its decentralized nature equipped with offices in 106 countries, has been delivering assistance to promote democratization and decentralization. Under the leadership of Mr. Gita Welch, the Democratic Governance Group (GDD) was founded in the Bureau for Development Policy in 2002. The GDD has provided assistance through seven service lines (policy support to democratic governance, parliamentary development, electoral system and processes, justice and human rights, e-governance and access to information, decentralization and local governance, and public administrative reform and anti-corruption.) and also to gender issues from a cross-sectional approach and perspective. The GDD also launched the Democratic Governance Practice Network (DGPN) so as to integrate country practice, global practice and lessons learned from experiences. In addition, the UNDP has been promoting knowledge networking and research led by the Oslo Governance Center (established in 2002) as a think tank in the area of democratic governance. In addition, the Thematic Trust Fund (TTF) was founded in 2004 to deal with an increasing number of requests for policy recommendations and technical assistance in the field of governance.

As for peace-building, under the authorization granted by the UN Security Council the UNDP has played the central role in overseeing all peace-building assistance and in coordinating aid among donors. The UNDP's central role in peace-building can be seen in countries such as Cambodia, East Timor and Afghanistan. The UNDP has played key roles including provisional administration in Cambodia, public administration and security in East Timor (excluding rehabilitation and development) and engagement in political processes such as elections in Afghanistan (Daimon 2007).

In the areas of preventing conflict or armed violence and support to post-conflict reconstruction, since 2001 when the Bureau for Crisis Prevention and Recovery (BCPR)²⁷ was newly founded (in fact, reorganized from the Emergency

²⁷ In the definition of BCPR, crisis includes man-made disasters and natural disasters. The discussion in this section focuses on the former.

Response Division – ERD), the UNDP has been emphasizing the delivery of assistance from a long-term development perspective from the stage of reconstruction (the resolution of the “gap problem”). For instance, as a part of the measures to prevent conflict or armed violence, the UNDP developed the conflict-related development analysis (CDA) with assistance from DFID and made it public as a structural factor analysis tool for conflict. At the core of the UNDP’s support to post-conflict reconstruction lies capacity development (dispatch of experts and technical cooperation) and strengthening partnerships. That is, UNDP has provided assistance for the development of small-scale infrastructure, support to elections, human resource development, clearance of landmines, school construction, media development, job creation, and recovery of small arms in post-conflict countries.

One of the core UNDP operations in regards to reconstruction assistance is in the process of disarmament, demobilization and reintegration (DDR) of ex-combatants²⁸. Based upon what has been learned from its engagement in more than 15 countries, the UN Inter-Agency Working Group on DDR (IAWG) consisting of the UN DDR-related sections formulated the Integrated Disarmament, Demobilization and Reintegration Standards (IDDRS), a DDR Briefing Note to Senior Managers and an Operational Guide to the IDDRS as UN policy guidelines for planning, promotion and implementation of DDR in December 2006 under the UNDP initiative. At the same time, the UNDP Resource Center was founded and offers a web-based system on which DDR programs by country and related information are available. This system integrates policy procedures related to DDR which in the past had been different for each UN organization, and has therefore improved the planning, implementation and evaluation of DDR.

²⁸ According to the “Practice Note on DDR (Disarmament, Demobilization and Reintegration of Ex-combatants) prepared by the UNDP Bureau for Crisis Prevention and Recovery, DDR aims to enhance security under the circumstances immediately after the end of conflict in which neutrality is a must, thereby contributing to a smooth transfer to the stage of reconstruction and recovery. The UNDP exclusively focuses on the process of “R” (reintegration of ex-combatants).

Chapter 3: Japan's Measures for Fragile States

Although the Japanese government has not internalized the concept of fragile states, nor has it adopted an explicit policy for engaging fragile states, Japan's approach to "fragile states" as categorized by the international aid community, is evident primarily in the way its development aid for governance and peace-building is carried out. The rationale for Japanese commitment to addressing state fragility is set out in the *New Japan's Official Development Assistance Charter* (hereinafter referred to as the *ODA Charter*)²⁹ of 2003, which lays out the two major pillars of its basic ODA policies; (1) supporting self-help efforts of developing countries and (2) the human security agenda.

The idea of supporting recipient countries' self-help efforts is an essential component of Japan's ODA philosophy. As articulated in the *ODA Charter*, the Japanese government highlights the issue of ownership and alignment and addresses this challenge through capacity- and institution building efforts to nurture economic and social infrastructure needed for "good governance". Building on this principle, Japan, rather than adopting an explicit list of "fragile states," maintains a cautious stance in its use of aid as a tool of economic and political sanctions and has provided continuous support to so-called fragile states, as is the case of Japan's aid to Myanmar and Uzbekistan.

Embraced as an overall operational framework for Japan International Cooperation Agency (JICA) since 2004, the human security agenda underlines Japan's commitment to addressing the various challenges confronted by people living under difficult situations. According to JICA, aid policies and field operations that reflect "human security"³⁰ tries to deliver: (1) human-centered assistance that reaches people, (2) assistance focusing on capacity building of people, and (3) assistance targeting the sustainable development of both the government and local community. Japan places particular focus on the role of people as key drivers of development, and accordingly, recognizes the importance of assistance for enhancing the capacity of both the governments in question as well as people living under such deprived circumstances.

²⁹ The basic policies of the ODA Charter are (1) supporting self-help efforts of developing countries, (2) perspective of "human security," (3) assurance of fairness, (4) utilization of Japan's experience and expertise, and (5) partnership and collaboration with the international community. (MOFA homepage)

³⁰ "Human security" is the concept first advocated by UNDP in 1994. Later in 2000, the Commission on Human Security co-chaired by Sadako Ogata and Sen Amartya defines that human security is "to protect the vital core of all human lives in ways that enhance human freedoms and human fulfillment" and to create systems to give people such opportunities. Makino (2006) correlates the "menace" caused by external risk factors including conflict, terrorism, crime, violation of human rights, spread of infectious diseases, environmental destruction, economic crisis and disaster with the "scarcity" caused by the poverty problem in a broad sense such as poverty, famine and the lack of education, health and medical services. He argues that, by so doing, it will become possible to carry out an integrated analysis and deliver assistance required by each recipient country.

Japan has given a greater emphasis on partnership-based state-building efforts than on top-down interventionist type operations, although Japanese officials and aid practitioners are beginning to recognize the increasing need to participate in “upstream” modalities of aid such as donor harmonization efforts. This is especially the case in addressing challenges posed by “difficult partners” whose political capacity and/or will to use aid effectively is limited compared to other developing countries. At the current moment, however, the Japanese government has not developed a whole-of-government strategy toward “fragile states” and inter-ministerial coordination between 3Ds is still limited, partly because of an ongoing internal dispute with regards to the Japanese Self Defense Force’s stance against UN Peace Keeping Operation.

The following sections will discuss Japan’s approach to “fragile states” within its conventional development assistance framework focusing on governance and peace-building support. Specific measures taken by MOFA, JBIC and JICA in regards to governance and peace-building support will also be examined.

3-1 Assistance for Governance

The Japanese government states in its ODA Charter that strengthening the foundations of democracy promotes good governance, citizen participation in development, and the protection of human rights; and therefore has been identified as an important factor in achieving medium to long-term stability and development. Japan takes the stance that aid should be provided from a long-term perspective in the development of a democracy, which respects basic freedoms and safeguarding human rights, while emphasizing the recipient country’s independence. To achieve this, Japan provides assistance to eliminate corruption, to reform the legal system, to promote administrative efficiency and transparency, and to improve the administrative capacity of local governments. It has positioned good governance as a cross-sectional issue in development. Also, the new ODA medium-term policy positions assistance for policy planning and institution-building of developing countries as a priority.

At the operational level, assistance for governance was mentioned for the first time in JICA’s 1995 report titled *Participatory Development and Good Governance*. The report contends that it is necessary to support “good governance” as essential basic infrastructure for participatory development (“aid for promoting democratization”) “under any circumstances” existing in the recipient country. Thus, continued assistance has been provided to improve government infrastructure (democratic political systems, administrative functions, legal systems, and others) for countries facing problems involving democratization and human rights such as to Viet Nam in the initial

stage of the Doi-moi administration, as well as Myanmar, Uzbekistan, Cambodia and Laos³¹ It should also be noted, however, that the scope of Japan's activities in governance assistance is small in comparison to other donor countries and institutions. The lack of staff with experiences in governance assistance and undeveloped implementation systems, and the need to coordinate views with other donor countries and institutions are issues that need to be addressed in the future.

3-2 Peacebuilding Assistance

In conjunction with poverty reduction, sustainable growth, and global issues, Peacebuilding has been categorized as a priority issue in Japan's ODA. In a speech given in May 2002, the former prime minister Junichiro Koizumi, emphasized international cooperation that incorporated consolidation of peace and state-building. Following this, "the Advisory Group on International Cooperation for Peace" was established with an objective to comprehensively examine how Japan could contribute to peace in the future (December 2002). In the same year, the government introduced legislation for the enhanced use of ODA for peace-building purposes, and the swift dispatch of troops for PKO. It aims to achieve "seamless assistance" by coordinating diplomatic strategies and cooperating with UN Peace Keeping Operations (PKO). The target of such assistance ranges from countries in need of conflict prevention to countries in conflict or which have experienced conflict situations.

Japan's full-scale operations in international cooperation for peace go back to the 1990s. The success of Japanese mine-clearing troops in the Persian Gulf in 1990 opened the way for the dispatch of the Japanese Self-Defense Forces for PKO, and in the following year, the "International Peace Cooperation Law (PKO Cooperation Law) was enacted.³² Since then, Japan has dispatched personnel to 10 peacekeeping operations; including those in Cambodia, Mozambique, East Timor and the Golan Heights, the Japanese Self-Defense Forces have participated in PKO (as of March 2008 Japanese SDF were still engaged in the United Nations Disengagement Observer Force (UNDOF) on the Golan Heights).

The collapse of the Cold War structure rapidly triggered the outbreak of new armed conflicts in a number of regions around the world. In response to this situation, Japan has hosted conferences, namely the Ministerial Conference on the Rehabilitation

³¹ JICA brings together and systematizes the aid policies and performance in the field of governance in its 2004 report, "JICA's assistance in the governance field—building democratic institutions, improving administrative functions, and developing legal systems."

³² In the same year, the ODA Charter, which can be referred to as the constitution of ODA, was formulated for the first time.

and Reconstruction of Cambodia in 1992, the International Conference on the Reconstruction of Cambodia (ICORC) in 1993, and international conferences on peacebuilding and reconstruction in East Timor (1999), Afghanistan (2002), Aceh, Indonesia (2002) and Sri Lanka (2003), and has actively contributed to building the framework for peace, reconstruction and development for post-conflict countries. In the International Conference on Reconstruction in Iraq held in Madrid, Japan committed \$5 billion in assistance (\$1.5 billion as grant aid and \$3.5 billion as yen loans for human resource development, rehabilitation aid through international organizations and NGOs, and debt relief). Recently, the government has been increasing its assistance for consolidating peace in Africa—Sierra Leone, Liberia, the Democratic Republic of Congo, Burundi and Sudan (Darfur) (Table 8).

As a cross-regional effort, since 2006 the Japanese government has launched the Pilot Program for Human Resource Development in Asia for Peacebuilding to address the increasing international needs for civilian personnel in peacebuilding operations. Also from June 2006 to December 2008, Japan succeeded Angola to become the second-term chair country of the Peacebuilding Commission. To maintain its status as a peaceful nation, this is a good opportunity for Japan to actively present its concepts and models of assistance to the international community and demonstrate its strong preference for diplomatic strategies.

Table 8 Assistance to Major Conflict-affected Countries/Regions (disbursement base; US\$1 million)

	2000	2001	2002	2003	2003	2005	2006
All developing countries	9,768.13	7,457.78	6,692.3	6,334.23	5,917.17	10,406.1	7,313.09
Afghanistan	0.21	0.58	31.7	134.42	172.52	71.05	107.42
Cambodia	99.21	120.21	98.58	125.88	86.37	100.62	106.28
Iraq	0.03	0.02	0.07	3.13	662.07	3,502.85	780.81
Nepal	99.93	84.39	97.45	60.61	56.43	63.38	41.72
Palestinian autonomous territories	61.15	21.52	12.75	4.46	9.0	5.8	78.23
Sri Lanka	163.68	184.72	118.94	172.26	179.53	312.91	202.73
East Timor	29.07	8.93	5.74	8.93	9.88	33.41	21.83
Democratic Republic of Congo	0.47	0.32	0.85	0.63	48.47	372.26	23.17
Sierra Leone	0.02	0.02	0.09	3.73	0.19	2.09	62.69
Sudan	0.67	0.69	1.17	1.47	1.55	2.11	42.73

Source: OECD (2007)³³

³³ OECD stat <http://stats.oecd.org/wbos/Default.aspx?usercontext=sourceoecd> (accessed in March 2008)

Box 2: Assistance to Afghanistan: Leadership in DDR processes and the Ogata Initiative

Immediately following the International Conference on Reconstruction Assistance to Afghanistan held in Tokyo in January 2002, assistance to Afghanistan has been implemented in the areas of (1) the peace process, (2) security, and (3) reconstruction. In particular, Japan took the leading role in providing assistance for the disarmament, demobilization and reintegration process of ex-combatants (DDR). The Japanese government took the reins of leadership in promoting the DDR processes by closely coordinating with the Afghan government, advanced countries, development institutions, and international organizations such as UNAMA and UNDA, in an area where the international community's cumulative experience was limited at the time, and enabled Japan to gain new experience and learned lessons in assistance targeting peace-building. The Regional Comprehensive Development Assistance Programme (Ogata Initiative) prepared under the leadership of Ms. Sadako Ogata, (then) special representative of the Japanese prime minister for assistance to Afghanistan, proposed a mechanism to facilitate collaboration among international organizations that previously tended to carry out their operations separately under different schemes; and this enabled the seamless transition from humanitarian aid to reconstruction and development. The assistance model for regional reconstruction proposed by the Ogata Initiative has gained special attention as a means of providing assistance to states that are vulnerable during the transition from the emergency phase to the reconstruction and development stages.

3-3 Initiatives Taken by Respective Assistance Executing Institutions

For the effective and efficient implementation of development assistance it is essential to be consistent throughout the whole process from policymaking and to enforcement. In 2003, Japan formed a local ODA task force consisting of the Japanese Embassy and the local offices of ODA executing institutions (JICA and JBIC) in 74 countries (as of August 2007). The aim of the task force was to strengthen both the collaboration between the legislating and implementing processes of Japan's assistance policies as well as Japan's collaboration with other donors. Each local ODA task force assumes the

tasks of understanding the political, economic, and social conditions of the recipient countries, their development needs as well as trends in other donor's aid policies, for formulating country-specific assistance plans, priority agenda, sector plans, programs and projects that conform to the recipient government and international development objectives. In addition, the task forces also play a central role in monitoring the overall progress of assistance and making adjustments to the projects when needed. Thus the primary work of understanding of the fragility of the state and preparing appropriate assistance plans and projects has been assigned to the local task force.

The merger between JICA and JBIC is expected to strengthen Japan's implementation system as well as the local ODA task force. The following sections will highlight the development assistance implemented to date by MOFA, JBIC and JICA for fragile states or countries with vulnerabilities.

3-3-1 Ministry of Foreign Affairs (MOFA)

Grant aid provided by MOFA is designed to provide assistance to the basic infrastructure (transportation, electricity, information and communication, medical and health services, secure water supply, environment, rural development of agricultural and fishing communities), and human resource development (education and research) of the recipient country. Three main types of grant aid schemes are used in the area of peacebuilding and governance: general grant aid projects which comprise half of all grant aid cooperation,³⁵ humanitarian aid for evacuees or refugees displaced by natural disasters, civil war or conflicts, and emergency grant aid for democratic elections in developing countries and reconstruction and development. For the purpose of peacebuilding, grant aid are also provided through: conflict prevention and peacebuilding grant aid (non-project type grant aid), grassroots grant aid, and human security grant aid, depending on the circumstances. Additionally, two grant schemes were newly set up to better fit the specific local needs (grant aid for community empowerment in 2006) and to encourage local companies' engagement in project implementation (grant aid for poverty reduction strategy in 2007). These various types of grant aid schemes are often implemented in collaboration with the technical cooperation provided by JICA.

Reflecting on recent policies to strengthen assistance measures for Afghanistan and Iraq, Japan has actively approved projects ranging between fifty million and one

³⁵ These include the followings: project-type grant aid that meets a broad scope of needs for hospitals, schools, road construction and public transportation vehicles; grant aid for Japan's NGOs that support grassroots activities including local public bodies, education and medical organizations and NGOs; non-project type grant aid to assist an economic reform program and the whole development plan in a given field; and grassroots/human security grant aid.

billion yen for road repairs, the construction of water supply facilities and medical and health facilities in the Middle and Near East through emergency grant aid and grassroots and human security grant aid. The amount of grant aid approved for this region in the past three years accounts for 27% (¥9.17 billion) of the total amount of assistance. In FY2005, the other top recipient countries for country-specific assistance were Cambodia (¥1.53 billion, 207 cases) and Columbia (¥1.2 billion, 127 cases).³⁶

For countries with a weak governance capacity, it is particularly important to properly assess the potential impact caused by aid delivery prior to project implementation. Proper assessment is needed in areas such as the selection of construction and installation sites for facilities, the recipient government's institutional capacity for sustainable use and maintenance of the facilities provided, and expected benefits, both direct and indirect. Such impacts should also be monitored for a given period of time after project completion.

With regard to assistance through multilateral cooperation, by April 2006 Japan contributed approximately ¥31.5 billion in total to the Trust Fund for Human Security³⁷ established within the UN system in 1993 under the Japan initiative. As of March 2006, the Fund provided about \$204 million (for 149 projects). Section-wise breakdowns are as follows; \$55.25 million for poverty (43 cases), \$31.44 million for health (38 cases), and \$24.05 million for refugee countermeasures. By region, Asia accounts for the greatest portion of Japan's contributions (approximately \$61.11 million for 60 cases), followed by Africa (about \$56.54 million for 41 cases), and Europe³⁸ (some \$52.48 million for 13 cases) (Ministry of Foreign Affairs 2006).

3-3-2 Japan Bank for International Cooperation (JBIC)

JBIC's Medium-Term Strategy for Overseas Economic Cooperation Operations for FY2005-2007 positions "assistance for global issues and peace-building" as one of its priority areas and articulates its commitment to assistance for conflict prevention and recurrence prevention, medium to long-term reconstruction assistance towards the consolidation of peace, and assistance for neighboring countries of conflict states aimed at regional stability (JBIC 2005). After JBIC changed its method of writing off yen loans from conventional Grants Aid for Debt Relief to Debt Forgiveness Grants in 2003, JBIC has also worked to reduce the debt of many fragile states such as Iraq.

³⁶ http://www.mofa.go.jp/gaiko/oda/shiryo/hyouka/kunibetu/gai/kusanone_h/pdfs/sk05_01_04.pdf

³⁷ The U.N. Trust Fund for Human Security funds projects implemented by the United Nations organizations (or jointly by U.N. and non-U.N. organizations) that protect people from threats (poverty, environmental destruction, conflict, landmines, refugee issue, drugs and infectious diseases including HIV/AIDS) and strengthens their capacity.

³⁸ Assistance primarily for Kosovo

The implementation of yen-loan projects in fragile states is limited (past experiences include Sri Lanka, Philippines (Mindanao), Afghanistan and Iraq), since the government policy does not allow new loan provision to countries that have received debt forgiveness through the HIPC scheme. Yet yen loans can contribute to a more predictable flow of aid at the phase of reconstruction because they are pledged over multiple year periods. Based on a careful review on the repayment capacity of the recipient government, the further opportunities for the provision of yen loan combined with grant aid and technical cooperation should be explored, especially to Japan's aid priority countries (for instance Cambodia and Laos) (Nakao 2005).

One example of a yen loan that contributed to peace-building is JBIC's rural economic development and reconstruction project in Sri Lanka in 2003. The project incorporated the settlement of returning refugees after the restoration of peace and medium to long-term economic development as its operational objective. For this purpose, it helped to repair reservoir irrigation facilities in the northern and eastern provinces, where development has lagged due to the civil war, and assisted a local municipal vocational training program through micro-financing. Also, the findings from the preliminary survey *Conflict and Development: Roles of JBIC* (JBIC 2003) was reflected back into the policies of the relevant parties, namely the Sri Lankan government and the Liberation Tigers of Tamil Eelam (LTTE).

In addition to above, JBIC dispatched officers in the aftermath of the conflicts in Afghanistan (2002) and in Iraq (2004). JBIC is also committed to make a contribution to discussions on state-building agenda for fragile states. In January 2007, it hosted a Seminar "A Comparative Perspective on State-Building in Post-Conflict Conditions: Afghanistan, Lebanon, Nepal, and Sudan" in Tokyo, inviting Mr. Ashraf Ghani as keynote speaker³⁹ (Fukuda and Kudo 2007).

3-3-3 Japan International Cooperation Agency (JICA)

The concept of human security, introduced in 2004 following the reorganization of JICA, is an approach that highlights the fragility of states in a broader sense, by addressing the needs for comprehensive measures that bridge a gap between peace and development and increasing support for countries and regions under difficult circumstances.⁴⁰ JICA does not officially employ the term "fragile states" and has undertaken assistance measures for these countries through governance support as well

³⁹ Mr. Ghani was the chief advisor to the Karzai Provisional Administration and also held the post as the U.N. advisor in the processes of formulating, coordinating, and implementing the Bonn Agreement. Thus, he was deeply involved in the reconstruction of Afghanistan from the perspectives of both the recipient country and the donor.

⁴⁰ JICA Website

as aid for restoration, development and peace-building in post-conflict settings.

As discussed in section 3-1, Japanese governance assistance primarily targets the recipient country's administrative institutions and is characterized by an approach based on "option-offering" or "collaborative thinking", with the aim of promoting spontaneous reforms of a country (JICA 2004). The area of assistance covers a wide range of activities from restoring and improving basic functions of the state (such as improved administrative services) to developing policies and measures that are needed for operating democratic systems and mechanisms (legal reforms, etc.), and seems to have comparative advantage in institutional improvements and fostering human resources. Even to the countries where the government's commitment in promoting democracy or human rights is still weak, Japan has delivered continuous support through, rather than "bypassing", the government in question.

A case in point is the uninterrupted cooperation in the field of law for Asian nations such as Cambodia and Uzbekistan,⁴¹ where a joint team of experts from both Japan and the partner country was set up to draft laws based on their analysis of the social and economic conditions of the country. In Indonesia, JICA has been implementing the Indonesian National Police Reform Assistance Program since 2001. With the goal of improving the capacity of the police system, the program provides assistance for all the keys areas of national security: institution-building, human resource development, facilities development, and the provision of necessary equipment.⁴²

As stipulated in the Japan International Cooperation Agency Law, 2003, assisting during the reconstruction phase is one of the organizational objectives of JICA.⁴³ JICA Thematic Guidelines on Peace-building Assistance in 2003 (now under revision) states that target countries for JICA assistance have now been expanded to include conflict-prone countries as well as countries in transition from ceasefire to peace, in addition to post-conflict countries (JICA 2003).⁴⁴ The Seven areas of JICA assistance include; (1) reconciliation, (2) governance, (3) restoration of security, (4)

⁴¹ In Cambodia, the establishment of legal systems has been the top priority issue since the end of the civil war in 1991. JICA extended all-out assistance for drafting the civil law and the civil proceedings law. After the year 2003 when the final draft was completed, assistance has been provided continuously to educate judges. The Civil Proceedings Law came into force in July 2007. The code of civil procedure will be promulgated and enacted within this fiscal year.

⁴² JICA accepted a total of 97 participants in the training course until March 2006, and through grant aid cooperation, wireless radios and police boxes have been provided in order to strengthen both hard and soft components.

⁴³ Peacebuilding is one of the pillars of a new JICA that will make a start in October 2008.

⁴⁴ JICA offers its assistance, as a rule, based on three principles, (1) conclusion of ceasefire/peace agreement, (2) commitment of the Japanese government and (3) assurance of security. In recent years, however, it has been ready to provide assistance to peace-building in countries in a transitional period from ceasefire to peace and to prevent the relapse of conflict (Sri Lanka, Philippines, Mindanao, and Aceh, Indonesia).

social infrastructure development, (5) economic reconstruction, (6) assistance for the socially vulnerable and (7) emergency aid. In all of these endeavors JICA provides assistance through the dispatch of experts, assistance in the policy planning process, project implementation, and formulating master plans for grant aid. Under circumstances where the dispatch of Japanese experts need to be deferred because of security reasons, JICA seeks to maintain the continuity of its assistance by hosting training courses for recipient countries in Japan or by working with other donor countries, aid organizations, NGOs and PKO as needed.

JICA's Peacebuilding Needs and Impact Assessment (PNA) is a tool for stakeholder analysis in post-conflict settings, aimed at better incorporation of conflict prevention perspectives in the project design, implementation, monitoring, and evaluation process. Beginning with Sri Lanka in 2001, by 2006 PNA had been completed in 22 countries and regions. PNA can serve as a useful means of engagement that incorporates the principle of "Do no harm."⁴⁵ (Box 3.)

Box 3 Peacebuilding Needs and Impact Assessment (PNA)

Behind the development and introduction of PNA lies JICA's concern that under unstable local conditions, assistance may aggravate the causes of conflict or may even worsen the conflict. PNA is designed to minimize this risk as much as possible by identifying specific needs of countries in conflict based on local context analysis and then drafting measures for mitigating the causes of conflicts. Introducing PNA can ensure assistance is not disproportionately allocated to any specific social group or region, and does not exclude any particular group, preventing a sense of inequality between opposing groups. PNA is now used at the project planning and implementation stages to ensure that JICA projects help alleviate the underlying causes of conflict, such as disparities between the rich and the poor and unequal opportunities of social participation.

Although peace-building is a relatively new area of cooperation for JICA, JICA has accumulated some experience and learned some lessons. For example, based on the lessons learned from reconstruction assistance in Cambodia and East Timor, JICA employed several measures in Afghanistan to achieve visible outcomes at an early stage of assistance, such as Research in Urgent Development Projects which uses local human

⁴⁵ In principle, PNA is implemented in those countries where (1) JICA has the capacity (regardless of whether there is a local JICA office) to carry it out and (2) where there is high demand for assistance.

resources and greater focus on restoring and improving infrastructure related to roads and basic human needs (BHN). Also, based on its experience in Afghanistan, JICA adopted the “Fast Track System” in July 2005 to improve internal implementation systems and enables the execution of projects more quickly. Aiming at the elimination of the gap between long-term development assistance and urgent disaster and reconstruction oriented assistance, the system enables peace-building or post-disaster reconstruction projects be launched in 45 days at the earliest through a simplified planning and implementation process and pooling of staff.⁴⁶

In addition to country-specific assistance, from February 2006 to March 2007 JICA conducted a research study on assistance to fragile states with weak governance, titled “Aid strategies and approaches to States with limited capacity to cope with instability risks (tent)”. The study analyzed assistance policies and strategies of major donors and examines a framework to assess the risk management capacity of a recipient country. Since 2007, JICA has also launched a joint research project with UNDP on policy approaches for conflict prevention in Africa, which included 6 case studies from Rwanda, Burundi, the Democratic Republic of Congo, Sierra Leone, Mozambique and Darfur.

3-4 Characteristics of Japan’s Assistance: A Comparison with Other Donor Countries and Organizations

While international debate on aid effectiveness places importance on criteria such as those used when implementing General Budget Support, jointly formulated sector programs and Poverty Reduction Strategy Papers (PRSP), and has been cautious yet active in using aid modalities that “bypass” the government systems of recipient country (such as NGOs), Japanese assistance has set a high value on partnership with the recipient country. Accordingly, a greater part of Japanese aid has been delivered through government institutions. Japan’s official development assistance stance can be seen as being in line with the principles of state-building and alignment as highlighted in the “Principles for Good International Engagement in Fragile States and Situations” by OECD-DAC. Japan thus has a unique role to play in international discussion on fragile states, where a new model for international aid architecture are currently being discussed; and for this Japan needs to put its knowledge and experiences in a proper framework so to be useful to other international development partners.

At the same time, Japan also needs to further examine whether the way it has

⁴⁶ The projects that have been designated as First Track projects include assistance for the Pakistan earthquake, South Sudan, Palestine, Philippines and Mindanao.

delivered assistance to fragile states has been effective. As has been frequently pointed out by Daimon and others (2007), areas that have traditionally been left to self-reliance have begun to be seen as areas requiring proactive assistance, particularly in the cases of assistance to post-conflict countries. This has been markedly recognized within the context of assistance to fragile states with institutions suffering from weak governance. Japan's continued assistance to countries facing critical challenges in human rights and democratization is characterized by higher aid predictability and thus contributed to the state-building process of these countries. Conversely, this has often been criticized as having helped non-democratic governments in power. To what extent is intervention allowed under the premise of development assistance or humanitarian aid? This question requires further debate in the future. Japan's hitherto passive stance in intervention must be reexamined, which in turn requires Japan to articulate the role of development assistance in its diplomatic strategy more clearly.

Chapter 4: Providing Assistance to Fragile States—Challenges and Issues that Japan Faces

How do many fragile states develop politically, economically and socially as a state, and what sort of assistance is effective to that end? There are no ready answers to these questions. These issues are strongly related to the donor countries' diplomatic and security concerns; accordingly, their aid policies and measures taken differ widely from one donor to another. More examples include military invasion, policy dialogue, and assistance policies that does so much not take the fragility of recipient countries into account. The difficulties in assisting countries whose institutions and policies are underdeveloped are evident in the debate during the 1980s among Bretton Woods Institutions on structural adjustment lending. Although the policies of Bretton Woods Institutions have undergone changes over the years from an ex-ante approach (structural adjustment lending), and then to an ex-post approach (allocation of IDA loans based on CPIA), an effective assistance policy has yet to be found. This issue has been debated for nearly 30 years and examined from economic, political, and sociological perspectives; and the causes of the problems have been identified to a certain degree. Building and/or strengthening of political, economic, and social institution suitable for development is a prerequisite for economic growth of a state, and this effort would be incomplete without donor's understanding of the present and past institutions, as well as the history and context analyses of current situation that exist in fragile states.

One major reason why structural adjustment lending of the Bretton Woods Institutions did not produce the anticipated outcome may be due to its inadequate knowledge of the recipient country. Also, quick results tended to be sought without due considerations to social and political conditions of recipient countries. Such arguments are made by Gibson, et al (2005). These cast doubts whether the current international aid structure is suitable for assisting fragile states, or may even deter the development of a sound state in the long run.

This chapter analyzes problems related to assistance to fragile states and examines how donors, particularly Japan, should address the issues posed by fragile states. As stated in Chapter 2 and 3, one difference in the approach taken by Japan and other major donors towards fragile states is that Japan's approach is pragmatic focusing on its field of operations and avoiding political intervention. Another key difference is that other major donors are prepared to intervene militarily whereas Japan has no intention of ever taking military action due to the Japan's constitutions. However, many basic problems of fragile states are rooted in their governments, and assistance to these

states needs to be provided through an improved donor harmonization framework. Japan needs to examine the possibility of political intervention in its assistance to these countries.

4-1 Establishing a Basic Assistance Policy Stance for Fragile States

The analysis in previous chapters highlights that the focus of the international community's assistance to fragile states had expanded from economic and social development to include politics and security. Since 9-11, the international commitment to "fight terrorism", led by the U.S. and Europe, has also influenced the trend in international assistance policies. In view of the current tenor of the international politics and the international assistance community, Japan needs to review the possibility of expanding its approach to fragile states from its conventional development assistance policies to a broader framework. In the past, assistance to fragile states was incorporated into Japan's conventional development assistance policies, although parties responsible for implementing the assistance tended to pay special attention to the "fragility" of the recipient country. In future, Japan needs to clarify its assistance policies to fragile states if it is to work on alleviating "fragility", in addition to its hitherto core focus on "development".

This in turn means that Japan should articulate the direction of Japanese assistance to fragile states: that include what medium to long term vision Japan has for those countries and what assistance is needed. The key issue is how to build the legitimacy of government, which is based on the relationship between a government and its people. Japan needs to make a decision on whether to provide assistance to a country where the legitimacy of the government is not in place, or when legitimacy exists yet the government's capacity or will to improve its institutions and policies are weak. One option is not to provide assistance to such countries. This, however, would be a difficult choice if a country in question poses a potential threat to international security or is a resource-rich country. Deciding how Japan responds to fragile states, is an issue to be addressed by the entire Japanese government, not by the Japanese development assistance sector alone. While MOFA and other related government ministries, aid agencies, research institutes and individual experts can conduct a variety of survey studies on individual countries, the responsibility of formulating basic assistance policies to fragile states lies with the Cabinet. Especially when Japan participates in PKOs, or when it decides the form in which Japan supports other donors' military intervention, whether political, financial, or material, the government needs to work out consistent assistance policies based on coordination among the related ministries and

agencies :what is described by OECD-DAC as the whole-of-government approach. This would be a challenging endeavor for the Japanese government, judging from the fact that other donors are experiencing difficulty in coordinating their relevant domestic organizations.

Clear policy stance is necessary, when collaborating with other major donors and international institutions. This would particularly be the case when the engagement process involves political issues, the need to collaborate with other donor countries, the U.N. and other international institutions becomes prominent; and this cannot be archived by executing agency level alone. This issue will be discussed later.

Box 5: Natural resource management in fragile states

Some fragile states are rich in natural resources, such as oil. To a resource poor country like Japan, diverse factors must be considered when providing assistance to these countries. The relationship between natural resources and state fragility has been discussed, for instance, by Collier (2007). Natural resources have been a complex strategic issue between industrial and developing countries. It has been reported that China, for instance, has been aggressively offering assistance to African countries in exchange for natural resources. The securing of natural resources and aid are also intricately interrelated for the U.S. and Europe. On another front, many resource-rich countries face governance problems and in some cases, assistance funds are illegally diverted. Therefore aid, as the case may be, may actually aggravate the governance problems of a recipient country.

The “Extractive Industries Transparency Initiative (EITI)” is an international initiative concerning natural resources and development. It was proposed by the former U.K. prime minister, Mr. Blair, in 2002 to establish a framework to secure the transparency of fund flows in extractive industries. At the G8 Summit held in Gleneagles in 2005, the EITI was given support and all eight advanced countries pledged to increase their support to EITI and EITI implementing countries. Presently, EITI members are small in number, but the future course of this initiative deserves continued attention.

4-2 Strategy and Policy

Assistance to fragile states needs to be discussed within a framework that is broader than conventional development assistance policies. Thus, the purpose of the assistance, its approach, method, implementation system, what minimum objectives must be met,

relationship between aid and other interventions outside the assistance framework must be discussed by relevant parties with greater care and attention than in the case of ordinary development assistance. Because of the difficult circumstances that characterize assistance to most fragile states, it is also important to discuss a withdrawal policy or exit strategies in advance where necessary.

The objectives of aid, as discussed in earlier chapters, is not merely to provide assistance from a humanitarian perspective or to meet development needs. The provision of aid and approaches taken may also be based on diplomatic relations between Japan and the recipient country, economic (including resource dependency) or geographical concerns. Further, the policies adopted by the U.N., European countries and especially those of the U.S will have many implications for Japan in deciding its future approach. Deciding Japan's position within the dynamics of bilateral and international relations requires the collaboration and consensus of the entire Japanese government as well as aid implementing agencies. To achieve this, the government may need to demonstrate strong leadership.

In reviewing the measures to be taken and implementation system of assistance, it is important that Japan identifies its own capacity in terms of human resources, finance and expertise. Where expertise and human resources are lacking, assistance can be implemented by coordinating with international institutions and other donors, as seen in Japan's past experiences in peace-building assistance. Based on such precedents, it is recommended that Japan explores ways to achieve its goals through strategic partnerships rather than relying on self-contained approaches in its assistance to fragile states.

In fragile states where social conditions are extremely volatile, the security situation may rapidly deteriorate and society can dissolve into conflict due to a variety of factors such as a sudden onset of inflation and a collapse in the political balance of power. It is therefore essential that a contingency plan is formulated to secure the safety of personnel involved in field operations. At times, a decision to pullout may be necessary. Strategic planning for fragile states must incorporate contingencies for such possibilities.

Strategies planning should be based on a preliminary study using the expertise from the local ODA task force as well as regional researchers who are specialized in the recipient countries and regions, and this may take form in more detailed PNAs for instance. Given the volatility of social conditions in fragile states, assistance must be flexible so that changes can be made to reflect the circumstances.

What must be kept in mind in formulating policies and aid strategies for fragile

states is the recognition that effective assistance requires the multi-faceted engagement by many staff members over a long-term period. Building of sound political and economic institutions requires the gradual cultivation of a relationship of trust between the government and the people. This cannot be achieved merely by holding an election or developing a legal system: it is critical that donors also provide assistance in the areas of community empowerment especially the poor, the promotion of political education, nurturing of healthy economic and political activities, cultivating a fair military and police organization and strengthening neutral media. This again highlights the needs for careful analysis on the political, economic and the social institutions of the recipient country. In view of the time, expense and human resources required to carry out such analyses, the number of fragile states in which Japan can play key roles is limited. In reality, it may not be possible to provide sustainable assistance unless the fragile state is politically, economically and geopolitically significant to Japan. For fragile states that are strategically-important for Japan, MOFA or JICA should assign a personnel for each country who are responsible for overseeing the long-term continuity and coherency of the assistance policy to the country. For example, this person will play a role similar to that of a Country Director⁴⁷ in the World Bank. Such a person could be the head of the Japanese ODA Task Force in recipient country. The decisions on Japanese aid allocation is made according to the importance that the specific country bears to Japan's national interest, but is not necessarily examined in the light of recipient's fragility. It is due time to reexamine developing countries from the viewpoint of fragile states, and based on this, each officer in charge of a particular country must pay greater attention to the country under close coordination with the local ODA task force. In the past, Japan's aid system has been divided among MOFA, JICA and JBIC; however, a more coherent assistance to each country can be expected under the new JICA.

The question of what measures should be taken in case the analytical results of a country's policies indicate that those policies are inappropriate for development, is an old, yet a new important issue. To address this challenge, since the 1980s the Bretton Woods Institutions have attached conditionalities to structural adjustment loans they provide. This approach has drawn much criticism. Much of the criticism has centered on the way they "bought up" policy changes, because imposed policy changes would not lead to sustainable development. In response, donors has come to replace their use of conditionality (which seeks ex-ante commitment by recipient countries to policy reforms) with ex-post methods where assistance is provided to countries only after

⁴⁷ The WB Country Director is the chief executive of assistance to one country who is responsible for policy, implementation and evaluation. In some cases, one person is in charge of multiple countries.

institutions and policies have been developed or improved, as applied in the cases of International Development Association (IDA) and the Millennium Challenge Account in the U.S.

The effective use of conditionality or policy dialogue to seek institutional and policy reform in fragile states, whether ex-ante or ex-post, needs to be further explored. It may be also difficult for the donor country to obtain the domestic support of its own citizens, unless the aid does not contribute to policy or institutional reforms (including anti-corruption). For example, U.K.'s aid to Kenya, Uganda and Ethiopia was criticized by NGOs for providing assistance to governments with political problems. Japan underwent a similar experience when Japanese aid to Indonesia under Suharto administration was tainted by corruption. Japan has imposed conditionalities on several countries, as analyzed by Shimomura et al. (1999). The 2003 ODA Charter also states the need for policy dialogues. Presently, Japanese aid to North Korea is conditioned on the return of Japanese citizens abducted by that country.

Even in cases where Japan does not use explicit forms of conditionalities, it is important that Japan makes its political stance clear about conditionalities posed by other donor(s) under a donor coordination framework. In view of such possible circumstances, Japan will need to make high-level policy decisions on whether to present certain conditions to the recipient country independently or in partnership with other countries when assistance and intervention are implemented in fragile states.

Also, Japan's comparative advantage should be taken into account when formulating its assistance policy for fragile states. International debate on assistance to fragile states seems to be centered on state-building and security, but the foremost issue that confronts fragile states is its economy, as maintained by Brainerd and Chollet (2007). The success of Japan's assistance to Asia stems from its emphasis on the development of infrastructure that led to the growth of private enterprises, economic growth and poverty reduction. A major issue in many fragile states is the weakness of the private sector, and assistance is needed to foster its growth. Weak private enterprises lead to overly powerful government authority in politics as well as in the economy that inhibits democratic state-building. Assistance to foster private enterprises in recipient countries should be implemented with Japanese cooperation. Although this issue requires thorough political analysis, there may be a need to shift from the conventional paradigm of assistance between governments (G to G) to government and private sector of the donor country to the private sector of the recipient country. Implementing assistance that concretely and substantially fosters many private companies in fragile states should be reviewed.

4-3 Research and Study

In engaging with fragile states, in-depth studies that examine the existing conditions of the recipient country as well as its formal and informal relationships with its neighboring countries should be conducted. It is essential that the knowledge of local researchers and key figures in the private sector as well as parties related to assistance is mobilized for this study. Building an information network is also vital to collecting information, in order to make accurate decisions based on an understanding of the ever-changing conditions. These networks should consist of a local-level network and a network of experts from the donor community and major advanced countries. Successful assistance to fragile states depends on an accurate grasp of movements within and outside the given state, in addition to the sound analysis and utilization of collected information.

It is also vital to sum up the outcome and lessons learned from actual cases of assistance provided to fragile states in extracting common lessons learned, conceptualizing, and creating model cases. This research will provide useful clues to effective assistance as well as information that can be presented and shared with the international community.

In light of the fact that the problems faced by each individual fragile state is closely related to its history, culture and social structure, a broad spectrum of interdisciplinary research studies as well as the expertise of development experts are needed. In the case of conflict-ridden countries or countries vulnerable to conflict, analyzing the impact that assistance may have on the conflict is required, irrespective of Japan's direct involvement; and in fact, JICA is already in the process of carrying out such analyses. For those studies to be useful, strengthened coordination between them and Japan's overall assistance policy is required.

In Japan, the Institute of Developing Economies, JETRO conducts basic studies and research on developing countries. There are also a few universities that are engaged in research activities on the issue, yet these research activities are not systematically organized. Thus, there is a need to strengthen the bond between aid agencies and research institutions of both Japan and overseas. Considering the need to collaborate with many outstanding researchers and research institutions abroad, future research and studies undertaken by Japan organizations in this field should be undertaken in English.

Although still limited in scope, the donor community attaches importance to sector-level research studies (e.g., Economic and Sector Work: ESW by the WB). JICA and former JBIC have conducted studies on the issue as well, and collaboration

with other assistance related research institutions both in Japan and abroad is important especially with regard to fragile states. Among other areas of study, Japan has a comparative advantage in building long-term economic development models. Japan's experience in Asia has demonstrated the importance of collaborating with its private sector in fostering private enterprises in the recipient country.

The volume of research studies on fragile states carried out both in Japan and overseas is enormous. It is important that Japan analyzes these findings and carries out further studies in areas that are less explored in formulating policies and assistance strategies for fragile states,. The building of a research system that enables effective and efficient implementation of these activities is a pressing issue.

4-4 Implementation

In view of the complexity of assistance to fragile states and the need for long-term commitment, creating a system of cooperation between JICA and other government institutions both domestically and abroad is essential. Since the social, political and economic conditions and structures of fragile states must be accurately understood in order to achieve effective assistance in these countries, long-term assignments for the person-in-charge of this task is recommended. In addition, experienced staff members, who are capable of analyzing the political, economic, and social issues and holding negotiations with other donors and government officers of recipient countries, should also be assigned. In some cases, assistance may not be able to operate directly due to security concern. In such cases, a partnership with NGOs operating in the recipient country should be considered because NGOs can play a significant role in assistance to fragile states. The key challenge is how to incorporate NGOs within the framework of donor harmonization.

Unlike normal development assistance, the outcome of assistance to fragile states should be evaluated over a longer span of time. Special assessment indicators in addition to those indicators necessary to assess the progress of the state-building process may also be needed to measure the extent to which governmental functions have been strengthened and the extent to which a government's relationship with its people has improved,. Assistance to fragile states is highly susceptible to external factors that are beyond the control of the donors. Hence, donors should be aware that the unexpected may occur or the assistance may fail. However, there should not be a fear of failing, since without failure, innovative assistance will not evolve. Evaluations should also take this point into consideration.

4-5 International Collaboration

The trend that the international community follows regarding assistance to fragile states must be understood; and promoting collaboration and coordination with other donor countries as needed is important in the areas of strategies planning, implementation, study and research. Although collaboration at the policy level has been touted, collaborative and coordinated action at the practical level is generally difficult to achieve due to the different assistance mechanisms of each assistance institution, as attested to by past experience. Thus when collaboration is pursued at the practical level, an inordinate amount of time is frequently spent contacting and coordinating with the relevant countries. Japan will need to be somewhat flexible about its rules concerning its system of project implementation.

Many other donors have shown a strong interest in assistance to fragile states and have conducted extensive research and study in this area. Collaboration has been pursued among many donor countries; and Japan's ODA task force has collaborated with other donors on the ground. Coordinated assistance is especially vital within the context of assistance to fragile states.

In terms of concrete actions, holding policy debates and exchanging opinions and information regarding fragile states with OECD-DAC FSG committee as well as strengthening its collaboration with the IDA of the WB in policy debates and in implementing assistance should be considered.

Political problems are often involved in assistance to fragile states. Political measures and military intervention will necessarily come up in discussions especially in the case of countries in conflict and countries that affect international security. The World Bank, in line with its Articles of Agreement, does not address political issues. The influence of the OECD-DAC is limited since its membership does not include developing countries. Unless the roles of these organizations change considerably, U.N. organizations and their committees (UNDP, U.N. Peace-building Commission, etc.) will increase in importance, thereby making it ever more necessary to have collaborative relationships with such organizations.

Among the various fragile states issues undergoing discussion by the international community, the importation of weapons by fragile states is an area where Japan can take initiative. The Japanese government's indication of its readiness to actively participate in the Arms Trade Treaty (ATT) prepared under the leadership of U.N. is a welcome sign of this initiative.⁴⁸ International NGOs are carefully watching

⁴⁸ See the MOFA website <http://www.mofa.go.jp/mofaj/gaiko/arms/att/kenkai.html>.

how the treaty will develop⁴⁹; and this gives Japan the opportunity to show its contribution to fragile states.

4-6 Consideration to the Principle of “Do No Harm”

The OECD-DAC’s *Principle for Good International Engagement in Fragile States* highlights the importance of “do no harm”. The following is a list of case examples where assistance may lead to an adverse outcome. Care should be taken to ensure that the following situations do not occur during policy formulation and implementation of assistance to fragile states.

- (1) When assistance is offered to an oppressive government, the regime is given international legitimacy by supporting such a government, even if the assistance is indirect.
- (2) When good governance has not been established prior to assistance, assistance can aggravate corruption, hinder the sound development of political systems and deteriorate the relationship between the government and its people.
- (3) When assistance accounts for a large portion of the government’s revenue, the government tends to assume its accountability to the donor society and neglects its accountability to its citizens, thereby impeding the relationship between the government and its people.
- (4) When a donor’s excessive political intervention hinders the development of the recipient country’s capacity to formulate its own policies.
- (5) When a massive amount of assistance is provided to a recipient country with a small economy, the “Dutch disease” occurs (a rapid inflow of a large amount of foreign currency results in a surge in the value of its currency; as a result, export industries and import substitution industries are dealt a destructive blow), thereby possibly hindering the long-term development of its economy.
- (6) When the short-term commitment of donors destabilizes the government’s revenue over the long term.
- (7) When a huge amount of materials, data and reports demanded by donors imposes an enormous burden on the recipient government employees, and may even impede their main work duties. This also applies to cases when donor-driven assistance activities that are not suited to the recipient country are carried out.
- (8) When a donor hires capable employees of the recipient government at high salaries thereby creating in essence, a “brain drain.”

⁴⁹ For instance, IANSA, Oxfam, Saferworld (2007)

The above cases apply to all developing countries. However, they are particularly significant for politically and economically fragile states. In regards to items (1) and (2) above which deal with the legitimacy and governance of the recipient country, the political and economic situation of the recipient country are entangled with those of the donor country, and as a result, the policy's coherency is an issue. In recent years, China has been aggressively providing assistance to resource-rich countries in Africa. Since China is not a member of DAC, its assistance to nations with poor governance has become an issue. This is an issue that the Japanese government might want to address and therefore this may be a good time for Japan to examine and prepare to OECD-DAC an international framework that would include emerging donors.

Past approaches to policy discussions and policy interventions also need to be revisited. The effectiveness of the PRS process for fragile states may also need to be reviewed since the Bretton Woods Institutions were prone to seeking short-term results through policy interventions without sufficient context analysis in a given country. Under the conditionalities attached to structural adjustment lending, neoclassical economic arguments tended to be forcefully applied to recipient countries without sufficient analysis on the specific circumstances of each nation; and this attitude seems to remain unchanged in the case of PRS. A weakness of the Bretton Woods Institutions is that once a policy has been adopted, it is continuously applied to all countries as "best practices". This tendency is especially apparent when a prominent scholar is appointed as an executive, and his/her personal doctrine tends to be applied to all countries. In addition, as policy discussions over the last several years have placed a greater emphasis on an agenda stressing poverty reduction, a long-term vision for economic development has been blurred in many countries.

Conclusions

The 9-11 terrorist attack, military interventions in Afghanistan and Iraq and a series of terrorist attacks in Europe and Asia have made fragile states an acute cause for concern for developed countries and international organizations especially in terms of global security. Fragile states also have cast significant challenges in international politics because fragile states face serious development problems such as governance including legitimacy, conflicts and the unlikely achievement of MDGs.

The problem concerning developing countries whose governments do not have adequate policies for economic growth and poverty reduction has been on the international development community agenda since at least 1980. Structural Adjustment Lending (SALs) by the Bretton Woods Institutions was criticized, and in response donors have changed their terms. Terms have changed in the use of conditionality (from ex-ante to ex-post) and then to PRS with a focus on poverty reduction. Nonetheless, the fundamental problem – how assistance to these states should be provided – remains to be solved. Meanwhile, research on the relationship between development and institutions has progressed since about 1990. North and Stiglitz, for instance, have made it clear that the issue of development is closely interrelated with political, economic and social institutions, which, in turn are linked to history, culture and religion. In the field of the political science, volumes of research have been carried out on the concept of the “collapsed states”.

Major donors’ concern over fragile states is not only related to international security (such as terrorism) but also intricately related to international crime, natural resources, illegal migration, refugees, humanitarian challenges and spillover effects to neighboring countries. Many of these concerns shed light on the strong link between fragile states and the domestic problems of many donor countries.

Against this backdrop, the international development community has been discussing issues related to fragile states, which may drastically change the course of the present development assistance paradigm. Fragile state issues may change the political stance of major donors and their approach toward developing countries. For example, US military intervention in Afghanistan and Iraq and the Transformation Diplomacy announced in 2006 by Secretary Rice are both reminiscent of the Cold War diplomacy of twenty years ago. During the Cold War era, major developed countries had provided assistance to developing countries not for the sake of development but rather as part of their own global strategy. It is now obvious that the development strategies during the Cold War era caused serious problems in many developing

countries such as sustaining poor governance and fragile political institutions. The same mistakes should not be repeated. By over-emphasizing international security issues including the eradication of terrorism the concern is that fundamental development issues such as economic growth and poverty reduction will be neglected. DAC considers that the harmonization of the 3Ds (defense, diplomacy, development) of donors is the key to assisting fragile states, but the last “D”, development, seems to have been attached the lowest priority. From a long-term perspective, state-building and political, economic and social-institution building should be given due consideration.

The ongoing debate on fragile states will have a significant impact on overall development strategies. In the past, the framework of development assistance seems to have been set for a short period of several years. The problems fragile states face are intricately interrelated with polity, economy, culture, religion and history. These problems cannot be alleviated in a short period of time. Hence, it is essential to give comprehensive, longer-term assistance if such assistance is to address fundamental political and social institutions. This argument suggests that the same approach applied to other developing countries may not be effective for fragile states. It also implies that donors need to develop expertise in economic and political institutions. In order to render effective assistance to fragile states, donors need to both develop human resources equipped with the capacity to build and strengthen institutions and also evaluate their assistance activities over a long period of time. Besides, donors should recognize that the effort to engage with fragile states often involves confronting political problems, which requires donor governments to make high-level political and diplomatic decisions.

There is also a possibility that the roles of international organizations may need to undergo changes around this issue. Until now, the Bretton Woods Institutions led the development issues due in part because they managed a large amount of development funds. However, Bretton Woods Institutions’ Articles of Agreement do not allow them a free hand to intervene in politics. At present, fragile state issues are discussed mainly at DAC. Yet developing countries are not represented in DAC because DAC members are comprised of only developed countries. Those factors suggest necessity of UN organizations to play more important roles in assisting fragile states.

The issue of fragile states may have a significant impact not only on the current international aid architecture, but also in the domain of security and diplomacy, and even on the donor-recipient relationship. Unless Japan contributes more actively in international discussions and research activities carried out by international

organizations such as DAC, consensus on international aid policies will be decided without Japan having its say which could then limit the scope of Japanese foreign assistance in the future. Discussions on the topic over the last several years by major donor countries such as UK and US seem to have been too heavily biased towards security and political institutions. Conversely, Japanese activities in the recent past in regards to fragile states have focused on peace-building. As discussed by Ishikawa (2006), an integrated development model for fragile states must be developed to address all the major problems faced by fragile states including economic problems. Reforming the Bretton Woods Institutions and the United Nations is currently being discussed internationally, and in all likelihood the issue of fragile states will be put on the agenda in relation to global security. Japan, which aspires to become a permanent member of the Security Council and increase its influence in the Bretton Woods Institutions, should make the issue of fragile states a major agenda item and swiftly consider an appropriate approach to these countries.

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