Why we need to work more effectively in fragile states
Cover photo: A man rides his bicycle through a part of Kabul totally ruined by many years of war. (© Fredrik Naumann/Panos)
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Foreword

All too frequently on our TV screens or in the newspapers we see what it is like to live in a country where government is failing, where basic rights to life and security are violated, where sufficient food is a luxury, and where water, health and education are not guaranteed. Poor people are the main victims where the state is unable or unwilling to carry out its basic functions. On one estimate, fragile and failing states contain only 14% of the world’s population but nearly a third of the world’s poor people and 41% of all child deaths.

Since becoming Secretary of State for International Development, I have witnessed at first-hand the difficulties faced by people living in countries affected by conflict, such as Sudan and Democratic Republic of Congo. Other states are on the brink of conflict, struggling to manage social tensions or fundamental challenges to central authority. Poor people also suffer where rulers use political office for personal or criminal ends or where there are weak governments that are unable or unwilling to provide for their people, even if they do not attract the headlines of war.

Making development work in fragile states is one of the biggest challenges for the UK and for the international community. This policy paper brings together the latest analysis by DFID and others on how to make development more effective in fragile states. It sets out some objectives and makes commitments about how DFID will work differently in future. It does not claim to have all the answers. Much remains to be done, particularly on looking at new channels for delivering aid to fragile states and we need to learn lessons as our experience deepens. It is, however, a starting point from which we can build.

One thing is clear. We cannot sit back and do nothing. Too often, donors have been quick to pull out when things go wrong. But as Afghanistan has shown, walking away carries a high price. Staying involved will sometimes involve large aid programmes, but often it will be about working smarter, and harder, to ensure that the right support and political contact are sustained.

Part of the answer is to help governments avoid failing in the first place. Having better early warning systems, responding quickly to crises, and helping to rebuild states are also essential.

Effective government is important not just to the citizens of a country, but also to its neighbours. No country can isolate itself any more from what happens elsewhere. Instability in one country can spill over to the region. So can refugees, disease, and crime.

DFID is committed to working with its partners to meet the challenge of fragile states. The international development community should be passionately interested in this issue, above all because the lives of so many of the world’s poorest and most vulnerable people depend on governments getting it right.

Rt Hon Hilary Benn MP
Secretary of State for International Development
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Summary

Fragile states contain 14% of the world’s population but account for nearly 30% of people living on less than $1 a day. One person in three is undernourished. This is twice as high as in other poor countries. Fragile states cannot or will not deliver what citizens need to live decent, secure lives. They cannot or will not tackle poverty. As such, they significantly reduce the likelihood of the world meeting the Millennium Development Goals (MDGs) by 2015.

Fragile states are the hardest countries in the world to help develop. Working with them is difficult and costly and carries significant risks. Aid programmes in fragile states pose difficult policy dilemmas. All too often, donors have made the calculation that it is less harmful to do nothing or to rely on humanitarian responses. As repeated crises in Darfur show, this matters because, while humanitarian aid can save lives in the short term, it cannot address chronic state weakness.

Since the mid-1990s, a stronger donor emphasis on rewarding countries with relatively effective governments and stable macroeconomic policies has led to further neglect of fragile states. Even taking account of their poor performance, fragile states have received 43% less aid than would have been appropriate given the extent of poverty within them.

Aid that has been given has often been delivered badly. It has been more volatile, more fragmented and poorly coordinated. The MDGs cannot be achieved without more progress in fragile states. Evidence shows what does – and does not – work. There is significant potential to improve aid effectiveness in fragile states.

Despite all these problems, there are some successes, such as relative prosperity and stability in Mozambique since the conflict that ended in 1992. Even in countries still regarded as fragile, there are islands of hope. In Nepal, for example, services are being delivered to poor people in spite of acute instability.

There are wider reasons why we need to work better in fragile states. They are more likely to become unstable, to destabilise their neighbours, to create refugee flows, to spread disease and to be bases for terrorists. Afghanistan and Sudan are recent examples.


Recent work by the World Bank on Low-Income Countries Under Stress (LICUS), and by the OECD Learning and Advisory Process on Difficult Partnerships illustrates that donors are realising the importance of raising development effectiveness in fragile states. This paper aims to contribute to the debate, whilst acknowledging that policy and practice are still at an early stage.

Over the next year DFID will, with its partners, develop more appropriate ways of working, improve the way the international system organises itself to respond, and deliver aid more effectively on the ground. We will also aim to improve joint working with other Government Departments, drawing on the experience of the Conflict Prevention Pools.

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What is a fragile state?

There is no agreed global list of fragile states, even though there is a consensus on some clear-cut examples (eg Somalia). All states are fragile in some respects and states move in and out of fragility. People also disagree about what constitutes fragility and no state likes to be labelled as fragile by the international community.

Given these difficulties, one common way to estimate the level of fragility is derived from the World Bank’s Country Policy and Institutional Assessments (CPIA). CPIA scores divide low-income countries into five categories of performance, the lowest two of which are useful proxies for state fragility. There is a separate group of unranked countries, also deemed fragile. This provides a list of 46 fragile states, containing 870 million people or 14% of the world’s population. Middle-income countries are not included in this list.

Although most developing countries are fragile in some ways, DFID’s working definition of fragile states covers those where the government cannot or will not deliver core functions to the majority of its people, including the poor. The most important functions of the state for poverty reduction are territorial control, safety and security, capacity to manage public resources, delivery of basic services, and the ability to protect and support the ways in which the poorest people sustain themselves. DFID does not limit its definition of fragile states to those affected by conflict.

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Some states are fragile because of weak capacity or lack of political will – or both. Box 1 gives some examples of the differences between capacity and willingness.

**Box 1: Indicative features of fragile states**

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Willingness</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State authority for safety and security</strong></td>
<td>• The state lacks clear international sovereign status.</td>
</tr>
<tr>
<td></td>
<td>• The state cannot control its external borders or significant parts of its internal territory.</td>
</tr>
<tr>
<td><strong>Effective political power</strong></td>
<td>• The power of the executive is not subject to controls, either through informal (political party) or formal (legislature) channels.</td>
</tr>
<tr>
<td></td>
<td>• There are no effective channels for political participation.</td>
</tr>
<tr>
<td><strong>Economic management</strong></td>
<td>• Weak or partial public financial management tools, such as a budget cycle and planning processes.</td>
</tr>
<tr>
<td></td>
<td>• There is no transparency in the public management of natural resource extraction.</td>
</tr>
<tr>
<td><strong>Administrative capacity to deliver services</strong></td>
<td>• The state levies less than 15% of GDP in tax.</td>
</tr>
<tr>
<td></td>
<td>• Access to public services for specific regions of the country or groups is deliberately limited.</td>
</tr>
</tbody>
</table>

Most developing countries fall into four broad types:

- ‘**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.
Why do fragile states matter?

We need to work better in fragile states because poverty is so widespread, because they can destabilise regional and global security, and because the costs of late response to crisis are high.

Poverty is widespread

Fragile states are most off-track in relation to the MDGs.

- People who live in fragile states are more likely to die early or live with chronic illness. The malarial death rate is nearly 13 times higher than elsewhere in the developing world and the proportion of people living with HIV/AIDS is four times higher.
- People in fragile states are less likely to go to school or to receive essential health care. In 2000 there were 37 million children in fragile states who were not at school.
- Nearly half of all children who die before the age of five are born in fragile states. Child mortality is almost two-and-a-half times higher than in other poor countries and maternal mortality is more than two-and-a-half times greater.
- Fragile states have very weak economic growth. From 1990 to 2002 their gross domestic product (GDP) per capita was broadly flat while other developing countries grew at 1.17% a year in real terms.

Table 1 compares progress in fragile states overall with other developing countries. The annex details progress in each country.

<table>
<thead>
<tr>
<th>Millennium Development Goal</th>
<th>Low-income fragile states</th>
<th>Other low- and middle-income states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>871m</td>
<td>4,361m</td>
</tr>
<tr>
<td>MDG 1 Number living on less than $1 a day</td>
<td>343m</td>
<td>821m</td>
</tr>
<tr>
<td>MDG 2 Proportion of undernourished (mean 1999-2001)</td>
<td>33%</td>
<td>15%</td>
</tr>
<tr>
<td>MDG 3 Primary education enrolment</td>
<td>70%</td>
<td>86%</td>
</tr>
<tr>
<td>MDG 4 Primary education female: male enrolment ratio</td>
<td>0.84</td>
<td>0.92</td>
</tr>
<tr>
<td>MDG 5 Child mortality rate per 1,000 (2002)</td>
<td>138</td>
<td>56</td>
</tr>
<tr>
<td>MDG 6 Maternal mortality rate per 100,000</td>
<td>734</td>
<td>270</td>
</tr>
<tr>
<td>MDG 6 Number of people living with HIV/AIDS (2001)</td>
<td>17.1m</td>
<td>21.4m</td>
</tr>
<tr>
<td>MDG 6 Malaria death rate per 100,000</td>
<td>90</td>
<td>7</td>
</tr>
<tr>
<td>MDG 7 Proportion of population without access to safe water</td>
<td>38%</td>
<td>18%</td>
</tr>
<tr>
<td>MDG 8 Telephone and cellphone subscriptions per 100 people</td>
<td>4.5</td>
<td>18.8</td>
</tr>
</tbody>
</table>
Fragile states can destabilise regional and global security

Fragile states are more likely to become unstable and fall prey to criminal and terrorist networks, which aggravate their instability. The impact of instability can spread well beyond national borders, as in Afghanistan and Democratic Republic of Congo. This can be seen in refugee flows, the spread of HIV/AIDS, arms smuggling and the breakdown of trade. On average, growth is reduced by 0.4% a year if a neighbouring country is fragile.\(^6\)

Even apparently stable states like Zimbabwe in the mid-1990s can rapidly descend into instability and perpetuate regional conflicts, as noted in Box 2.

**Box 2: From stability to fragility: Zimbabwe**

Until the late 1990s Zimbabwe was a breadbasket for Southern Africa, with steady economic growth supporting strong health and education programmes. Recent military involvement in neighbouring Democratic Republic of Congo, along with a combination of economic mismanagement, political instability, and poorly implemented land reforms contributed to the economy declining by 30% in the last five years. Struggling to respond to higher levels of HIV/AIDS, the country is now unable to service its external debt and requires substantial humanitarian assistance, with as much as 70% of the population below the poverty line.

Costs of late response to crisis are high

The average costs of a civil war in a low-income fragile state have been estimated to be around $54 billion, excluding global effects.\(^7\) This includes direct costs (eg military expenditure and lives lost) as well as indirect costs (eg economic growth forgone). It is much more cost effective to prevent states from falling into conflict or major collapse than to respond once they have failed. A recent study\(^8\) estimated that on average each £1 spent on conflict prevention generates over £4 in saving to the international community.

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Why has aid not reduced poverty in fragile states?

There are three reasons why aid has failed to reduce poverty in fragile states: there has not been enough aid; the aid provided has been delivered at the wrong time; and it has been delivered in ineffective ways.

Not enough aid

Fragile states, proxied here as the bottom 40% of countries on the CPIA score (quintiles 4 and 5), received only 14% of bilateral aid, whereas the top 40% (quintiles 1 and 2) received two-thirds of all aid, or nearly five times as much (see Chart 1).

Fragile states also receive significantly less aid than would be expected on the basis of need, even taking account of their weaker performance (see Chart 2).
Why we need to work more effectively in fragile states

Aid delivered at the wrong time

Donors tend not to deliver substantial aid to fragile states until there is a crisis. Moreover, in post-conflict states they tend to decrease aid precisely when it could become more effective.9

As well as being badly timed, aid flows to fragile states are more volatile10, mainly because donors make ‘stop-start’ funding decisions based on short-term government performance. This has a significant impact on governments’ ability to implement projects and manage citizens’ expectations about public service delivery. Volatility and uncertainty about aid flows also inhibit growth.11 This would make it harder for any government to manage resources and reduce poverty, let alone a very weak one.

Aid delivered in ineffective ways

Too much delivered as uncoordinated projects

Much aid in fragile states is delivered through short-term, uncoordinated projects which are not part of a broader development strategy. Much of this support is labelled ‘humanitarian’, and it has become the dominant mode of working in fragile states because it is delivered outside state structures. Humanitarian agencies are used to working in insecure environments and can often reach poor people and provide services when others cannot. But humanitarian assistance is not effective in laying the foundations for longer-term development. It can also undermine state capacity by, for example, leaching scarce skilled personnel away from the domestic public sector.

Fragile states cannot meet donor terms and conditions

Experience across all developing countries shows that donor terms and conditions that fail to mirror national priorities do not result in more effective aid. In fragile states, there are seldom effective mechanisms for setting national priorities in the first place. Yet donors set more demanding terms and conditions in fragile states. For example, to qualify for World Bank adjustment lending between 1998 – 2003, fragile states had to demonstrate twice as many policy reforms before receiving aid than stronger performers.12 This is despite the fact that fragile states have very limited capacity for reform.

Well-targeted sanctions may, however, have some impact on the pace of reform. These might include restrictions on politicians’ travel or on high-profile sporting events, which can send relatively effective signals to repressive regimes. Generalised sanctions such as trade embargoes may be less effective and can increase poverty.


11 Foster, M. (December 2003) The Case for Increased Aid, Final report to DFID.

Fragile states have difficulty absorbing large amounts of aid

The ability of fragile states to use aid effectively for development can be very low. But there are always opportunities to engage. Aid needs to focus on areas where capacity is least weak and on removing barriers to effective use of future support. Policy reform needs to be very carefully planned so as not to overload fragile institutions. Where state willingness is very low, building capacity in the private sector and civil society can be a starting point.

There is one exception. Recent evidence suggests that, from the fourth year after the end of the conflict, post-conflict countries can absorb twice as much aid as comparable countries at peace.\textsuperscript{13} This is often precisely the time when donors, having been very active in the immediate aftermath of conflict, start to pull out, especially if the policy environment remains fragile. Recognising this, DFID made a ten-year commitment to support the government of Sierra Leone in 2002. Similar commitments are in place for Afghanistan, Rwanda, and Ethiopia.

How to work in fragile states

There is no single model for how we should work better in fragile states. We do not have all the answers and further policy work and operational experience are needed. The next two sections set out some operational principles for how to develop better policy and practice, on the basis of what we have learnt about what works and what doesn’t.

Before we decide whether to deploy significant resources, we need to improve early warning of instability and understand more about the political economy of the states concerned. Given that aid alone will not be enough, we need to develop joint diplomatic, security and aid approaches as appropriate. This needs to be complemented by clear decision-making in the international community about who gets involved in which countries.

Better early warning systems

In an ideal world, the international community would prevent states from becoming fragile or unstable. This won’t happen everywhere, but more can be done to improve early warning of pending collapse. More important still is early response, before a state’s capacity to reduce poverty seriously deteriorates (Zimbabwe), it collapses altogether (Somalia) or there is a humanitarian crisis (Sudan).

Understanding the political economy

If the response is going to address a lack of political will as well as a lack of capacity, the international community needs to have a clearer understanding of the reasons for state failure, which will vary from place to place. Donors have tried to promote change through technical solutions supported by individual champions of reform, believing that the problem is technical not political. There is growing recognition of the need to understand the political incentives and the institutions that affect the prospects for reform.

DFID calls this the ‘drivers of change’ approach, key elements of which are: the need to understand the history of a country and its people, who holds power and how it is brokered and used, the informal ‘rules of the game’ (such as how patronage networks operate in government and business), and the relationship between these and formal institutions (such as appointments to the executive and judiciary).
Donors and outside agencies such as multinational corporations are also part of the national political economy. These political relations determine the kinds of reforms that are likely to work and whether or not they will have any impact on poverty (Box 3).

### Box 3: Understanding change in Angola

In Angola, an analysis of the ‘drivers of change’ has identified the limits of international leverage. Oil and diamonds have enabled Angola’s rulers to resist donor pressure to focus on poverty. The international community does, however, provide the legitimacy that Angola needs to access international capital markets. It is this that provides an opening to support local dialogue with government on reforms in governance, economic management and service delivery. Other programmes aim to influence multinational companies in the diamond sector.

Stability is related to strong political systems, particularly those that:

- regulate who participates in government (eg rules about political parties);
- hold the executive arm of government accountable (eg parliament); and
- ensure that public officials do not use their office for private gain (eg an autonomous civil service).

In more stable states, these rules are consistent with each other in that they allow for the peaceful management of internal conflicts or disagreements. The challenge to organisations like DFID in any environment is to understand these rules and systems and help governments to implement them in a way that serves the interests of the majority. In fragile states, this becomes even more crucial, as unbalanced political systems contribute to political instability and further weaken the state.

Effective states depend on effective political leadership equipped with the skills to manage conflicting interests, agree effective policies, and see through structural change. Where institutions are weak, personalities often dominate. In the worst cases, predatory leaders unchecked by institutional constraints can steal property, kill people, and ruin the economy.

Effective states also need ‘inclusive institutions’ that respect the interests of the wider population and are more likely to benefit the poor. In the long run, stable and effective states are those in which government policies and public institutions are able to generate public support. But in fragile states a basic level of commitment to poverty reduction is to provide broad-based services to the population without institutionalised discrimination directed at particular groups. This is an area where donors can help build capacity at the same time that political commitment is secured.

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External organisations can also be a positive force for good. Many of the triggers of and solutions to fragility lie beyond the boundaries of a country. Regional relationships – and institutions – are important. One example of a regional approach is the African Union’s Peace and Security Protocol, which builds peacekeeping capacity. This is why DFID strongly supported the creation of the EU Peace Facility for Africa, which is backing AU peace operations.

The case for aid

Even though fragile states are difficult to assist, the case for providing aid to them is strong. Research shows that aid raises growth and reduces poverty, even where states have weak policies or institutions.\textsuperscript{16} Higher income in turn lowers the risk of conflict.\textsuperscript{17} Even where an economy is shrinking, well-targeted aid can help improve security, health, education and environmental quality. And withholding aid may not only harm the country concerned but also worsen conditions in neighbouring countries, increasing refugee populations, disease and conflict.

Aid alone is not enough

For the international community to provide effective support to fragile states, it needs to combine aid with diplomacy, security guarantees, human rights monitoring, trade policy, and technical assistance (such as in tracking down criminal activity). This has implications for ways of working within governments in donor countries, specifically closer cooperation between development, foreign and defence ministries on analysis and strategy. The Conflict Prevention Pools show the benefits of closer cooperation between UK Government Departments (Box 4).

Box 4: Conflict Prevention Pools: working to integrate security, diplomacy and development

The Africa and Global Conflict Prevention Pools (CPPs) are joint Foreign and Commonwealth Office (FCO), Ministry of Defence (MOD) and DFID mechanisms for funding and managing the UK’s contribution to preventing violent conflict.

The pools are intended to increase the UK’s overall effectiveness in reducing violent conflict by pooling departmental resources and ensuring strategic coherence between departments. The CPPs include spending on peacekeeping and peace enforcement operations, as well as a wide range of strategic conflict-prevention activities including social programmes, policing, mediation, and community reconstruction.


The international system plays a role in stabilising and supporting fragile states through mediation, peacekeeping, and emergency support. Some UK initiatives are creating a more supportive international environment, including those on extractive industries, the small-arms trade, and conflict reduction. The Extractive Industries Transparency Initiative (EITI) aims to ensure that income from oil, diamonds and other resources – which has fuelled conflicts worldwide – is managed more transparently (Box 5).

**Box 5: Extractive Industries Transparency Initiative in Azerbaijan**

In 2004, the Azerbaijan government signed an agreement with oil and gas companies, as well as a local NGO coalition, setting out how government income from hydrocarbons would be received and reported. The creation of this mechanism is key to re-establishing an accountability link between civil society and government regarding Azerbaijan’s substantial extractives resources.

All parties expect that a first set of payments and revenue figures, collated by an independent auditor appointed by a committee with representatives from all sides, will be published in 2005.

**Who does what**

No bilateral donor is going to be involved in every fragile state, nor should they be. There is a need for an international mechanism to decide who does what, and where. The presence of too many donors can overload fragile states. A situation in which there are too few donors – or none at all – leaves poor people unsupported in already difficult environments.

The lack of a single institution or process to guide global aid allocations is a major weakness in the way international aid is organised. This leads to so-called ‘donor orphans’, countries that are under-aided and can be at greater risk of instability and conflict (such as the Central African Republic, Democratic Republic of Congo, Guinea-Bissau). Conversely, humanitarian crises can create ‘donor darlings’ where too many donors, acting in an uncoordinated way, can swamp states.

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18 On humanitarian aid, donors have agreed principles of aid allocation based on need in the Good Humanitarian Donorship process.
Who can best take on this coordination and leadership role? The UN has the strongest legitimacy, but often it cannot move quickly enough to pre-empt crises. In the long term, DFID supports reform of the UN system. Yet the UN cannot shoulder the weight of fragile states alone, and will need support from the G8, European Union and regional institutions such as the African Union.

Box 6: United Nations Reform after the High Level Panel

In December 2004, the UN Secretary-General’s High Level Panel on Threats, Challenges and Change issued its report setting out proposals for reforming the system of collective security and peacebuilding in the United Nations.

The Report has a simple, but fundamental premise: we all share responsibility for each other’s security. The threats we face today are inter-linked: poverty, disease and environmental degradation, as well as terrorism, conflict, and state failure. We need a strong UN to deal with them.

The Report includes an important recommendation for a new Peacebuilding Commission; recognition that the UN must organise itself better for conflict prevention; innovative proposals on the key threats of proliferation and terrorism; and endorses a collective international ‘Responsibility to Protect’, that is to act against genocide and other serious violations of international humanitarian law.

Recognising that poverty is strongly associated with civil war, the Report underlines the indispensable role of development in maintaining collective security. It calls on the UN to play a more active role in supporting capable and responsible states, particularly through early warning, prevention, and capacity building.

The UK will play a leading role in taking forward work on the range of the Panel’s recommendations, including in the run-up to the Millennium Review Summit in September 2005.
Delivering aid in fragile states

Managing and accounting for aid is particularly challenging for fragile states. In strong but unwilling states, elites can siphon off badly coordinated aid. In a country which is performing well, the preferred model is for donors to support national poverty reduction plans. In weaker states, new ways of working need to be found. These must be based on better coordination and seek – in the first instance, to support ‘good enough’ governance – the minimum institutions and capacity needed to get the job done.

Better coordination

Donors may be able to improve their coordination, even when there is a lack of willingness at national level, for example by supporting regional or sectoral strategies where they exist. In weak but willing states, it may be possible to ring fence budget support to particular ministries, even when the government as a whole is very fragile. In strong but unwilling states, supporting civil society might be more appropriate.

In very weak states, the only option may be to set up an entirely new planning framework. An example of this is the ‘transitional results framework’ model that has recently been used in Timor Leste, Liberia, the Central African Republic and Haiti. This brings together the development, security, and diplomacy components of a transition to stability. The framework sets out an agreement between donors and the government about how much support will be given to activities in key areas (Box 7).

Box 7: Transitional results framework in Liberia

In August 2003, Liberia signed a Comprehensive Peace Agreement. Three months later, a joint needs assessment mission took place led by the United Nations Development Group and the World Bank. With participation from the transitional government, an innovative framework was produced, setting out the transition to stability.

The framework addresses security, diplomacy, and development aspects, acknowledging that progress has to be made in all areas. Expected results were defined for every six months during the transition. Contributions by donors and the transitional government to achieving these results were laid out clearly.

In this post-conflict environment, where needs are urgent and widespread, and capacity very low, the framework is the government’s tool for prioritising and sequencing actions. It is also, importantly, supposed to serve as a means of communicating with the public and managing expectations.

The implementation of the transitional results framework remains a challenge and expected results may need to be revised to be more realistic.
‘Good enough’ governance

Fragile states find it difficult to deliver long lists of donor-funded governance reforms. Strong but unwilling states that will not deliver for their citizens are unlikely to do so in the face of pressure from donors to strengthen governance. Governance reforms need to be prioritised, achievable, and appropriate to the context. Development and stability can be achieved with very different governance arrangements, as demonstrated by the experiences of countries as diverse as Botswana, China, Chile, Mozambique and Vietnam.

‘Good enough’ governance is about effective states fulfilling certain basic functions, including protecting people from harm and providing an economic framework to enable people to support themselves. It may involve practices that would not exist in an ideal government – corruption may be rife, staff may lack necessary skills, and capacity may be chronically weak and under-funded.

Several studies, including the World Bank report on Low-Income Countries Under Stress, have called for increased selectivity and realism in the plans for reform that donors propose. Six criteria are useful when designing short-term measures to strengthen state capacity to a stage where it is good enough in fragile states:

• selectivity, focusing only on the main causes of instability and the main capacities of the state;
• achieving visible results in the short term, however modest, to build momentum for future reform;
• avoiding the most politically or socially controversial issues;
• avoiding reforms that are too ambitious for the implementation capacity of the country;
• ensuring that reform does not erode what capacity already exists; and
• strengthening accountability and legitimacy of government wherever possible.

Prioritising governance reforms in fragile states

The most urgent governance reforms are those that directly address aspects of state failure with the greatest potential to make fragility worse. Making progress – however limited – on these is crucial to the survival and livelihoods of poor people.

Failure to protect people and their property

Fragile states are often characterised by high levels of insecurity. People who are not physically safe or whose property is at risk cannot improve their livelihoods. They often become poorer. The fear of rape, for instance, can keep girls out of school, accounting in part for lower female enrolment in fragile states. Poor people are unable to look for work when they are afraid to leave property unattended or fear attack.

In Sierra Leone, DFID assistance in building up civilian policing has helped reduce instability and increase the safety of citizens. Human development indicators are improving because citizens are better able to earn a living safely.

**Security sector reform**

Protecting citizens is a priority where there is chronic insecurity. Services cannot be delivered if service providers are at risk, trade is disrupted and people find it hard to make a living. This is particularly acute in post-conflict areas, where disarmament, demobilisation, and reintegration (DDR) of troops is needed. In other fragile states, security sector reform — which aims to support professional security services that are properly organised, resourced, and accountable to civilian control — is needed.

DFID has significant experience in both areas. In Democratic Republic of Congo, DFID has provided support for DDR of security forces and quick-start programmes to provide health and education to war-affected parts of the country. In Nepal, Basic Operating Guidelines (humanitarian guidelines that have been adapted by the international community which help to protect service providers and prevent diversion of funds) have protected development programmes.

**Public financial management**

Comprehensive improvement of public financial management (PFM) is difficult. In fragile states, reform needs to focus on weaknesses in PFM with the greatest potential to deepen fragility and worsen poverty.

The corruption that is often linked with natural resources in developing countries requires early action. High-value natural resources combined with inadequate management of public finances is a situation closely correlated with instability. In countries such as Angola, unchecked use of mineral resources has created extreme fragility and poverty in spite of rich natural resource bases.

Economic shocks have the potential to turn fragility into a crisis and poverty into destitution. The capacity to manage shocks, whether natural disasters or economic, is crucial for fragile states. Fragile states are seldom able to do this without help from the international community.

Table 2 shows how governance reforms can be prioritised on the basis of how significant they are to worsening state fragility. The rationale is to enable delivery of the most important changes as fast as possible. Other changes can follow in due course, but initial success on an achievable reform package can be critical to the state’s legitimacy and to the political will that is necessary to carry through further reform.

Chances of success increase if leverage is coordinated and focused on key areas. In the first instance, delivery of reforms designed to pre-empt a slide into instability is likely to equate to ‘good enough’ governance.
In a fragile country, delivery of a package of reforms formulated in this way would constitute a good start on a programme of governance reform. Donor agreement on setting achievable objectives to reduce state fragility is important if we are to stop overloading fragile states with overly optimistic reform programmes.

### Table 2: Prioritising governance reforms in fragile states

<table>
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<tr>
<th>Problems of fragile states</th>
<th>Prioritised reforms</th>
<th>Priority activities</th>
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<tbody>
<tr>
<td>Failure to protect people and their property</td>
<td>• Increased security of person and property, particularly for the poor.</td>
<td>• Improved policing of security ‘hotspots’ for the poor.</td>
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<tr>
<td></td>
<td></td>
<td>• Support for informal (neighbourhood watch) security arrangements.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increased access to affordable justice.</td>
</tr>
<tr>
<td></td>
<td>• Security services that are properly mandated, resourced and accountable to civilian control.</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Providing a safe operating environment for service delivery.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Disarmament, demobilisation and reintegration of troops.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Developing and equipping security services with the right skills and resources to protect people.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Strengthening civilian control of the military.</td>
</tr>
<tr>
<td>Failure to deliver basic services</td>
<td>• Substantial increase in infrastructure, primary health and education services delivered to the poor.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Protect service providers if necessary.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increase access to services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Work with both state and non-state service providers.</td>
</tr>
<tr>
<td>Decreasing livelihood security</td>
<td>• Social protection for vulnerable households as a springboard to self-sufficient livelihoods.</td>
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<td></td>
<td></td>
<td>• Humanitarian assistance in conflict-affected areas.</td>
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<tr>
<td></td>
<td></td>
<td>• Social protection programmes including employment, cash distribution, and food security to vulnerable households.</td>
</tr>
<tr>
<td>Weak public financial management</td>
<td>• Improved management of natural resource revenue.</td>
<td>• Increased political commitment to transparent use of countries’ assets.</td>
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<tr>
<td></td>
<td>• Improved capacity to manage shocks.</td>
<td>• Improved international accountability arrangements.</td>
</tr>
<tr>
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<td></td>
<td>• Strengthened international partnerships to alleviate economic shocks.</td>
</tr>
<tr>
<td></td>
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<td>• Increased capacity to predict and manage shocks.</td>
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</table>
Improving service delivery

Fragile states find it particularly difficult to deliver services to poor people and this is an area where donors can help. There is an inevitable trade-off between increasing access to services and building sustainable systems for service delivery, but this does not mean donors should hold back. In good performers, we focus on building sustainable services, but this is unrealistic in fragile states.

There are, however, ways of increasing access to services through international or local providers that do not undermine the state and that may even strengthen it. Our starting point in delivering services in fragile states should be to strengthen what works. Even if other organisations provide services in particularly difficult areas, the state can regulate and facilitate service provision.

This has happened in Bangladesh, where NGOs supported by donors are largely responsible for health and education services for poor people and where there has been a consistent improvement in people’s health and education over the past 20 years.

Even where NGOs are doing most of the provision they demonstrate to the state how services can be delivered and, in turn, encourage positive changes in the way government operates to deliver sustainable and more accountable services.

Approaches need to be flexible enough to ensure a smooth transition from humanitarian to development assistance. Humanitarian assistance is best at providing short-term needs and development assistance is better at facilitating appropriate partnerships between states and non-governmental bodies for service delivery. In Nepal, donors and international NGOs operate in a grey area between humanitarian and development assistance that allows them to meet immediate needs, and shape longer-term plans for sustainable service delivery.

There are times when it will be necessary to bypass the state altogether. External agencies may have to deliver services in some contexts. In such cases, the possibility of eventual transfer to the state, at least of the regulatory function, needs to be built into programme design.

Governance capacity sometimes needs to be strengthened over the long term. In HIV/AIDS-afflicted countries, state capacity is sometimes so severely weakened that it may be necessary to consider providing personnel to fill vacancies in government. In Malawi, DFID is working with Voluntary Service Overseas to fill chronic staff shortages.

Protecting and promoting livelihoods

Poor people’s livelihoods are particularly precarious in fragile states. Protecting livelihoods is another crucial area in which donors can help. Supporting livelihoods is a very effective means of shifting the attention of donors from short-term humanitarian activity to more long-term developmental objectives.

Social protection measures can be particularly useful. For example, public works programmes to ensure adequate food security may in time evolve into more comprehensive safety nets for vulnerable people or into programmes that help people to build up new livelihoods.
Priorities for DFID

In previous sections we have set out how we should work to tackle the challenges of fragile states and contribute to the MDGs. This section sets out specific commitments DFID will make to work differently from 2005 onwards.

1. We will support efforts for agreement on a new international framework for the way in which donors and international organisations engage with fragile states. As a start, we will host the Senior Level Forum on Development Effectiveness in Fragile States in London in January 2005 to bring bilateral and multilateral donors together to agree on policy and practice. We will continue to work closely with the World Bank and the Development Assistance Committee of the OECD to build on the research base for better policy. The United Nations, European Union, G8 countries, and regional organisations have complementary roles to play, and we will support moves to achieve more effective cooperation.

2. We will review the way we allocate aid to make sure we are providing fragile states with the right amount of programme aid according to how well they can use it. We will also provide more DFID staff to work on fragile states.

3. We will work with partners to invest in understanding when states are at risk of fragility. Early warning will be linked to early and preventive action where appropriate. DFID will take steps to ensure that aid is used to strengthen the ability of states to manage external shocks.

4. We will have more realistic expectations of what can be achieved within a timeframe and we will aim to plan for five-to-ten-year periods. To help us to do that we will make more use of longer-term planning mechanisms, such as the ten-year Partnership Framework Agreements with Rwanda and Sierra Leone.

5. We will join with other UK Government Departments to ensure our policies work together. In countries where we have a bilateral programme, we will base our policies on a common analysis that includes contributions from FCO, MOD, the Cabinet Office and other relevant Departments.

6. We will do more regional analysis and programming to address the causes of weakness that go beyond individual states. We will also support regional organisations, such as the African Union, to strengthen their role in peacekeeping and promoting stability.

7. We will work through civil society where it seems that it can make better progress in improving health and education, while working at the same time to support the building up of effective government.
8 We will work as partners with people in fragile states and other donors. Where we cannot support a government directly, we will not abandon efforts to establish partnerships. Where leadership is weak in a fragile state, we will step up our efforts to coordinate with other donors. We will also look for ways to support the policies of civil society and local government. If we have to work outside governments, we will make sure our aid is compatible with existing state systems and avoid undermining them.

9 We will support targeted reform that does not overwhelm governments with unrealistic demands or further destabilise fragile political settlements. We will recognise that ‘good enough’ government is often a real achievement. And that it is best supported by understanding the local factors which affect change in society.

10 We will focus on the link between humanitarian and development aid to ensure that the balance is right, that the lessons of delivery of humanitarian aid inform development aid in fragile states, and that development expertise is brought into humanitarian operations at the earliest opportunity.

11 We will identify, with partners, better ways of delivering aid in fragile states. Donors and local communities are trying out new ideas. We are committed to learning from what works and what has failed. A particular challenge is finding ways to get aid on the ground without allowing those causing the trouble to get the credit or undermining the effectiveness of fragile state institutions.

12 DFID will support action by the G8, the EU, and regional organisations such as the African Union and Organisation of American States to ensure that the right policies are in place to support fragile states.
## Proxy list of fragile states

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Sources: UNDP human development indicators 2004, FAO and World Development Indicators 2004
* List is taken from the World Bank CPIA ratings. All countries appeared at least once in the fourth and fifth quintiles between 1999 and 2003. Please see Branchflower, A. et al. "How Important Are Difficult Environments to Achieving MDGs?" PRDE Working paper 2 Unpublished manuscript, DFID.
** figures from 1998-2000
Department for International Development

The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty. The central focus of the Government’s policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

DFID’s assistance is concentrated in the poorest countries of sub-Saharan Africa and Asia, but also contributes to poverty reduction and sustainable development in middle-income countries, including those in Latin America and Eastern Europe.

DFID works in partnership with governments committed to the Millennium Development Goals, with civil society, the private sector and the research community. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID has headquarters in London and East Kilbride, offices in many developing countries, and staff based in British embassies and high commissions around the world.

DFID’s headquarters are located at:

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and
Abercrombie House, Eaglesham Road, East Kilbride, Glasgow G75 8EA, UK

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Fax: +44 (0) 20 7023 0016
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E-mail: enquiry@dfid.gov.uk

Public Enquiry Point: 0845 300 4100 or +44 1355 84 3132 (if you are calling from abroad)

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