SUMMARY MEMORANDUM FOR SENATE FOREIGN RELATIONS COMMITTEE

Why fragile states?
Countries suffering from conflict, corruption, weak governments, insufficient security and too few jobs are said to be affected by "state fragility". In these countries poverty reduction is hard and few of the Sustainable Development Goals (SDGs) are likely to be achieved. Fragile states are also increasingly linked to terrorism, crime, mass migration and pandemics.

Why now?
In little more than a decade, half the world's poor will live in these countries. Indeed, some countries are poorer than they were 40 years ago – despite the aid that has been delivered there. Fragility is increasing – in 2006, 28 countries scored 90 or higher in the Fragile States Index. In 2015, only 3 of those countries had dropped below this level, and an additional 13 countries had joined them.

Is this an argument for scrapping aid?
No. Over the last 30 years extreme poverty has been halved. The number of children who die before their fifth birthday has halved too. This is the fastest progress the world has ever seen. With the rising importance of fragile states we don't need to *scrap* aid – we need to change how we *do* aid.

What works and what doesn't?
Important questions the Commission on State Fragility, Growth and Development is asking include:

- **Priorities.** Do we need to rethink the focus of aid? Have people's basic needs – being safe at home, having enough to eat, and having power and water – been overlooked amid a series of well-intentioned, yet second-order, priorities?

- **International goals versus local goals.** Whose priorities are we following? There is growing evidence that in weak states long lists of western priorities lead to unrealistic expectations and certain failure. At the same time, western imposed agendas can undermine the legitimacy of national institutions on which local people will ultimately depend.

- **Aid Conditionality.** Is it therefore time to replace policy conditionality **–** "we won't give you any money unless you do what WE say" – with governance conditionality **–** "we will back YOUR programme as long as you cut out corruption and stop the theft of aid money"?

- **Opportunities for change.** How do we do better at breaking the cycle of fragility seizing opportunities for change – when wars end, or a new president arrives? Are there particular times when coordinated international assistance can make a real difference?

- **Resolving conflict/Holding elections.** What is the evidence for the success of rapid exercises in constitution writing and holding elections, versus longer processes of dispute resolution and power sharing? How much focus should there be on rapid elections versus the other building blocks of democracy/ checks and balances, including rule of law?

- **The cancer of corruption/action in the developed world.** Some resource rich countries end up permanently poor as their wealth is stolen and hidden in rich countries. So what more can we do to fight corruption, for example with registers of beneficial ownership, swifter return of stolen assets etc?

- **Resilience: Prevention is better than cure.** Fragile states often lack resilience. How can we ensure hard won economic progress isn't swiftly reversed? How can we help fragile states protect against natural disasters and conflict?

- **Role of International Financial Institutions.** What role should the range of financial institutions be playing in all this? Do traditional IMF programmes work effectively in the most fragile states? Should the key leading institutions be more focused on fragile states? Is there sufficient focus on risk capital, rather than traditional loans? Are these organisations working together effectively?

- **Importance of infrastructure/ Private sectors.** How do we help to activate the private sector in the most fragile countries, creating jobs, growth and prosperity for everyone to share in? Is there sufficient emphasis on SMEs? Are we giving enough consideration to *legal* infrastructure, including property rights, as opposed to physical infrastructure?

- **Institution building versus nation building.** Institutions in fragile states lack both capacity and legitimacy. To what extent can donor nations help with building institutions? What is the relationship between national identity and successful institutions?

Is change achievable?

Countries like Rwanda and Columbia have escaped fragility and are now significant success stories. Singapore started life as fragile state – and is now one of the richest countries in the world. We *can* help today's most fragile states follow on this path from poverty to prosperity – and we need the determination to do so.