



ReCom - Research and Communication on Foreign Aid

# Democracy & Fragility

10 May 2012 Sida, Stockholm



UNITED NATIONS  
UNIVERSITY  
UNU-WIDER



MINISTRY OF FOREIGN AFFAIRS OF DENMARK  
**DANIDA** | INTERNATIONAL  
DEVELOPMENT COOPERATION



# ReCom – Research and Communication on Foreign Aid

## Overview and the Governance and Fragility Theme

ReCom Results Meeting  
Stockholm, 10 May 2012

## What is ReCom?

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- Aid is diverse and **complex** – no single individual can encompass it all
- A **joint** research, documentation and communications initiative (initiated in early 2011)
- A **partnership** involving Danida, Sida and UNU-WIDER
- And a series of **research collaborators** in the North and South (ex. AERC, DIIS, Sweden), and the global UNU-WIDER (cross-disciplinary) network of researchers and policy makers
- Motivated by the desire to understand better four **key questions** about aid:

## Four key questions

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- What works?
- What could work?
- What is scalable?
- What is transferrable?

## Five thematic focus areas

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- Growth and employment
- Governance and fragility
- Gender equality
- Environment and climate
- Social sectors

Note: Poverty and associated human development issues are addressed throughout

## Aid-Growth - findings from 1st results meeting

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- On average and in the long run, aid contributes positively to growth at levels predicted by growth theory – aid has been associated with a **growth bonus**.
- Assume a country of 30 million people (1970) received US\$ 1.25 billion / year over 37 years
- Our findings imply:
  - Growth effect of aid delivers a 16% internal rate of return (IRR) [income gain net of the cost of aid]
  - 70 million poverty years avoided [1.9 million fewer poor per year on average]
  - 16 million schooling years added by 2007

## Results: impact channels

- Aid → Investment → Growth (75%)
- Aid → Education ≠ Growth (0%)
- Aid → Health → Growth (25%)

Channel (Y)	Aid → Y	Y → Growth	Aid → Growth
Investment	0.41	0.52	0.21
Education	0.27	-0.07	-0.02
Health	0.11	0.56	0.06
<b>Overall</b>		<b>1.01</b>	<b>0.26</b>

# Why governance matters?

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- **The inherent value of supporting well-functioning and effective states that uphold human rights**
- **Evidence of the critical influence of governance on economic development**
  - ‘Good governance is perhaps the single most important factor in eradicating poverty and promoting development’ (Kofi Annan 1998)
- **International donor commitments**
  - 2005 Paris Declaration’s commitment to national ownership of the aid agenda
  - 2011 Busan High Level Forum: ‘Promoting human rights, democracy, and good governance are an integral part of our development efforts’



## Why fragility matters?

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- **Fragility is closely tied to governance:**
  - Very poor governance is a defining characteristic of fragility
  - Social unrest and violence may be caused by, as well as exacerbate, weak institutions.
- **Approximately 1.5 billion people live in fragile states**
- **State fragility represents the nexus where economic development, humanitarian concerns, and issues of national security intersect (key UN concerns)**

## Good Governance: what does it mean?

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- **There is general agreement that good governance is important, but little agreement as to what the concept precisely means**
  - For further discussion, see our working paper, ‘Good Governance as a Concept, and Why This Matters for Development Policy’ (Gisselquist 2012)
- **Some donors focus predominantly on economic governance:**
  - ‘[G]ood governance...is essentially the combination of transparent and accountable institutions, strong skills and competence, and a fundamental willingness to do the right thing. Those are the things that enable a government to deliver services to its people effectively’ (Paul Wolfowitz 2006)

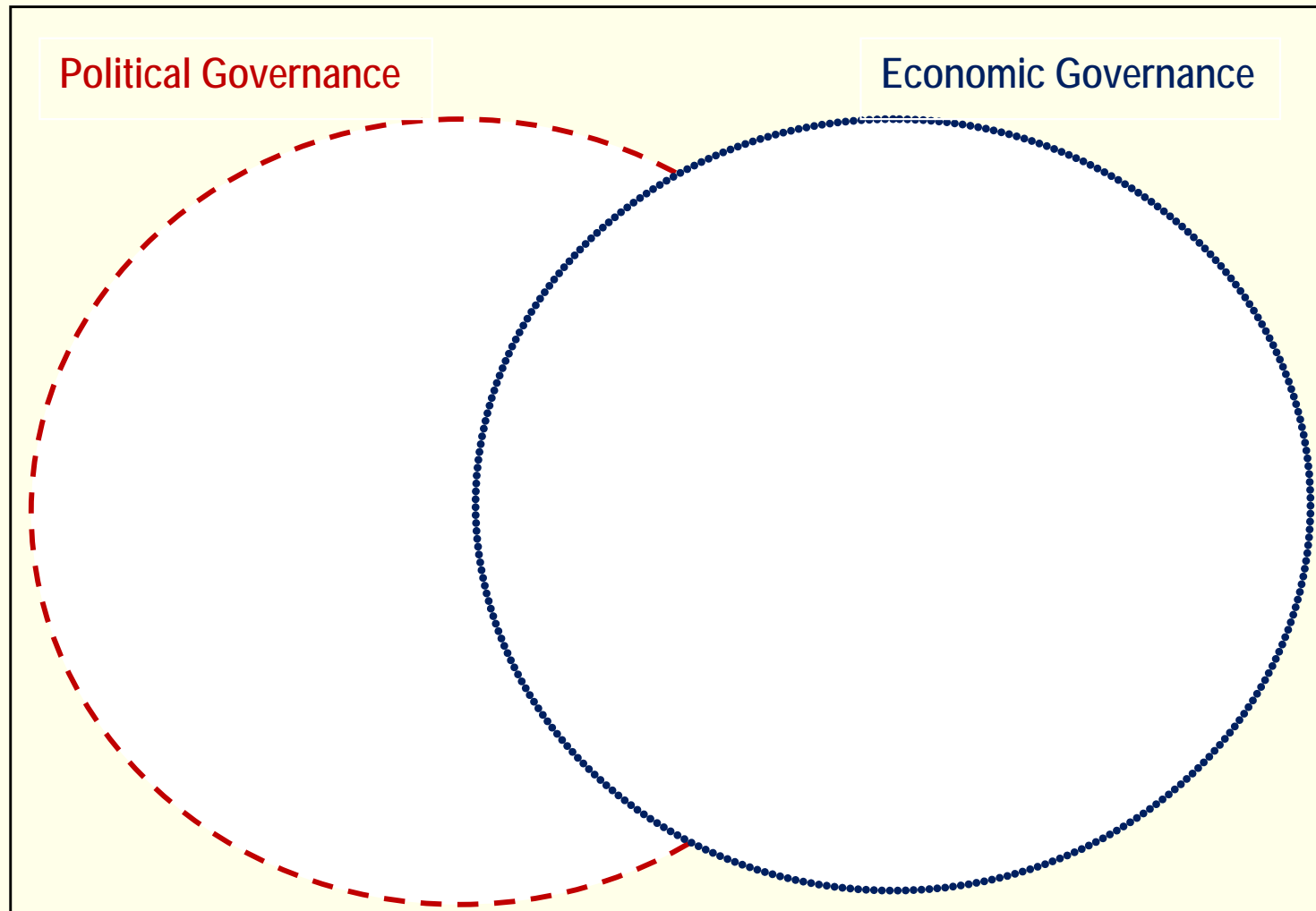
## Good Governance: what does it mean?

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- **Others highlight various aspects of political governance:**
  - Institutions of good governance ‘refer to such bodies as parliament and its various ministries. Its processes include such key activities as elections and legal procedures .... Good governance promotes equity, participation, pluralism, transparency, accountability and the rule of law, in a manner that is effective, efficient and enduring ...’ (UN website, ‘Governance’)
- **Clarifying our conceptualization matters because it leads to different assessments of the quality of governance, which affects the distribution of aid**
  - E.g., Should Rwanda be treated as well-governed because of its economic advances, or poorly governed because of its democratic deficits?

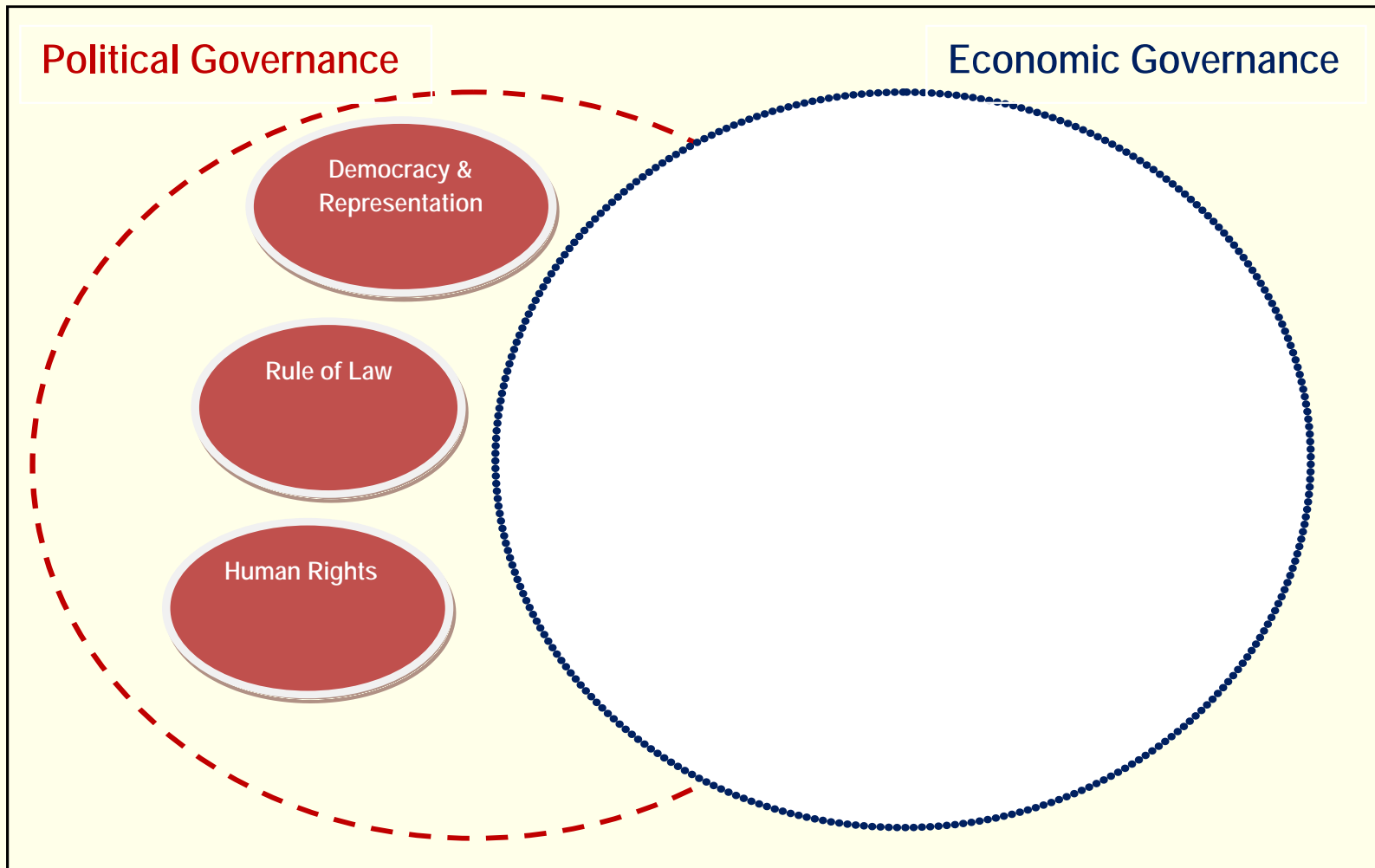
# Components of 'Good Governance'

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# The ReCom work & focus today

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## Key questions addressed today

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- What role does aid play in assisting democratic transitions and consolidating democracy?
- How can donors prevent democratic reversals in fragile states?
- What are the main lessons from, and opportunities for, strengthening legislatures in developing countries?
- How should the donor community best conceptualize and measure progress towards improving human rights?
- Have donor efforts to combat corruption been effective and what lessons are emerging from new anti-corruption approaches?

- [www.wider.unu.edu/recom](http://www.wider.unu.edu/recom) for more on **ReCom**
- Thank you!