

Aid to fragile states

The Central African conundrum

Providing foreign aid to chaotic countries is both necessary and hazardous. It can be done better

DAVID CAMERON lost his job as prime minister because he could not reconcile Britons to Europe. He might have sulked on the backbenches. Instead, Mr Cameron has a new (unpaid) job as the chairman of a commission on fragile states. Having failed to persuade Britons to stick with countries where they like to holiday, whose wine they happily imbibe and where many own homes, he will now try to convince them to send more money to some of the world's poorest, most corrupt and most violent places.

If Mr Cameron has lost his mind, he is not the only one. Britain's Department for International Development (DfID) plans to spend half its budget on fragile states and regions. It is nagging others to do the same, with some success. The World Bank plans to double to \$14bn the money it allocates to fragile states over the next three years. The war-scorched Central African Republic (CAR) will get as much as a third of its GDP in assistance from the World Bank over the next three years. This raises two questions. Is sending more money to rickety countries wise? And is it being done well?

More bread for basket cases

The answer to the first question is a qualified yes. It is true that, as development economists have argued for years, the ideal recipients of foreign largesse are poor, well-governed countries. Places like Bangladesh and Senegal still need help, and are not so atrociously mismanaged that the aid is bound to be stolen or wasted. These days, though, there are not many such countries. China, India, Indonesia,

Vietnam and others are all pulling their people out of deep poverty, thank goodness.

The most acute need is now in fragile states, where government barely functions. Such places are home to half the world's very poor people, up from a third in 2010, on the OECD's rather broad definition of fragile. On the principle that (to misquote Barry Goldwater, the failed Republican presidential candidate in 1964) you ought to hunt where the ducks are, more aid should flow to the worst places. Moreover, fragile states are a regional menace. The calamity that is the Democratic Republic of Congo is a threat to its neighbours, many of which are themselves fragile. If basket-cases can be stabilised, many will benefit.

It will not be easy. Corruption and mismanagement are rife. In many of these countries Big Men are above the law, politics is a form of licensed theft and the police are little more than bandits. Money spent on rebuilding bridges or offices may be wasted if fighting resumes and the new infrastructure is blown up. Donors can undermine fragile states by setting up parallel welfare systems and by pinching their best bureaucrats. Rich countries often hold back until things get really bad, then rush in with bags of food—as Britain is now doing in South Sudan and Somalia.

Deft aid schemes need to avoid these pitfalls. Food aid looks good on television, but it is immensely wasteful. It costs a lot of money to get food to warring regions, and the recipients frequently sell it to raise money for whatever they really need. Far better just to give people cash.

Another good idea is to pay for a hefty peacekeeping force, which can provide the security needed for all else to develop. (The CAR has 13,000 blue helmets.) Young men can be hired to build roads. This would not only connect farmers with urban consumers, making both groups better off, but would also give those young men a reason not to take up arms. Paul Collier, a leading light in Mr Cameron's

commission, offers two other suggestions. Donors could provide risk insurance or subsidies to help private firms enter terrifying markets. And they could let the government set spending priorities but, given its extreme lack of capacity, channel the spending through whatever organisations work in any given village, from NGOs to churches. An independent agency would be needed to oversee how the money is spent.

Fixing places like the CAR will be hard, and many of these new ideas may yet fail. But with luck, donors will learn from them. Given the stakes, there is no excuse for not trying.

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