



CONFLICT PREVENTION AND DEVELOPMENT CO-OPERATION IN AFRICA: A POLICY WORKSHOP

SESSION 3 THE GLOBAL ENVIRONMENT FOR CONFLICT PREVENTION

Aid Policy in Situations of Fragility and Conflict

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1. Introduction

There is broad agreement that aid for poverty reduction is more effective in countries with sound institutions and policies. In this context the Paris Declaration and the good practice principles it has operationalised have become the central vehicle/paradigm to influence donor behaviour and improve aid effectiveness. At the same time, there has been a growing recognition amongst the international community, that sustainable development, and the achievement of the Millennium Development Goals (MDG), can be undermined or compromised by the incidence or threat of violent conflict and by a lack of state capacity, legitimacy, and accountability. There is also awareness about the linkages between global insecurity and weak or eroding state institutions in particular countries as well as the negative spill-over effects and high costs that so called “fragile states” incur. Concentrating resources on the better performing countries where a partnership model based on the modality of the Paris Declaration functions best therefore needs to be accompanied by efforts in more fragile settings to address the fault-lines of fragility and violent conflict.

This paper aims to provide an overview of some of the particular aid policy challenges posed by state fragility. It begins with a discussion of the Paris Declaration framework and its relevance for countries affected by fragility and conflict. It then introduces the DAC Principles for Good International Engagement in Fragile States and Situations which have become an international reference point for donors in these contexts. The subsequent sections highlight three aid policy issues that are central in this regard. The paper concludes by making the case for a set of international objectives for peace and state-building as the focus for a renewed international agenda towards countries in situations of fragility and conflict. Such goals would also provide a means to better evaluate the impact of donor interventions on state fragility.

2. Fragile States and the “Paris Declaration paradigm”

There are many reasons why state fragility poses particular challenges for donors in implementing aid policies based on the good practice principles of the Paris Declaration.

Alignment

In these countries government leadership and vision to coordinate donor inputs is generally weak – either for capacity reasons or for a lack of political commitment. Often nationally-owned development strategies that donors could align to, do not exist and government policies or programmes, if they exist, are incoherent or

inadequately prioritized. Countries in situations of fragility are characterised by administrative structures and governance systems that are weaker than in other developing countries. Combined with insufficient accountability mechanisms and prevalent corruption it becomes difficult for donors to align to or use government systems. This is exacerbated by general weak absorptive capacity in the government usually resulting in very low levels of budget execution. Scaling up resources through government systems and using aid instruments such as direct budget support is thus particularly challenging – even more so if this is coupled with the absence of government leadership and commitment.

Ownership and mutual accountability

There are also particular challenges in realizing the principle of ownership and mutual accountability in country contexts where governments are struggling to re-establish a legitimate relationship with their population after conflict or state failure, or are highly dependent on donor resources. In such cases there is a tendency to prioritise upward accountability to donors instead of downward accountability to local populations. Ensuring collective ownership by a society as a whole becomes even more difficult in the context of divided societies and/or governments with weak legitimacy. Where human rights are at stake a close association between governments and donors may be impossible.

Harmonisation, Coordination and Policy Coherence

Finally, many situations of fragility, in particular post-conflict environments are characterized by a difference in the scale of the international presence and the variety of actors present ranging from non-governmental organisations, humanitarian and development agencies; the diplomatic community, to security and military actors and/or a peace-keeping mission. The multiplicity of players on the ground makes close cooperation and coherent approaches all the more challenging. On the side of the national authorities there may be fragmentation, unclear and competing responsibilities between government agencies and/or “spoilers” resulting in a complex and fragmented relationship between the international actors and the national government.

Is the Paris Declaration relevant in the context of fragility?

The particular challenges in fragile situations outlined above do not mean that the Paris Declaration agenda is not relevant in these countries. On the contrary, high levels of complexity and fragmentation of actors make harmonisation, coordination and coherence in these countries even more important. Similarly, alignment to government priorities is crucial if already weak government structures are not to be weakened further by bypassing them. The question surrounding aid effectiveness challenges in fragile situations therefore goes beyond a discussion on *whether* the Paris Declaration is applicable in these countries or not. Rather, the question is, *how* its general good practice principles can be applied in these particularly challenging contexts and adapted to the general conditions of fragility.

It is in this context that donors have been discussing specific approaches to fragile states aimed at complementing the Paris Declaration framework and building on the conflict prevention and peace-building work undertaken in recent years.

3. Policy Approaches to Fragile States: The Principles for Good International Engagement

The OECD DAC has been the main forum for donors to collaborate and debate on fragile state policy and operational issues and to help international actors, foster constructive engagement in fragile situations. Over the past years considerable progress has been made in this regard and led to the agreement of a set of *Principles for Good International Engagement in Fragile States and Situations* and a Policy Commitment endorsed by OECD DAC Development Ministers and Heads of Agencies in April 2007. Prior to their approval the Principles were piloted in nine countries. These included the Democratic Republic of Congo, Guinea-Bissau, Haiti, Nepal, the Solomon Islands, Somalia, Sudan, Yemen and Zimbabwe. Feedback and lessons from this exercise helped in refining the Principles and shaping a consensus on how to design and implement policies and programmes in these difficult contexts.

The Principles as a complement to the Paris Declaration

The Principles are providing an important complement to the Paris Declaration by reinforcing its messages on alignment and harmonisation, providing further guidance on applying these principles in fragile situations and by extending the framework for aid effectiveness to encompass whole-of-government approaches and policy coherence in the political, security and development nexus. Furthermore the Principles reflect an important consensus on the nature of engagement, i.e. the substantive focus of policies that will contribute to maximising the positive impact of engagement and minimising unintentional harm in the context of state fragility.

While the agreement on the Principles presents an important step forward and provides a general framework for donor engagement in fragile states and situations; important challenges remain. One consists in translating the policy guidelines into national policies and strategies and implementing associated institutional and organisational changes within donor governments as well as reforming business practices so that they are consistent with the *Principles*.

Central aid policy issues for better engagement

The Principles suggest that effective support to help countries move out of fragility will require donors to make a shift in current aid policies in particular in the following three areas: i) focusing on state-building as the central objective, ii) adopting “whole of government” approaches, and iii) committing the necessary political, financial and human resources. An on-going challenge is to deepen knowledge in

these areas, to further operationalise concepts and develop operational guidelines based on country experience and good practice.

2.1 State-Building as Central Objective

Re-discovering the state: donors and the “new” state-building agenda

States have been and can be at the origin of oppression and insecurity and often the history of state formation has been a history of war making (Tilly 1985). At the same time it is widely acknowledged that the absence or collapse of state structures can equally be a source of both global and national insecurity, violence and conflict. It is thus not surprising that the *Principles for Good International Engagement* state that the long term vision for international engagement in fragile situations is “to help national reformers to build effective, legitimate, and resilient state institutions, capable of engaging productively with their people to promote sustained development”. This vision reflects a growing consensus that legitimate, representative and service-delivery focused state-building has to become a central objective for donor engagement if one of the major causes for fragility is to be addressed. Support to state-building is thus increasingly seen as a means to assist in *preventing* fragility and conflict and not only as an objective in post-conflict missions. The centrality of state-building was also highlighted by the above-mentioned process of piloting the Principles for Good International Engagement.

Understanding the concept: from core state functions to the state-society contract

State-building is generally understood as a long-term and continuous process of establishing or strengthening effective and legitimate state functions and institutions that must originate from within the state. State-building actions may include helping to strengthen state capacity to deliver against the obligations of a state, usually referred to as core functions of the state. To date an international consensus on a definitive list of state functions has not emerged and is unlikely to emerge given the differing context in each country and the varying expectations of citizens regarding the scope and depth of these functions (Fukuyama 2004). Nevertheless there is a range of functional domains that seem to constitute the “building blocks” of a well functioning state, such as ensuring justice and security, basic social service delivery or core economic governance. Capacity and political will on its own, however, appear to be insufficient for stability and it is accepted that a certain degree of legitimacy is required for states to function. Legitimacy can be derived from various sources, including (but not necessarily limited to) the provision of public goods and services, inclusive (democratic) processes, embedded historical, cultural or personal legitimacy or international legitimacy.

Recent work on state building has pointed out that the process of forging and developing a viable relationship between state and society (the state/society contract) - largely determined by citizens’ expectations, state capacity to deliver

and perceived state legitimacy - is at the heart of successful state-building (ODI 2007, CIC/IPA forthcoming). Successful state-building thus depends on continual bargaining and interaction between the state and groups of citizens and the existence of political processes that allow for "political settlements". Key elements of political settlements include institutions and mechanisms such as peace accords, constitution making processes, elections, truth commissions, power-sharing arrangements.

Strengthening state structures and institutions: The prioritization and sequencing dilemma

An important challenge for donor support and governments lies in an appropriate prioritisation and sequencing of interventions depending on different types of trajectories and existing institutional capacity. While the need to focus on a limited number of priorities rather than attempting to carry out a broad range of activities across multiple institutions in the context of weak institutions is well understood, there is a knowledge gap about which institutions (formal and informal) matter most, and what the path of institutional reform should be. At the same time varying conceptions on state-building and differing policy priorities among donors make agreement about a limited number of priorities and interventions difficult in practice. Furthermore, work is required to improve our knowledge in key functional domains of state-building and more effectively share experiences across countries and among agencies.

A constructive role for international engagement in state-building: ensuring donors do no harm

When discussing the role of external actors in state-building processes it is important to draw the attention to an important dimension that has received less attention to date. While the international community can provide substantive support to developing various aspects of state capacity (i.e. facilitating peace processes, support to tax reform, judiciary and public administration reform, capacity development), existing donor practices and inadequate aid instruments or policies can at the same time (unintentionally) undermine state-building processes and objectives. It is tempting for donors to adopt "state-avoiding" approaches, when they are faced with weak government capacity and inadequate systems. Delivering aid through project implementation units or other parallel administrative structures may be a pragmatic solution in the short-term but runs against long-term objectives of capacity development and state-building. Working around government often encourages line ministries to turn directly to donors for funding rather than to the Ministry of Finance with a risk of undermining central government planning processes such as the national budget which is an essential tool for aid coordination. Similarly the delivery of services outside the state can have a negative impact on state legitimacy and erode the confidence of citizens in their government. Other issues that stand out are the management and delivery of technical assistance and the challenge to find the right balance between developing instead of substituting

government capacity. In particular in post-conflict countries, there is also a serious risk that the incentive structures of donor bureaucracies distort the national labour market. As fragile settings are usually characterized by a short supply of qualified human resources this can result in a “brain drain” of qualified civil servants from government to donor administrations and thus undermine state capacity. In some specific cases donors need to avoid any direct or indirect budgetary support for corrupt or illegitimate governments and in this respect donors also need to ask the question ‘when not to engage’.

The OECD DAC agenda: advancing a common understanding and ways to better support state-building

While the concept of state-building has been drawing a growing interest from academia and different policy communities over the last decade and more, there are still very diverse perspectives on the topic. The lack of harmonisation among donors in state-building activities and the often limited impact in the field can also be attributed to the fact that many actors have different approaches and conceptions on how best to support effective and legitimate state institutions. This is why the OECD Fragile States Group is working on advancing a more consistent and common understanding on state building efforts in fragile contexts and how donors can best support it in the spirit of the Paris Declaration principles.

2.2 Whole-of-Government Approaches

Rationale for Whole-of-Government Approaches to Fragile States

As recognized at the April 2007 DAC High Level Meeting, fragile situations require close collaboration amongst diplomatic, security, economic and development actors. Interconnected challenges of governance, economic performance, insecurity and poverty are acute in the world’s most unstable countries and regions. It has become ever clearer that the complex range of approaches and instruments that are employed in fragile states require some form of integration if lasting peace is to be secured.

These issues and concerns have led to efforts at more integrated and coherent responses from governments, involving an increasingly complex range of actors, instruments, and interventions, so called whole of government approaches (WGA).

Security System Reform

A whole of government approach is key to Security System Reform, as SSR is a topic that requires support from all branches of government as vividly outlined in the OECD DAC SSR handbook. Therefore, compartmentalised thinking or actions on the side of the donors or the partner countries need to be avoided. The ‘three D approach’ helps to engender holistic SSR policy and programming, that aims to link up all relevant ministries, civil society, parliament and other oversight bodies to

ensure effective SSR. A whole of government approach to SSR presents a number of challenges to donors. Firstly on practical terms the channels of communication and coordination need to be open and effective between relevant ministries, secondly the issue of funding procedures also need to be assessed and streamlined, thirdly the cultures and priorities of different ministries - comprising their different methodological approaches and analysis - need to be made coherent, while fourthly effective entry-points for parliament, oversight bodies, intelligence agencies and civil society need to be pinpointed.

Understanding the challenges, identifying opportunities and recognizing the limits

Although international actors have taken important steps by adopting innovative policies, mechanisms and programmes, significant challenges remain in relation to improving the integration and coordination of both multilateral and bilateral efforts in fragile states. There must be recognition of the differences in objectives, mandates, approaches and resources among ministries, in order to identify areas in which a whole-of-government approach is feasible, and benefits may outweigh costs. For example, whilst development can be more sensitive to peace- and state-building objectives, there may be limits to whether development should be guided by foreign policy objectives; the principles of neutrality, impartiality and independence which are at the heart of humanitarian action also put limits to how much humanitarian aid can be "coordinated"; there may also be trade-offs between short term security objectives, and longer-term transformational efforts. It is important to strike a balance between these different rationales and perspectives where there is political interest and commitment.

The (rhetorical) commitment of actors to become involved in a WGA is often challenged by strong disincentives to working in partnership with other government departments. First, working in a multi-actor context creates transaction costs and is therefore time consuming. Second, it may require a willingness to dilute the ministry's policy agenda and third, it can weaken the visibility of individual departments (OECD 2007).

The OECD DAC agenda: Identifying good practices to make WGA work

As part of its work, the OECD DAC Fragile States Group aims to improve knowledge of existing good practice in the area of whole of government approaches. Making WGA work and turning formal commitment into operational practice requires governments to develop appropriate instruments and mechanisms. Recent FSG work assessing existing approaches and good practice (OECD 2007) highlights the following key findings:

- The need for political leadership and a lead co-ordinating role: Clear political guidance and leadership is critical for an effective WGA. A joint policy statement can be a starting point. Changing roles and involvement of actors

over time needs to be recognized but it is key to identify a lead co-ordinating role at headquarters and in the field.

- Joint analysis and joint country-specific operational strategies: when engaging in fragile states, joint assessments early in the process can lead to a set of broader, joint objectives and ultimately allow for joint country strategies, planning, monitoring and evaluation.
- Creating the Right Incentive Structures: joined-up work has considerable resource implications, both in financial and human terms. Governments need to recognise disincentives for working together and create positive incentives.
- Mechanisms and Instruments for promoting joined-up working: case studies have shown how institutional and budgetary walls between departments can hinder cooperation. Pooled funding arrangements can be an interesting instrument to foster integrated planning, as can be joint staffing arrangements or inter-ministerial working groups.
- Information Management systems: effective intra- and interdepartmental communication requires setting up integrated management systems where possible.

To further advance thinking on WGA, the DAC High Level Meeting in April 2007 agreed to hold a series of technical level meetings on whole of government approaches. The first of these meetings addressed SSR and was hosted by the Netherlands on the 22 October 2007. The meeting, which brought Dutch civil servants together who work on SSR from a development, diplomatic or defence perspective (the three D's), will be followed up by an international SSR whole of government meetings in early 2008 and subsequently the findings of these consultations will be presented to a DAC Senior Level Meeting hosted by Switzerland in September 2008.

2.3 Committing the necessary political, financial and human resources

Supporting countries to move out of fragility will not be possible without committing the necessary political, financial and human resources.

Staying engaged and investing in prevention

The key political resource is to "stay engaged long enough to give success a chance" (principle 9). Given the particular challenges to achieving development and growth in a fragile situation, international engagement may need to be of longer duration than in other low-income countries. In many cases, strengthening state institutions and developing national capacities requires adopting a long-term time horizon. It is well known that investing in prevention could save the international community considerable expenses, not only in financial but most importantly also in

human costs. Stepped up efforts and strong political commitment to address the root causes of conflict and fragility are therefore essential. In reality, the engagement of the international community is often limited to a few years of intensive support following a conflict or crisis situation. In these cases, premature disengagement, however, poses a serious risk that countries slide back into conflict and that achievements that have been made are annihilated.

Avoiding pockets of exclusion and destabilizing effects of aid

The *Principles* draw attention to the need to address the problem of “aid orphans” – “states where there are no significant political barriers to engagement, but few international actors are engaged and aid volumes are low” (OECD 2007b). International actors will need to keep this in mind when making resource allocation decisions about the partner countries so as to avoid

Beyond quantitative issues, good international engagement in fragile states requires rapid response funding mechanisms to take advantage of windows of opportunity and respond to changing conditions on the ground. At the same time predictability of international aid is critical in fragile situations as the negative consequences of volatility are particularly acute and destabilizing in these countries. Research has shown that aid volatility is twice as high in fragile states than in other low income countries and is not solely explained by resumed conflict or other crisis but appears to come from abrupt changes in donor priorities.

Providing the right human resources

Finally, there is a need to back political commitments and strategies towards fragile situations with adequate human resources. This includes increased donor capacity in the field and at headquarters, not only in post-conflict transitions, but also in situations of deteriorating performance. Appropriate staffing mechanisms are required to increase the speed of response. Donors also need to have the right incentives to attract people with appropriate skills and experience to work in the context of state fragility and conflict.

The OECD DAC Agenda: Monitoring aid flows to fragile situations

To draw attention to these risks and inform collective efforts to prevent conflict and fragility, the OECD DAC is monitoring the allocation of resources to fragile states. The yearly report identifies groups of countries which require attention.

- A first group of marginalised countries: They are receiving less aid than would be expected, given their extreme poverty combined with governance indicators which are comparable to other low income countries receiving more aid (e.g. Burundi, Democratic Republic of Congo, Guinea).
- A second group of countries have equally high levels of need but weaker policy and institutional ratings: because of the weakness of their institutions and policies, increased aid may not be the main answer (e.g. Myanmar,

Somalia, Zimbabwe). As state fragility is acute, these countries must be closely monitored so as to be ready once opportunities to engage arise. At the same time coherent approaches to engage in these countries and reduce poverty need to be found based on careful analysis of the context.

- A third category of countries have recently received high or growing levels of aid, but includes countries that require long-term engagement (over 5 years). There is a case for monitoring this group of countries (e.g. Cambodia, Sierra Leone) to prevent declining aid levels at a moment when peace- and state building are just starting to pay off.

This analysis cannot prescribe policy guidance and per se does not argue for increased aid for the countries concerned. It is meant as a contribution to inform discussion in donor agencies about effective resource allocation to fragile states.

3. From aid to development effectiveness in fragile situations: a compact for peace and state-building in the most challenging development situations

It is the underlying assumption of the Paris Declaration that improved aid effectiveness will in turn improve development outcomes as measured by progress towards the MDGs. Although this is a central concern in fragile states - where a third of the world's poor live - there are other important objectives which are the prerequisites to poverty reduction and may be necessary to lay the foundations for progress against the MDGs in the longer term. While there is an emerging consensus among the international community that clear objectives and measures of progress for fragile and conflict affected states need to be set¹ it is still debated what those objectives should be.

As discussed above, democratic states based on good governance are now seen as key to global security and prosperity. The *Principles* reflect this understanding and underline the central role that state-building and peacebuilding will have to play in addressing conflict and state fragility (principles 3-6). It is time to broaden this consensus and to agree on a renewed international agenda to deal with the particular challenges of these countries and enable their growth and development. To complete the existing global development framework, in particular the Paris Declaration and the MDGs, a set of international objectives centred around the restoration of security, peace and stability and the establishment of strong, legitimate state institutions is required. A set of common goals will be instrumental to ensure that governments and donors share common objectives on the way forward and devote greater attention to the priorities of preventing peace and developing

¹ A clear commitment to setting international goals and objectives in fragile states was expressed by OECD DAC Ministers and Heads of Agencies in the "Policy Commitment to Improve Development Effectiveness in Fragile States" ((DCD/DAC(2007)29), endorsed in April 2007: "We resolve to set realistic, relevant and transparent international goals and objectives for assistance in fragile states and monitor progress against these goals, starting at the country level. For example, better indicators of progress against peace-building, state-building and stabilization objectives in the short-term can help us demonstrate results and lay the basis for long-term progress against the Millennium Development Goals."

capable states. It will be important to set targets as well as tasks and approaches required to achieving these objectives. An agreement on a set of indicators should allow donors and partner countries alike to better measure progress and development effectiveness in these countries and complement, the Paris Declaration agenda in all relevant countries.