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CHAIR'S SUMMARY:
SENIOR LEVEL FORUM ON DEVELOPMENT EFFECTIVENESS IN FRAGILE STATES
London, 13-14 January 2005

The following paper represents the conclusions of the Chair on the basis of the discussion at the Senior Level Forum on Development Effectiveness hosted by DfID and co-convened by the European Commission, the OECD-DAC, the UNDP, and World Bank. In his opinion, it is a fair reflection of the views expressed. Perspectives of delegations, of course, differed, and the detailed language cannot fully reflect the views of every participant. The summary should be read accordingly but it is hoped that it represents, nevertheless, a widely-shared basis for moving forward.

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CHAIR'S SUMMARY
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Introduction

1. Despite the recent Tsunami tragedy, it is important that we do not forget the silent Tsunamis; the plight of millions of people living in fragile states¹, who represent a sixth of people in developing world and a third of those living under a dollar a day.
2. Improving donor practice in these states is essential to the achievement of the MDGs. For instance, 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.
3. In addition, engagement in fragile states is important because of the costs of state failure and the regional and international spill-overs. Recent research indicates that fragile states have an estimated negative impact of 1.6% on economic growth for neighbours.
4. In recognition of the critical role of government reformers in fragile states, the forum heard from a number of Ministers and senior civil servants from Afghanistan, the Democratic Republic of Congo, Haiti, Liberia, Nigeria, Sierra Leone, the Solomon Islands, and Timor Leste.
5. There is increasing recognition by donors of the need to apply policy approaches that are tailored to the needs of fragile states. A focus is now needed to help shape a consensus among donors on how to implement these policies.

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1. The OECD/DAC defines difficult partnerships or fragile states as countries where there is lack of political commitment and insufficient capacity to develop and implement pro-poor policies. The DAC Learning and Advisory Process on Difficult Partnerships (LAP), has carried out analysis on the bottom two quintiles of the World Bank country performance index (CPIA) plus other fragile states not rated in 2003 i.e. Afghanistan, Liberia, Myanmar, Somalia, and Timor-Leste.

6. Fragile states will be a matter for discussion in upcoming meetings including the G8 summit, and most notably at the Millennium Review Summit, where the security and development dimensions will be brought together as never before.

Key Issues for Donors Approaching Fragile States Including Policy Coherence and Strategic Frameworks

Main points that emerged throughout the Forum:

7. Meeting the special needs of fragile states often requires the use of a range of instruments in addition to aid—including diplomacy, security and financial measures such as debt relief. A coherent, whole of government approach, is therefore required of international actors, which involves those agencies responsible for security, political and financial affairs, as well as those responsible for development aid and humanitarian assistance, always respecting the mandates of each agency.

8. International action should take place within an agreed multilateral framework. Because of the interlinked nature of the issues which do go beyond aid, participants raised the need to bring together all actors, including donors, the diplomatic, defence and humanitarian communities as well as relevant regional organisations around an agreed framework. Some highlighted the relevance of reinforcing this principle in the dialogue with the United Nations Secretary General, in particular around of the possible creation of a Peacebuilding Commission as recommended in the report of the High Level Panel on Threats, Challenges and Change.

9. In fragile states, ownership and accountability are frequently weak. It is often important that international actors focus initially on supporting the authorities to assume the key functions of the state, including security, law and order, in a manner consistent with democratic norms and principles, (while of course not neglecting the need to provide basic services).

10. Participants heard new research which attempts to quantify the costs of disengaging from fragile states, both to themselves, to their neighbours and beyond. While working with fragile states is high risk, the costs of not engaging with them were judged to be even higher. Many stressed that in these countries donors must be willing to take risks.

11. In order to achieve development results in fragile states, donors should be willing to remain engaged for the long term (for example the ten year development/strategic plan in Sierra Leone) and accept that there will be set backs.

12. In recent years, non-traditional donors (non-DAC donors) have taken an increasingly important role in a number of fragile states (for instance in Myanmar and Sudan). It will be important to include them more effectively in policy discussions and on-going co-ordination efforts at the country level.

13. In any strategic approach, reinforcing country ownership is critical. This was highlighted in the cases on Haiti and the Solomon Islands presented to the Forum. In another case study, Sudan, participants heard how Sudanese representatives were involved in the needs analysis and planning prior to the signing of the peace agreement.

14. The need to move from reaction to prevention and be prepared to respond to different kinds of crises was recognised. Early recognition of signs of state fragility and ability to respond long before a crisis breaks out is crucial, hence the value of early warning systems and conflict/root cause analysis. Regional organisations, such as the African Union, can play a stronger role in prevention, and maintaining early warning systems. The importance of building developing countries' and regional organisations' capacity to engage holistically in prevention was therefore stressed.

15. Good analysis of political economy is vital before engagement. The analysis should, whenever possible, be done jointly as a collective international effort. No two country cases are alike, so different responses and sets of instruments will be needed for each situation. For example in Sudan, all international actors (diplomatic, security, development) need to understand the specifics of the complex peace agreement in order to avoid undermining the process.

Action

16. More efforts must be made to enhance policy coherence towards fragile states, particularly by more effective working between development agencies and those charged with political/security responsibilities, with a view to effective “whole of government” approaches in practice.

17. More emphasis must be given to prevention and to the importance of a coherent policy framework for prevention of state fragility including preparedness to respond to different kinds of crises. The DAC/LAP should consider how to develop a more coherent framework for prevention of state fragility building on the work already done by other relevant DAC groups, and consider how to link this work to the follow-up process of the report of the High Level Panel on Threats, Challenges and Change.

18. The DAC High Level Meeting of 3 March 2005 should consider how to carry the Fragile States Agenda forward in the LAP and other relevant groups in the context of its discussion on development, peace, and security.

19. The insights gleaned from this Forum should be applied to ongoing and also new crisis situations, for example in Sudan and the Democratic Republic of Congo.

20. The DAC Chair should bring the findings of the Forum to the attention of the UN Secretary-General as a contribution to his deliberations on implementation of the recommendations contained in the report of the High Level Panel on Threats, Challenges and Change.

Aid Instruments and Service Delivery in Fragile States

Main points that emerged from the discussion were:

21. Results matter – for their own sake and for the sake of gaining public support for reform and reconstruction: service delivery is a good entry point for donors.

22. Sequencing, timing and speed are important, but the approach should be deliberate and coherent. Good practice exists on the transition between providing immediate support through non-governmental channels and building government capacity. However, there are often real trade-offs between working at the pace of absorptive capacity of new state institutions and the pressing needs of local populations who are not being reached. Careful consideration must be given to *how* service delivery channels are designed to avoid long-term dependence on parallel, unsustainable structures while at the same time providing sufficient scaling up to meet urgent basic and humanitarian needs.

23. The approach to service delivery should involve linking humanitarian assistance from the start to longer term recovery and development.

24. Capacity development for central government, decentralised administrations, and local actors is crucial for the long term sustainability of service delivery and normally requires a predictable engagement of at least 10 years.

25. Community and local level institutions often have a comparative advantage in the delivery of basic services, potentially enhancing state capacity. Support to local communities in fragile states is also important as a way to build legitimacy and trust, to strengthen capacity at the local level for coping and reducing vulnerability to shocks, and to build and sustain service availability in the absence of a capable or willing state. The primary focus of such efforts should be on embedding support in local associations, groups, NGOs, and non-traditional partners such as the private sector that can assure sustained engagement in the face of an unpredictable external environment.

26. A critical mass of funding is required if service delivery is to be effective; funding should be available early and throughout the transition, providing predictability in an otherwise unstable setting.

Action

27. Participants supported the creation by the DAC/LAP of a workstream on Service Delivery. This would include consideration of the instruments and mechanisms that are likely to increase absorptive capacity and efficiency.

28. Participants agreed to continue to support and strengthen in-country coordination mechanisms (UN Resident Co-ordinator System and these led by the World Bank) as a platform for designing locally-based approaches to reaching populations, establishing results-based frameworks for action, and providing predictability in funding streams.

Aid Allocation

Main points arising from the discussion were

29. Aid to fragile states, other than those emerging from recent conflict, appears to be disproportionately low in aggregate terms, even taking into account the poor performance of the countries concerned. Preliminary research results suggest that aggregate aid to this group could be increased by about 40% within the compass of the (Collier and Dollar) poverty and performance based allocation model.

30. Aid is twice as volatile in fragile states than in other low income countries. This volatility is not explained by resumed conflict or other crisis but appears to come from abrupt changes in donor priorities. This level of volatility is likely to be particularly detrimental, given the nature of development challenges facing these countries.

31. Research also suggests that aid is more valuable at some points of a crisis and recovery situation than others, and that the share of different types of aid (technical assistance and other forms) should vary over time. One study suggests that investments in secondary and higher education may be particularly important.

32. As donors become more selective, research indicates that there is a modest but observable tendency for them to move further towards good performers. In some cases donors appear to have withdrawn from the same country at the same time e.g. Guinea Bissau or the Central African Republic. Those fragile states receiving less aid than their performance or poverty would indicate were described as 'aid orphans'.

33. These various research findings need further examination and deepening. It was suggested that donors should be more transparent about the criteria that they use for allocating aid, and that the DAC, in

its Peer Reviews, should address issues of allocation more consistently. Some cautioned that allocation criteria should not be applied in a mechanistic way noting that allocation was more art than science.

34. A proposal was made for a “balancing fund” to assist in compensating for low aid flows to donor orphans. Views on this proposal were mixed.

Action

35. The DAC Secretariat will develop proposals for the regular monitoring of aid flows per country, with a view to facilitating a discussion at the next DAC Senior Level Meeting (December 2005) around means of addressing issues of “aid orphans” and the high volatility of flows of aid to fragile states. These may require enhanced reporting by donors.

36. The DAC Secretariat will develop a proposal for future research or related policy work on allocations that would not be limited to fragile states.

Harmonisation and Alignment

Main points arising from the discussion:

37. Harmonisation and Alignment are even more important in fragile states than in other “good performing” countries. This is due to the negative consequences of donor fragmentation and unco-ordinated policies on weak or fragmented governments. As Dr. Ashraf Ghani, former Finance Minister for Afghanistan, put it: “as Finance Minister, I spent 60% of my time co-ordinating donors. Had I been freed from that, I would have been able to raise a lot more domestic resources to carry on more reforms.”

38. In post-conflict or transition countries where there is no poverty reduction strategy or similar national plan to align to, donors and recipient countries can align around the results of a joint needs assessment, such as the UN/WB Post-Conflict Needs Assessment (also known as the Joint Assessment Mission/JAM), coupled with results based frameworks that integrate political, security, and developmental issues such as the “Transitional Results Matrix” (TRM). The TRM embodies the PRS principles in a way that is appropriate to the weak capacity of many fragile states. It was first developed in East Timor and has subsequently been employed four other countries (Liberia, CAR, Haiti and Sudan).

39. Security system reform (SSR) must remain a priority to help stabilise fragile or conflict affected states and should involve joint approaches by the security, diplomatic and development communities. Existing instruments such as the Transitional Results Matrix, and interim-PRSPs could be used to ensure that SSR is effectively integrated into wider development initiatives.

40. Where there is no country plan to align to, donors should look for different entry points and align “partially”, where possible, at the regional or sectoral levels, such as HIV-AIDS in Zimbabwe for instance, where there are reliable partner country counter parts. In these fragile contexts, it is important to emphasise need for upstream harmonisation on analysis, joint assessments, joint strategies, and co-ordination of political engagement. In some cases the establishment of joint donor offices are particularly important.

41. “Shadow Alignment” i.e. when donors act in a way that is compatible with government systems and respect administrative boundaries (fiscal year, bureaucratic hierarchy, pay scales), was a further way to improve the prospects of donor interventions building sustainable institutions and systems.

42. Even when partial or shadow alignment is not feasible, donors should harmonise. For example, it would be desirable for them to use one common procurement procedure. They should be wary of one-off

quick impact projects and they should aim to build key state capacity, e.g. in finance and budgeting, as well as security, law and order. Expectations of the local people also need to be addressed.

Action

43. In order to achieve harmonisation, alignment and coherence simple results planning tools such as the TRM should be pursued at country level wherever appropriate.

44. A short list of principles for good international engagement in fragile states should be drafted by the Chairs of the LAP and circulated to members of the relevant Networks for comment, with a view to having a draft reflecting a first round of comments available for discussion at the Paris High Level Forum on Aid Effectiveness on 28 February-2 March. The principles, which should include the capacity dimension, should make clear that they build on, rather than replace, the growing consensus about aid effectiveness which underlies the preparation of the Paris Forum. Members of the diplomatic and security community will also be consulted.

45. The principles should be piloted in two to five countries through Consultative Group/Round Table meetings before the end of 2005. The relevance of the Principles should be evaluated on the basis of action in countries applied – a minimum of five, preferably more -- in time for presentation to a possible follow up to the Paris High Level Forum, perhaps in the course of 2007.

46. The DAC Chair will follow up proposals for encouraging consolidated procurement arrangements for untied aid, in order to minimise unnecessary transaction costs for fragile and other least developed countries.

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PRINCIPLES FOR GOOD INTERNATIONAL ENGAGEMENT IN FRAGILE STATES

Learning and Advisory Process on Difficult Partnerships (LAP)

First Consultative Draft

At the Senior Level Forum on Development Effectiveness in Fragile States, held in London, 13-14 January 2005, it was agreed that a short list of principles for good international engagement in fragile states be drafted and circulated by the Co-Chairs of the LAP.

This document is submitted for DISCUSSION at the DAC meeting on 15 February 2005. Written COMMENTS on this draft should be submitted by 14 February 2005.

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Document complet disponible sur OLIS dans son format d'origine
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Principles for Good International Engagement in Fragile States

1. The long-term vision for international engagement in fragile states is to build legitimate, effective and resilient state institutions. States are fragile when governments and state structures lack capacity – and in some cases, the political leadership - to deliver public safety and security, good governance and poverty reduction to their citizens. Civil society structures are also important for long term governance and may play a critical transitional role in providing services, but the long-term focus of international support must be to work to ensure that the core functions of the state operate in an effective and legitimate manner.
2. Fragile states share a **common vulnerability** but face **very different combinations of problems**. With concentrated and coordinated attention it is possible to create the basis for positive change. International engagement and analysis must be calibrated to particular country circumstances, recognizing different constraints of capacity, political will, and conflict, and the different needs of countries undergoing an early transition from conflict or political crisis in comparison to those facing declining governance environments.
3. The **interdependence of political, security, economic and social activities** should be recognized, and international actors should move to support unified planning frameworks for political, security, humanitarian, economic and development activities at a country level. **PRS principles of national ownership and participation** apply in fragile states but need to be adapted to environments of weak capacity, immediate pressures to improve delivery and, in many cases, the central importance of political and security issues. **The use of simple integrated planning tools** in fragile states, such as the transitional results matrix, can help set and monitor realistic priorities and improve the **coherence** of international support across the political, security, economic, development and humanitarian arenas.
4. The interconnected nature of issues and responses also requires policy **coherence** within the administration of each international actor. What is necessary is a **whole of government approach**, involving those responsible for security, political and economic affairs, as well as those responsible for development aid and humanitarian assistance, while respecting the mandates of each.
5. Harmonisation is a strategic priority for all international actors working in fragile states, and can occur even in the absence of strong government leadership. The principles and practice of harmonization apply in fragile states, although we may need to work through tools and approaches that are tailored to the circumstances of these states. In these fragile contexts, it is important to emphasize the need for upstream harmonization on analysis; joint assessments; joint strategies; coordination of political engagement; and practical initiatives such as the establishment of joint donor offices.
6. Where traditional alignment behind government-led strategies is not possible due to particularly weak governance, donors should nevertheless seek to **align differently**: broaden the range of national actors involved in setting priorities and seek opportunities for partial alignment and harmonization at the sectoral or regional level. Another approach is to use 'shadow alignment', so that donor programs comply as far as possible with government procedures and systems even if operating in territories beyond the government's effective jurisdiction.
7. International actors should especially seek to **avoid activities which undermine national institution-building**, such as bypassing national budget processes or setting high salaries for local staff which undermine recruitment and retention in national institutions.
8. Fragile states require a **mix of aid instruments**, including, in particular for countries in promising but high risk transitions, instruments to support recurrent financing. Instruments to provide long-term support to health, education and other basic services are needed in countries facing stalled or

deteriorating governance. Close attention to the sequencing and mix of instruments is particularly important in fragile states.

9. International engagement in fragile states needs to address the problems of **“aid orphans” and aid volatility**. Since volatility of engagement (including aid volumes, as well as diplomatic engagement and field presence) is potentially destabilizing for fragile states, donors should agree to regular analysis of aid flows to fragile states as well as commit to developing a system of mutual consultation and coordination prior to a significant reduction in programming.

10. Given low capacity and the extent of the challenges facing fragile states, investments in aid, diplomatic and security engagement may need to be of longer-duration than in other low-income countries. Assistance to fragile states should therefore be based on **long-term partnerships**, but capable of flexibility at short notice to take advantage of windows of opportunity and respond to changing conditions on the ground.