



DEVELOPMENT COMMITTEE MEETING

Washington, 15 April 2007

**Statement by
Mr. Angel Gurría, OECD Secretary-General, and
Mr. Richard Manning, Chairman,
OECD Development Assistance Committee (DAC)**

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Outline:

- I. ODA Numbers for 2006
- II. Outcome of the Survey on Monitoring the Paris Declaration
- III. The Road to the Accra High Level Forum on Aid Effectiveness
- IV. Aid Architecture
- V. Global Monitoring Report (Gender and Fragile States)
- VI. A Collective Action Agenda for Improving Governance to Fight Corruption

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1. Draft Good Practice Guidance for Integration and Effectiveness of Global Programmes at the Country Level
2. Principles for Good International Engagement in Fragile States and Situations

1. As the Development Committee confronts the challenges ahead to achieve the MDGs, especially concerning gender and fragile states, this statement examines the specific challenges related to commitments on aid volume, effectiveness and architecture and gender. Earlier this month, with a view to improving our collective performance, Ministers and Heads of Agencies of DAC member countries endorsed *Principles for Good International Engagement in Fragile States and Situations* and committed to an *Agenda for Collective Action for Improving Governance to Fight Corruption*.

I. ODA NUMBERS FOR 2006

2. On 3 April 2007, the OECD's Development Assistance Committee (DAC) released preliminary data on official development assistance (ODA) in 2006 (see press release at www.oecd.org/document/17/0,2340,en_2649_34447_38341265_1_1_1_1,00.html).

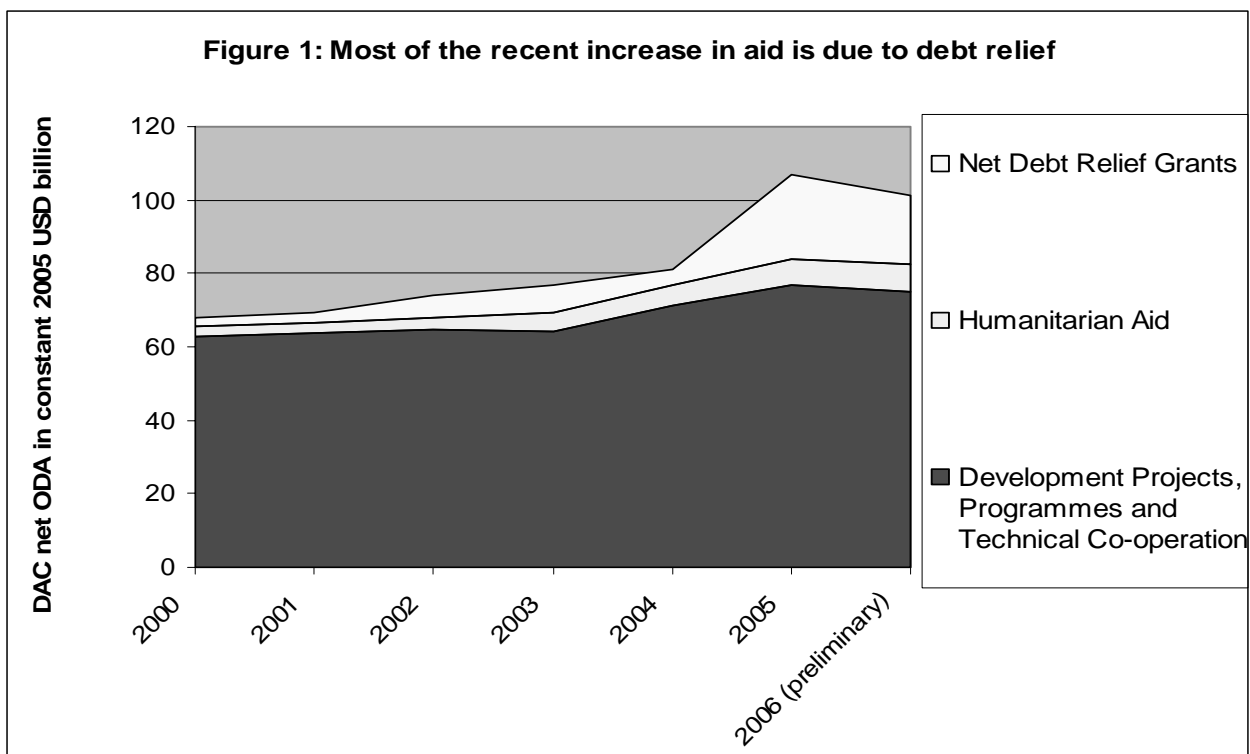
2006 outturn

3. The data were in line with our predictions last year. Net ODA from DAC members fell by 5.1% in real terms to \$103.9 billion. This overall figure, however, exaggerates the fall, since exceptional debt relief to Iraq and Nigeria, while still substantial, was less than in 2005. ***Excluding debt relief, ODA fell 1.8% in real terms.***

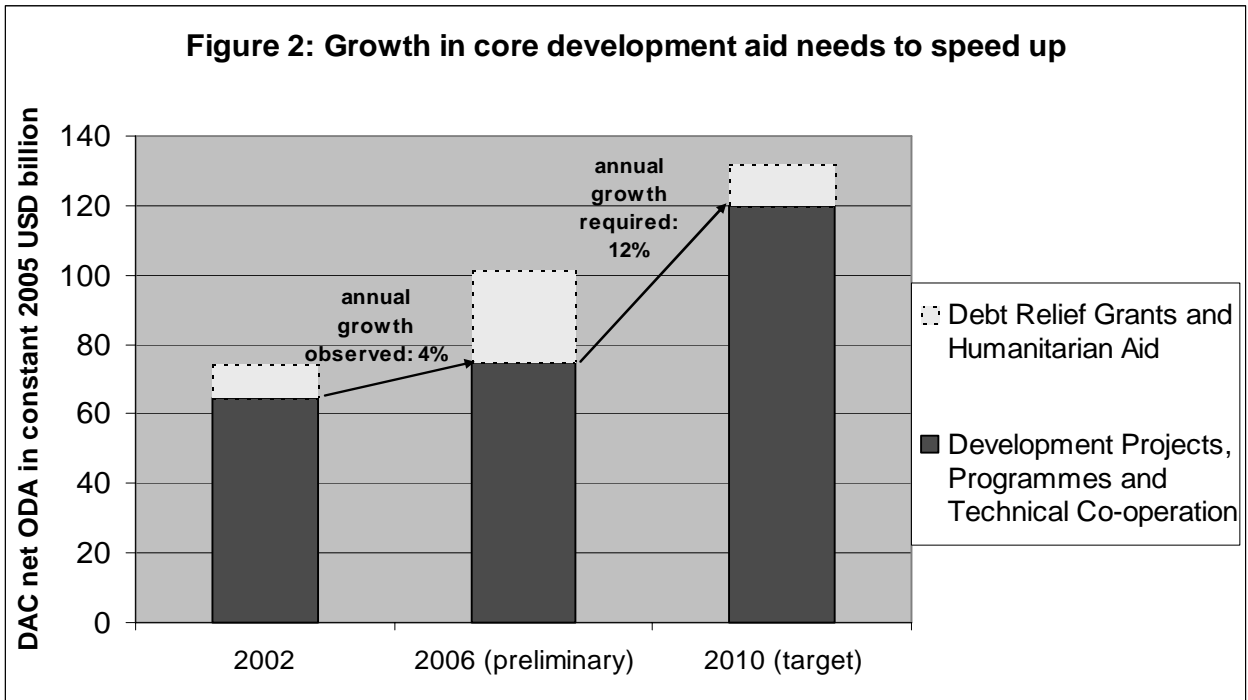
Performance against ODA targets

4. This result is a matter of some concern in the light of the 2005 G-8 and Millennium+5 Summit commitments, recently reconfirmed by G-8 development ministers, to increase aid by \$50 billion in real terms between 2004 and 2010, and to double aid to Africa over the same period. As debt relief is expected to continue to decline over the next couple of years, **other forms of aid will now have to increase very substantially in 2007 and 2008** if there is to be a realistic prospect of meeting the 2010 targets through planned and manageable increases.

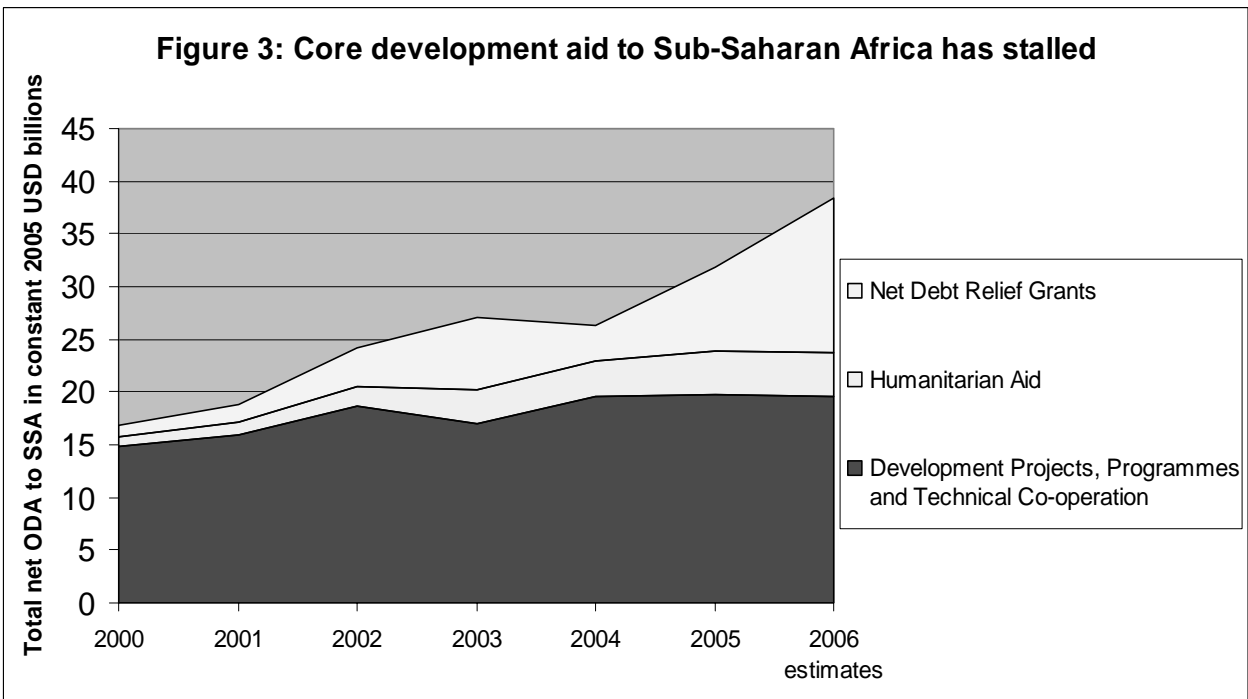
5. Figure 1 shows that the sharp increase in total ODA since 2004 is primarily due to debt relief, with some increase also in humanitarian aid following the devastating Indian Ocean tsunami on 26 December 2004. We do not anticipate debt relief continuing at the exceptional levels of 2005-2006.



6. Figure 2 compares aid in 2002, the year donors committed to substantial aid increases at the Monterrey International Conference on Financing for Development, with the 2006 outturn and the level required in 2010 if donors are to meet their current aid pledges. Given that debt relief and humanitarian aid are likely to fall back to their historical averages by 2010, **the present rate of increase in core development programmes will have to triple over the next four years to fulfil the pledges.**



7. Figure 3 shows that aid to Africa, excluding debt relief and humanitarian aid, has barely increased since 2004. This highlights the need for donors to accelerate their plans to scale up aid to Africa so as to maintain the credibility of their promises to double aid to the continent over the next four years.



DAC work to clarify donors' spending plans

8. The DAC will carry out a survey on donors' forward spending plans during the second half of 2007. A key feature of the survey is that it will focus on core development programmes (*i.e.* aid available for allocations at the country level). ***The objective is to improve the predictability of aid*** 3-4 years ahead and thus support developing countries in their medium-term financial planning, in particular as regards the financing of poverty reduction strategies. Another objective is to facilitate scaling up and aid allocation work in aid agencies. The DAC High Level Meeting earlier this month noted that it would also help to identify aid orphans and structure discussions on aid allocations to fragile states.

II. OUTCOME OF THE SURVEY ON MONITORING THE PARIS DECLARATION

9. Two years after we pledged in Paris to step up the development performance of aid, the first round of monitoring of the Paris Declaration shows ***that there is still a long way to go.***

10. The ***good news*** is that the Paris Declaration has set in motion serious reforms in the way aid is being managed. In 2006 a Survey on Monitoring the Paris Declaration was undertaken in 34 developing countries. It shows that the Paris Declaration has stimulated an important dialogue at country level on how to improve aid. ***All donor agencies have made major efforts to implement the Paris Declaration*** within their organisations and communicate its importance to their staff; and there has been some implementation activity in about 60 countries. Regional-level initiatives to disseminate and communicate the Paris agenda have included five regional workshops on aid effectiveness in 2005-6 in Uganda, Mali, South Africa, Bolivia, and the Philippines. From the shores of Lake Victoria to the heights of Santa Cruz there was a clear consensus: one size does not fit all. ***For aid to be effective each country needs to determine its own priorities, pace, and sequencing of reforms.***

11. The ***not so good news*** is that even with these encouraging efforts much remains to be done to improve the impact of aid on development and meet the Paris targets for 2010. Many partner countries, for example, are voicing concerns about the slow pace of change in donor practices. They see a strong disconnect between headquarters policies and in-country practices, as illustrated by continued donor-driven technical cooperation and lack of visible progress on untying aid.

12. At country level, the 2006 Survey also raises ***serious concerns about the high costs of delivering and managing aid.*** In 2005, the 34 developing countries covered by the survey received 10,507 donor missions, more than one for each working day. Even those that explicitly asked for "quiet periods" to get on with their day-to-day work were not always spared. As the volume of aid increases and new (emerging) donors enter the development arena, transaction costs for partner countries might be expected to increase significantly and undermine the effectiveness of aid.

III. THE ROAD TO THE ACCRA HIGH LEVEL FORUM ON AID EFFECTIVENESS

13. Ghana will be hosting, in early September 2008, the third High-Level Forum on Aid Effectiveness, will assess progress made since the Paris Declaration was adopted two years ago. It is fundamental that the development community step up its efforts in order to make tangible progress not only in improving the performance of aid but most importantly on demonstrating development results. ***The true test of aid effectiveness is improvement in people's lives.***

14. Against this background, the survey findings point to *six major priority areas that need policymakers' attention ahead of the Ghana High-Level Forum* if countries and donors are to accelerate progress towards achieving the Paris Declaration commitments:

1. **Partner countries** need to *deepen their ownership* of the development process by engaging their citizens and parliaments more fully in planning and assessing their development policies and programmes. They should also increase efforts to link their plans much more closely to their budget and results frameworks.
2. **Donors** need to support these efforts by making *better use of partners' national budgets* to align their programmes on country priorities. They also need to improve the transparency and predictability of aid flows by sharing timely and accurate information on intended and actual disbursements with budget authorities.
3. **Partner countries** need to take the lead in *determining priority programmes of capacity development*, especially those needed to improve country systems. Donors can help by better coordinating their technical assistance with country priorities and fully involving partners when commissioning technical assistance.
4. To further harmonisation, **donors** must *work aggressively to reduce the transaction costs of delivering and managing aid*. They should give special attention to enhancing complementarity and rationalising the division of labour; increasing use of local harmonisation and alignment action plans (including sector-wide and programme-based approaches); expanding reliance on delegated cooperation and other innovative approaches; and reducing the number of project implementation units and better integrating them into ministries.
5. To promote managing for results, **countries and donors** should *make greater use of performance assessment frameworks and more cost-effective results-oriented reporting*. This, too, will require donors to further invest in capacity development and increase their use of country results reporting systems.
6. To begin addressing mutual accountability commitments, **countries and donors** should *clearly define a mutual action agenda and discuss aid effectiveness progress and development results more explicitly at country level* by using country dialogue mechanisms (e.g. revamped Consultative Group and Round Table Meetings) and developing credible monitoring mechanisms where needed.

IV. AID ARCHITECTURE

15. The OECD/DAC was pleased to contribute to the paper on "Aid Architecture" circulated to the Development Committee. In 2006, the OECD established a "Global Forum on Development", which is addressing key issues of development finance architecture over a three year period. The Global Forum model provides for strong participation by governments outside the OECD and by representatives of non-governmental institutions such as academia, foundations and non-governmental organisations.

16. In the first year of the Global Forum, the main issues tackled have been:

- *Global Programmes and the Paris Declaration agenda*. The conclusion of this discussion was that there was important value in both global and "horizontal" programmes, but that it was essential to strike the right balance between them at country level. It was agreed to refine proposed

draft good practice guidance for the integration and effectiveness of global programmes at country level, which include criteria about selectivity (*i.e.* criteria that any new proposals for global funding mechanisms should meet) and governance. ***The draft good practice guidance is annexed to this statement.*** It was also proposed that, as the application of the Paris Declaration is of particular significance in the health sector, given the number of actors and the scale of global funding mechanisms, the health sector would be taken as a “tracer sector” in looking at the application of the Paris Declaration in the run-up to the Accra High-Level Forum on Aid Effectiveness. A further conclusion of the meeting was that partner country views needed to be brought in to discussions on global programmes more strongly.

- ***Performance and Coherence in Multilateral Development Finance.*** The discussion focussed in particular on the lack of a consistent framework for assessing the performance of multilateral agencies, and the consequent tendency of donors, or groups of donors, to apply individual and quite diverse approaches. A technical workshop is to be held in the third quarter of 2007 to explore the issue in greater depth. Discussions also focused on the issue of multilateral coherence at both country and global levels, examining diverse proposals for the reduction of transaction costs through better co-ordination and division of labour among the various actors in development finance. Participants also agreed on the need to discuss further the regional dimension of the development finance architecture.
- ***Relations between official donors and Foundations.*** A meeting co-convened by the Government of Portugal, the European Foundations Centre and the OECD/DAC in Lisbon in March enabled both sets of actors to learn about each others’ perspectives, and to identify the potential scope for working together more purposefully, for example on issues of importance to development but where no commonly-agreed approach had yet been validated. A follow-up event is planned towards the end of this year.

17. A central element of the dialogue has been ***the recognition of the increasingly diverse flows of resources to developing countries,*** including non-aid flows and the increasing significance of donors outside the OECD/DAC. Participation of such donors has been significant, and will be further developed as the Global Forum proceeds. In its second year, the Global Forum plans to look in more detail at the concept of ownership, which underlies much current discourse on effective development.

18. We will keep the Development Committee informed of the progress of the Global Forum, with which the international financial institutions are fully engaged.

V. GLOBAL MONITORING REPORT

Gender equality and women’s empowerment

19. As we prepare for next year’s reviews of how well we are doing in fulfilling our Monterrey commitments and on implementing the Paris Declaration, it is critical that we not lose sight of the effectiveness and impact of our investments in development. That is why four DAC subsidiary bodies, including the Working Party on Aid Effectiveness, are holding a workshop later in the month on ***Development effectiveness in practice – applying the Paris Declaration to advancing gender equality, environmental sustainability and human rights.***

20. For the same reason we welcome the focus of this year’s *Global Monitoring Report* on gender equality and women’s empowerment. Over the past two years donors have once again turned their attention to our role in improving the status of women globally. For far too long – well over twenty years –

we have *said* all the right things packaged up in very sound policy packages, but we have rarely put in place the necessary resources to *do* the right things.

21. From the most recent aid figures it is *heartening to see that aid focussed on gender equality is at last on the rise*. Our collective failure to achieve MDG3 in all regions in 2005 proved to be a wake-up call. The recent call to action on women's economic empowerment, championed by Germany, the World Bank and others, is one practical way of using our investments to accelerate growth and improve women's status. Others are making their contributions to women's economic empowerment by putting increased investments into girls' completion of their secondary education so that they are more fully equipped to contribute to the labour force of their countries. Bilateral donors and the UN have worked closely with the World Bank in formulating strategies based around the basic point that gender equality is smart economics.

22. Moving beyond rhetoric is no easy matter. Addressing women's empowerment takes us into difficult political and personal areas of life. Attitudes towards women and women's roles are deeply engrained in the fabric and culture of all societies, including our own. The demand for change has to come from within – but donors need to find ways of supporting those who are working to transform their culture, their societies and countries. Where country ownership and leadership on these issues is weak or non-existent, donors should *look for innovative ways of supporting local "voice" and influence*. And indeed several donors are exploring new ways of supporting women's NGOs and women's rights organisations.

Fragile States

23. The DAC supports the special attention paid to aid flows and donor business practices in Fragile States in the 2007 *Global Monitoring Report*. On 4 April this year, DAC Ministers for Development and Heads of Agencies endorsed the roll out of the *Principles for Good International Engagement in Fragile States and Situations (annexed)*, which seek to improve the impact of the international community in these countries. Ministers agreed to examine objectives and ways of measuring progress in Fragile States, considering the *pre-conditions for poverty reduction such as stabilisation and basic state capacity*. Commitments were also made to improve business practices in aid agencies to *ensure that staff with the right skills* are deployed to Fragile States at the right time and to ensure portfolios are responsive to fast moving situations.

24. The DAC's Fragile States Group is monitoring aid flows and other resources to Fragile States, and has put the *spotlight on countries at risk of international marginalisation*. The DAC also supports the reference to coherent support in post-conflict countries. The DAC's Conflict Prevention and Development Cooperation Network has worked with security, military, police, justice, diplomatic and development personnel to produce an Implementation Framework for Security System Reform, which is now seen as an international reference point for *improved coordination between security, diplomatic and development communities from OECD countries* operating in developing countries.

VI. A COLLECTIVE ACTION AGENDA FOR IMPROVING GOVERNANCE TO FIGHT CORRUPTION

25. On 4 April 2007, Ministers of Development Cooperation and Heads of Agencies asked the OECD to communicate their commitments to a collective action agenda to the Development Committee as follows. Ministers of Development Cooperation and Heads of Agencies agreed to:

- Take opportunities to signal that corruption is a symptom of weak governance and the need to address corruption in the context of broader governance-strengthening efforts.
- Prioritise governance assessment work jointly with other donors.

- Support the development of common response principles for donor action on corruption--so as to avoid the problem of sending mixed messages to partner governments when responding to corruption.
- Ensure lessons learned in supporting governance and aid effectiveness are applied to the implementation of the UN Convention Against Corruption (UNCAC).
- Support increased action on the ‘supply-side’ of corruption. Ministers of Development Cooperation and Heads of Agencies agreed that developing and developed countries alike share the responsibility in fighting corruption. Action must be taken on both sides, and the OECD is well placed at the interface between development cooperation efforts and the domestic actions taken by their governments. This calls for ***greater policy coherence efforts to connect the development agenda with actions within OECD governments to tackle corruption***. Interactions between the North and South must be accompanied by a push for tougher enforcement of the OECD Anti-Bribery Convention, ratification of UNCAC by OECD members and improved mutual legal assistance on issues like the recovery of stolen assets.

Annex 1

DRAFT

Good Practice Guidance for Integration and Effectiveness of Global Programs at the Country Level Based on the Paris Declaration on Aid Effectiveness

1. This proposed good practice guidance responds to the need identified in the Paris Declaration for “...taking concrete and effective action to address...insufficient integration of global programs and initiatives into partner countries’ broader development agendas.” The aid landscape has fundamentally changed in recent years, with global programs becoming an integral part of the global aid architecture, providing rapidly increasing levels of financing for service delivery at the country level. Key drivers include: achieving specific results on issues of global concern, including provision of global public goods, more rapidly than would come through country-focused aid mechanisms; support of innovative approaches and rapid learning and spread of good practice; engaging new partners, including foundations, the private sector, and NGOs; providing pooled multi-donor funding (“upstream harmonization”); and sustaining public understanding and support in donor countries for new development initiatives.
2. Yet the proliferation of global programs, and the large size of a few of them at the country level, pose the challenge of integrating overall country and sector program support with highly targeted interventions. Country and program studies confirm that global programs face particular challenges in several areas: predictability and sustainability of financing; balance in partner-country choices of priorities and budgets; attention to longer-term sectoral capacity development; and harmonization with other donors and use of partner-country financial and other systems. The priority and financing issues are particularly difficult where programs require increasing recurrent costs over time. In the case of capacity development, positive impacts are offset by the focus on program-specific objectives, parallel mechanisms for coordination and implementation, and a strong pull on human and financial resources from related national programs. The salience of these challenges varies by country -- higher in countries that are poorer and have weaker capacity; it varies also by global program -- higher for those whose financing is large relative to national programs and which have yet to internalize the principles of the Paris Declaration in program design and procedures.
3. The good practices take as their base the principles, and related indicators, of the Paris Declaration, applying and extending them to reflect the specific case of global programs.¹ They are intended primarily to improve the effectiveness of global programs, current or proposed, that provide significant financing at the country level. However, some of the good practices, including those on selectivity and governance, apply to other global programs as well.

¹ This good practice guidance has been developed as a part of the project “Integrating Global Programs at the Country Level”, which has been led by the World Bank on behalf of the DAC Working Party on Aid Effectiveness. The corresponding sections of the Paris Declaration on Aid Effectiveness are referenced in this document. The good practices also draw on a variety of studies and evaluations of global programs, including the Best Practice Principles for Global Health Partnership Activities at Country Level, and the work of the International Task Force on Global Public Goods.

4. The good practices are drawn from the experience, and address the interlinked roles, of: funders of global programs - official donors (bilateral agencies and multilateral institutions) - and private foundations; partner countries; and global programs. They are all invited to apply the good practice guidance on a trial basis as part of the implementation of the Paris Declaration and will be reported to the 2008 High Level meeting on Aid Effectiveness in Accra (Ghana).²

Selectivity

5. **Think twice.** Funders, in consultation with partner countries and other concerned stakeholders, give serious analytic and decision-making attention to whether there is need for another global program. Results are called to the attention of top decision-makers, political or private, so that their decisions are informed by the results of this objective analysis. Issues to be considered include:
 - Is there a compelling need for a new collective global or regional action?
 - If so, does that collective action require earmarked global financing for country programs?
 - If so, is there a clear rationale for the scale of funding proposed and a realistic plan for its cost-effective use?
 - If so, can the financing be channelled through an existing institution, or is a new global program needed?
6. **Pursue coherence in selecting programs.** Donor governments establish internal coordination processes among relevant ministries or agencies to reconcile differing views on global programs.

Governance of Global Programs

7. If a proposed global program is justified under the “think twice” selectivity criterion, funders, in consultation with partner countries and other concerned stakeholders:
8. **Set governance to maximize effectiveness.** Establish governance systems and internal incentives that facilitate harmonization and alignment in a multi-donor context. This includes:
 - A clear and effective structure of governance and decision-making with broad participation including partner country governments and a voice for civil society.
 - Clarity and transparency in:
 - Roles of management, trustee or host organizations (and steps to mitigate risks of possible conflict of interest).
 - Relationships with partner governments and with donors supporting related programs.
 - Communications, including Internet publication of key documents, such as budgets evaluations, and results of key meetings).

² At the OECD/Worldbank sponsored Policy Workshop on Global Programmes held in Paris on 4-5 December 2006 arrangements for the follow-up and trial application of the draft guidelines were agreed.

- Adaptability - periodic reviews to consider possible merger or phase-out options.

9. **Provide clear mandates and the flexibility needed to attain them.**

- Set clear program objectives and mandates and policies for achieving them
- Build good practice on aid effectiveness into program design and provide flexibility to adapt to increase that effectiveness.
- Maximize the percentage of core funding of global programs, minimizing earmarking for particular activities.

Ownership

(Paris Declaration paragraphs 14-15 and indicator 1 refer)

10. **Integrate global programs.** As part of overall ownership, partner countries take leadership in integrating key global programs in country owned and led operational development strategies, (including PRSs), medium term public expenditure programs, and annual budgets. Partner countries include global programs in country led donor coordination and consultation processes. Where Government capacities are constrained, principal donors play a more pro-active role in supporting Government leadership functions.

Alignment

(Paris Declaration paragraphs 16 - 31 and indicators 2-8 refer)

11. **Facilitate knowledge and access.** Funders, global programs and other donors help partner country identify and access support from global programs that are important for partner country national strategies and programs.³
12. **Align processes pro-actively.** Global programs align country programs with partner-country strategies, programs and systems:
- Show respect and support for leadership of partner countries, aligning support to their strategies and programs.
 - Supplement country alignment with support of complementary regional initiatives.
 - Align with partner country systems, including financial (funds flowing through the budget) and procurement, to the maximum extent feasible.
 - Sharply reduce use of separate coordination or local governance mechanisms, as well as of separate implementation entities such as “Project Implementation Units,” as part of broader support for partner-country capacity development.
13. **Make financing more predictable and sustainable.** Jointly identify financing needs and match funding to meet them, including recurrent costs after program termination, in a sustainable and predictable manner. For funders, it means providing global programs with the means to make longer-term commitments, including through innovative financing mechanisms. For partner countries it means increased domestic resource mobilization and strengthened financial planning and budgeting. For global programs, it means:

³ This could be assisted by requesting relevant international institutions to develop a globally accessible database of programs.

- Develop with partner countries and other donors a sustainable funding strategy, including for programs with high ongoing recurrent costs.
 - Provide indicative commitments in a multi-year framework, with disbursements in a timely and predictable fashion. Provide longer-term financing to match program needs, such as through renewable 5 year grants Work with donors to guard against unintended substitution for existing assistance.
 - Use sector and program-wide approaches, including budget support, increasingly.
14. **Allocate by performance and need:**
- Identify ex-ante desirable ranges of country allocations within which to consider individual proposals. In setting these ranges, take account of: relevance to program objectives, including contribution to global public goods; and country characteristics, including performance, poverty and population.
 - In making adjustments, guard against abrupt reductions in ongoing programs.
 - Make special efforts to develop sound programs in fragile states, particularly those under-funded relative to their performance.
15. **Fit calendars to country needs.** Make the calendar for applications and start of funding more flexible, taking account of program readiness and country budget cycles, and permit rescheduling of funding over multi-year frameworks.

Harmonization

(Paris Declaration paragraphs 32-42 and indicators 9-10 refer)

16. **Harmonize pro-actively.** Global programs:
- Join with other donors in simplified and common arrangements to support and strengthen:
 - Government-led processes and systems. This includes joint reporting, analyses, strategies, missions, and monitoring and evaluation.
 - Gevelopment and effective utilization of national capacity, including outside the public sector. Capacity development is fundamental to sustainability of program and sectoral objectives. Areas of emphasis include financial management and procurement.
 - Participate actively in multi-donor coordination mechanisms, directly or through delegation to a relevant donor with adequate field presence.
17. **Take global programs seriously.** Donors take account of global programs in country support strategies and work closely with them for better integrated and more effective support of national development programs.

Results and Accountability

(Paris Declaration paragraphs 43-50 and indicators 11-12 refer)

18. **Strengthen accountability:**
- **Adopt effective internal accountability systems**, including financial management systems, international procurement management standards, and internationally accepted internal and external auditing procedures;

- **Join existing national and international accountability structures.** In partner countries where they have significant programs, global programs participate with other donors and partner countries in national mutual accountability structures, including “Results and Resources” frameworks, which facilitate scaling up of aid flows.

19. **Evaluate and adapt.**

- **Global programs set up strong evaluation systems** with flexibility to align to government systems wherever feasible. Highest priority in evaluation of national programs is on outputs within the control of grantees. Priority also to responsible and effective use of financial and other inputs, and, over time, to desired broader health outcomes.
- **Funders carry out joint periodic evaluations of global programs,** and work with boards and managements to ensure follow-up on recommendations.

Annex 2

Principles for good international engagement in fragile states and situations

Preamble

A durable exit from poverty and insecurity for the world's most fragile states will need to be driven by their own leadership and people. International actors can affect outcomes in fragile states in both positive and negative ways. International engagement will not by itself put an end to state fragility, but the adoption of the following shared Principles can help maximise the positive impact of engagement and minimise unintentional harm. The Principles are intended to help international actors foster constructive engagement between national and international stakeholders in countries with problems of weak governance and conflict, and during episodes of temporary fragility in the stronger performing countries. They are designed to support existing dialogue and coordination processes, not to generate new ones. In particular, they aim to complement the partnership commitments set out in the Paris Declaration on Aid Effectiveness. As experience deepens, the *Principles* will be reviewed periodically and adjusted as necessary.

The long-term vision for international engagement in fragile states is to help national reformers to build effective, legitimate, and resilient state institutions, capable of engaging productively with their people to promote sustained development. Realisation of this objective requires taking account of, and acting according to, the following Principles:

The basics

1. **Take context as the starting point.** It is essential for international actors to understand the specific context in each country, and develop a shared view of the strategic response that is required. It is particularly important to recognise the different constraints of *capacity, political will and legitimacy*, and the differences between: (i) *post-conflict/crisis or political transition situations*; (ii) *deteriorating governance environments*, (iii) *gradual improvement*, and; (iv) *prolonged crisis or impasse*. Sound political analysis is needed to adapt international responses to country and regional context, beyond quantitative indicators of conflict, governance or institutional strength. International actors should mix and sequence their aid instruments according to context, and avoid blue-print approaches.
2. **Do no harm.** International interventions can inadvertently create societal divisions and worsen corruption and abuse, if they are not based on strong conflict and governance analysis, and designed with appropriate safeguards. In each case, international decisions to suspend or continue aid-financed activities following serious cases of corruption or human rights violations must be carefully judged for their impact on domestic reform, conflict, poverty and insecurity. Harmonised and graduated responses should be agreed, taking into account overall governance trends and the potential to adjust aid modalities as well as levels of aid. Aid budget cuts in-year should only be considered as a last resort for the most serious situations. Donor countries also have specific responsibilities at home in addressing corruption, in areas such as asset recovery, anti-money laundering measures and banking transparency. Increased transparency concerning transactions between partner governments and companies, often based in OECD countries, in the extractive industries sector is a priority.

The role of state-building and peace-building

3. **Focus on state-building as the central objective.** States are fragile when state⁴ structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations. International engagement will need to be concerted, sustained, and focused on building the relationship between state and society, through engagement in two main areas. Firstly, supporting the *legitimacy and accountability* of states by addressing issues of democratic governance, human rights, civil society engagement and peace-building. Secondly, strengthening the *capability* of states to fulfil their core functions is essential in order to reduce poverty. Priority functions include: ensuring security and justice; mobilizing revenue; establishing an enabling environment for basic service delivery, strong economic performance and employment generation. Support to these areas will in turn strengthen citizens' confidence, trust and engagement with state institutions. Civil society has a key role both in demanding good governance and in service delivery.
4. **Prioritise prevention.** Action today can reduce fragility, lower the risk of future conflict and other types of crises, and contribute to long-term global development and security. International actors must be prepared to take rapid action where the risk of conflict and instability is highest. A greater emphasis on prevention will also include sharing risk analyses; looking beyond quick-fix solutions to address the root causes of state fragility; strengthening indigenous capacities, especially those of women, to prevent and resolve conflicts; supporting the peace-building capabilities of regional organisations, and undertaking joint missions to consider measures to help avert crises.
5. **Recognise the links between political, security and development objectives.** The challenges faced by fragile states are multi-dimensional. The political, security, economic and social spheres are inter-dependent. Importantly, there may be tensions and trade-offs between objectives, particularly in the short-term, which must be addressed when reaching consensus on strategy and priorities. For example, international objectives in some fragile states may need to focus on peace-building in the short-term, to lay the foundations for progress against the MDGs in the longer-term. This underlines the need for international actors to set clear measures of progress in fragile states. Within donor governments, a “whole of government” approach is needed, involving those responsible for security, political and economic affairs, as well as those responsible for development aid and humanitarian assistance. This should aim for policy coherence and joined-up strategies where possible, while preserving the independence, neutrality and impartiality of humanitarian aid. Partner governments also need to ensure coherence between ministries in the priorities they convey to the international community.
6. **Promote non-discrimination as a basis for inclusive and stable societies.** Real or perceived discrimination is associated with fragility and conflict, and can lead to service delivery failures. International interventions in fragile states should consistently promote gender equity, social inclusion and human rights. These are important elements that underpin the relationship between state and citizen, and form part of long-term strategies to prevent fragility. Measures to promote the voice and participation of women, youth, minorities and other excluded groups should be included in state-building and service delivery strategies from the outset.

The practicalities

7. **Align with local priorities in different ways in different contexts.** Where governments demonstrate political will to foster development, but lack capacity, international actors should seek

⁴ The term “state” here refers to a broad definition of the concept which includes the executive branch of the central and local governments within a state but also the legislative and the judiciary arms of government.

to align assistance behind government strategies. Where capacity is limited, the use of alternative aid instruments —such as international compacts or multi-donor trust funds—can facilitate shared priorities and responsibility for execution between national and international institutions. Where alignment behind government-led strategies is not possible due to particularly weak governance or violent conflict, international actors should consult with a range of national stakeholders in the partner country, and seek opportunities for partial alignment at the sectoral or regional level. Where possible, international actors should seek to avoid activities which undermine national institution-building, such as developing parallel systems without thought to transition mechanisms and long term capacity development. It is important to identify functioning systems within existing local institutions, and work to strengthen these.

8. **Agree on practical coordination mechanisms between international actors.** This can happen even in the absence of strong government leadership. Where possible, it is important to work together on: upstream analysis; joint assessments; shared strategies; and coordination of political engagement. Practical initiatives can take the form of joint donor offices, an agreed division of labour among donors, delegated co-operation arrangements, multi-donor trust funds and common reporting and financial requirements. Wherever possible, international actors should work jointly with national reformers in government and civil society to develop a shared analysis of challenges and priorities. In the case of countries in transition from conflict or international disengagement, the use of simple integrated planning tools, such as the transitional results matrix, can help set and monitor realistic priorities.
9. **Act fast ... but stay engaged long enough to give success a chance.** Assistance to fragile states must be flexible enough to take advantage of windows of opportunity and respond to changing conditions on the ground. At the same time, given low capacity and the extent of the challenges facing fragile states, international engagement may need to be of longer-duration than in other low-income countries. Capacity development in core institutions will normally require an engagement of at least ten years. Since volatility of engagement (not only aid volumes, but also diplomatic engagement and field presence) is potentially destabilising for fragile states, international actors must improve aid predictability in these countries, and ensure mutual consultation and coordination prior to any significant changes to aid programming.
10. **Avoid pockets of exclusion.** International actors 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. This also applies to neglected geographical regions within a country, as well as neglected sectors and groups within societies. When international actors make resource allocation decisions about the partner countries and focus areas for their aid programs, they should seek to avoid unintentional exclusionary effects. In this respect, coordination of field presence, determination of aid flows in relation to absorptive capacity and mechanisms to respond to positive developments in these countries are therefore essential. In some instances, delegated assistance strategies and leadership arrangements among donors may help to address the problem of aid orphans.