Evaluation of the implementation of the Paris Declaration

The applicability of the Paris Declaration in fragile and conflict-affected situations



EVALUATION OF THE IMPLEMENTATION OF THE PARIS DECLARATION: THEMATIC STUDY

The applicability of the Paris Declaration in fragile and conflict-affected situations

August 2008





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Preface

The Paris Declaration of 2005 poses important challenges to the world of development cooperation. It is based on the simple but important assumption that aid will be more effective if the actions and behavioural changes listed as commitments under the five principles (ownership, alignment, harmonisation, managing for results and mutual accountability) are undertaken, and less effective if they are not.

The Paris Declaration deepened earlier commitments on aid harmonisation and alignment (Monterrey and Rome), and provided a practical, action-oriented roadmap, with specific targets to be met by 2010. Mutual commitment by more than 100 donors and partner countries to this agenda strengthened its potential impact.

At the same time, there was increasing recognition that fragile and conflict-affected situations pose particular challenges, and that these need to be better understood. The Paris Declaration itself included the draft 'Principles for Good International engagement in Fragile States and Situations', recognizing the specific aid effectiveness challenges of such situations. The Principles were further developed and refined through country pilots and endorsed by the Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) Ministers in April 2007.

The Principles supplement and extend the Paris Declaration, reinforcing its messages on alignment and harmonisation, and providing further guidance on applying these principles in fragile situations. They extend the framework for aid effectiveness to include conflict-sensitive aid, whole of government approaches, and policy coherence in the political, security and development spheres. Finally, they emphasise the importance of the wider agendas of peace-building, state-building and conflict prevention, as well as the cross-cutting theme of non-discrimination.

The DAC High Level Forum (HLF) in Accra in September 2008 provides an opportunity for a wide range of countries to consider the challenges of applying both the Paris Declaration and the Fragile States Principles in fragile situations and conflict-affected countries. This thematic study is intended as a contribution to the Accra discussions, as well as to the ongoing work of the DAC Fragile States Group and the DAC Network on Conflict, Peace and Development Cooperation (CPDC). It is also the first phase of the development of a framework for evaluating aid effectiveness in fragile and conflict-affected situations.

This phase of the work includes a synthesis of existing literature, an analysis of the aid effectiveness challenges in fragile situations (including the relevance and usefulness of the Paris Declaration and how the Paris Declaration is applied in different contexts), and the constraints facing donors. As part of the review of evidence four desk-based case studies, covering Afghanistan, Burundi, the Democratic Republic of Congo (DRC) and Nepal were carried out.

The evaluation was commissioned jointly between the Paris Declaration Evaluation and the DAC Fragile States Group, and managed on their behalf by the Evaluation Department of the UK Department for International Development (DFID).

Strategic guidance to the evaluation has been provided by an international Steering Group, comprising members of the DAC Fragile States Group, representatives from partner countries in the four case studies (Afghanistan, Burundi, the DRC and Nepal), and from the African Union (AU), Asian Development Bank (ADB), DFID and the United Nations Economic Commission for Africa (UNECA).

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The Steering Group appointed a small Management Board¹ tasked with the coordination and management of the evaluation process, supported by DFID's Evaluation Department (Lynn Macdonald and Alison Girdwood).

The final report was prepared by Stephen Jones and Katarina Kotoglou (Oxford Policy Management - OPM) and Taylor Brown (the IDLgroup - IDL). The four country case studies were prepared by Phil Cowling, Sam Gibson and Tim Midgley (IDL) and Deepayan Basu Ray (OPM). Thanks are due to key informants in the case study countries for information provided and to members of the Management Group for the study who have contributed comments on earlier drafts and materials prepared.

This report represents the views of the authors and not necessarily the views of the Steering Group, Management Board, or its members.

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Executive Summary

- S1 The September 2008 DAC HLF in Accra provides an opportunity to discuss the challenges of applying the Paris Declaration in fragile and conflict-affected situations. This report aims to provide evidence to inform these discussions by:
- Synthesising existing evidence on the aid effectiveness and state-building challenges faced in fragile and conflict-affected situations;
- Exploring the relevance and application of the Paris Declaration and the Fragile States principles in different contexts of fragility and conflict; and
- Setting out the key challenges to improving effective engagement by development partners² in fragile situations.
- S2 This paper is based on a review of the primary and secondary literature. As part of the review, four country case studies (Afghanistan, Burundi, the DRC and Nepal) were carried out. These are included as annexes to the report.

The Paris Declaration and "fragility"

- The Paris Declaration sets out an overall framework of agreement and structure of mutual accountability between aid-receiving countries and their development partners to give substance to the consensus model of "country-led" development that has emerged from experience and earlier rounds of international discussion. The core of an effective development partnership within this approach is a clearly articulated and broadly nationally **owned** statement of development priorities, generally in the form of a poverty reduction strategy that is ideally fully integrated into national planning and budget systems. This provides the basis around which development partner programmes can be **aligned** and **harmonised**. A jointly agreed framework of **results** can be used as a basis for mutual accountability. Aid should be delivered in a way that strengthens national capacity **alignment** on national systems as well as on national policies. This approach is premised on a level of agreement between a national government and its development partners on development goals and priorities, and sufficient capacity of the national government to take forward programmes and policies.
- S4 Concern about aid and effective engagement in fragile and conflict-affected situations fundamentally relates to situations where one or more of the assumptions about national government capacity, objectives, effective control and legitimacy do not hold. The failure of these assumptions has two distinct consequences:
- The Paris Declaration development partnership model to achieve aid effectiveness will not be straightforwardly applicable.
- A concern with "aid effectiveness" as a basis for international engagement needs to be supplemented by a more fundamental concern with the effectiveness, accountability, responsiveness and legitimacy of the institutions of the state. This means that international engagement must have an agenda of "state-building" as well as an agenda of increasing aid

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² This report uses the terms "development partners" to refer to governments providing bilateral aid or other forms of engagement and multilateral agencies (such as United Nations (UN) agencies and the World Bank) and "partner governments" for aid receiving governments. This terminology is in line with that used in the Paris Declaration evaluation framework. The term "donors" is avoided except where discussion refers only to the aid relationship because of the need to encompass the non-aid aspects of international engagement.

effectiveness. Recent contributions to the literature on state-building and addressing "fragility" strongly emphasise the essentially political and conflict-resolving nature of the process.

Development partnerships and "fragility"

- S5 This paper classifies experience fundamentally on the basis of the character of development partnerships and the extent of progress in addressing the fundamental political problems that underlie "fragility":
- Partnerships in situations of deteriorating governance, increasing risk of conflict, prolonged impasse between national governments and the international community, and ongoing violent conflict can be seen as (at best) problematic in relation to the model of development partnership that the Paris Declaration envisages.
- Post-conflict transition and situations of improving but weak governance provide an opportunity for building partnership in the way envisaged by the Paris Declaration, but where the capacity of the state (and civil society) is likely to be extremely weak, the political settlement may be vulnerable, and the risk of falling back into conflict high.
- The Fragile States principles complement and go beyond the Paris Declaration principles in two ways. First, they seek to identify specific issues that arise for improving aid effectiveness in fragile situations. Second, they emphasise the importance of the wider agenda of state-building, encompassing the role and significance of non-aid instruments of engagement, whole of government approaches, and policy coherence in the political, security, and development spheres.

Lessons for engagement in fragile situations

- S7 The findings of the report reinforce the emphasis of the Fragile States principles on the importance of:
- A joint understanding among development partners of each specific context, including adequate political economy, conflict and risk analysis;
- The state-building agenda (understood as involving not just the capacity of the state but its legitimacy and accountability);
- A whole of government approach;
- A "do no harm" approach; and
- Harmonised approaches from development partners.
- S8 Broad lessons for effective engagement by development partners in situations with **deteriorating development partnerships and increasing risk of conflict** relate to how to better analyse, predict and plan for potential crises and conflict. These include the following:
- Development partners need to develop further shared approaches to conflict analysis in order to anticipate and where possible prevent state failure and conflict. Shared political economy and conflict and risk analysis is a prerequisite for effective engagement and a "do no harm" approach.
- Development partners need to shift their engagement and programmes away from "business as usual" to address the underlying causes of fragility.
- Development partners need to design programmes and instruments so that flexible engagement is possible, including supporting alternative programmes and instruments and monitoring and accountability mechanisms at different levels (both within and outside government).

- S9 Priorities for engagement by development partners in **prolonged crisis or impasse** relate to how to identify and work with national reformers or facilitate a more inclusive dialogue on development issues including with civil society. As diplomatic engagement and relation will have a key role to play, there is also a need to form more effective development and diplomatic partnerships with emerging powers such as China and India.
- S10 In situations of **ongoing conflict** the review focuses on the need to work through a whole of government approach in which security, diplomatic and development efforts are as coordinated as possible. Greater progress needs to be made so that these areas of activity are mutually reinforcing and that all three contribute to securing the peace.
- Humanitarian relief and development assistance needs to be shadow aligned, where possible.
 Efforts to coordinate relief and improve the predictability of relief financing need to be strengthened.
- Development partners may hold competing objectives and priorities. In practice, these competing
 objectives may conflict with and undermine developmental interventions, act as a barrier to
 development partner harmonisation and prevent the laying of appropriate foundations for longerterm state-building.
- S11 In the context of "hopeful partnerships" where a positive but vulnerable transition is underway, the following broad lessons and issues for engagement in transitional settings can be identified:
- Effective engagement in transitional situations requires approaches that are both flexible and adapted to the specific challenges of recovery and state-building in each context.
- Despite the recognition of its importance, more attention is needed to implement whole of government approaches in transitional settings.
- For the positive trajectory embodied in a peace agreement or political settlement to be sustained, development partners need to work toward longer time horizons and longer-term diplomatic focus.
- While the transition from humanitarian relief to recovery and development has improved in recent years, this transition remains too slow in most post-conflict situations. Development partners need to explore ways in which this process can be speeded up and in which recovery and developmental approaches can be pursued during and in the direct aftermath of conflict.
- Post Conflict Needs Assessments (PCNAs) and Transitional Results Matrices (TRMs) have improved the focus and alignment of initiatives in transitional settings. However, these processes need to be more rigorously prioritised and sequenced, based on expectations that are more realistic and available financial resources.
- In transitional settings, development partners need to support the swift delivery of goods and services to the local level, while simultaneously contributing to the legitimacy and capability of the state. This requires a suite of purposefully linked and context specific strategies around state capacity building, community driven development (CDD), security sector reform (SSR), justice sector reform (JSR) and basic service delivery.
- S12 As "hopeful partnerships" become better established and move beyond the immediate post-conflict environment, the critical priorities for development partners are to:
- Stay engaged: it is in gradual reforming contexts where development partner attention often flags and the provision of aid can decline just at the point where it may be most productively used. Long-term predictable engagement is of key importance.

• Explore ways to balance predictability with flexibility. Development partners need to move toward more predictable and longer-term partnerships (e.g. budget support) while retaining the flexibility to respond to increased periods of fragility.

The role and relevance of the Paris Declaration in fragile situations

Problematic partnerships

- S13 In situations of **gradual deterioration** the Paris Declaration may be of limited or declining relevance as a guide for action. In these situations, the key priority is to arrest the deterioration in governance and to reduce the risk of conflict. Alignment, ownership, managing for results and mutual accountability may therefore take a back seat to initiatives aimed at conflict prevention as well as diplomatic interventions aimed at supporting a political settlement. **Harmonisation**, however, remains crucial if development partner engagement is to collectively contribute to stabilisation and improved governance, including agreeing on and conducting joint and shared analysis of the context.
- In many situations of **prolonged crisis or impasse**, the Paris Declaration is of limited relevance (and often involves countries that are not signatories to the Paris Declaration). Ownership, mutual accountability, managing for results, and alignment are all problematic when there is no productive dialogue between government and development partners. Moreover, in many prolonged crises and impasse situations, the bulk of development partner assistance is humanitarian relief delivered through parallel (not-government) channels. **Harmonisation**, however, remains the key entry point for improving aid effectiveness in these situations. Forums for development partner consultation, coordination and decision-making are particularly important in situations where constructive dialogue with country counterparts is limited. In addition, joint analysis and a shared understanding of the context between development partners are crucial. At a sectoral level, harmonisation is possible even in the most challenging situations.
- S15 The applicability of the Paris Declaration in situations of **ongoing conflict** hinges on the willingness of country partners to work towards partnership with the international community and their commitment to deliver to their own citizens. It also depends on the fundamental capacity and reach of the state. In some situations, state institutions and their reach are so limited that even sectoral or shadow alignment is difficult. The application of the Paris Declaration, in these situations is therefore primarily about **harmonisation** development partners working together to deliver relief and sustain diplomatic pressure. In other situations of ongoing conflict (e.g. Afghanistan) there is a national development strategy to which development partners can align their interventions. This in turn provides scope for ownership, managing for results, and mutual accountability that are not possible in situations of state failure or gridlock. The harmonisation of development partner initiatives is crucial as is coordination across development partner governments and within them on security and diplomatic efforts.

Hopeful partnerships

- In most **transitional or post-conflict settings**, the Paris Declaration can be applied in ways that are not possible in situations of deterioration or prolonged crisis. Peace agreements and TRMs provide a foundation on which shared ownership, mutual accountability, managing for results, alignment and harmonisation can be built. These frameworks should also make it easier for development partners to agree on common procedures and division of labour (e.g. harmonisation). However, limited state capacity and the scale and dominance of the international community in many transitional contexts can skew development partnerships.
- S17 Peace agreements and TRMs provide scope for joint planning between country and development partners. They also provide a vehicle for developing systems of **mutual accountability** and beginning to **manage for results** through the creation of results oriented reporting and assessment frameworks. However, the quality and availability of baseline data and indicators of

progress are likely to be limited due to capacity constraints. TRMs and other needs assessments provide something to which both country and development partners can **align**.

S18 The Paris Declaration model is increasingly applicable in **gradually improving situations**. Each of the Paris Declaration principles provides a useful guide for development and country partner engagement.

- **Ownership:** Consensus between development and country partners exists, but the capacity to implement development strategy and actions remains constrained.
- **Alignment:** Consensus on policy and systems provides opportunity for alignment, although government institutions and procedures (capacity) remains weak. There are more opportunities to focus on specific interventions related to Public Financial Management (PFM) and procurements systems.
- **Harmonisation** is essential and consensus makes it easier for development partners to agree on common procedures and division of labour. Partner countries can increasingly provide a clear view on what they want development partners to do.
- Managing for results: Consensus, ownership and opportunities for mutual accountability make managing for results feasible. However, the quality and availability of indicators and data is a key constraint. A focus on results needs to be directed at state-building and peace-building.
- **Mutual accountability:** Basic government structures exist and there is broad consensus between development and country partners around the development strategy. However, country partner capacity to support mutual accountability remains weak.

Implementing the Paris Declaration in fragile situations

S19 The report highlights both the achievements and the continuing challenges faced in implementing the Paris Declaration in fragile and conflict-affected situations. It demonstrates that the use of needs assessments (e.g. PCNA and Joint Assessment Missions (JAMs)), joint planning and prioritisation tools (e.g. TRMs and Multi Donor Trust Funds (MDTFs)), and joint donor offices have provided a framework through which greater harmonisation, ownership, and alignment can be achieved in practice. The report shows that there are a number of lessons and shortcomings:

- Experience shows that TRMs needs to be simple, selective, integrated across political, economic, social, and security aspects. However, more importantly, TRMs need to be nationally owned while at the same time have sufficient buy in from development partners.
- MDTFs have provided an aligned and harmonised approach to financing, in particular in situations where there is lack of state capacity that may prevent direct budget support. MDTFs can also provide a forum for policy dialogue and joint decision-making process in which partner countries can exercise increasing ownership and leadership. Still, MDTFs can often be overambitious in terms of what they can deliver, and cannot be expected simultaneously to build state capacity and deliver public goods and services in a timely manner. Start up time and costs are often underestimated and most MDTFs have failed to provide adequate management and technical personnel on the ground.
- Other approaches to provide harmonised engagement have been in the form of joint donor offices. Experience shows that it can be difficult to merge different development partners' policies (for instance, different views on whether security can be addressed under the development cooperation umbrella). Joint donor offices are also restricted to development cooperation whereas each development partner deals with political aspects of engagement independently. Hence, the division between politics and aid derives from the difficulties of development partners to merge their political relationships with the government.

• While a harmonised approach by development partners is particularly relevant, few development partners have made efforts to develop joint and shared approaches to context, conflict and risk analysis.

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Abbreviations

ADB Asian Development Bank

AfDB African Development Bank

ANDS Afghan National Development Strategy

ARTF Afghanistan Reconstruction Trust Fund

AU African Union

BINUB UN Integrated Office in Burundi

CAF Country Assistance Framework (DRC)

CD Capacity Development

CDC Community Development Council (Afghanistan)

CDD Community Driven Development

CDF Comprehensive Development Framework

CHF Common Humanitarian Funds

CIAT Committee in Support of Transition (DRC)

CLA Country Led Approach

CNCA Comité National de Coordination des Aides (Burundi)

CNDD-FDD National Council for the Defence of Democracy-Forces for the Defence of

Democracy (Burundi)

CPA Comprehensive Peace Agreement

CPDC DAC Conflict, Peace and Development Cooperation Network

CPIA Country Policy and Institutional Assessment

CPSD Health Sector Coordination Group (Burundi)

CSLP Cadre Stratégique de Croissance et de Lutte Contre la Pauvreté (Burundi)

CSOs Civil Society Organisations

CV&A Citizens' Voice and Accountability

DAC Development Assistance Committee

Danida Danish International Development Agency

DDR Disarmament, Demobilisation and Reintegration

DFID Department for International Development United Kingdom

DRC Democratic Republic of Congo

DRCPF Democratic Republic of Congo Pooled Fund

DSCRP Document de Stratégie de Croissance et de Réduction de la Pauvreté (DRC)

EC European Commission

EFA Education For All

EITI Extractive Industries Transparency Initiative

FBO Faith Based Organisation

FLEGT Forest Law Enforcement, Governance and Trade

FNL Forces Nationales de Libération (Burundi)

FSG Fragile States Group

GCP Groupe de Coordination des Parténaires (Burundi)

GIB Groupe Inter-Bailleurs de Santé (DRC)

GoA Government of Afghanistan

GoB Government of Burundi

GoN Government of Nepal

GoSS Government of Southern Sudan

GTZ German Agency for Technical Cooperation

HDI Human Development Index

HIPC Heavily Indebted Poor Countries

HLF High Level Forum

I-ANDS Interim Afghan National Development Strategy

ICG International Crisis Group

IDA International Development Association

IDL theIDLgroup

IHP International Health Partnership (Nepal)

IMF International Monetary Fund

IRFFI International Reconstruction Fund Facility for Iraq

ISE Institute for State Effectiveness

JAM Joint Assistance Mission

JAR Joint Annual Review (Nepal)

JCMB Joint Coordination Monitoring Board (Afghanistan)

JDT Joint Donor Team (Sudan)

JICA Japan International Cooperation Agency

JSA Joint Staff Assessment

JSR Justice Sector Reform

LOTFA Law and Order Trust Fund of Afghanistan

MDGs Millennium Development Goals

MDRP Multi-Country Demobilisation and Reintegration Programme

MDTF Multi Donor Trust Fund

MONUC United Nations Mission in the Democratic Republic of the Congo

MRRD Ministry for Reconstruction and Rural Development (Afghanistan)

MTEF Medium Term Expenditure Framework

NATO North Atlantic Treaty Organisation

NDCM Nepal Donor Consultation Meeting

NDF Nepal Development Forum

NERRDP National Economic Recovery, Reform and Development Plan (Solomon Islands)

NGOs Non Government Organisations

NHSP Nepal Health Sector Programme (Nepal)

NHSP-IP NHSP - Implementation Plan (Nepal)

Norad Norwegian Agency for Development Cooperation

NPP National Priority Programme (Afghanistan)

NPTF Nepal Peace Trust Fund

NSP National Solidarity Programme (Afghanistan)

OAG Observatoire de l'Action Gouvernementale (Burundi)

ODA Official Development Assistance

ODI Overseas Development Institute

OECD Organisation for Economic Co-operation and Development

OPM Oxford Policy Management

OVCs Orphans and Vulnerable Children

PAM Performance Assessment Matrix (Afghanistan)

PAP Programme of Action Priorities (Burundi, DRC)

PBC Peacebuilding Commission (Burundi)

PBF Peacebuilding Fund (Burundi)

PBS Protecting Basic Services

PBSO Peacebuilding Support Office (Burundi)

PCNA Post-conflict Needs Assessment

PDP Provincial Development Plan (Afghanistan)

PFM Public Financial Management

PNDS National Plan for Health Sector Development (Burundi)

PRSP Poverty Reduction Strategy Paper

RDG Reform and Development Group (Nepal)

RoA Reality of Aid

SDC Swiss Development Corporation

SFPB Strategic Framework for Peacebuilding (Burundi)

SP/CNCA Permanent Secretariat of the National Committee on Aid Coordination (Burundi)

SRSG Special Representative of the Secretary General (Afghanistan)

SRSS Strategy for the Reinforcement of the Health System (DRC)

SSR Security Sector Reform

SWAp Sector Wide Approach

TA Technical Assistance

TRM Transition Results Matrix

TYIP Three Year Interim Plan (Nepal)

UK United Kingdom of Great Britain and Northern Ireland

UN United Nations

UNDAF United Nations Development Assistance Framework

UNAMA United Nations Assistance Mission to Afghanistan

UNDP United Nations Development Programme

UNECA United Nations Economic Commission for Africa

UNICEF United Nations Children's Fund

UNMIN UN Mission in Nepal

UNOCHA United Nations Office for the Coordination of Humanitarian Affairs

UNPFN UN Peace Fund for Nepal

US United States of America

USAID United States Agency for International Development

1 Introduction

1.1 Background to the report

The September 2008 DAC HLF in Accra provides an opportunity to discuss the challenges of applying the Paris Declaration in fragile and conflict-affected situations. This report aims to provide evidence to inform these discussions by:

- Synthesising existing evidence on the aid effectiveness and state-building challenges faced in fragile and conflict-affected situations;
- Exploring the relevance and application of the Paris Declaration and the Fragile States principles in different contexts of fragility and conflict; and
- Setting out the key challenges to improving effective engagement by development partners in fragile situations.

The Paris Declaration

The Paris Declaration, approved in March 2005, is an international agreement that lays down an action-orientated roadmap intended to improve aid effectiveness. Fifty-six commitments are organised around five key principles:

- **Ownership**: partner countries exercise effective leadership over their development policies and strategies, and co-ordinate development actions.
- **Alignment**: donors base their overall support on partner countries' national development strategies, institutions and procedures.
- **Harmonisation**: development partners' actions and activities are more harmonised and collectively more effective.
- **Managing for results**: development partners and partner countries manage resources and improve decision-making for results.
- **Mutual accountability**: development partners and partner countries are mutually accountable for development results.

The Paris Declaration is based upon a simple but important assumption: aid will be more effective if the actions and behavioural changes listed as commitments under the five principles are undertaken, and less if they are not. More specifically, the implementation of the principles is assumed to "increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the Millennium Development Goals (MDGs)" (OECD/DAC, 2005:1).

The Fragile States principles

There has been a growing recognition that fragile and conflict-affected situations pose particular challenges, which need to be better understood. The Paris Declaration notes the need to adapt and apply the five Paris Declaration principles to differing country situations, particularly fragile states. It also refers to specific commitments of partner countries and donors in harmonising aid in fragile states (OECD/DAC, 2005: paragraphs 37–39).

In 2005, at the Senior Level Forum on Development Effectiveness in Fragile States, a set of draft "Principles for Good International Engagement in Fragile States and Situations" were developed. The Fragile States principles were subsequently piloted in nine countries³, refined after consultations, and approved at the DAC High Level Meeting in April 2007. The ten Fragile States principles are:

- Take context as a starting point;
- Do no harm:
- Focus on state-building as the central objective;
- Prioritise prevention;
- Recognise the links between political, security and development objectives;
- Promote non-discrimination a basis for inclusive and stable societies;
- Align with local priorities in different ways in different contexts;
- Agree on practical coordination mechanisms between international actors;
- Act fast...but stay engaged long enough to give success a chance;
- Avoid pockets for exclusion (aid orphans).

The intention is that the Fragile States principles will catalyse behavioural change among development partners, and complement the commitments set out in the Paris Declaration. The Fragile States principles are primarily applied in those countries that pose the greatest challenges for agreement between potential providers of aid and other forms of support on how to engage effectively. The Fragile States principles also include a commitment to use whole of government approaches, which require closer collaboration between economic, development, diplomatic, and security actors as well as joined up approaches around research, analysis, planning and programme implementation (OECD/DAC, 2007:4-5).

Structure of the report

This paper is based on a review of the primary and secondary literature. As part of the review, four country case studies - Afghanistan, Burundi, the DRC and Nepal - were carried out. These studies were desk-based, but some interviews were conducted with international and country-based development practitioners and officials. The country case studies are included as annexes to the report: Afghanistan (Annex A), Burundi (Annex B), the DRC (Annex C) and Nepal (Annex D). Data on aid to these countries can be found at (Annex E).

The paper is structured as follows. Section 2 examines the relationship between the aid effectiveness agenda (as set out in the Paris Declaration) and the challenges facing external engagement in fragile and conflict-affected situations. Section 3 focuses on the aid effectiveness and state-building challenges in situations where the scope for effective partnership between external agencies and national government is highly problematic because the government faces severe problems of contested legitimacy, weak accountability to its population or to shared development goals, or does not effectively control its territory. Section 4 focuses on engagement in transitional or post conflict situations where political change has provided an opportunity for establishing an effective development partnership with the national government. Section 5 presents overall conclusions in relation to assessing the relevance and application of the Paris Declaration and Fragile States principles.

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³ The DRC, Guinea Bissau, Haiti, Nepal, Somalia, Solomon Islands, Sudan, Yemen and Zimbabwe.

2 Aid effectiveness and state-building

2.1 The Paris Declaration and "fragility"

The Paris Declaration sets out an overall framework of agreed actions and structure of mutual accountability between aid-receiving countries and their development partners. This can be interpreted as giving substance to the model of "country-led" development that has emerged from experience and earlier rounds of international discussion (for instance the agreements at Rome and Marrakech). Cox, Thornton and Cameron (2006; i) characterise the Country Led Approach (CLA) as follows:

"It is not a single initiative or instrument, so much as a set of principles or convictions about how aid delivery needs to change. CLA can best be understood as a reaction against two aspects of past aid practice that came under sustained criticism from the 1990s onwards: the use of projects to bypass government systems; and the use of ex ante conditionality to extract policy commitments. Based on ample evidence of past failures, CLA is the recognition that: i) Aid is effective only if it supports a country's own development goals and policies; and ii) Aid must be delivered in ways that use and strengthen a country's own institutions, systems and capacities."

The Paris Declaration principles provide benchmarks and a framework for putting the CLA into practice. The core of an effective development partnership within this approach is a clearly articulated and broadly nationally *owned* statement of development priorities, generally in the form of a poverty reduction strategy that is ideally fully integrated into national planning and budget systems. This provides the basis around which development partner programmes can be *aligned* and *harmonised*. A jointly agreed framework of *results* can be used as a basis for mutual accountability. Aid should be delivered in a way that strengthens national capacity – *alignment* on national systems as well as on national policies. This approach is not inconsistent with recognition that national capacity may be weak and needs strengthening, or that accountability of national policy makers or involvement of civil society in policy processes may need to be enhanced.

However, this approach is premised on a sufficient level of agreement between a national government and its development partners on development goals and priorities, and sufficient capacity of the national government to take forward its programmes and policies effectively. This implies both that the national government has effective control of its territory and that its legitimacy is not severely contested, and that is has sufficient administrative, planning and management capability – that the state can fulfil its functions in relation to development goals.

The use of the term "fragility" has been contested and the labelling of some countries at particular times as "fragile states" has proved problematic and has often been not especially helpful either in analytical terms or as a basis for strengthening dialogue between a government and its development partners. While this paper does not attempt to define "fragility" it argues that concerns about "fragility" fundamentally relate to situations where the model of effective development partnership that the Paris Declaration envisages is problematic, e.g. if one or more of the assumptions about national government capacity, clearly articulated development objectives, effective control and legitimacy do not hold.

This approach has two distinct consequences. The first is that the Paris Declaration development partnership model will not be straightforwardly applicable in many fragile contexts.⁴ The second is that a concern with "aid effectiveness" (i.e. the extent to which aid contributes to achieving development goals) as a basis for international engagement needs to be supplemented by a more fundamental concern with the effectiveness, accountability, responsiveness and legitimacy of the institutions of the state. This means that international engagement must explicitly address the agenda of "state-building" as well as the agenda of increasing aid effectiveness.

Several points should be made about this formulation. "State-building" in the sense used here is a core part of the aid effectiveness agenda even where development partnerships are strong since improving government performance and accountability is central to improving its ability to use aid well. In addition, all countries can be placed along a continuum in terms of the features of the state on which concern about "fragility" focuses. Nevertheless, in some countries the risks or consequences of state failure require international engagement to go beyond a concern with making aid more effective to a more fundamental concern about the performance of the state (see for instance, Chauvet, Collier, and Hoeffler (2007) on the national and international costs of state failure). Dealing with these problems also involves forms of engagement that go beyond aid (as it is understood by DAC) to encompass a range of military and diplomatic forms of engagement. In a fragile situation, aid needs to be assessed both in terms of its contribution to development goals (for instance, protecting the population from the consequences of conflict or economic breakdown) and its contribution to state-building and conflict resolution.

A strategy for engagement in fragile situations therefore requires making aid more effective including through strengthening the delivery capacity of state institutions, but more fundamentally it will involve strengthening the accountability, responsiveness and legitimacy of state institutions. The need to draw a distinction between "aid effectiveness" and "state-building" is also highlighted by the possible conflicts between these objectives. For instance, the DRC case study notes possible tensions between, on the one hand, the need of the state to maintain fragile power balances between competing interests to avoid falling back into conflict and, on the other, the goal of achieving more transparent and accountable use of public resources including aid. The Afghanistan case study also notes that successful implementation of the Paris Declaration is of modest relevance in a context where the Afghan state has limited control outside Kabul, and state legitimacy is contested including through ongoing insurgency.

Recent contributions to the literature on state-building and addressing "fragility" strongly emphasise the essentially political and conflict-resolving nature of the process. Jones et al. (2008:2) argue that:

"Fragility arises primarily from weaknesses in the dynamic political process which brings citizens' expectations of the state and state expectations of the citizen into equilibrium with the state's capacity to deliver services. Equilibrium in this negotiation over the "social contract" is the critical, if not the sole, determinant of resilience; and disequilibrium of fragility."

Fritz and Rocha Menocal (2007) conclude that there is a need for greater conceptual clarity about the use of terms including state-building and fragility, and that there has been a tendency to conflate certain key concepts: notably to equate state-building with democratisation, given the historical evidence that effective state-building has rarely been undertaken by democratic regimes. They also emphasise that state-building efforts need to be shaped and led from within if they are to be

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⁴ The approach in this paper should not be taken to imply that the underlying model of partnership implied by the Paris Declaration is necessarily optimal for achieving development results, much less that its implementation in practice has necessarily been satisfactory. Rather, the approach is to focus on specific issues and challenges that arise in fragile contexts.

legitimate and sustainable, and that development partners need to be more aware of the dilemmas and trade-offs between the processes of state capacity building, democratisation and marketisation and that the provision of resources by donors has not matched the ambition of the state-building models used.

Stewart and Brown (2006) argue that external engagement and policies to address fragility need to be differentiated according to whether the source of fragility is weakness in authority, service entitlement failures including social exclusion, or contested legitimacy. These perspectives however suggest strict limits to the extent to which external engagement can hope to drive, rather than to support, processes of state-building and conflict resolution, and hence the limits on what external engagement may expect to achieve.

2.2 The Paris Declaration and the Fragile States principles

This difference (and the relationship) between the agendas of "aid effectiveness" and "state-building" is reflected in the differences in status and scope between the Paris Declaration and Fragile States principles. A large number of development partners and country partners have signed up to the Paris Declaration principles. There are strong and measurable elements of mutual accountability built in to the Paris Declaration through its monitoring framework, including indicators and targets to monitor progress against the partnership commitments made. On the other hand, the Fragile States principles relate specifically to the need to change development partner behaviour, and do not involve mutual commitments between development and country partners. The Fragile States principles therefore do not have the same status in relation to mutual accountability as do the Paris Declaration principles. In addition, while the Fragile States principles were endorsed by the DAC in April 2007, they lack the binding character of the Paris Declaration principles, and there is no agreed process as to how the Fragile States principles will be "rolled out" more widely. The Fragile States principles can therefore at best be viewed as a "checklist" that is available for development partners to guide their actions.

In terms of scope, the Paris Declaration and Fragile States principles differ in the sense that the Fragile States principles goes beyond the aid effectiveness (and often in practice aid management) agenda that is covered in the Paris Declaration principles by also seeking to incorporate broader issues of "development effectiveness" and engagement with "fragility", including:

- (i) Emphasis on the two basic principles of "taking context as a starting point" (principle 1) and applying a "do no harm" approach (principle 2);
- (ii) Emphasis on the role of state-building (principle 3); prioritising prevention (principle 4); recognising linkages between the political security and development objectives (principle 5); and promotion of non-discrimination as a basis for inclusive and stable societies (principle 6);
- (iii) Policy commitment to whole of government approaches, including closer cooperation between economic, development, diplomatic and security actors.

The Fragile States principles can be viewed as a complement to the Paris Declaration principles in the sense that they reinforce the Paris Declaration principles on the issues of alignment and harmonisation (principles 7 and 8), as well as emphasise the importance of aid predictability (principle 9) and aid allocation and aid absorptive capacity (principle 10). There is a policy commitment to mainstream the Fragile States principles with efforts to implement the Paris Declaration (OECD/DAC, 2007:5). Complementarities between the Paris Declaration and the Fragile States principles are discussed in a

note by the DAG Fragile States Group (FSG) for the DAC Working Party on Aid Effectiveness in June 2006.⁵

2.3 Typologies of fragile contexts

The literature (as well as the Fragile States principles) strongly emphasises the importance of a deep (and shared) understanding of context as critical to developing effective forms of engagement with "fragility" and that every situation will have unique features. However, a typology of fragile contexts may be helpful to the extent that it can robustly link observable conditions and criteria to prescriptions for action by development partners, while this will never remove the need for a detailed and shared analysis of the particular features of each individual context. In addition, the **role and interests of development partners** are also important. There may be fragmentation or even competition between development partners, while in others they may cooperate closely. The increasing prominence of engagement from China, India and other countries that are not "traditional development partners" may be of particular significance. There are also many contexts where there will be a complex mixture of economic, political, security and developmental motives for international engagement including access to natural resources.

The starting point for analysis in this report is the fourfold classification that has been proposed by the DAC FSG. This distinguishes the following four types of context:

- 1. Deteriorating governance environments;
- 2. Prolonged crisis or impasse;
- 3. Post-conflict/crisis or political transitions; and
- 4. Gradual improvement.

The literature review and country case studies suggested that this typology is useful but that it has three main limitations:

- First, it pays insufficient attention to the issue of engagement in *ongoing conflict* situations.
- Second, the country case studies show that elements of different types of context can co-exist within the same country (for instance where part of the country remains conflict-affected) while the appropriate classification of context can also change rapidly over time. "The reality of many fragile states is protracted crisis over decades: "post conflict" is often in fact "pre-conflict" (Leader and Macrae, n.d:2). Countries like Afghanistan, the DRC and Sudan have been cycling through different sorts of fragility for decades.

⁵ "The Paris Declaration (PD) explicitly recognises the need to deliver aid effectively in fragile states (PD- Paragraph 37-39). In turn, the Principles, which had taken account of ongoing work that moved from the Rome Declaration to the Paris Declaration, include an emphasis on co-ordination and alignment (see Principle 4 and 7). The Principles are an important complement to the PD in that they reinforce its messages on coordination and adapt its framework to the most challenging contexts (e.g. mainstreaming concepts such as "shadow" alignment). In addition, other PD principles, such as on monitoring and evaluation and on results, remain equally applicable – although requiring adaptation in implementation, in fragile states.

The Principles also supplement the PD by extending its focus beyond aid effectiveness issues to include peace-building, governance, and coherence issues. For instance, the Principles situate state-building as the central objective of international engagement, promote whole of government approaches, and recognise the security and development nexus. The Principles recognise that international engagement will not by itself put an end to state fragility. However, the adoption and implementation of these principles along side the basic tenets of aid effectiveness in the PD can help maximise the positive impact of engagement and minimize unintentional harm in fragile states."

• Third, this framework does not sufficiently distinguish between "fragility" as a current situation of conflict or state failure and as a risk of future state failure or conflict. Risk of conflict or state failure may be an important feature across many countries, even those that have had a relatively strong recent development performance. The recent crisis in Kenya is an example of how underlying forms of fragility can be triggered into crisis by particular political events. External engagement across a much wider range of countries than those usually labelled as "fragile" (for instance, using the World Bank Country Policy and Institutional Assessment (CPIA) based criteria) needs to be informed by an understanding of these risks. The empirical evidence of the high probability of "post-conflict" countries falling back into conflict also shows the central importance of understanding and addressing these risks in state-building and peace-building engagement.

The briefing note (OPM/IDL, 2008) prepared as part of this study for a regional consultation ahead of the Accra HLF and focusing on the relevance of the Paris Declaration in different fragile situations used a classification of five types of "fragile" context:

- 1. **Increasing risk of conflict:** deterioration in governance, rising conflict risk and increased diversion between government and the international community on development strategy.
- 2. **Prolonged crisis or impasse:** no consensus between government and the international community on development strategy.
- 3. **Ongoing conflict** between key national stakeholders, undermining the stability, reach, capacity and legitimacy of the state.
- 4. **Post-conflict or peace-building transition:** peace, national reconciliation or agreed transition process supported by the international community. Government priorities generally expressed through a transitional results framework, based on a joint national-international needs assessment.
- 5. **Gradual improvement:** state capacity improving and reform efforts have made some progress, but situation remains fragile and capacity-constrained. Includes many "post-post conflict countries" where reform progress has been positive but gradual.

This report makes use of this typology but classifies experience principally on the basis of the character of development partnerships and the extent of progress in addressing the fundamental political problems that underlie "fragility". Situations of deteriorating governance, increasing risk of conflict, prolonged impasse between national governments and the international community, and ongoing violent conflict can be seen as (at best) problematic in relation to the model of development partnership that the Paris Declaration envisages. Post-conflict transition and situations of improving but weak governance provide an opportunity for building partnership in the way envisaged by the Paris Declaration, but in contexts where the capacity of the state (and civil society) is likely to be extremely weak, the political settlement may be vulnerable, and the risk of falling back into conflict high.

The presentation of evidence in section 3 discusses features of contexts 1-3 above and section 4 discusses features of context 4 and 5 above. Section 3 and 4 also attempt to distinguish issues relating to improving the effectiveness of aid from the more fundamental agenda of state-building and addressing the causes and risks of conflict and state failure.

3 Problematic partnerships: deterioration, impasse, conflict

3.1 Overview of issues and challenges

The defining characteristic of this set of contexts is that the basis for an effective development partnership is weak, non-existent or under threat. These contexts include deteriorating governance leading to a breakdown of consensus with development partners or of the capacity of government to resolve political difficulties peacefully and effectively, states at odds with the international community, and those engaged in ongoing violent conflicts.

Deteriorating governance

Situations with deteriorating governance and an increasing risk of conflict are very diverse. These situations may involve countries that have had a long period of relative development success before facing a crisis or sustained weakening of governance (for instance, Côte d'Ivoire (see Box 3.1), or the more recent crisis following contested elections in Kenya). Countries may not necessarily be in conflict, but can remain in a state of "no war, no peace" for a long time. Discrimination leading to social exclusion of particular groups (ethnic, religious, gender or others) can increase potential for violent conflict. Such risks also tend to undermine state service delivery capability, weaken institutions and affect economic performance (Faria and Ferreira, 2007). The decline in confidence in core state institutions, such as the police and the justice system, or widespread corruption can further erode accountability structures. These processes also weaken (and sometime eliminate altogether) the state's ability to deal with violence and/or the instigation of conflict by non-state actors or rebellious factions within the government. In some cases, the government's ability to rule is compromised by political instability, including frequent change in leaders through either constitutional or unconstitutional means (Torres and Anderson, 2004).

In these situations, development partners are likely to face difficult dilemmas about appropriate responses. Actions such as reducing aid risk triggering a further increase in tensions between development partners and government, may intensify domestic political conflicts, or may adversely impact on the poor.

Prolonged crisis and impasse

Situations of prolonged crisis and impasse can involve countries where national governments may exert a high level of effective control over their territories, but are at odds with the international community and are not seen as responsive to shared international goals, particularly in relation to respect for human rights. The government may not share the same objectives as development partners and other international actors⁶, which limits the scope for developing a shared agreed development agenda and effective development partnership. For instance, in countries such as Myanmar, North Korea and Zimbabwe there is little shared agreement between governments and potential development partners to provide the basis for a development partnership.⁷ Diplomatic interventions are of particular importance in these situations, and development agencies are likely to play a subsidiary role. Effective development partner engagement in these situations is often also made difficult by a lack of field presence (e.g. Myanmar, North Korea, and Somalia), which

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⁶ It should, however, be recognised that development partners and other international actors are multiple with different objectives, priorities and goals.

⁷ Many countries that may be classified in this group are (unsurprisingly) not signatories to the Paris Declaration and so are formally outside the structures of mutual accountability that the Paris Declaration provides.

makes it difficult to conduct a meaningful dialogue with country partner counterparts and to track local developments.

Box 3.1 Dimensions of fragility and risk of conflict - the case of Côte d'Ivoire

Due to its economic and political achievements, Côte d'Ivoire was often referred to as an "oasis of peace" and an "African Miracle". However, since 2002, Côte d'Ivoire has been embroiled in a civil war with clear ethno-regional undercurrents, which has resulted in a severe economic decline and more than 750,000 internally displaced persons. The conflict split the country in two: a government-controlled southern part and a rebel-controlled northern part.

In order to identify the underlying causes for state failure, Stewart and Brown (2006) analyses Côte d'Ivoire with regard to three dimensions of fragility: (i) authority failure, (ii) service failure, and (iii) legitimacy failure. The study highlights that it is important to note that the three dimensions of fragility are mutually inter-dependent and to some extent reinforce each other (e.g. weak service delivery contributed to the authority failure, which in turn resulted in a situation in which the state became even less legitimate).

The study concludes that the military insurgency that started in 2002 is in many ways the result of the failure of the country's political elites to agree on a new set of formal and informal procedural and distributional rules aimed at containing the elite competition for political power. In such a political environment, socio-economic grievances provide a fertile context for violent group mobilisation. The study also concludes that Côte d'Ivoire is a "fragile state" with regard to all three dimensions of fragility identified above.

Source: Adapted from Stewart and Brown (2006).

Ongoing conflict

Conflict is more likely to escalate to violence in situations where a state lacks the capacity and will to engage productively with its citizens. In these situations, outlets for social and political settlements are constrained and disputes, grievances, and competition for resources can become violent (DFID, 2006: 7). Conflicts can be internal to a state (civil war or localised conflict), between states, or regional (involving actors from across borders). Some ongoing conflicts are sub-national or exist within countries that in other respects may be classified as post-conflict, gradually improving, or deteriorating (for instance, Uganda and Pakistan are or have been conflict-affected, but are not embroiled in national-level civil wars). Once conflict is endemic, it tends to undermine the reach, accountability, capacity and legitimacy of the state. In some cases, this vicious circle can lead to state collapse (Somalia). Where non-state actors have superseded the state, the provision of basic services is undertaken either by entities challenging the state's authority, or by coalitions of civil society organisations (CSOs).

In these situations, engagement tends to focus on humanitarian relief and ongoing diplomacy to secure an exit from conflict, and peace-building initiatives. These activities tend to comprise conflict-resolution, confidence-building measures, and peace making. The prospects for an effective development partnership is hampered by profoundly weak capacity, pervasive insecurity and the state's fundamental lack of control over its own territory and population (e.g. the DRC or Somalia).

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⁸ For instance, Somaliland is, for all intents, an independent autonomous entity, with a functioning government, military, judiciary and bureaucracy – which is not under the control of Somalia.

3.2 Aid effectiveness challenges and lessons

Lack of dialogue and consensus on a development agenda

Prolonged crisis or impasse situations are often characterised by a fundamental lack of dialogue and consensus between development partners and government. Specific experiences from piloting the Fragile States principles (OPM, 2006 and 2007) showed that for Somalia, Sudan and Zimbabwe progress with applying the principles was severely hampered by the difficulties of engaging with governments that have been in conflict with development partners and are pursuing policies generally regarded as destructive (e.g. Zimbabwe). Dialogue and consensus on a development agenda can also be difficult when governments lack coherence and control over the national territory (e.g. Somalia as a whole), or where such control has existed but lacked international recognition (e.g. Somaliland, Puntland). There may also be conflict with development partners over a major issue that hampers other forms of engagement (e.g. the Darfur conflict in Sudan). In each of these situations there appear to have been significant differences between development partners about how to engage as well as high levels of sensitivity about dialogue with government. In relation to both Somalia and Zimbabwe, the limited level of field representation by development partners may also have contributed to the lack of progress. Limited field representation may particularly constrain effective engagement with civil society organisations who are likely to play a crucial role as potential development partners in the absence of a productive dialogue with national governments.

In a situation where the government's legitimacy is contested (both internally and externally), Paris Declaration principles such as ownership, alignment and mutual accountability can become problematic. A study on the Paris Declaration and aid effectiveness in Myanmar (Igboemeka, 2005) highlights these complexities and dilemmas. The differing views among development partners illustrate the diverging mandates, policies and relationships with the government. The most significant constraints to aid effectiveness were identified as: (i) the highly politicized context; (ii) the tightly restricted space for assistance; (iii) an atmosphere of secrecy and self-censorship; (iv) limited financial and human resources, including weak capacity; and (v) the lack of reliable data. Another key conclusion of the study was that the Paris Declaration was of limited relevance, while two of the core Fragile States principles – state-building and understanding the context – were identified as the two key requirements for effective engagement (see Box 3.2 below).

The case of Solomon Islands provides another example where there was a lack of consensus between government and development partners on development policies and priorities in a situation of political unrest and risk of conflict. The experience showed that development strategies may exist for development partners to align around: however, these strategies may lack deep or broad ownership. This illustrates some of the practical difficulties development partners can encounter. It is not just that there may be no systems in place, or that the partner government has not yet articulated its priorities clearly; it is also necessary to recognise that the priorities articulated or the systems in place could potentially be ill-conceived or motivated by something other than shared international development goals. As with the case of Myanmar discussed above, key Fragile States principles, such as state-building and understanding the context (including undertaking joint poverty analysis, drivers of change analysis, and peace and conflict analysis) were identified as priorities for effective engagement. Alignment was also viewed as important, but it was recognised that there were associated risks that may also affect harmonisation (see Box 3.3 below).

Box 3.2 The Paris Declaration and aid effectiveness in Myanmar

In 2005 a study was conducted that aimed to provide a better understanding of development partners' perceptions on the Paris Declaration and aid effectiveness issues in Myanmar. While the Paris Declaration was viewed to be of limited relevance, the Fragile States principles **state-building** and **understanding the context** were identified as two key requirements. Specific perceptions in relation to each and one of the Paris Declaration principles may be summarised as follows:

Ownership and alignment: In Myanmar the government's legitimacy is internally and externally contested, which makes the objectives of ownership and alignment problematic for development partners. Development agencies had divergent views on whether they could or should work on ownership and alignment at all, and if so what was possible. In some cases alignment was viewed as an opportunity for supporting poverty reductions and catalyzing broader policy changes. Key strategic opportunities for development partners to align with the government included the Education for All Action Plan and Myanmar Millennium Development Goal Report as these represented internationally credible development objectives.

Harmonisation was viewed primarily as directed at decreasing the government's transactions costs. However, the very low level of funds available to the government and the limited capacity to use those funds made several development agencies question the real relevance and value of harmonisation. Overall, harmonisation between development partners was seen as a very difficult issue. For instance, China, Thailand, and Japan (to a lesser extent) have a policy of engagement with the government, and consequently differ fundamentally from the development assistance from the majority of OECD/DAC countries. To bridge these differences it is necessary to create a forum where development partners can work towards shared development objectives or at minimum common principles.

Managing for results: The absence of a credible national development plan was viewed as a major constraint in taking forward the results agenda in Myanmar. There was a lack reliable baseline data, and deep political sensitivities made it difficult to produce accurate data so the development challenge remained largely unquantified. Because of the political sensitivities around data, development agencies were unwilling to share the information they collect from their own operations with each other. This resulted in disparate pieces of data spread amongst different development agencies, often collected by differing methodologies. There was a clear need for further joint analytical work.

Mutual accountability was not seen as a relevant issue, as most development partners are not currently engaged in development partnerships with the government.

Source: Igboemeka (2005)

Support to basic service delivery

In the most difficult situations of prolonged crisis and impasse (for instance, Myanmar and Zimbabwe), development partners face clear dilemmas on how to engage. One strategy for engagement in these situations may focus on (i) political engagement with the government to seek to generate an improved political environment while seeking to foster a broader and more participatory approach to dialogue including engagement with civil society organisations; and (ii) support to basic service delivery functions of the state, or through alternative mechanism of service delivery to meet human needs. A critical question, however, is how to develop further institutional or political arrangements so that mediation in the political process precedes rather than follows an outbreak of conflict or crisis. In these situations, there may also be limited scope for engagement by development actors, and diplomatic and political mechanisms may most effectively lead to this engagement (Jones et al, 2008).

Box 3.3 Solomon Islands: lack of consensus on development priorities

The piloting process of the Fragile States principles in Solomon Islands was hampered by political unrest throughout the pilot period (2005 – 2006). There was a growing divergence and lack of consensus between development partners and the government on the most appropriate development priorities and policies. Development partners perceived the National Economic Recovery, Reform and Development Plan (NERRDP) to be unrepresentative, too broad, and of limited use as a tool for ensuring adequate linkages between sectors and central agencies, provincial and national governments, and government and the community. Development partners were trying to align behind the government's priorities, however, with insufficient detailed direction from the government it appeared as though development partners were setting the priorities. There was also a sense of exclusion among Ministers and officials as development partners did not always keep them informed. Lack of coordination between development partners led to a lack of consistency in policies and procedures.

In this context, four key priority principles were selected: "focus on state-building as the central objective", "take context as a starting point", "move from reaction to prevention", and "align with local priorities and/or systems". Actions agreed included:

- Identify a core set of reports that explain the Solomon Island context, undertake a joint poverty analysis with development partners, the government, and civil society, share drivers of change analysis, and update the UN peace and conflict development analysis.
- Mapping development partner, civil society, and government activities against an updated UN peace and conflict development analysis, and share with development partners, civil society, and government.
- Development partners strongly encouraged demand for, and inclusion of, comprehensive consultation (provincial, community, civil society, and private sector) on the NERRDP.

Associated risks identified were that the government's new approach might not lead to a prioritised, costed, national development plan that aligns with the budget process. It will be difficult for development partners to engage on such a development plan, which may also impact on aid effectiveness and harmonisation.

Source: Fragile states principles pilot Matrix of Agreed Actions and Progress Reports for Solomon Islands (2006)

There are examples where development partners have engaged in the most difficult of situations by focusing their support on basic service delivery. In the case of Zimbabwe, there has been little or no willingness from government for dialogue with development partners. This makes it difficult for development partners to align around government priorities and strategies. Harmonisation is also problematic due to tensions between development partners' short-term and long-term agendas. There are, however, entry points for productive policy dialogue around the MDGs (Fragile States Pilot Progress Report, 2006). The experience from Zimbabwe (see Box 3.4 below) shows that there is scope for dialogue and engagement around areas such as health, social welfare, and Orphans and Vulnerable Children (OVCs). While full implementation of the Paris Declaration principles on alignment may not be possible in this context, it is possible for development partners to use shadow alignment, while at the same time using the Fragile States principle of "do no harm" in order to meet the most basic human needs.

Box 3.4 Service delivery in a protracted crisis - the case of Zimbabwe

Zimbabwe is a state that has retained effective control over its territories but where government policies have led to economic collapse, severely off-track MDGs, and widespread human rights abuses. There are strained relations between the government, development partners, and civil society. There is a strong UN presence, but with mixed effectiveness. The window for engagement by development partners is largely limited to basic service delivery, such as food security, HIV/AIDS and OVCs.

In the case of OVCs, there is a National Plan of Action. Development partners use **shadow alignment** through the United Nations Children's Fund (UNICEF). There is a national needs assessment in place, and good multi-stakeholder co-ordination structures (around 23 intermediary NGOs reaching around one hundred Faith Based Organisations (FBOs)). A "**do no harm**" approach is applied, and where possible innovative social protection approaches are applied, with a longer term potential for scaled up social protection funding as policy environment changes.

The experience in Zimbabwe shows that aid can be effective even in the most difficult of situations. Where opportunities exist, development partners seek to work with reformers (e.g. health, social welfare). A focus for the future will be to develop modalities that can scale up quickly in reforming context.

Source: Yates (2007)

Alternative aid modalities and monitoring and accountability mechanisms

In some contexts where governance is deteriorating or the risk of conflict is increasing, aid instruments and modalities may be relatively well advanced (e.g. through the use of sector and general budget support). Development partners are likely to face difficult dilemmas about appropriate responses since actions such as withdrawing from budget support risk triggering a further increase in tensions between development partners and government, may intensify domestic political conflicts, or may adversely impact on the poor. Burundi (see Box 3.5 below), Ethiopia, Kenya and Nepal are all examples of where development partners have faced these dilemmas.

In these situations, there may be need to consider alternative aid modalities, including monitoring and accountability mechanisms at different levels (both within and outside government) to guard against fiduciary risks. Decisions need to take into account the potential impact and risks involved. There may therefore be a need to pursue alternatives, such as sector programmes, salary payments, and support to sub-national government (Cliffe, 2007).

Box 3.5 Budget support in a situation of political instability

Processes of alignment within Burundi are progressing, but remain constrained by a mixture of technical and political factors. The three main constraints are:

- Financial management structures remain weak and corruption is rife (UNSG, 2007 and 2008) making development partners unwilling to provide extensive support directly through government.
- Government institutional capacity remains weak and thus they are unable to effectively spend the money that is
 provided to them.
- Political instability continues to undermine development partner confidence and decreases the capacity of the government to develop effective long-term strategies.

Financial management structures within Burundi have improved considerably over the past five years but remain weak in some respects. In 2005, the government adopted a unified functional and economic classification of budgetary expenditure, as well as a double entry accounting system to enable the tracking of poverty related resources allocated by activity and region (World Bank, 2006). In 2008, a process to improve procurement was also launched to address an area that had been subject to considerable criticism with multiple examples of corruption and patronage. The sale of the Presidential Aeroplane in 2006 for US\$2 million below the highest bid is one such example that has served to reduce development partner confidence in government financial management (ICG, 2006). This event also caused a delay to the provision of US\$191 million of budgetary support that had been pledged at the May 2007 round table (PBSO, 2007) causing difficulties for government financial planning.

The high turnover of government officials for political and legal reasons has also undermined developments towards alignment. The partnership framework, reinitiated in 2006 and designed to assist moves towards budget support has been particularly affected by two changes in Finance Minister during the partnership's two years of existence (France Diplomatie, 2008). These factors have also been exacerbated by the continuing factional nature of politics. This situation makes development partners providing direct budget support susceptible to inadvertently supporting divisive political agendas and networks of patronage. The process of increasing transparency and accountability are thus ongoing and with some success as the country has progressed from 2.5 to 3.0 on the World Bank's CPIA (1 is poor and 6 is excellent); and closer to the average of 3.2 (OECD/DAC, 2006).

Source: Burundi Case Study

A key challenge is to find alternative forms for engagement while at the same time avoiding negative human development consequences and further deterioration in the governance situation and/or risk for conflict situation. An example of a response that sought to do this was the move from budget support to the Protecting Basic Services (PBS) programme in Ethiopia in order to ensure that poor people continued to have access to basic services such as education, health and water and sanitation. The response focused on delivery through local government with strong accountability components: one in support of public budgeting processes and the other providing funds to CSOs to increase the accountability of government to citizens (see Box 3.6 below).

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⁹ See OECD/DAC (2008:i) for information on the new mechanisms of procurement and ICG (2008) for further information on the accusations of patronage and corruption.

¹⁰ The EU Burundi Rehabilitation Programme also suffered extensively from corrupt tendering processes with the EU asking for a full investigation into the programme (Relief Web, 2006).

Box 3.6 From general budget support to protecting basic services in Ethiopia

The Protecting Basic Services Programme (PBS) is a programme in support of Ethiopia's national poverty reduction strategy, the Plan for Accelerated and Sustained Development to End Poverty. The PBS developed from the crisis posed to general budget support following the controversial 2005 elections. Following the election and the subsequent political clampdown, key development partners could no longer justify the close partnership they had forged with the government and withdrew general budget support. At the same time, they wanted to ensure that poor people in Ethiopia continued to have access to basic services such as education, health, agricultural services, and water and sanitation.

The solution was to provide support to basic service delivery through local government through the PBS programme. The programme tops up federal block grants to regions and woredas (districts) and provides essential health commodities. In addition, the PBS has two strong accountability components: one in support of public budgeting processes and the other provides funds to CSOs to increase the accountability of government to citizens. Current contributors to PBS include the World Bank, the African Development Bank (AfDB), DFID, the European Commission (EC), the Netherlands, Germany and Canada.

Source: DFID (2008)

The decision to withdraw budget support usually occurs when fundamental conditions have been broken (e.g. Ethiopia, Nicaragua and Uganda). In some cases, development partners have attempted to pursue a more graduated response, through a series of (reversible) steps over a period of time (ODI, 2008). De Renzio (2006) points out that while development partners clearly face dilemmas in countries where the political situation is deteriorating, a reduction or delay in budget support are often viewed as the easiest response. Such response, however, may not necessarily create incentives for the recipient government to respect governance standards. Instead, it would be important to identify from the beginning more clearly the criteria for withholding funding, as well as other response mechanisms in the event of a crisis. Ideally, the negotiations and decisions should be made public to allow for transparent joint assessments.

The experience of Cameroon provides one example where development partners have faced dilemmas on whether to withdraw or scale up assistance in a situation of increasing political fragility and risk. Here the response by development partners have focused on supporting alternative more transparent accountability mechanisms that aim to create space for citizens to have a say in decisions on resource allocations. This approach is expected to increase the legitimacy of the government and help to focus the dialogue between national and international stakeholders on the key development challenges facing the country (see Box 3.7 below).

Box 3.7 Political fragility and conflict prevention in Cameroon

A recent contribution to the literature asks the question whether Cameroon can be classified as a fragile state, and if so, should there be specific approaches developed for crisis prevention. While Cameroon has been relatively politically stable, it is exposed to a high level of risk of state failure or conflict. This conclusion was based on a number of criteria, including the ongoing democratisation process since the 1990s, political role of ethnic and regional identities, and weak government legitimacy and effectiveness.

What implications does this have for engagement by development partners? Should development partners withdraw, or scale up development assistance? Implementation of the Poverty Reduction Strategy Paper (PRSP) and the Heavily Indebted Poor Country (HIPC) initiative for the last five years had shown ambivalent results. No visible or measurable success had been recorded within areas such as governance and poverty reduction. Some progress had occasionally been noted in cases where there were intense pressures from development partners, but at the same time questions were being raised whether reforms will continue once the HIPC completion point had been achieved.

In this context, the German Agency for Technical Cooperation (GTZ) adopted approaches to promote accountability of the government and give citizens more say in decisions on resource allocations. The argument made was that this assistance may help in transforming a highly centralised state into one that is more citizen-friendly, which in turn may contribute to reduced fragility. Key areas of focus were strengthening and developing results based management of state interventions, and monitoring the allocation of HIPC funds (with representatives from both development partners and civil society). The overarching goal of assistance is to increase efficiency of the allocation of public funds and to improve the performance of human resources in public administration. This in turn is viewed as an important contribution to increasing the legitimacy of the government. It also helps by focusing the dialogue between national and international stakeholders on the key development challenges facing the country. While it is acknowledged that this may only constitute one contribution to crisis prevention (and has no direct bearing on other important areas, such as democratic change of government), it is viewed as an area where development partners have a mandate, and which they can contribute to in an appropriate way.

Source: Schmitt (2007)

Humanitarian relief, diplomacy, and whole of government approaches

The scope for development partner engagement is constrained in most situations of ongoing conflict. Engagement tends to focus on humanitarian relief and ongoing diplomacy to secure an exit from conflict and peace-building initiatives. Humanitarian interventions tend to receive the bulk of attention and finance, while development efforts are often limited in scale and ambition. Relief is essential to saving lives, reducing human suffering and preventing and minimising the impact of conflict. A whole of government approach is crucial in situations of ongoing conflict given the objectives of securing peace and concern about global security, while the prospects for an effective development partnership and application of the Paris Declaration principles is hampered by profoundly weak capacity, pervasive insecurity and the state's fundamental lack of control over its own territory and population.

The most significant aid effectiveness challenge posed by humanitarian relief lies in those situations where there is scope to work through the state during conflict (e.g. Afghanistan) and during the transition from conflict to recovery and development. To deliver relief to conflict-affected people, humanitarian actors must remain impartial (whether they are the UN or other implementing agencies such as Non Governmental Organisations (NGOs)). This limits the degree to which these actors can engage with political bodies in the states in which they work, including the government (ODI, 2005: 36). In this context, alignment of humanitarian operations with government systems and objectives is difficult. It also may not be desirable in situations where the government is actively perpetuating violence against its own civilian population.

Moreover, the range and diversity of humanitarian actors (from different UN agencies to a myriad of NGOs) makes coordination and harmonisation of humanitarian efforts difficult. In recent years, however, the UN in particular has acted to address these challenges through the creation of the UN Development Assistance Frameworks (UNDAF), Common Humanitarian Funds (CHF) and the Good Humanitarian Donorship agenda. CHFs in the DRC and Sudan, for instance, have provided development partners with a reliable and coordinated vehicle through which they can channel humanitarian funding to prioritised UN humanitarian interventions. However, the sustainability of many CHF funded initiatives is questionable due to their short term, "projectised" approach and their limited engagement with government.

3.3 State-building, conflict and risk analysis and doing no harm

State-building in the most problematic situations

The Fragile States principles identify state-building as a central objective for effective engagement by focusing on the legitimacy, accountability and capacity of the state. Jones et al. (2008) provide four reasons for engagement in a state-building agenda in the most problematic situations (including authoritarian or semi-authoritarian states): (i) there are differences between the government and the state; (ii) authoritarian states exist on a spectrum, and should not be assumed to be beyond reform; (iii) because it is possible to work with sub-state actors, creating a base for confidence and a base of knowledge; and (iv) because failure to engage in some limited form probably increases the odds that when political transformation does occur it will be accompanied by state collapse and humanitarian disaster. In addition, there may be a role for development partners to seek opportunities for engagement with state institutions in areas such as health provision that can bypass to some extent issues of legitimacy. Fundamentally, though, engagement needs to be focused on strengthening accountability.

Related to state-building is the support to the capacity of the state, including capacity development (CD). Brinkerhoff (2007) reviews experience and cites research by Goldsmith (2007) that analysed seventy-nine interventions in fragile and failed states over the period 1979-2002. Five suggestions for effective CD in fragile states are identified: (i) successful CD in fragile states benefits from harmonized purposes; (ii) CD in practice needs specificity and selectivity for targeting; (iii) CD needs to recognize which mix of targets (resources, skills/knowledge, organization, politics and power, and incentives) needs to be addressed; (iv) CD needs competent capacity developers (where the performance of assistance missions suggests ability to support effective capacity development is very mixed); and (v) CD requires in-depth knowledge and understanding of specific country contexts.

As shown in the case of Myanmar (see Box 3.2), development partners agreed that state-building should be a key objective for effective engagement, while at the same time recognising that the political risks of assistance to the state and its implications for legitimising the government needed to be adequately analysed and assessed. Yet, in the case of Myanmar, there had been no systematic attempt by development partners to develop a common understanding of the political economy context and risks. One of the constraints for doing this was the differing frameworks through which the country context is analysed by development partners. Another constraint was that the analysis conducted by development partners does not necessarily reflect in-country understanding of the context (Igboemeka, 2005).

Conflict and risk analysis and doing no harm

Two of the basic Fragile States principles for effective engagement is to "take context as a starting point" and "do no harm". In the context of problematic partnerships, these two basic principles become even more important. Still, development partners find it difficult to fulfil both of these two very basic principles. The tools for analysing conflicts, their root causes and manifestations have

improved significantly in recent years. Many development agencies have developed their own conflict analysis, mapping and monitoring tools.

Patrick and Brown (2007) conclude that development partners have made few efforts to take stock of what tools may be available or useful to apply in different situations. Development partners often show resistance to establish joint monitoring and early warning system and tend to disagree over the nature and value of these. Nevertheless, without a broadly shared understanding of a conflict and potential routes to addressing it, development partners are likely to be less coordinated than they should be. And, without a deeper understanding of context "well-meaning recommendations and actions on the diplomatic and development sides, derived from more stable environments, can exacerbate tensions and undermine the pursuit of stability" (Lockhart, 2008: 5).

Faria and Ferreira (2007) conclude that despite progress made in developing theoretical approaches for analysing the causes of conflict, development partners are in practice still overlooking these. Development partners' interventions are therefore usually reacting to symptoms rather than addressing causes. There is also a need for development partners to move away from isolated political aid projects towards a more comprehensive approach that address the political causes of state fragility (e.g. history, power relations, social discrimination, blurred distinction between political and military dimensions etc.). Conflict analysis by development partners should therefore be a pre-requisite for programme development and policy formulation.

Experience from Timor Leste also shows that while adequate context, conflict and risk analysis is paramount for effective engagement, development partners frequently underestimate, or fail to conduct such analysis. The contextual analysis undertaken by development partners in Timor Leste focused largely on the potential external conflict risk factors, while analysis of internal conflict risk factors, including history and tensions between different political, social, or ethnic groups, was limited. There was also a reported disconnect between what development partners knew and reported internally, and the public discussion and actions they took. Tensions and vested interests amongst development partners may also have exacerbated conflict dynamics as some development partners had aligned themselves with different elements of the political elite. In doing so, development partners altered the dynamics of power between the Timorese, which may have played into the growing tensions rather than diminishing them (see Box 3.8 below).

Box 3.8 Lack of conflict analysis in Timor Leste

Timor Leste was viewed as a country that had managed to move from conflict to peace. When the political crisis came in 2006, questions were being raised as to what impact international assistance has had considering that Timor Leste had received significant support during the period 2002 - 2006.

A recent review by the Norwegian Agency for Development Cooperation (Norad) shows that development partners did not undertake adequate conflict analysis during the period 2002 – 2006. The contextual analysis undertaken focused largely on the potential external conflict risk factors, while analysis of internal conflict risk factors, including history and tensions between different political, social, or ethnic groups, was limited.

After independence in 2002, development partners thought that the risk of renewed external conflict was minimal, and that internal tensions did not pose a significant risk. Where internal risks were identified, it was assumed that these could be managed within the democratic process and legal system. Hence, development partners re-oriented their assistance from relief, recovery, and peacekeeping activities into long-term development.

Concerns soon emerged, however, over political tensions within the Timorese elite and slow progress towards development targets. Still, public analysis by development partners remained optimistic. Internally, however, some development partners started to report on serious concerns, most notably the reports of the UN missions. These reports identified many of the factors that led to the 2006 breakdown. However, these concerns were not reflected in development partners' public positions. Hence, the review concluded that there were disconnects between what development partners knew and reported internally, and the public discussion and actions they took.

It is also concluded that tensions and vested interests amongst development partners may have exacerbated conflict dynamics. Some development partners had aligned themselves with different elements of the political elite. In doing so, development partners altered the dynamics of power between the Timorese, which may have played into the growing tensions rather than diminishing them.

As development partners had concluded that the situation was stable, alignment with the government occurred, for instance, through the 2002 National Development Strategy and the 2003 roadmap serving as the planning framework. At the same time, development partners had a mixed performance in terms of harmonisation. While various mechanisms were established (Development Partners' Meetings, Sector Working Groups etc.) the potential of these were not realised.

Source: Adapted from Norad (2007)

There are, however, examples where development partners have attempted to develop sound approaches to context, risk, and conflict analysis. Box 3.9 below presents an example of conflict sensitive development assistance in the case of Burundi, using the World Bank's Conflict Analysis Framework, where eight principles, including "do no harm", are set out as a guide to conflict sensitive development assistance. There are a number of areas and processes in which the principles can be incorporated, for instance, the PRSP process (see Box 3.10 below) and security sector reform and demobilization and reintegration of ex-combatants.

Box 3.9 Conflict sensitive development assistance in Burundi

Burundi has gone through cycles of conflict, with successive waves of violence and increases in ethnic and regional divisions. At the same time, poverty has been deepening. More recently, active conflict has diminished, but peace and reconciliation remains fragile. While some factors may threaten to escalate Burundi's conflict, others are working to dampen the conflict or have an uncertain impact. Nevertheless, the large number of "on the brink" factors suggests that there are many opportunities for development assistance, as well as traditional diplomacy, to assist in the consolidation of Burundi's peace process.

In this context, ways in which development assistance can contribute to the consolidation of peace were explored using the World Bank's Conflict Analysis Framework. The conflict analysis found ethnicity is only one of several cleavages in Burundian society. Although the ethnic divide is perceived to be more prominent because of four decades of manipulation of socio-ethnic identities, there are also important clan, regional and class-based divides. These divides have been exacerbated by differential social opportunities; a history of violence and impunity; poor economic performance, inequality and environmental stress; failed governance and institutions; and the spill-over effects of regional conflict among Burundi's neighbours.

Based on the analysis the authors set out eight principles as a guide to development assistance: (i) "do no harm" particularly to avoid reinforcing or triggering conflict causes; (ii) make peace dividends visible to the population; (iii) include short-term issues, especially the restoration of security; (iv) development assistance can limit the potential for mass mobilization¹¹; (v) address the structural causes of conflict; (vi) address the perceptual and attitudinal legacy of the conflict; (vii) ensure that development assistance is consistent and sustained; and (viii) consider the regional context.

There are a number of opportunities to incorporate the above principles within processes and areas, such as the PRSP process; rural development; infrastructure; security sector reform and demobilization and reintegration of ex-combatants; land tenure; employment generation; governance; and the social sectors.

In terms of project design and implementation there is a need to: engage the elites on the side of peace; invest in bottom-up approaches, especially through inclusive and community-driven interventions; include peace-building components in projects; carefully monitor and assess development interventions in terms of explicit peace-building objectives and indicators; map and consider the multiplicity of variables that affect the peace process; and complement regional stabilization efforts.

Source: Adapted from Brachet and Wolpe (2005)

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¹¹ In this context develop development assistance is viewed as having the potential to limit mass mobilization in both rural and urban areas by targeting youth, by focusing on labor-intensive work projects and medium-term employment generation, and by investing in training programmes to strengthen community-level conflict management capacities.

Box 3.10 How the PRSP can contribute to the consolidation of peace

The PRSP **consultation process** can help consolidate peace by:

- Institutionalizing the participation of marginalized groups (ethnic minorities, the poor, the displaced, women, youth, neglected regions) including by use of targets and quorums;
- Giving these marginalized groups the means and space to express their priorities, e.g. through the provision of training on advocacy and leadership skills, or through the use of focus groups drawn from marginalized populations;
- Addressing critical questions relevant to peace consolidation, such as (i) the differential positions of key groups (defined by ethnicity or region) with respect to access to social services, to jobs in the public and private sectors, to access to capital; and (ii) the extent to which community-based development is inclusive and local authorities are accountable; and
- Linking with other conflict-sensitive processes (e.g. community-based reconciliation programmes, the DRR programmes, sector-specific and group-specific initiatives targeting such groups as the displaced and excombatants), and explicitly identifying synergies and complementarities that can contribute to the consolidation of peace.

The **content** of the PRSP can help consolidate peace by:

- Recognizing the factors of conflict (root and triggering causes, including ethnic disparities) and identifying the relationships between peace and development;
- Addressing some of the root causes of the conflict through: (i) programs to reduce destabilizing structural
 imbalances; (ii) inclusive decision-making processes; (iii) conflict resolution mechanisms and training initiatives
 directed at advancing inter-group reconciliation and collaboration, both locally and nationally; and (iv) economic
 strategies that are directed at inclusive growth;
- Tackling some of the triggering causes for conflict through initiatives targeting disenfranchised urban youth and ex-combatants; and
- Developing indicators and collecting statistics that will permit measurement of the extent to which development is proceeding in an equitable, inclusive fashion considered from the standpoint of ethnicity, region and gender.

Source: Burundi Case Study

Box 3.11 shows a positive example of how conflict risk analysis and management was adopted in Nepal, leading to development partners re-orienting their programmes, staffing, and risk management systems, in order to tackle the political, economic and social exclusion underlying Nepal's civil war.

Box 3.11 Conflict analysis and risk management in Nepal

In Nepal, a number of development partners saw conflict as a risk to be avoided rather than as the operating reality. The government referred to a "law and order problem" and actively discouraged development partners from using the word "conflict". Development assistance consequently tended to avoid areas where there were security risks, and all too often reached only as far as district headquarters, rather than the people in the more remote conflict-affected areas.

Conflict analysis conducted by DFID, revealed that very little development assistance reached the excluded rural poor, and that approaches failed to change the dynamics that generated and sustained the conflict. Because of the assessment, DFID fundamentally re-orientated its development programme, as well as its staffing and risk management systems, in order to tackle the political, economic and social exclusion underlying Nepal's civil war.

Basic services and income-generation programmes were set up targeting rural areas affected by conflict, beyond the reach of government. An emphasis on community ownership, transparency and public audit helped to minimise the impact of the conflict, maintain community cohesion and offered alternatives to joining a violent insurgency. A Risk Management Office was set up to provide programmes with guidance on levels of risk and its mitigation and on the principle of "do no harm". Support was oriented to tackle the underlying causes of the conflict through community mediation initiatives, which prevented disputes from escalating into violence.

Source: Adapted from DFID (2006)

3.4 Summary of lessons for effective engagement

Broad lessons and issues for effective engagement by development partners in situations with **deteriorating development partnerships and increasing risk of conflict** relate to how to better analyse and predict for potential crises and conflict. These include the following:

- Development partners joint and shared approaches to context, conflict and risk analysis (including joint monitoring and early warning systems) in order to anticipate and where possible prevent state failure and conflict. Shared political economy and conflict and risk analysis is a prerequisite for effective engagement and a "do no harm" approach.
- Development partners need to shift their engagement and programmes away from "business as usual" to address the underlying drivers of instability. When doing so, it needs to be recognised that each situation and context will be different, and that "blueprint approaches" used in other countries and situations are not likely to work.
- Development partners need to design programmes and instruments so that flexible engagement is possible. If a situation is deteriorating alternative programmes and instruments need to be considered that may support local and sub-national structures, including alternative monitoring and accountability mechanisms at different levels (both within and outside government) to guard against risks while at the same time ensure support to basic human needs. This may be done through up-front negotiation between development and country partners, sub-national support, and better scenario-based assessments of how development partners might respond to potential destabilising events.

Priorities for engagement by development partners in situations of **prolonged crisis or impasse** relate to how to identify and work with national reformers or facilitate national dialogue on development issues, wherever possible. State-building remains a key objective for effective engagement even in the most problematic situations by focusing support on basic services (through shadow alignment) and accountability structures. However, there is little positive experience on which to build, suggesting that the scope for external engagement to take a lead in resolving intractable domestic political difficulties is limited. As diplomatic engagement and relation will have a key role to play, there is also need to form more effective development and diplomatic partnerships with emerging powers such as China and India.

In situations of **ongoing conflict** the review focuses on the need to work through a whole of government approach in which security, diplomatic and development efforts are as coordinated as possible. Greater progress needs to be made so that these areas of activity are mutually reinforcing and that all three contribute to securing the peace.

- Humanitarian relief and development assistance needs to be shadow aligned, where possible.
 Efforts to coordinate relief and improve the predictability of relief financing need to be strengthened.
- In some situations of ongoing conflict, development partners hold competing objectives and priorities. In practice, these competing objectives may conflict with and undermine developmental interventions; act as a barrier to development partner harmonisation; and prevent the laying of appropriate foundations for longer-term state-building.

4 Hopeful partnerships: post-conflict, political transition and gradual improvement

4.1 Overview of issues and challenges

Post-conflict or peace-building transition and situations with improving but weak governance may provide an opportunity for building partnership in the way envisaged by the Paris Declaration, but where the capacity of the state (and civil society) is likely to be extremely weak, the political settlement may be vulnerable, and the risk of falling back into conflict high.

Post-conflict and peace-building transition

Transitional settings can offer greater scope for optimism than other situations of fragility. Peace settlements, national reconciliation processes or political changes provide openings for new political settlements, substantive political and policy reforms and improved stability. On the other hand, transitions are often brittle and are as likely to fail as succeed. Half of post-conflict countries fall back into conflict within five years (World Bank, 2005: 16). Where the peace settlement or power-sharing arrangements are fundamentally weak or poorly enforced, political commitment may waver and thereby undermine the scope for improved stability and development (for instance, Haiti and Sri Lanka). However, "even initially weak settlements can be the basis for improved stability and development", as has been the case in Cambodia, El Salvador and Mozambique (Whaites, 2007: 6).

Post-conflict countries generally lack the physical infrastructure, human resources, and systems and procedures of effective states. As a result, transitional states tend to have limited reach: the government may have little presence outside the capital city, and may be unable to provide public goods and basic services to the majority of its citizens. These capacity constraints are particularly acute in states that have experienced long-term conflict and economic decline or in situations where government structures need to be built for the first time (for instance, Kosovo, Southern Sudan and Timor Leste). This fundamental lack of capacity can mean that development partners may have to stand in for the state in crucial ways. International actors may, for instance, have to provide a security guarantee through peace-keeping operations. The lack of capacity also means that the state may have to rely on non-state actors to provide basic services.

The challenge is however not just a technical one of capacity building. The post-conflict environment is also likely to involve complex problems of social exclusion, underlying grievances and tensions, and an absence of respect for human rights which if not addressed can fuel a collapse back into conflict.

In these situations, concerted, coordinated and sustained international engagement can contribute to a turn-around. The fundamental challenge for development partners in transitional settings is to consolidate peace, support a more stable political settlement and lay the foundations for recovery and development. There may be potential for greater country partner commitment and leadership toward improving stability, human security and development than in other situations of ongoing conflict, impasse or deterioration. Transitional governments often enter power with a domestic and international mandate to bring change. The post conflict governments of Afghanistan, Rwanda, Southern Sudan and Timor Leste, for instance, all demonstrated tangible commitment to (re)build their countries and reduce poverty. This country partner leadership creates a foundation for development partner alignment around country-led systems and policies. In these situations, the Paris Declaration is increasingly relevant and applicable. It should, however, also be recognised that this does not necessarily mean that the development partnership is non-problematic. Effective development partnership ultimately depends on whether there is a shared and agreed development agenda, which may or may not be the case in these transitional settings.

Gradual improvement and reform

Situations of gradual improvement and reform include those countries that are continuing to recover from conflict and those that are making slow progress toward long-term reform. These states tend to possess some institutional capacity to deliver their core functions and services, but lack effective structures to encourage participatory and accountable governance. Reform efforts are likely to have made some progress in increasing the reach and effectiveness of the state and the accountability of government and service delivery. In most circumstances, however, progress is slowed by internal inefficiencies, neo-patrimonial politics and corruption. The capacity of the state to engage with development partners on relatively equal footing also remains limited. These situations remain fundamentally fragile and subject to setbacks. The rule of law, the legitimacy of the state, and its stability, though not under imminent threat, remain vulnerable to sudden shocks or crisis, including internal and external shocks and domestic and international conflicts (DiJohn, 2008:9).

In these situations, if there is sustained progress in strengthening governance and capacity, the relationship between the country and its development partners should develop in a way that increasingly resembles more mature development partnerships. In this context, all five principles of the Paris Declaration are relevant. However, continuing risks of fragility mean that the objectives of assistance should continue to focus on addressing the underlying causes of fragility; supporting improved state capacity, accountability and legitimacy, and engaging with reformist elements of society.

4.2 Aid effectiveness challenges and lessons

In most transitional settings, the principles of the Paris Declaration can be applied in ways that are not possible in other situations of deterioration or prolonged crisis. Peace agreements and needs assessments provide a foundation on which shared ownership, mutual accountability, managing for development results, alignment and harmonisation can be built. These frameworks can also make it easier for development partners to agree on common procedures and division of labour (harmonisation). The effectiveness of pooled funding mechanisms and shared analysis and planning processes also all reinforce the importance of harmonisation in transitional contexts.

During the past decade the international community has developed and refined a range of tools aimed at improving its engagement in transitional settings, including Post Conflict Needs Assessment (PCNA), Multi Donor Trust Funds (MDTF), Community Driven Development (CDD) and Disarmament, Demobilisation and Reintegration (DDR). Once states start to achieve 'turnaround' and gradual progress, development partners can begin to apply some of the aid modalities used in more mature development partnerships (Leader and Colenso, 2005). It is possible to develop longer-term development strategies and potentially to move toward poverty reduction strategies and on-budget support. There may also be greater scope for development oriented programmes around livelihoods, private sector investment, improving service delivery, and public sector reform.

Planning, prioritisation and sequencing

A fundamental challenge to aid effectiveness in many transitional contexts is the sheer scale and complexity of the task at hand. The challenges faced in (re)building the infrastructure and institutions of a state, delivering services, securing and sustaining peace are daunting. Delivering on this ambitious agenda requires effective prioritisation and sequencing of activities and a realistic assessment of what is affordable and feasible.

Needs assessments provide a starting point for shared planning and coordination in post-conflict situations. PCNAs, Joint Assistance Missions (JAMs) and their accompanying Transitional Results Matrices (TRMs) are simple planning frameworks through which development and country partners

can jointly assess, prioritise and cost needs. Needs assessments can provide a jointly owned road map that can serve as the basis for substantive dialogue and partnership between country and development partners. TRMs can also improve development partner coherence and coordination by providing an overarching set of short-term objectives to which development partners can align their support. PCNA and JAM processes have been conducted in the Central African Republic, Haiti, Liberia, Sudan and Timor Leste. Moreover, the process of joint assessment and planning is often as important as the plan itself. In Sudan, for instance, the JAM not only helped to foster a working relationship between development and country partners, it also helped to strengthen trust between key Northern and Southern Sudanese policy makers, thereby strengthening the peace settlement itself (Lockhart, 2008: 21).

Nevertheless, recent reviews of needs assessments (see for instance, Foster (2007) and UN/World Bank (2005; 2007)) highlight a number of lessons and shortcomings in the implementation of PCNA and JAMs (see Box 4.1 below). Needs assessments should be simple and selective. While they are good at identifying needs, PCNAs are less good at prioritisation and sequencing and are often more of a wish list than a prioritised action plan. Overly ambitious needs assessments can also inflate expectations for what can be delivered with limited capacity and financing in a limited time (UN/World Bank, 2007). The complexity of the TRM in Haiti, for instance, proved to be an impediment to its effective implementation (UN/World Bank, 2005). In Sudan, the JAM process also failed to distinguish between important and essential actions. This has led to inadequate prioritisation and sequencing. It has also meant that limited funds have perhaps been dispersed too broadly across too many programmes and priorities.

Pooled funds in post-conflict settings

MDTFs provide an aligned and harmonised approach to financing overarching recovery plans (i.e. TRMs). This is particularly the case in transitional settings where the lack of state capacity may prevent direct budget support, but government commitment to peace and development is significant. In low capacity settings, they provide a vehicle through which development and country partners can share priorities and their execution. MDTFs can finance the core expenditures of an interim administration. They can mobilise and distribute funds in support of a single national plan and budget, thereby minimising transaction costs to both development and country partners. A range of MDTFs has been administered by the World Bank and UN in Afghanistan, the DRC, Indonesia, Iraq, Sudan, Timor Leste and the West Bank and Gaza. Since they are administered by the World Bank or UN, trust funds also provide fiduciary checks that allow development partners to contribute funds knowing that they will be safeguarded.

MDTFs enact key components of the Paris Declaration and Fragile States principles, although evidence on the results they achieve remains to be collected. As the recent review of MDTFs in post-crisis situations concludes: "MDTFs represent "best practice" post-crisis funding mechanism, in line with the Paris Agenda for Aid Effectiveness, and largely also the DAC principles for Engaging in Fragile States. MDTFs are by far the most important coordination, harmonization and alignment vehicle in place." (Scanteam, 2007: 73). More specifically:

Box 4.1 Key lessons for Transition Results Matrices

TRMs need to be simple, selective, integrated across political, security, economic and social aspects of recovery, nationally owned, and have sufficient donor buy-in. Key lessons from the TRM experience to date are:

- i. Simplicity: it has been difficult to update information on targets and results for complex matrices (e.g. Haiti).
- ii. Ensure TRM actions take explicit account of capacity constraints. Timetabling helps.
- iii. Build a **simple and selective matrix** from sectoral planning exercises, establish a smaller committee to ensure crosscutting issues are considered and identify the "priorities of priorities" for the overall matrix.
- iv. To mobilize external resources and assist in donor harmonisation, ensure **full consultation and clear agreement on the format and scope of the matrix** between those engaged in economic and social planning, donors, and international actors responsible for leading political and security dialogue.
- v. Agree the criteria for selectivity in developing the matrix and selecting key actions.
- vi. Align the timing and frequency of the matrix milestones with critical processes like the fiscal year and budget cycle, and build in mechanisms to reinforce those linkages.
- vii. Once the first TRM is finalized, **build ownership and commitment to the matrix** by communicating widely and seeking to constantly broaden the inclusion of stakeholders.
- viii. Manage expectations when defining TRM, and in monitoring, reporting, and revising it.
- ix. (Encourage government to) Use the TRM as a basis for donor dialogue . . .
- x. . . and **embed it in government's regular planning and budget process** as a nationally owned transition plan, not linked only to donor meetings and dialogue.

Source: Foster (2007), UN/World Bank (2005; 2007)

- As the key instrument for pooling development partner funding in many fragile states, MDTFs are central to harmonisation efforts. MDTFs provide a vehicle for common disbursement, monitoring and evaluation and information sharing between development and country partners.
- MDTFs can provide a forum for policy dialogue and coordination. A recent review of post-crisis MDTFs finds: "that they represent a forum for policy dialogue and coordination. [...] many actors look to the MDTFs as the key venue for coming together and exchanging information and views. In a number of cases, they are in fact the only structured meeting place" (Scanteam, 2007: 68).
- In some cases, MDTFs have progressed to budget support (e.g. Afghanistan, Timor Leste and the West Bank and Gaza). They can therefore provide a pathway to greater alignment and country partner ownership of the recovery and development agenda in the medium term. In these cases, MDTFs play a pivotal role in contributing to state-building through support to operating expenses, strengthening public administration, developing national systems and policies (Scanteam, 2007: 69).
- MDTFs are explicitly aligned to partner country strategies. They can also ensure that a significant
 percentage of international assistance is in line with budget processes in situations in which budget
 support is not feasible.
- The joint oversight and implementation of MDTFs can help to strengthen national systems for PFM, accounting, procurement, and monitoring and evaluation. In Afghanistan, Iraq and Southern Sudan, there have been positive spillover effects into the national system as UN and World Bank practices have been internalised into government ministries (Scanteam, 2007:67).

• Through joint decision-making processes, MDTFs can create a framework through which country partners can exercise increasing ownership and leadership over recovery and development priorities.

While MDTFs mark significant progress toward the objectives set out in the Paris Declaration and Fragile States principles, in practice they could be more effective than they are in delivering stability, recovery and development in transitional contexts. Specifically:

- MDTFs often manage only a small share of overall donor resources. For instance, the Afghanistan Reconstruction Trust Fund (ARTF) manages about five percent of total donor investment, and the International Reconstruction Fund Facility for Iraq (IRFFI) has committed only about six percent. The two Sudanese MDTFs have only received US\$600 million out of the US\$2.6 billion requested (Scanteam, 2007: 66). As a result, while MDTFs provide a forum for coordination and vehicle for alignment, most donor assistance remains outside of the trust fund and may or may not be coordinated or aligned.
- Non-state actors often play a little role in the MDTFs beyond the initial planning stage. "While Community Based Organisations and NGOs often are important participants in PCNAs, once that process has been finalized, their voice often disappears" (Scanteam, 2007: 70).
- Some MDTFs have been overly ambitious in terms of what they can deliver. In the short run, for instance, MDTFs cannot simultaneously build state capacity and deliver public goods and services on the ground in a timely manner. In Southern Sudan, the MDTF was initially expected to be the primary instrument to deliver both recovery and development following the peace agreement. In practice, the MDTF was unable concurrently to build capacity of state institutions and to deliver services through those institutions (Scanteam, 2007). As a result, while the MDTF is making significant contributions to the capability of the Government of Southern Sudan (GoSS), there continues to be a 'recovery gap' and services and other tangible benefits of the peace are not reaching people at the local level.
- Fund administrators have consistently under-estimated the scale and complexity of their tasks and the start-up times and costs entailed in achieving outcomes. Most funds have also failed to provide adequate management and technical personnel on the ground; and offices have often lacked both the sheer number of staff and the depth of experience required to deliver on expectations.

MDTFs represent a good example where development partners have attempted to provide an aligned and harmonised approach to financing. Still, the effectiveness of MDTFs and their results have been mixed. For instance, while the ARTF in Afghanistan was supposed to offer improved harmonisation in development interventions, development partner agencies continued to suffer from lack of internal coherence, and poor management of the synergies between development, diplomacy and security objectives. Lack of system coherence between military and development agencies for instance, has resulted in increased transaction costs at the operational level. Moreover, efforts to promote harmonisation have been undermined by competition over resources between UN agencies and the government (see Box 4.2 below).

Box 4.2 Harmonisation – competition for resources?

Efforts to improve harmonisation between development partners in Afghanistan have been mixed in their effectiveness. Although funding mechanisms such as the ARTF and National Priority Programmes have offered improved harmonisation in development interventions, development partner agencies continue to suffer from lack of internal coherence, and poor management of the synergies between development, diplomacy and security objectives. Lack of system coherence between military and development agencies for example, has resulted in increased transaction costs at the operational level.

More worryingly perhaps is that efforts to promote harmonisation of aid have been undermined by competition over resources between UN agencies and the government. UN led appeals for development partner funds have attracted funding away from government aligned programmes, and stimulated the growth of parallel implementation structures and projectised aid. These projects have been accused of undermining the development of effective state institutions by attracting local staff away from crucial government jobs, to menial roles with international pay-scales. There are currently about 280,000 civil servants working in the government, with an average wage of US\$50 per month. This compares with about 50,000 Afghan nationals working for NGOs, the UN and bilateral and multilateral agencies, where support staff earn up to US\$1000 per month. The Institute of State Effectiveness (ISE) argues that "The projectised nature of the whole approach makes a mockery of strategic coherence, and produces confusion and resentment on the ground" (Lockhart, 2008:23).

Source: Afghanistan Case Study

Joint donor offices

The most visible example of this approach to harmonisation is the Joint Donor Team (JDT) in Southern Sudan (see Box 4.3 below). The JDT includes Canada, Denmark, the Netherlands, Norway, Sweden and the UK, and was established in May 2006. In practice, the JDT is an innovative pilot for harmonisation in a post-conflict setting. It is intended that the office act as a one-stop-shop for both participating donors and the GoSS. By speaking on behalf of a number of important donors, the ambition is to be a key policy dialogue partner for the GoSS.

A number of achievements can be identified. The JDT has helped to ensure that pooled funds make up a significant portion of aid to Southern Sudan, as well as improved alignment and reductions of the transaction costs for both development partners and government through fewer individual donor offices and representatives and fewer project implementation units. There are, however, also a number of challenges that show the real practical difficulties of on-the-ground harmonisation. For instance, it has been challenging to merge the different development policies of six different donors, and there are still important differences (e.g. different views on whether security can be addressed under the development cooperation umbrella). While the JDT's role is restricted to development cooperation, three members have additional representatives in Juba to deal with the political aspects of the relations with Sudan and GoSS. This division between politics and aid basically derives from the difficulty of merging the five countries' political relationships with Sudan.

Box 4.3 Joint donor team in Southern Sudan

The JDT has achieved a great deal in its first two years of operation:

- It has helped to ensure that pooled funds make up a significant portion of aid to Southern Sudan. JDT members are key financers of the MDTF, Capacity Building Trust Fund, Common Humanitarian Fund, and other pooled instruments.
- It has contributed to alignment not only through these pooled funding mechanisms, but through its engagement with GoSS, particularly with the Ministry of Finance and Economic Planning.
- It has reduced the transaction costs for both development partners and government through fewer individual donor offices and representatives and fewer project implementation units.
- There has been progress in aligning JDT member systems and procedures.

The JDT has, however, faced a number of challenges which illuminate the real difficulties of on-the-ground harmonisation between even like-minded development actors. These include:

- It has been challenging to merge the different development policies of six different donors. Even though the members are generally likeminded, and overall agree on development needs for South Sudan, there are still important differences (e.g. different views on whether security can be addressed under the development cooperation umbrella).
- The JDT's role is restricted to development cooperation and three member countries have additional representatives in Juba to deal with the political aspects of the relations with Sudan and GoSS. This division between politics and aid basically derives from the difficulty of merging the five countries' political relationships with Sudan. But clearly aid to Sudan cannot avoid politics, and the separation creates practical problems.
- There are still a large number of bilateral projects financed by individual JDT members. Moreover, the existence of the JDT has not led to a reduction of the number of individual donor missions or increased the number of joint missions. This continues to create a burden on the government.
- Key decisions about priorities and funding continue to be made in Khartoum rather than in Juba. In some cases this has led to projects or programmes being developed by JDT members without knowledge of the JDT in Juba.

Sources: Haslie and Borchgrevink (2007), JDT (2007) and Brown (2008)

From relief to recovery and development

In ongoing conflict, humanitarian relief is often the dominant form of development partner engagement – absorbing most funds and technical resources. By its nature, relief tends to be state-avoiding; its focus is on saving lives and relieving immediate suffering and delivery tends to be done through non-state providers. Relief also tends to be based on annual appeals rather than longer-term commitments and time horizons.

In post-conflict and transitional situations, the mode of assistance needs to shift from relief to recovery and development and needs to be more state-embracing. This means that the aid architecture needs to deliver both tangible results on the ground (e.g. peace, security and basic services) and to develop the capability, accountability and responsiveness of government systems and personnel.

Creating the conditions for recovery entails the swift on-the-ground delivery of particular goods and services including: improved peace and security, basic services (health, education and water), and the basic inputs with which individuals can rebuild their livelihoods. Approaches to achieving this include peace-building initiatives, including DDR processes and CDD. Recovery also entails creating an enabling environment in which other interventions can have a sustainable impact. It is about paving the way for longer-term development initiatives. Without basic local-level security and peace-

building, for instance, it is difficult for citizens to invest in rebuilding their livelihoods and communities, or for other outside interventions to have a sustainable impact.

In practice, the transition from humanitarian relief to recovery and development has often been too slow and has impeded the consolidation of peace, state-building and improved development outcomes. As the review of 'Alignment and Harmonisation in Fragile States' highlighted in 2005:

"There are difficulties with the fact that many agencies continue to provide humanitarian aid after the 'crisis' has passed, using modalities that are not necessarily suited to development goals and using agencies that are not good at building capacity. State-avoiding aid remains active longer than it should, and continues to fund activities outside of the government systems and priorities" (ODI, 2005: 36).

This continues to be the case. In Southern Sudan, for instance, the spending through humanitarian channels remains much higher (at just under US\$400 million) than it should be three years after the Comprehensive Peace Agreement (CPA) was signed. More of these funds should go to finance longer-term more sustainable interventions that work through (rather than bypassing) government channels.

Whole of government approaches

A whole of government approach is central to supporting a transition toward stability and development. In post-conflict situations, diplomatic, security, and development actors are all engaged in efforts to secure and maintain peace and rebuild war-torn countries. All too often, however, these three sets of actors are poorly coordinated and continue to operate in their organisational silos and according to their own priorities. As a result, post-conflict engagement is less joined-up than it needs to be and in some situations may even undermine rather than support peace and stability (Lockhart, 2008).

In gradually reforming situations, sustaining a joined-up approach that links diplomatic, security and development approaches within and across development partners continues to be important. There is a tendency for diplomatic attention to wane as these contexts are generally seen to be stable to improving. However, if a crisis develops or shock occurs, then a swift, coordinated and concerted response is necessary help to prevent a spiral into greater fragility or conflict (e.g. Timor Leste). The case study on the DRC shows that development partners have increasingly attempted to combine diplomacy and security under a whole of government approach (see Box 4.4 below).

Box 4.4 Whole of government approaches in the DRC

The important of an effective whole of government approach has become increasingly relevant with regard to peace keeping missions where political, military, economic, humanitarian, and developmental objectives overlap, and tensions exist between them. The example of the DRC shows that coherent approaches are important as they allow dimensions of fragility to be addressed more effectively.

Whole of government approaches are not limited to individual states, but are also used by multilateral agencies. Within the DRC the UN Humanitarian Coordinator functions as the Head of UN Office for the Coordination of Humanitarian Affairs (UNOCHA) (humanitarian concerns), the head of the United Nations Development Programme (UNDP) (political representative) as well as the Deputy Head of the United Nations Mission in the Democratic Republic of Congo (MONUC) (military representative of the secretary general). This aids rapid and coherent decision-making.

EU member states have had difficulty developing a shared approach at a political level despite functional technical coordination on the ground. Different EU member states have particular histories of aid giving and as a result are willing to develop individual relationships with host governments as well as those managed through the EU. The EU (2007) notes that in practice coordination between European institutions in the field depends heavily on the personal relations between key individuals.

Source: Adapted from (Cahill, 2007).

Development partners can also hold competing objectives and priorities. These may include containing "global bads" (e.g. terrorism or opium production) and economic objectives related to securing access to natural resources. In practice, these competing objectives may conflict with and undermine developmental interventions; act as a barrier to development partner harmonisation; and prevent the laying of appropriate foundations for longer-term state-building. For instance, the example from Afghanistan (see Box 4.5 below) shows that analysis suggests that the development of credible institutions would contribute more to security than what the deployment of troops would do. Still, military spending outweighs development spending by a factor of at least fifteen to one.

Box 4.5 Whole of government approaches and instruments to achieve stability

In the case of Afghanistan, an over-reliance on military structures to deliver security, at the expense of development and state-building strategies, may be misplaced. For example, a study by the North Atlantic Treaty Organisation (NATO) on the best means to achieve stability in Afghanistan reported that the development of credible institutions and public finance would contribute more to security than would the deployment of troops (Coombes and Hiller, 2005). Nevertheless, military spending in Afghanistan currently outweighs development spending by a factor of at least 15:1. ISE reports US\$15 billion annual spend on military engagement compared to an initial commitment made to development of under US\$1 billion (Lockhart, 2008).

Source: Afghanistan Case Study

Longer-term partnerships

Sustaining and building on the initial progress achieved in gradually reforming situations requires long-term investment and partnership between development and country partners. "Reform in entrenched low capacity environments is a long haul, and expectations of results need to be modest, with commensurate commitment to long-term partnership" (World Bank, 2005). Sustained development partner engagement in these contexts pays dividends as for example in the successful turn-around of countries emerging from conflict such as Laos, Mozambique and Uganda (Rosser, 2006).

Effective longer-term partnership entails longer time horizons for projects and programmes than the typical two to three year time span (or the six month to a year timeframe common in humanitarian budgets). In situations of gradual improvement, unlike other fragile situations, development partners

are likely to develop multi-year country assistance strategies. The expectations and timeframes of individual development partner country assistance strategies should also be tempered with a degree of modesty and long-term vision.

Flexible and contingent approaches

Working in gradually reforming contexts requires flexibility to deal with setbacks. To adapt programming and the style of engagement to changing contexts requires continual contextual analysis and scenario planning, a whole of governance approach, and strong coordination between development partners. It also requires that aid modalities are more flexibly designed than is often the case. Programmes, pooled funds and projects should be designed in ways that are neither overly state embracing nor overly state avoiding. MDTFs, for instance, can work either through state delivery systems or through non-state providers and have the potential to shift from one to the other. The same is true with programmes like the National Solidarity Programme (NSP) in Afghanistan where the government uses an agent to contract out and oversee service delivery (see Annex A: Afghanistan country case study).

4.3 State-building and maintaining peace in transition

Supporting more effective and legitimate states

Building a legitimate and functioning state is central to maintaining peace and stability and to achieving development outcomes in post-conflict and transitional situations (Rosser (2006) and Luckham (2004)). Establishing human security is essential to strengthening state legitimacy. A government's legitimacy is eroded when significant areas of a county or social groups continue to challenge the state's authority (e.g. Côte d'Ivoire) or when state security forces act with impunity against their own citizens (e.g. Nepal).

In periods of transition, a key role for development partners may therefore be to monitor and reinforce the peace and to provide a security guarantee for the transition process (e.g. peace keeping operations Kosovo, Liberia, Sierra Leone and Timor Leste). Over time, however, the state's own security forces, police and justice system must be able to gain control of, if not a monopoly of the use of force. To work toward this end, development partners tend to support security and justice sector reform and the disarmament, demobilisation and reintegration of ex-combatants. In these contexts, efforts also need take into account regional dimensions and dynamics. The Greater Great Lakes Multi-Country Demobilisation and Reintegration Programme (MDRP) (see Box 4.6 below) provides one example where development partners have attempted to tackle a complex region situation by providing support at a national level as well as to regions outside of governmental control.

Evidence suggests that these approaches tend to work best when they are employed together and when a joined up (whole of government) approach is pursued. A number of studies have also identified the necessity of development partner involvement in linking DDR and SSR operations in post-conflict or transitional environments (Bryden, 2007). For instance, coordinating joint DDR and SSR activities with former combatants in Sierra Leone improved the overall impacts of the Truth and Reconciliation Commission. Achieving justice through the transition is central to the legitimisation of the state and its ability to enforce the rule of law. In some contexts, Truth and Reconciliation Commissions have contributed to new political settlements and may contribute to longer-term stability (e.g. Sierra Leone and South Africa). Special courts may fulfil a similar function.

Box 4.6 Multi country demobilisation and reintegration

The Greater Great Lakes Multi-Country Demobilisation and Reintegration Programme (MDRP) Trust Fund administered by the World Bank has a specific remit with a sole focus on ex-combatants. Its geographical reach however encompasses Angola, Burundi, the Central African Republic, the DRC, the Republic of Congo, Namibia, Rwanda, Uganda and Zimbabwe. With a mixture of programmes including national programmes, special projects, and regional activities, the fund was designed to be flexible enough to tackle a complex region situation in a transparent and constructive way. The fund however has been criticized for being too narrow (only focused on ex-combatants) with issues of SSR, sustainability of new livelihoods and reconciliation between ex-combatant groups not being addressed in a systematic way. The fund has however been able to deal with the complex issues of providing support at national level as well as to regions outside of governmental control. Its innovative set up, both with regard to regional approach and the ability to have a national programme and special programme running within the same nation, has allowed it to provide an immediate peace dividend, while also tackling aspects of state ownership and capacity building in regions where the state is able to become engaged.

Source: Scanteam (2007)

What is expedient to securing the peace, building capacity and delivering goods and services on the ground may not contribute to building state capacity, accountability and legitimacy in the longer run. For instance, while the provision of basic services and "peace dividends" is a pressing need in post-conflict contexts, it is crucial that the way in which this is done contributes to and does not detract from the legitimacy of the state. Therefore, while service provision, CDD and other quick impact projects often need to be administered by non-state actors, they need to ensure that these projects are "state-branded" – that the state gets credit for goods and services delivered.

The fundamental human resource constraints faced by most countries coming out of prolonged crisis or conflict have prompted many development partners to provide technical assistance (TA) to government ministries. Some TA is essential and contributes to turn around in fragile states (Collier, 2007). But too much TA can stifle the development of ownership and indigenous capacity and inhibit state-building. In Kosovo for instance, it is estimated that up to 80% of aid is spent on TA (primarily provided by external consultants). As one well placed observer noted in Kosovo, "the consultants have found themselves a country rather than vice-versa".

State-building needs to be simultaneously top-down and bottom-up. The capacity building needs at the centre are often so great in post-conflict settings that inadequate attention is given to strengthening local level governance and capacity. In some cases (e.g. Timor Leste) an unbalanced state-building process can undermine a political settlement and the legitimacy and accountability of the state. In Southern Sudan, capacity building efforts have focused on the centre and relatively little has been done to strengthen the local state. As a recent review of service delivery in Southern Sudan notes: "in the light of a fragile peace agreement, and the need for the population to urgently experience practical benefits from the agreement, it is perilous to leave government at the local and outlying levels relatively neglected" (Murphy, 2008). The Afghanistan case study also shows that ownership at the national level was strong while ownership at the sub-national level remained weak. Until recently, the strengthening of sub-national governance by development partners had largely been neglected. Development partners' efforts to direct funding through central government systems have therefore further centralised an already highly centralised government structure (see Box 4.7 below).

Box 4.7 Ownership and uneven state-building

The government has shown considerable leadership in directing development policy, and ownership is therefore strong at the national level. However, despite these relative successes, there remain significant challenges to Afghan ownership of the development process. Sub-national ownership of the development strategy is poor, whilst problems with prioritisation may also hinder national ownership.

Ownership at the sub-national level remains weak. Participation in development policy formulation has been exclusively limited to the elites in Kabul, with heavy international involvement. Wider participation has been largely limited to consultation in the form of meetings and workshops with little decision-making power (Nixon, 2007). The relative under development of sub-national governance structures and lack of effective state institutions in many rural areas means that there has been a lack of effective dialogue between the centre and the rural, provincial areas concerning development priorities. This problem has been confounded by insecurity and the continued struggle to establish state legitimacy in many parts of the country.

Until recently, the strengthening of sub-national governance had largely been neglected. This meant that development partners' efforts to direct funding through central government systems has further centralised an already highly centralised government structure. Meanwhile, little core budget expenditure (other than civil servant salaries) is spent outside Kabul, meaning that provincial and district level civil servants have few funds at their disposal. This has caused government support to drop among provincial civil servants and residents in rural areas. Furthermore, locally elected bodies such as Provincial Development Committees have little power over resources. Therefore, instead of promoting accountability, these bodies have only created unachievable expectations.

The inability to prioritise effectively between sectors and ministries in the government's development strategy papers has led to poor implementation of interventions in key target areas. This may be in part due to the delicate balance of power between the centre and the provinces, as well as between different interest groups within the ministries and sectors. The need for central government to balance these competing interests may be undermining its ability to prioritise between competing claims.

Source: Afghanistan Case Study

State-building in situations of gradual improvement

In situations of gradual improvement, state-building remains the central objective and should provide the overarching framework for development partner engagement. The openings for strengthening the capacity, accountability and responsiveness of the organs of the state are likely to be uneven across the state's different branches. Development actors should develop a clearer understanding of institutional strengths and weakness and the sectors and levels of the state where reform is already or likely to take place. Applying political economy analysis at a sectoral level, for instance, can provide insights into the drivers and constraints on change within key areas of the state. In some contexts (e.g. Nigeria) it may be that working through lower tiers of government provides an opening to strengthen accountability and responsiveness of service provision. In other contexts, it may be that support to specific ministries (e.g. finance) or cross-government processes (e.g. budgeting and planning processes or strengthening the state's cross-sectoral ability to deal with sudden shock) provides a way of strengthening state legitimacy and capacity. Creation of physical infrastructure (particularly roads) can also play a fundamental role in knitting the state together and linking the centre to more peripheral areas both literally and conceptually (e.g. Ethiopia and Nepal). State-building should not be limited to engagement with government institutions. Sustained support to civil society and the private sector can help to lay the foundation for greater state accountability and contribute to the coalitions for change required to address some of the underlying causes of fragility.

Addressing the root causes of political conflict

A significant focus of engagement should be on increasing socio-political inclusion in those contexts where exclusion has been a cause of fragility (e.g. Nepal) and where the results of conflict have been to exacerbate or create political and social tensions, including through human rights abuse. In resource rich countries improved governance in resource rich areas and governance over resource

rents can improve stability and governance more broadly. Support to international voluntary partnership agreements such as the Extractive Industries Transparency Initiative (EITI) or Forest Law Enforcement, Governance and Trade (FLEGT) provides an opening for greater transparency and accountability in resource sectors. Coordinated and sustained and multi-dimensional support to key sectors can also lead to improved resource governance. However, as shown in Box 4.8 below on reforms in Sierra Leone's minerals sector demonstrates, fundamental change remains elusive.

Box 4.8 Reform in the diamond sector in Sierra Leone

The minerals sector (especially the diamond sector) remains one of the most important areas of focus for reform in Sierra Leone. This is partly because diamonds constituted the most significant foreign exchange earner and source of employment in the pre-war years. It is also because of the role diamonds played in perpetuating the shadow state and fuelling the civil war.

In many ways this sector and particularly the Ministry of Mines and Minerals should be among the most difficult facets of government to reform. Diamond mining provides endless scope for rent-seeking and mismanagement. However, despite the obstacles, progress is being made in the sector broadly and in the Ministry. Understanding why this is the case demonstrates the importance of building a coalition for change among government, donors, and local and international civil society.

A broad range of local and international actors have driven reform of Sierra Leone's diamond sector. Donors (in particular the UK and the US) have applied consistent pressure on the government to reform the sector. DFID's 2002 bilateral Memorandum of Understanding included benchmarks focusing on the passing of key legislations and improvement of the Ministry of Mineral Resources' capacity to police and tax the diamond industry, and to conform with the Kimberley Process Certification Scheme. International civil society in conjunction with local organisations (especially the Campaign for Good Governance) has kept diamonds in the news and has placed pressure on both the government and the mining industry. The international mining industry has signed up to protocols to prevent the purchase of "conflict diamonds". State Lodge has crucially been both amenable to, and supportive of, reform in the sector. In addition to sustained outside pressure there is the incentive of increased revenues.

Key legislation reforming the sector has been passed: The Mines and Minerals Act (1996), the Mining Code (2004) and the 2005 Policy on Artisanal and Small-scale Mining.

The results of these reforms have been mixed. The legal export of diamonds has dramatically increased in the past few years with a concomitant decrease in smuggling. Government capacity to regulate the sector has also significantly improved. However, transparency in the sector remains a problem and there continues to be scope for diamond revenues to finance patronage networks.

Source: Thomson (2007)

Promoting inclusive development

The Fragile States principles include a commitment to consider the promotion of gender equity, social inclusion, and human rights. These are viewed as 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 (OECD/DAC, 2007:7). The example of Sierra Leone (see Box 4.9 below) shows how women were faced with a number of challenges in a post-conflict situation. Women suffered gender-based violence during the war, and were faced with discriminatory laws, high maternal mortality, high illiteracy rates, poor representation of women in political processes and oppressive traditional practices such as female genital mutilation. While gender issues have been addressed in the PRSP process, this has not been done effectively, and adequate resources have not been allocated to this.

Box 4.9 Gender issues in post-conflict transition

The post-war position of women in Sierra Leone presents a number of challenges. Women suffered gender-based violence during the war, and were faced with discriminatory laws, high maternal mortality, high illiteracy rates, poor representation of women in political processes and oppressive traditional practices such as female genital mutilation. Women provide the bulk of agricultural labour but cannot own land.

Progress is being made in school enrolment for girls, and there is a vibrant women's movement addressing the above issues. However, action tends to focus around specific issues, such as the election, rather than be a continuous force for advocacy around women's issues. Gender issues were addressed in the PRSP, and were supposed to be mainstreamed into PRSP activities. Unfortunately, this does not seem to have happened effectively.

However, the passing of three gender laws in 2007 was without doubt an important step in gender equity and the legal recognition of human rights. In 2003, Ministry of Social Welfare, Gender and Children's Affairs, the Law Reform Commission and the International Rescue Committee working in collaboration with United Nations Development Fund UNIFEM and UNICEF, organised a consultative process that identified four areas where there was need for urgent reform of the law: Succession and inheritance law; Registration of Customary Marriages; Domestic Violence; Matrimonial Causes.

In 2007 there was concern that the gender bills would fall by the wayside if there was a change of government. A Gender Task Force (comprising CSOs and supported by the Speaker and Clerk of Parliament, and led by the Parliamentary Committee on Human Rights) was formed to support the passage of the bills. The Task Force presented a position paper to the President, who issued a "certificate of urgency" to enable the bills to pass through Parliament before it dissolved prior to the general election. The Domestic Violence Act, Registration of Customary Marriages and Divorce Act and the Devolution of Estates Act came into law on June 14th 2007, a mere three months after the president's statement.

There was no major donor funding for this process, though funds from the UN Democratic Governance Trust Fund were used to fund some of the consultations and initial drafting. A number of the NGOs would also have had donor funding for their activities, but much of this is likely to have come from small grants from external sources.

Now that the gender bills have been passed, attention has switched to how to sensitise the community, and in particular traditional chiefs, about their content and implications. In rural areas it is likely that many disputes are heard in customary courts, and it is important that these courts work in line with the gender acts (and also the child rights act). It is also important that women understand their rights under the new laws, and feel able to seek redress under them. Gender Based Violence is a particularly difficult issue in Sierra Leone, as over the last few decades it has become almost customary for a husband to beat his wife in some areas, and initial workshops have shown that women do not necessarily see this as an infringement of their rights.

Source: OPM (2008)

More generally, a parallel study (OPM, 2008) on the relationship between the Paris Declaration and gender, rights and inclusion has highlighted the risks that the PD may encourage an excessively technocratic focus on aid management (and an overoptimistic assessment of national ownership of development strategies) that may militate against a focus on participatory governance and the provision of sufficient attention to rights and inclusion. This may be an especially significant risk in a transitional and post-conflict situation where progress with establishing more inclusive and participatory modes of governance is likely to be central to creating conditions for sustained peace building. The recommendations emerging from this study (see Box 4.10) are therefore likely to be of particular relevance in post-conflict and transitional contexts.

Box 4.10 Making aid more effective through gender, rights and inclusion

A study reviewing the relationship between the aid effectiveness agenda as implemented through the Paris Declaration and rights, inclusion and gender equality concluded, based on country studies including some fragile contexts (for example Sierra Leone), that:

- 1. The principle of country ownership should translate into a participatory dialogue on aid and development effectiveness that recognises the legitimacy of civil society engagement in the democratic ownership of the policy process.
- 2. Civil society organisations that advocate on behalf of poor and excluded groups need to build their capacity to engage effectively in policy dialogue, implementation and monitoring, understand the changing aid and policy making environment, seek opportunities for collaboration regionally and internationally, and find ways to fund their activities that ensure they remain responsive and accountable to the constituencies they seek to represent.
- 3. Those donors and international agencies with capacity to promote and build capacity for mainstreaming equity and rights goals need to harmonise effectively to maximise their influence both within the donor community and in national policy dialogues. Other major donors (including the multilateral development banks) need to review their policies and processes to ensure that sufficient priority is given to building capacity for equity and rights mainstreaming.
- 4. Governments need to have effective instruments and processes, with accompanying capacity building, to implement policy commitments on equity and rights.
- 5. Donors should contribute to strengthening democratic governance through building the capacity and enhancing the accountability of the judicial and legislative branches of the State.
- 6. The international human rights framework provides a set of standards for mutual accountability and for building partnerships based on the Paris Declaration, with its focus on the institutions and processes necessary for supporting democratic ownership and mutual accountability.
- 7. Effective implementation of national human rights commitments requires the building of specific forms of capacity within a wide range of government systems at central and local levels. This in turn requires strong government leadership and coordinated and long-term support from development partners, including the systematic use of programmatic approaches to address cross-cutting social issues.
- 8. Shared results-based frameworks can be a powerful tool for agreeing priorities and providing a basis for alignment to pursue social goals. They need to be supported by strengthening the social component of monitoring and evaluation systems and disaggregated (qualitative and quantitative) data collection.
- 9. Mainstreaming social screening procedures, through national systems of social impact assessment, may be a powerful instrument for increasing attention to rights and equity issues.

Source: OPM (2008)

4.4 Summary of lessons for effective engagement

In the context of "hopeful partnerships" where a positive but vulnerable transition is under way, the following broad lessons and issues for engagement in transitional settings can be identified:

- Effective engagement in transitional situations requires approaches that are both flexible and adapted to the specific challenges of recovery and state-building in each context. The starting point for tailored engagement is sound (and shared) analysis of the context and political economy of change.
- Although the importance of applying whole of government approaches in transitional settings is widely recognised, more needs to be done to bring this about. All too often, development, diplomatic, and security sector actors are poorly coordinated and continue to operate in their organisational silos. The development of shared agendas, greater clarity on the ways in which security and development agendas may undercut one another and greater awareness of the organisational dynamics and incentives facing diplomatic, security sector and development actors should be considered.
- Diplomatic and developmental attention often wanes after an initial burst of engagement in post-conflict situations. For the positive trajectory embodied in a peace agreement or political settlement to be sustained, development partners need to work toward longer time horizons and longer-term diplomatic focus.
- While the transition from humanitarian relief to recovery and development has improved in recent years, this transition remains too slow in most post-conflict situations. Development partners need to explore ways in which this process can be sped up and in which recovery and developmental approaches can be pursued during and in the direct aftermath of conflict (e.g. safety nets).
- PCNAs and TRMs have improved the focus and alignment of initiatives in transitional settings. However, these processes need to be more rigorously prioritised and sequenced, based on expectations that are more realistic and available financial resources.
- In transitional settings, development partners need to support the swift delivery of goods and services to the local level, while simultaneously contributing the legitimacy and capability of the state. This is unlikely to be delivered through one instrument (e.g. MDTFs). Instead it requires a suite of purposefully linked and context specific strategies around state capacity building, CDD, SSR, JSR, and basic service delivery.

As "hopeful partnerships" become better established and move **beyond the immediate post-conflict environment**, the critical priorities for development partners are to:

- Stay engaged: it is in gradual reforming contexts where development partner attention often flags and sometimes resources decline. Maintaining long term and predictable engagement is of central importance.
- Explore ways to balance predictability with flexibility. Development partners need to move toward more predictable and longer-term partnerships (e.g. budget support) while retaining the flexibility to respond to increased periods of fragility.

5 Conclusions

5.1 The Fragile States principles and lessons for effective engagement

The evidence reviewed reinforces the emphasis of the Fragile States principles on the critical importance of:

- A joint understanding among development partners of each specific context, including adequate political economy, conflict and risk analysis;
- The state-building agenda (understood as involving not just the capacity of the state but its legitimacy and accountability);
- A whole of government approach;
- A "do no harm" approach; and
- Harmonised approaches from development partners.

However, the Fragile States principles as such provide little more than a checklist of significant issues. This report has highlighted the wide range of different modalities available for working in different fragile contexts. The effectiveness and relevance of these modalities varies by context. It is not just about the menu of different modalities, but the ways in which these modalities have been applied appropriately and flexibly in particular contexts that matters. This reinforces the need to avoid thinking in terms of blueprints for engagement and the importance of tailoring intervention to context, objectives and design elements and on encouraging innovation and frequent adjustment.

In fragile contexts, uncertainty is a given. While engagement and commitment should be more predictable than it often has been, it should also be more adaptive and flexible. It is important to plan for uncertainty through deeper contextual analysis and consideration of alternative scenarios. It is also important to channel engagement through more flexible aid modalities, to increase the availability of more contingency funding, and do a better job of signalling expectations when negotiating development partnerships with country partners. The Fragile States principles should also remind development partners of the need to stay engaged long enough to give success a chance. In practice, sustained engagement beyond immediate crisis has often been a challenge. Related to this is the need for longer-term predictable financing of recovery and development efforts. This will provide greater scope for alignment, coordination and ownership.

Harmonisation remains a key priority for effective engagement in relation to both aid effectiveness and state-building. Forums for development partner consultation, coordination and decision-making are particularly important in situations where constructive dialogue with country counterparts is limited. In addition, joint analysis and a shared understanding of the context between development partners are crucial. At a sectoral level, harmonisation should be possible even in the most challenging situations.

5.2 The role and relevance of the Paris Declaration

The discussion above shows that fragile and conflict-affected situations require a different approach from those countries in which there are clearly articulated national development strategies and the institutions to deliver on them. These relate specifically to the need to recognise that the key challenges of state-building and peace-building fundamentally go beyond the aid effectiveness agenda as it is set out in the five principles of the Paris Declaration. Recognising this point, this discussion below summarises the main conclusions with regard to the role and relevance of the Paris Declaration in the different types of fragile and conflict-affected situations.

Problematic partnerships: deterioration, impasse, conflict

As partnerships between development partner and country partners is increasingly problematic in **deteriorating and conflict prone situations**, the Paris Declaration as it has generally been interpreted is of limited relevance as a guide for action. In these situations, the key priority is to arrest the deterioration in governance and to reduce the risk of conflict. Alignment, ownership, managing for results and mutual accountability may therefore take a back seat to initiatives aimed at conflict prevention as well as diplomatic interventions aimed at supporting a political settlement. **Harmonisation**, however, remains crucial if development partner engagement is to collectively contribute to stabilisation and improved governance, including agreeing on and conducting joint and shared analysis of the context.

- Ownership: Lack of consensus, or lack of a political process for building consensus between national actors as well as between government and development partners, on a clearly articulated development strategy makes it increasingly difficult to achieve ownership.
- **Alignment** is becoming increasingly difficult because of the lack of consensus on development strategies and priorities. Policy alignment is therefore difficult, while there may still be opportunities to work through government systems in some selected sectors (e.g. basic services).
- **Harmonisation** is possible, but without an agreed development strategy and priorities, it becomes increasingly difficult for development partners to agree on common procedures and division of labour. Greater creativity is needed by development partners to ensure that mechanisms are put in place for developing a coherent strategy and undertaking joint analysis.
- Lack of **ownership** makes it difficult to establish mutual accountability mechanisms between government and its citizens as well as between development partners and government.
- The decline in ownership and **mutual accountability** makes **managing for results** increasingly difficult. There is limited scope for agreement between development partners and government on results oriented reporting and assessment frameworks. However, there are still opportunities for development partners to harmonise their own monitoring and reporting requirements around results.

In many situations of **prolonged crisis or impasse**, the Paris Declaration is of limited relevance (and in most of these cases the government has not signed up to the Paris Declaration). Ownership, mutual accountability, managing for results, and alignment are all problematic when there is no productive dialogue between government and development partners. Moreover, in many prolonged crises and impasse situations, the bulk of development partner assistance is humanitarian relief delivered through parallel (non-government) channels. **Harmonisation**, however, remains the key entry point for improving aid effectiveness in these situations. Forums for development partner consultation, coordination and decision-making are particularly important in situations where constructive dialogue with country counterparts is limited. In addition, joint analysis and a shared understanding of the context between development partners are crucial. At a sectoral level, harmonisation is possible even in the most challenging situations.

Key issues for development partners to address in prolonged crisis or impasse relate to how to ensure that instruments are shadow aligned when possible. There is also a need to seek to identify and work with national reformers or facilitate national dialogue on development issues, wherever possible. As diplomatic engagement and relation will have a key role to play, there is also need to form more effective development and diplomatic partnerships with emerging powers such as China and India.

The applicability of the Paris Declaration in situations of **ongoing conflict** hinges on the willingness of country partners to work towards partnership with the international community and their commitment to deliver to their own citizens. It also depends on the fundamental capacity and reach of the state. In some situations, (e.g. Somalia), state institutions and their reach are so limited that

even sectoral or shadow alignment is difficult. The application of the Paris Declaration, in these situations is therefore primarily about **harmonisation** – development partners working together to deliver relief and sustain diplomatic pressure. In other situations of ongoing conflict (e.g. Afghanistan), there is a national development strategy to which development partners can align their interventions. This in turn provides scope for ownership, managing for results, and mutual accountability that are not possible in situations of state failure or gridlock. The harmonisation of development partner initiatives is crucial as is coordination across development partner governments and within them on security and diplomatic efforts.

Hopeful partnerships: post-conflict, political transition and gradual improvement

In most **transitional or post-conflict settings**, the Paris Declaration can be applied in ways that are not possible in situations of deterioration or prolonged crisis. Peace agreements and TRMs provide a foundation on which shared ownership, mutual accountability, managing for results, alignment and harmonisation can be built. These frameworks should also make it easier for development partners to agree on common procedures and division of labour (e.g. harmonisation).

However, limited state capacity and the scale and dominance of the international community in many transitional contexts can skew development partnerships. In Afghanistan, the DRC, Guinea Bissau, Kosovo and Nepal, for instance, this power imbalance between development partners and the government has limited the scope for country partner ownership, mutual accountability and alignment.

While peace agreements and TRMs provide scope for joint planning between country and development partners, they also provide a vehicle for developing systems of **mutual accountability** and beginning to **manage for results** through the creation of results oriented reporting and assessment frameworks. However, the quality and availability of baseline data and indicators of progress is likely to be limited due to capacity constraints. TRMs and JAMs also provide something to which both country and development partners can **align**. However, while these are good at identifying needs, they do not come with strong mechanisms for strategic leadership of development efforts, or clear prioritisation and sequencing. This can mean that limited capacity is over-loaded by too many disparate priorities. The Sudanese JAM, for instance, failed to distinguish between important and essential actions. This has meant that decisions about what to fund have often been more supply driven than demand driven.

Successful transition involves a move towards forms of development partnership that may increasingly accord with the model assumed by the Paris Declaration. Each of the Paris Declaration principles provides a useful guide for development and country partner engagement.

- **Ownership:** Consensus between development and country partners exists, but the capacity to implement development strategy and actions remains constrained.
- **Alignment:** Consensus on policy and systems provides opportunity for alignment, although government institutions and procedures (capacity) remains weak. There are more opportunities to focus on specific interventions related to PFM and procurements systems.
- **Harmonisation** is essential, and consensus makes it easier for development partners to agree on common procedures and division of labour. Partner country can increasingly provide a clear view on what they want development partners to do.
- **Managing for results:** Consensus, ownership and opportunities for mutual accountability make managing for results feasible. However, the quality and availability of indicators and data is a key constraint. Results need to be focused on state-building and peace-building.

• **Mutual accountability:** Basic government structures exist and there is broad consensus between development and country partners around the development strategy. However, country partner capacity to support mutual accountability remains weak.

5.3 Implementing the Paris Declaration

The report highlights both the achievements and the continuing challenges faced in implementing the Paris Declaration in fragile and conflict-affected situations. It demonstrates that the use of needs assessments (e.g. PCNA and JAMs), joint planning and prioritisation tools (e.g. TRMs and MDTFs), and joint donor offices have provided a framework through which greater harmonisation, ownership, and alignment can be achieved in practice. These approaches, tools, and instruments have improved the coherence and quality of development partnerships, and overall implementation of the Paris Declaration. However, despite progress made, much more needs to be done. A number of lessons and shortcomings have been identified:

- While needs assessments and planning and prioritisation tools should be simple and selective, they have actually often been lacking in prioritisation and sequencing. This can create an added burden on already weak government capacity, which in turn also leads to poor implementation. Overly ambitious needs assessments can also increase expectations beyond what can be considered realistic with a limited amount of capacity, financing, and time available. Experience shows that TRMs needs to be simple, selective, integrated across political, economic, social, and security aspects. However, more importantly, they need to be nationally owned while at the same time have sufficient buy in from development partners.
- MDTFs have proven to provide an aligned and harmonised approach to financing, in particular in situations where there is lack of state capacity that may prevent direct budget support. MDTFs can also provide a forum for policy dialogue and joint decision-making process in which partner countries can exercise increasing ownership and leadership. Still, MDTFs can often be overambitious in terms of what they can deliver, and cannot be expected to simultaneously build state capacity and deliver public goods and services in a timely manner. Start up time and costs are often underestimated, and most MDTFs have failed to provide adequate management and technical personnel on the ground.
- Other approaches to provide a harmonised form of engagement have been in the form of joint donor offices. The joint donor office in Sudan shows that this approach can enable joint approaches in policy dialogue with the government, as well as pooled funding arrangements. However, experience shows that it can be difficult to merge different development partners' policies (for instance, different views on whether security can be addressed under the development cooperation umbrella). Joint donor offices are also restricted to development cooperation whereas each development partner deals with political aspects of engagement independently. Hence, the division between politics and aid derives from the difficulties of development partners to merge their political relationships with the government.
- While the report shows that a harmonised approach by development partners are particularly relevant, few development partners have made efforts to develop joint and shared approaches to political economy context, conflict and risk analysis, in order to anticipate and where possible prevent state failure and conflict. Without a shared and agreed understanding of the context development partners are likely to be less coordinated than they should be.

Annex A Afghanistan case study

A.1 Dimensions of fragility

Afghanistan is suffering ongoing conflict, although with significant characteristics of a post-conflict and peace-building transition state. The capacity of the central state is weak, but has improved since 2001 while the reach of government authority outside of Kabul remains limited (IDC, 2008). The country is suffering from severe low intensity conflict, and there is a well-organised insurgency in the south. The economy is dominated by opium and the legal economy is backward (Ward et al, 2008). The country is highly aid dependent. Extreme poverty is rife, although economic and social indicators have shown significant improvement since 2002 (IDC, 2008).

Afghanistan had been at war for more than twenty years prior to the US-led invasion of October 2001. Through providing military and financial support to the Northern Alliance, a loose coalition of former Muhajadin, the ruling Taliban regime were soon ousted from power. The regime had hosted Osama Bin Laden and the Al Qaeda network, who had claimed responsibility for the 9/11 attacks on the US. In December 2001, the major Afghan factions (other than the Taliban) met in Bonn under UN auspices, agreeing to form an interim government and draft a constitution. Elections in 2004 and 2005 led to the establishment of a democratically elected government. In January 2006 at a major development partner conference in London, the government of Afghanistan (GoA) released the Afghanistan Compact and Interim Afghanistan National Development Strategy (I-ANDS), outlining the government's vision for reconstruction and development in the country in the medium to long term. The full Afghanistan National Development Strategy (ANDS) was launched in June 2008.

Specific dimensions of fragility in Afghanistan include:

- Contested state legitimacy: The state is seen as a challenge to traditional decentralised power structures, based on entrenched tribal identities. Historically, the Afghan state has been highly corrupt, predatory, and controlled by external interests (Goodhand, 2004).
- Lack of downward accountability: sub-national governance structures are under developed and central state's engagement with civil society has been weak. The state is perceived as being accountable primarily to the international community, and maintained by foreign forces of whom there is deep suspicion (Waldman, 2008).
- Poor state capacity and lack of effective state reach: almost thirty years of war has led to the
 widespread destruction of human and physical infrastructure, and the consolidation of competing
 power structures e.g. warlordism.
- Strategic and political importance in regional and global conflagrations: Afghanistan is on the "front line of the War on Terror", produces 90% of the world's opium (Ward et al, 2007), and is strategically placed at the "cross-roads of Asia", leading to intense external interest.

Afghanistan currently suffers from a significant number of specific risk factors and potential flashpoints that could destabilise the country. Popular discontent with the pace of reconstruction and development is growing. After seven years of international engagement, there is a perceived lack of progress, whilst high numbers of civilian casualties in military actions and increasing perception of corruption and incompetence threaten to undermine progress. There is also a risk of a significant increase in the intensity of insurgency further destabilising the state. With increasing disillusionment and persistent poverty in many parts of the country and supported by the opium trade and international networks, there is a danger that the insurgency could spread throughout the country (Nixon, 2007).

A.2 Implementation of the Paris Declaration

Afghanistan is highly aid dependent. Foreign assistance accounted for around 90% of all public expenditure in 2005, and accounts for around half of the legal economy. How this aid is spent clearly has an enormous impact on the lives of ordinary Afghans (Waldman, 2008).

The GoA has shown a clear commitment to improving aid effectiveness. In addition to being a signatory to the Paris Declaration, GoA has made further commitments in the Afghanistan Compact as well as incorporating an Aid Effectiveness Strategy into the ANDS. This strategy sets out targets, such as having 75% of aid being channelled through the core budget, as well as laying out the government's preferred aid modalities. GoA has called upon development partners to form a Joint Donor Group to prepare a unified response to the Aid Policy as laid out in the ANDS.

In order to monitor development partner and government implementation of the Compact, the Joint Coordination Monitoring Board (JCMB) has been established. JCMB is mandated to "ensure greater coherence of efforts by the Afghan government and international community to implement the Compact and provide regular and timely public reports on its execution" (JCMB, 2006:1). The Board is the chief co-ordination mechanism between the international community and the government, and is made up of both high level government officials and representatives of the international community. It is co-chaired by the UN Special Representative to the Secretary General (SRSG) and the Senior Economic Advisor to the President. Below JCMB sit several thematic consultative groups, and a number of working groups, including one on Aid Effectiveness. All are made up of both government and development partner representatives.

Development partners have principally looked to United Nations Assistance Mission in Afghanistan (UNAMA) to lead development partner efforts to improve development partner coordination and implementation of the Paris Declaration principles. However, both JCMB and UNAMA have been criticised for being under-resourced, and unable to meet the challenges of monitoring and improving aid effectiveness. The International Crisis Group has argued that JCMB is unwieldy and has become a "travelling jamboree" (Waldman, 2008:17). Recent efforts to improve development partner coordination by installing a joint UN, EC and NATO high level coordinator (with Paddy Ashdown as the mooted candidate) were rejected by the organisations involved (IDC, 2008). Efforts are ongoing to strengthen the mandate of the SRSG to give him a stronger development partner coordination role.

A.2.1 How relevant is the Paris Declaration in the Afghan context?

The Paris Declaration principles provide a useful framework for improving aid effectiveness in Afghanistan. The establishment of a nationally owned development strategy, which broadly corresponds with the vision of the international community, has provided a policy framework behind which development partners can align. In response, development partners are increasingly channelling development assistance through government systems, which has certainly contributed to the emergence of sustainable state institutions and improving government capacity.

However, the limitations on the reach and capacity of the state limit the extent to which it is possible to fully implement the Paris Declaration principles. For instance, pressures to align behind government institutions before they have the capacity to effectively manage fiduciary risk, can be interpreted as being consistent with the Paris Declaration principles. However, doing so is likely to only reinforce negative practices and have long-term detrimental impacts on the development of capable, accountable and legitimate institutions. In these cases, development partners and government should work together to establish tools and mechanisms that allow for the best balance to be struck between maximising the short-term positive impact of aid and building the long-term sustainability of state institutions.

The next section explores the ways in which the Paris Declaration has been implemented and the means by which development partners and government have attempted to address the challenges posed by the Afghan context.

A.3 Key aid effectiveness challenges

A.3.1 Ownership

The central Afghan authorities have been largely successful in establishing central government ownership and leadership of the reconstruction agenda. As far back as January 2002, the administration of Hamid Karzai (then chairman of the Interim Administration) laid out the framework for his leadership team's vision for a national development strategy based on the reestablishment of governance systems through six National Priority Programmes (NPP). In March 2004, GoA launched 'Securing Afghanistan's Future', outlining predicted fiscal and reform programmes over a twelve year period, with state-building as the principle objective. At the London Conference in 2006, the Karzai administration presented the I-ANDS and the Afghanistan Compact, a set of benchmarks designed to guide the relationship between GoA and the international community. The full ANDS has recently been completed and was released in June 2008. It will double as Afghanistan's PRSP, and will guide Afghanistan's development objectives to 2013. It will be complemented by a GoA led Aid Policy Paper, aimed at further strengthening Afghan ownership of the development agenda.

Box A.1 The Afghan National Development Framework

Vision 2020: Outlines Afghanistan's aims of achieving MDGs by 2020

Securing Afghanistan's Future: Lays groundwork for Afghan development strategy, based on building governance through six government administered NPPs

Afghanistan Compact: Lays out set of benchmarks for development partner and government cooperation for the five-year period up to the end of 2010

I-ANDS: Laid out interim development strategy, to allow for development of full ANDS

ANDS: Doubling as PRSP, devised following wide-spread consultation with key national, sub-national and international stakeholders, as well as with civil society, private sector, religious and tribal communities.

Afghan authorities acted fast to ensure that they had ownership over and were leading the development of the reconstruction agenda. For instance, as early as April 2002 the government had organised and chaired its own development partner conference in Kabul, in which they were able to position themselves as leaders and owners of the development agenda before becoming subsumed by it. They were also able to pass legislation that established principles and rules for development partner interventions, and allowed them to better manage development partner activity. For example, a set of principles and rules was laid out under which development partners were restricted to operating in a maximum of three sectors, unless they were willing to allocate a minimum of US\$30 million to each one. Other principles were aimed at ensuring that the national budget would become the principal instrument for policy-making. In some cases, where development partners did not abide by these principles, offers of aid were not accepted (Lockhart, 2007).

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¹² The OECD/DAC Paris Declaration monitoring survey states that "The Government has demonstrated considerable leadership in establishing its own development strategies in a difficult post-conflict situation, and in managing its relationships with development partners" (OECD/DAC, 2006).

The support of like-minded development partners also contributed to Afghan ownership of development policy. The World Bank, IMF, ADB, EC, DFID, Netherlands, Norway and several other development partners were quick to align their support behind government led strategies. UNAMA also provided strong backing to the Afghan led strategy despite the setting up of parallel structures by other UN agencies. The United States Agency for International Development (USAID) also provided support to the Afghan led development strategy, even though their own procedures do not formally allow them to follow the processes laid out in the strategy.

However, despite these relative successes, there remain significant challenges to Afghan ownership of the development process. Sub-national ownership of the development strategy is poor, whilst problems with prioritisation may also hinder national ownership.

Ownership of the national development strategy (including the Afghanistan Compact, I-ANDS and ANDS) at the sub-national and community levels is poor (e.g. Waldman (2008) and Nixon (2007)). The highly centralised structure of Afghan government has resulted in the concentration of aid in Kabul. The relative under development of sub-national governance structures and lack of effective state institutions in many rural areas means that there has been a lack of effective dialogue between the centre and the rural, provincial areas concerning development priorities. This problem has been confounded by insecurity and the continued struggle to establish state legitimacy in many parts of the country.

The inability to prioritise effectively between sectors and ministries in the government's development strategy papers has led to poor implementation of interventions in key target areas. This may be in part due to the delicate balance of power between the centre and the provinces, as well as between different interest groups within the ministries and sectors. The need for central government to balance these competing interests may be undermining its ability to prioritise between competing claims.

A.3.2 Alignment

A number of major development partners have fully aligned their priorities behind those of the government, whilst others have developed mechanisms to improve channels of communication. For example, the EC's country strategy document of 2003 stated that it did not need to prepare its own strategy, as it endorsed GoA's own strategy (Lockhart, 2007; EC, 2003). The IMF has established a Staff Monitoring Program, which facilitates dialogue between IMF and staff in key government agencies.

An increasing number of development partners are now channelling more of their funds directly through government systems. Doing so not only ensures that aid money is fully aligned behind Afghan priorities, but seems to have a greater impact per dollar spent when compared to funding provided directly via NGOs or international companies.¹³

The principal mechanism employed by development partners to channel aid money through government systems is the ARTF. ARTF is a Multi-Donor Trust Fund administered by the World Bank, originally designed to support the state's ability to pay for the recurrent costs of government, as well as to support implementation of the government's NPPs. ARTF operates on a reimbursable costs basis, allowing for development partners to channel money through government systems whilst still satisfying development partner countries' fiduciary risk laws and regulations.

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¹³ This refers to the effectiveness per dollar spent, however problems with budget execution mean that a smaller proportion of money is actually spent when directed through core budget compared to through the external budget. The inefficiency of money channelled off budget is largely due to several layers of contracting and sub-contracting employed by international firms, as well as expatriate salaries and expenses (Peace Dividend Trust, 2007).

However, despite the apparent benefits of channelling funds through government systems, and development partner commitments increasingly to do so, only a small proportion of total donor funding is actually channelled in this way. In 2007, of a total of US\$4.3 billion in development and reconstruction aid to Afghanistan, only US\$500 million was paid through ARTF, whilst US\$2.4 billion was provided off budget. Furthermore, as Action Aid have commented, "Not all donors are reporting their contributions to the Ministry of Finance, thus making it difficult to know the exact amount of money coming into the country" (quoted in IDC (2008: 24)).

There are several reasons why development partners are reluctant to increase funding through government systems. Many lack confidence in the ability of Afghan government institutions, especially PFM systems to effectively control corruption and manage fiduciary risk, whilst complicated procurement procedures and a lack of absorptive capacity have also been cited as reasons for channelling funds outside of the budget. Some donors, such as USA and Japan, are restricted from making use of channels such as ARTF due to domestic regulations (Lockhart, 2008).

Box A.2 Alignment in the context of weak government capacity

In response to development partner concerns, some government ministries have employed hybrid methods of procurement, allowing them to satisfy donor countries' laws and regulations concerning fiduciary oversight and procurement. The Ministry of Education, for example, used their own procurement, approval and distribution systems for the printing of US\$6 million worth of text books. The money was held by an international NGO, and only released once the ministry had approved the textbooks. This allowed for capacity development within the government, and full ownership over the resources and process, whilst also fulfilling the international fiduciary oversight required by the donor.

Source: OECD/DAC (2006)

Efforts have also been made to better align aid behind provincial and local priorities. Provincial Development Plans (PDP) have been devised, as part of the ANDS process, with the aim of improving the alignment of development activities to provincial level priorities. Whilst provincial government capacity is currently weak, and PDPs suffer from a lack of prioritisation and sequencing, they do mark the first time that government has attempted to develop provincial level development strategies.

The National Solidarity programme (NSP) is an example of development partners and government aligning behind priorities identified at a local level. NSP is a government run NPP. It aims to give local communities greater voice in identifying their own needs. Through an elected Community Development Council (CDC), local people identify priority needs, and apply to government for a grant. Whilst implementation is generally carried out by NGOs, the programme aims to contribute to building state financial management as it is funded through the budget, whilst also strengthening the social contract between citizens and state, by providing assistance direct to communities where the state would not otherwise have the capacity to deliver. However, as discussed in Box A.4 below, implementation problems can undermine the prospects for achieving these objectives.

A.3.3 Harmonisation

Efforts to improve harmonisation between development partners in Afghanistan have had mixed results. Funding mechanisms such as the ARTF and government initiatives such as NPP have provided development partners with the opportunity to pool resources and procedures. However, divergent development partner interests and competing priorities have undermined attempts at improved harmonisation.

Pooled donor funding into the ARTF has improved harmonisation of aid. The unified structure of the fund has several benefits in terms of harmonisation for both development partners and government. For development partners, having a single fund into which to pay simplifies procedures, whilst international fiduciary standards are satisfied by the monitoring and audit procedures. For the government, having only one actor with which to interact has made gaining access to funds for the recurrent budget exceptionally efficient. This is especially so, given that the alternative would have been donor-by-donor funding. Furthermore, by working through government systems, ARTF has significantly contributed to capacity building and helped improve the quality, transparency and legitimacy of the government's PFM (Scanteam, 2007).

NPPs have provided an opportunity for development partners to harmonise procedures behind government run programmes. NPPs are government administered programmes, designed to extend the legitimacy and reach of the state, and address key drivers on instability in several priority areas. Recent NPPs have been designed by Joint Planning Teams, that include representatives from each of the lead and support ministries, major development partners, UNAMA and World Bank (ANDS, 2008). NPPs are funded both through the investment window of ARTF, and through direct development partner contributions.

Efforts to promote harmonisation of aid have been undermined by competition over resources between UN agencies and the government. UN led appeals for development partner funds have attracted funding away from government aligned programmes, and stimulated the growth of parallel implementation structures and projectised aid. These projects have been accused of undermining the development of effective state institutions by attracting local staff away from crucial government jobs, to menial roles with international pay-scales. ¹⁴ The ISE argues that "The projectised nature of the whole approach makes a mockery of strategic coherence, and produces confusion and resentment on the ground" (Lockhart, 2008:23).

Although ARTF and NPPs have offered improved harmonisation in development interventions, donor government agencies continue to suffer from lack of internal coherence, and poor management of the synergies between development, diplomacy and security objectives. Lack of system coherence between military and development agencies for example, has resulted in increased transaction costs at the operational level.

Meanwhile, an over-reliance on military structures to deliver security, at the expense of development and state-building strategies, is considered to have resulted in misaligned development partner strategies. For instance, a study by NATO on the best means to achieve stability in Afghanistan reported that the development of credible institutions and public finance would contribute more to security than would the deployment of troops (Coombes and Hiller, 2005). However, military spending in Afghanistan currently outweighs development spending by a factor of at least 15:1 - ISE reports US\$15 billion annual spend on military engagement compared to an initial commitment made to development of under US\$1 billion (Lockhart, 2008)

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¹⁴ There are currently about 280,000 civil servants working in the government, with an average wage of \$50 per month. This compares with about 50,000 Afghan nationals working for NGOs, the UN and bilateral and multilateral agencies, where support staff earn up to \$1000 per month. (ISE, 2008:23).

Box A.3 Overview: The Afghanistan Reconstruction Trust Fund

ARTF is a World Bank administered MDTF, deigned to provide a mechanism for coordinated funding of reconstruction activities in line with agreed priorities of the government. The ARTF is designed to:

- Promote transparency and accountability of reconstruction assistance;
- Help reinforce the national budget as the vehicle for promoting alignment of the reconstruction program with national objectives;
- Reduce the burden on limited government capacity for the first few years of re-engagement, while promoting capacity building over time;
- Help fund the essential recurrent budgetary expenditures required for the government to function effectively; and
- Provide a convenient mechanism for donors to fund priority investments.

The ARTF is made up of three windows:

- The recurrent costs window, covers short falls in the core budget needed to pay the recurrent running costs of government, outside of the security sector;
- The investment window provides a mechanism to fund priority investments in GoA's NPP which have been set up in the fields of health, rural development and education; and
- The Law and Order Trust Fund of Afghanistan, (LOTFA), a sub-fund, administered by UNDP, covers the costs of security sector personnel. The World Bank, by its mandate cannot be directly involved in financing security sector organisations. Under special arrangements, UNDP takes on fiduciary responsibility for LOTFA.

Development partners can make preferenced or unpreferenced contributions to the Fund. However, the rules of the Fund require that it pay recurrent government costs first, before disbursing funds through the investment window (i.e. to NPPs). As government capacity to generate domestic revenue increases, a greater proportion of funding can be directed towards government NPPs.

To date 27 donors have provided US\$2.2 billion over six years. Funds are paid to the World Bank, where they are disbursed to GoA on a reimbursement basis. In order to monitor the eligibility of the expenditure claims, the Bank has contracted an external Monitoring Agent that monitors, supports and reports on these claims against a set of eligibility criteria and fiduciary standards. The Fund and Monitoring Agent are subjected to external audits by PriceWaterhouseCoopers.

A recent review of the ARTF concluded that 'by working through government systems, ARTF has contributed to capacity building and helped improve the quality, transparency and legitimacy of the government's PFM.'

Source: Scanteam (2007), ARTF website, IDC (2008)

A.3.4 Managing for results

Effectively managing for results in Afghanistan is particularly difficult due to the lack of reliable statistics and data. The baselines for a number of key development and poverty indicators are yet to be established, whilst systems for data gathering remain weak. However, there has been progress, for example in the rolling out of the ARTF Performance Assessment Matrix (PAM). PAM serves as a Results Framework for ARTF, which in turn provides a basis for dialogue between development partners and government on key policy issues. PAM fits into the government's wider aid effectiveness strategy by providing development partners with greater confidence in channelling money through core budget, and providing an evidence-based forum in which to address development partner concerns about using this channel (ARTF PAM progress and challenges, 2008).

A.3.5 Mutual accountability

Although the Afghanistan Compact lays out a set of commitments for both development partners and government, only government commitments are explicitly measurable, with set benchmarks and targets. Development partner accountability to the Afghan government therefore appears to be weak. With the exception of national parliamentary inquiries, any detailed monitoring and evaluation of development partner performance is usually confidential or little publicised. OECD/DAC monitoring of conformity with the Paris Declaration acts as a peer review of development partner behaviour, but this is usually subject to little or no independent scrutiny (Waldman, 2008).

GoA often has little information about development partner commitment and expenditure. In 2006, despite a request from JCMB, only seven development partners, representing 23% of total aid commitments, presented their expenditure reports to the Ministry of Finance within the requested timeframe (Ministry of Finance, 2007). However, GoA has introduced measures to improve development partner reporting of expenditure. A Development Assistance Database has been established that reportedly now records over 90% of the aid coming into the country, making development partners pledges and disbursements publicly available (ODI, 2006).

Afghanistan's high levels of aid dependency may also undermine efforts to foster the development of accountability of government institutions to the national population. Some commentators have argued that "when the money comes from outside the country, that is where the accountability goes" (in Nixon, 2007:5). High levels of aid dependence may also undermine incentives for the state to develop accountable, revenue generating institutions, since it is not dependent on the domestically generated revenue for its reproduction.

A.4 The Paris Declaration and state-building in Afghanistan¹⁵

State-building can be seen as the process of strengthening the legitimacy and accountability of state institutions, as well as improving their capability to fulfil the core functions of the state. Any successful long-term development strategy in Afghanistan must take state-building as a core theme.

The Paris Declaration principles are broadly consistent with state-building aims and objectives. Adherence to the Paris Declaration principles in Afghanistan has helped make the state more accountable and legitimate to its citizens in certain sectors, whilst also building its capacity to deliver some of the core functions of state.

Tools and mechanisms such as ARTF and NPPs have provided the government with the opportunity to engage with citizens for the first time in a number of sectors. This has resulted in significant improvements in the quality of life and access to services for many people, and in doing so has built the legitimacy of the state in the eyes of many previously disenfranchised groups. By using Afghan systems, the capacity of state institutions has been built (albeit from a very low base), and its reach extended. The fact that ARTF and NPPs are fully Afghan owned and managed makes them more accountable to Afghans than wholly development partner managed programmes would be.

The Afghan government has shown considerable leadership in directing development policy, and ownership is therefore strong at the national level. However, ownership at the sub-national level remains weak. Participation in development policy formulation has been almost exclusively limited to the elites in Kabul, with heavy international involvement. Wider participation has been largely limited to consultation in the form of meetings and workshops with little decision-making power. There are concerns that excessive consultation may in fact have undesirable consequences on state

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¹⁵ This section draws substantially on Nixon (2007).

legitimacy, since people do not only want to be asked what they want, they also want to see that their opinions have been incorporated visibly into decisions (Nixon, 2007).

Development partner attempts to align themselves fully behind Afghan priorities, and to operate through Afghan government systems may also have unintended negative consequences for state-building. Differences in capacity between government ministries mean that execution of the core programme budget varies widely between ministries. In SY1384 (corresponding roughly to April 2005 - April 2006) the Ministry for Reconstruction and Rural Development (MRRD) was able to spend 71% of its programme budget allocation, compared to 3% for Ministry of Commerce and 0% for the Ministry for Counter Narcotics (from Nixon, 2007). In light of growing popular discontent over lack of visible reconstruction and development, the inability of government to demonstrate results on the ground may be undermining state legitimacy, and adding to the view of the state as being corrupt and a vehicle for elite patronage. In certain areas, NGO provision of services has been withdrawn due to lack of funding as development partners have redirected aid to the state. Where the state has been unable to fill the gap, the legitimacy of the state has been further undermined, leading to resentment, local conflict and intensified fragility (personal correspondence).

Until recently, the strengthening of sub-national governance has largely been neglected. This has meant that development partners' efforts to direct funding through government systems has further centralised an already highly centralised government structure. Meanwhile, little core budget expenditure (other than civil servant salaries) is spent outside Kabul, ¹⁶ meaning that provincial and district level civil servants have few funds at their disposal. This has caused government support to drop among provincial civil servants and residents in rural areas. Furthermore, locally elected bodies such as Provincial Development Committees have little power over resources. Therefore, instead of promoting accountability, these bodies have only created unachievable expectations.

Effective implementation of Paris Declaration principles requires all stakeholders to be focused and coordinated behind a strategy that emphasises long-term state-building objectives. In Afghanistan, development partners and government have been distracted by the need to address short-term political imperatives, such as counter-narcotics, counter-terrorism and counter-insurgency efforts. Some of the means by which these imperatives have been addressed have had negative impacts on citizen-state relations. For example, discretionary payments to supportive Provincial Governors has impaired downward accountability, whilst employing local militias to deal with urgent threats to security may be undermining the development of a sustainable state security sector. Efforts to eradicate opium before sustainable alternative livelihoods have been developed, and in the absence of major visible improvements in quality of life, have fuelled discontent with central government.

There is a very real danger that "These practices feed perceptions that the government is a patronage machine more interested in accommodating illegitimate power-holders than in purging corruption and delivering services to the people. A security strategy that rests mainly on patronage and short term pay-offs will not only undermine government legitimacy, but also ultimately fail due to the wealth of illicit and external resources available to counter it" (Nixon, 2007, p 10).

SY - The Afghan Solar Year

¹⁶ Thirty percent in SY1383 (2004-2005) (World Bank, 2005).

Box A.4 Unmet expectations may undermine state-building objectives

The NSP is a nationwide community-driven development programme. It is run by the MRRD and funded by various bilateral and multilateral donors, primarily through the ARTF. NSP is supported by a number of NGO partners that facilitate the election of CDCs and help these councils identify community development projects.

The projects are funded by block grants delivered in three instalments. In 2005-06, problems appeared in the disbursement of block grants. Up to half of them experienced delays of up to a year, especially in the second instalment comprising 40% of the grant. As communities waited for the funds to be disbursed, some saw partially built projects degrade, and their frustration and suspicion increased. Some accused the partner NGOs of stealing the money and others became frustrated with the MRRD or the foreign donors overseeing the NSP. Previous negative experiences with development organisations were frequently alluded to, as faith in government provision of services and international assistance was undermined.

A combination of factors contributed to these delays in grant disbursement. The donors to the ARTF were slow in converting their pledges into cash, and Ministry of Finance procedures slowed money transfers to programmes. A lack of information about NSP cash flow needs made it hard for donors to plan their cash deposits. Most importantly, although donors can express a preference for their ARTF funds to go to NSP, the rules of the Fund require that it pay recurrent government costs first. Thus, money intended for NSP was taken out to cover gaps in recurrent expenses, and could not be replaced by money earmarked for other projects. Due to cash shortages, the second grant instalments to some CDCs were delayed in order to keep NSP moving into new communities. The result was a chain of frustration and discontent that affects government, donors, NGOs and communities.

Source: Adapted from Nixon (2007

A.4.1 Conclusion

Implementation of the Paris Declaration in Afghanistan has had notable successes. In particular, ownership of the development agenda at central level has been strong, development partners have increasingly aligned their policies behind Afghan priorities and structures, whilst process and mechanisms have been developed that allow for greater harmonisation. Furthermore, there appears to be increasing levels of political will to further implement the Paris Declaration amongst development partners and government.

However, the nature of successful implementation is necessarily modest, given the profound challenges of operating in such a fragile context. The weakness of Afghan state outside Kabul, contested nature of state legitimacy, on going insurgency and insecurity and the limited capacity of the state are all major constraining factors. Furthermore, the competing long and short-term priorities of development partners and government, such as addressing "global bads" of opium and terrorism vs. longer-term state-building objectives, have undermined attempts to present a unified approach to improving aid effectiveness.

Attempts to improve aid effectiveness in line with Paris Declaration principles have helped further the process of state-building by strengthening the capacity of the state, aiding the spread of government legitimacy and raising levels of accountability. However, the gains are modest in comparison to the challenges ahead. Furthermore, there is evidence to suggest that good intentions to implement the Paris Declaration principles may have inadvertently undermined state-building strategies, and may be fuelling continued fragility. This points to the need for development partners and government to follow a balanced and graded approach to Paris Declaration principles, based on a nuanced understanding of the context, specifically in regards to Afghan dimensions of fragility.

Annex B Burundi case study

B.1 Dimensions of fragility

Burundi has seen an overall improvement in the levels of peace and political stability over the past eight years but the risk of conflict or further governance deterioration remains high. Elections in 2005, the first since 1993, established a democratically legitimate government. This progress is however juxtaposed with the recent return to violence of the Forces Nationales de Libération (FNL) armed faction, tensions between political parties, and a post colonial history scattered with episodes of violent conflict and failed peace processes.

Since independence in 1962, successive periods of violence have increased ethnic and regional divisions, while deepening already extreme poverty. 17 The international community's response to these periods has been mixed, with violent incidents before 1990 being largely ignored. Violence during the 1990s, however, brought more concerted efforts by the international community to achieve peace. These efforts can be divided into four periods 1994-6, 1996-9, 1999-2001 and post 2001. The first three of these periods had distinct limitations including but not confined to; a lack of commitment from the international community to provide diplomatic and military resources (1994-6), the multiplicity of regional sponsors of talks, a lack of mutual trust between the main facilitator and the warring parties (1996-9), and the failure of the agreements to fully stipulate the mechanisms of transition (1999-2001). It was thus not until 2001 that a functioning peace deal was eventually reached in the form of the Arusha Agreement, and the process of establishing peace remains ongoing. Continued arbitration was required to develop the leadership structure for the processes agreed in Arusha, and efforts have continued to bring non-signatories into the international peace process. In 2003 the National Council for the Defence of Democracy-Forces for the Defence of Democracy (CNDD-FDD), a major rebel group, signed the Pretoria Protocol bringing an end to their hostilities. They are now the majority party in government. The FNL-Palipehutu remains active having both joined and left the peace process in 2007 (UN, 2008:i)

The Arusha Agreement recognizes that the most recent period of violent conflict was "fundamentally political, with extremely important ethnic dimensions; ..stem[ming].. from a struggle by the political class to accede to and/or remain in power" (Preamble, Protocol 1 quoted in Brachet and Wolpe, 2005:4). Indeed it is acknowledged that the ethnic basis of the conflict is the result of elite manipulation of socio-ethnic identities which have been exacerbated by: differential social opportunities, a history of violence and impunity, poor economic performance, inequality, environmental stress, failed governance and institutions, and the spill over effects of regional conflict among Burundi's neighbours (Brachet and Wolpe, 2005). These factors remain present in the country today and it is the capacity of the Burundian government and their development partners to address them that will be crucial to sustaining peace.

The track record of these parties to date has been mixed. A democratically elected government exists but has been repeatedly paralysed by disputes between parties within the government (UNSG, 2007;2008). This has resulted in a lack of progress in passing new legislation and has the potential to spiral into renewed violence. Opposition party members and members of the government have been arrested under charges of corruption, threatening state security and slandering the Head of State, although many others alleged to have committed similar crimes remain in office (UNSG, 2007 and 2008; ICG, 2006). This situation has recently degraded further and a number of parliamentarians have expressed concern about what they perceive to be credible threats to their lives from militias allegedly established by the national security services (UNSG, 2008). Subsequent to these claims in

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¹⁷ This paragraph is based on Brachet and Wolpe (2005).

May 2008 the houses of four parliamentarians were attacked with grenades. The culprits for this attack are yet to be identified (UNDP, 2008).

The single remaining faction outside the peace process, the FNL, continues a campaign of violence. The government's response to which has been heavy-handed and inflammatory, torturing and killing many suspected combatants and civilians accused of colluding with the force (ICG, 2006). This ongoing conflict has caused associated increases in insecurity, through low level banditry, as well as increases in 'targeted killings' which have been attributed to both the FNL and the intelligence services (UNSG, 2007 and 2008; OSAC, 2008).

The Strategic Framework for Peacebuilding (SFPB) in Burundi represents the desire of both the government and the international community to address these ongoing security and development concerns. The SFPB was developed through coordination between the Peace Building Commission (PBC) and the government. It contains many aspects of the country's PRSP (Cadre Stategic de Croissance et de Lutte Contre la Pauverte (CSLP)), and importantly links political, security and development issues.

A reshuffle of the government in 2007 increased the level of political inclusiveness with cabinet members being appointed from previously excluded parties (IRIN, 2007). This built on an already ethnic and gender diverse government which the constitution dictates be made up of 60% Hutu and 40% Tutsi, while 30% must be women (CIAO, 2008). The army and police have similar regulations around their ethnic make up with no one ethnic group being allowed to make up more than fifty percent of the force (OSAC, 2008). Efforts have also been made to develop sound economic management. The IMF recently praised the government's efforts to conduct fiscal reform despite slow progress (IMF, 2008), which has been due to internal and external challenges, including a poor coffee harvest, and political instability.

Burundi has thus made progress since the turn of the millennium but this progress remains vulnerable. Political deadlock and increasing levels of violence between government and FNL factions presents a challenge to continued stability both nationally and regionally. In rural areas, high levels of poverty have also increased the tensions associated with the return of large numbers of refugees and ex-combatants who are now competing with existing residents for limited resources (Delrue, 2006).

B.2 Implementation of the Paris Declaration

Development assistance to Burundi has increased considerably over the past ten years. The signing of the Arusha peace accord and progress towards the establishment of a democratically elected government gave development partners the confidence to increase Official Development Assistance (ODA) from US\$100 million in 1996 (PSBO, 2007) to US\$415 million in 2006, of which the International Development Association (IDA), EC, UK, USA, and IMF were the five largest contributors (OECD, 2007). At the roundtable discussion in May 2007 development partners agreed a further US\$681 million of aid to Burundi, some US\$15 million in excess of the government's request (CNCA, 2008).

The Government of Burundi (GoB) is a signatory of the Paris Declaration. The CSLP has also stated the intention to implement the Paris Declaration principles. The government is however wary of "foreign interference" in domestic affairs (ICG, 2006). In 2005 it rejected the creation of a Partner

¹⁸ It is interesting to note that IDA almost doubled its contribution in 2006 from US\$43million to US\$80million. Japan also increased its contributions from below US\$1million to US\$15million (OECD/DAC, 2007).

¹⁹ While these increases are substantial it is interesting to note that Rwanda received US\$585 million in 2006 and the DRC received US\$2056 million (OECD/DAC, 2008).

Forum to coordinate aid fearing it would be too intrusive (ICG, 2006). Instead the Comité National de Coordination des Aides (CNCA) was set up to coordinate the Ministry of Planning for development and reconstruction, the Ministry of Finance, the Ministry of Foreign Relations and International Planning and the Ministry of the Interior and Internal Security all of whom are at some level responsible for interacting with development partners, and many of which have overlapping mandates on relation to the management and planning of aid (DRI, 2007). Chaired by Burundi's Second Vice-president, the CNCA was intended to create a forum through which development partner co-ordination could occur (GoB, 2008). Despite some initial progress the committee has not met with development partners for some months and is now seen more as an internal government body. ²¹

The Groupe de Coordination des Parténaires (GCP) was proposed in 2007 to monitor the implementation of both the SFPB and the CSLP by working at three levels: (i) a sector specific technical level; (ii) a strategic coordination level that will have separate groups for reviewing the SFPB and the CSLP; and (iii) a high-level political body that will provide oversight and liaise with the PBC at UN headquarters (PBC, 2007). The CSLP and SFPB both have monitoring frameworks that are as yet untested. In the case of the SFPB, this is the Monitoring and Tracking Mechanism which was developed by the government and PBC and is the first of its kind (UN, 2007). The GCP when operational will thus act as a central coordination mechanism for both peace building and development objectives for development partners and the government.

Development partners have also made efforts to follow the Paris Declaration principles. They have taken measures to harmonise and align their assistance within areas of common consensus and overlap, for example health and education. Tools such as sector and thematic working groups and trust funds have facilitated these efforts allowing for government led initiatives to be supported more efficiently. The recent proliferation of such structures combined with the mixed nature of their leadership (including development partners, government and CSOs) has however confused harmonisation on a national scale. Thus while they facilitate work within a specific area they are not enhancing the overall efficiency of aid to Burundi to the extent that more centralised budget and programme support might. However, corruption and a lack of government institutional capacity have made development partners wary of major increases in direct budget support.

B.3 Key aid effectiveness challenges

B.3.1 Ownership

Ownership of development goals in Burundi is constrained by three main factors: (i) limited individual and institutional capacity; (ii) the complex political situation; and (iii) the need to deliver some immediate dividends to peace. These three factors make full national ownership of the development process a highly challenging goal. They are also fundamentally linked to the dimensions of fragility within the country, which require processes of institution building and service delivery to be very carefully managed in both the long and short term. The example of the CSLP process will be looked at to exemplify these challenges.

The CSLP (PRSP)

Burundi has a well articulated series of development plans and has achieved a rank of "A" for ownership in the World Bank's latest assessment of the Comprehensive Development Framework (CDF). The development of the CSLP represents a key step in achieving this by developing country ownership of development objectives and presenting a strategy to address aspects of fragility (see Box

²⁰ Personal communication.

²¹ Personal communication.

B.1). Elaboration of the CSLP revolved around nationwide consultations which involved over 14,600 people, over half of whom were women. Development partners provided considerable support to this process and were largely responsible for its initiation (World Bank 2006). The elaboration of country-specific goals identified by the government and the people, and agreed by the international community provides the government with a stronger position from which to enter negotiations with development partners, and a framework within which all partners can work.

The government, with support from the PBC, and in consultation with development partners, the private sector and civil society has also linked development objectives with those of politics and security through the SFPB in Burundi (SFPB, 2007). This combines CSLP objectives with wider political and security objectives within the peace process. The SFPB was elaborated by the government with assistance from the PBC with the government as lead.²² This indicates the government's desire to assert its leadership of the development process.

Both the process and the results are, however, not with out challenges. Widespread consultation is likely to have raised expectations, and without a substantial government response at community level the process could be seen as irrelevant or insincere. This is a danger in Burundi. With a weak economy and low capacity institutions, ²³ the government is unlikely to reach the CSLP targets (World Bank, 2006). The document has also not been translated in Kirundi and its dissemination has been limited to the internet and some official forums, making it inaccessible to most Burundians and diminishing the initially positive impact of the consultation process.

The government has shown that it is aware of the risks of non delivery. The President announced in 2005 that there would be free primary education and in 2006 that there would be free health care for under-fives and women in childbirth. Both initiatives have been supported by development partners. The challenge for the government is now to continue such commitments and to build them into sustainable national strategies. This process is severely hampered by the continued political conflict that occurs within the government reducing their capacity to plan, and causing political energy to be absorbed by factional issues opposed to central development objectives. The multiple ministries, frameworks and strategies developed including the CSLP, the SFPB and PAP are one indication of this.

Had effective planning been in place upon the initiation of the CSLP elements of the SFPB could easily have been included within the CSLP negating the need for two documents. The PAP could then have been drawn from this one document making it more relevant and direct. Similarly, if the government were able to take effective steps towards modifying the constitution and the countries legal frameworks a more streamlined and effective division of responsibilities between ministries would be possible (DRI, 2007).

²² Personal communication.

²³ The number of skilled and experience personnel available to work within Burundi's political administration has been decimated by the conflict with many individuals either being victims of the violence or fleeing to other countries. Consequently, the administration within the country is severely lacking in skills and experience, which reduces its capacity immensely (Mutalemwa and Mbilinyi, 2007).

Box B.1 How the PRSP can contribute to the consolidation of peace

The PRSP **consultation process** can help consolidate peace by:

- Institutionalizing the participation of marginalized groups (ethnic minorities, the poor, the displaced, women, youth, neglected regions) including by use of targets and quorums;
- Giving these marginalized groups the means and space to express their priorities, e.g., through the provision of training on advocacy and leadership skills, or through the use of focus groups drawn from marginalized populations;
- Addressing critical questions relevant to peace consolidation, such as (i) the differential positions of key groups (defined by ethnicity or region) with respect to access to social services, to jobs in the public and private sectors, to access to capital; and (ii) the extent to which community-based development is inclusive and local authorities are accountable; and
- Linking with other conflict-sensitive processes (e.g. community-based reconciliation programmes, the DRR programmes, sector-specific and group-specific initiatives targeting such groups as the displaced and excombatants), and explicitly identifying synergies and complementarities that can contribute to the consolidation of peace.

The **content** of the PRSP can help consolidate peace by:

- Recognizing the factors of conflict (root and triggering causes, including ethnic disparities) and identifying the relationships between peace and development;
- Addressing some of the root causes of the conflict through: (i) programmes to reduce destabilizing structural
 imbalances; (ii) inclusive decision-making processes; (iii) conflict resolution mechanisms and training initiatives
 directed at advancing inter-group reconciliation and collaboration, both locally and nationally; and (iv) economic
 strategies that are directed at inclusive growth;
- Tackling some of the triggering causes for conflict through initiatives targeting disenfranchised urban youth and ex-combatants; and
- Developing indicators and collecting statistics that will permit measurement of the extent to which development is proceeding in an equitable, inclusive fashion considered from the standpoint of ethnicity, region and gender.

Source: Brachet and Wolpe (2005)

The relationship between the government's stated aims and its actions can also be questioned (Nzosaba, 2008). In contrast to a stated desire to follow the CSLP, the government has been criticised for developing an increasingly authoritarian style of governance. Indeed the apparently arbitrary arrest of opposition politicians (ICG, 2006) does not fit well with the CSLP stated aim of strengthening the democratic culture (CSLP, 2006). The government's capacity to achieve ownership is also limited in terms of physical implementation and limited resources. The CNCA, while representing a positive of ownership has so far largely failed to develop the practical mechanisms at the level of implementation.²⁴ The government's heavy reliance on development assistance to function – and indeed maintain itself in power – also causes the power balance between the government and development partners to be extremely uneven, reducing the potential for real government ownership of development outcomes.

²⁴ Personal communication.

Box B.2 The UN peace-building architecture

- 1. The PBC: A 31 Member State subsidiary advisory body of both the General Assembly and Security Council;
- 2. The Peacebuilding Fund (PBF): A multi-year standing trust fund for post-conflict peacebuilding; and
- 3. The **Peacebuilding Support Office** (PBSO): Part of the UN Secretariat that supports the PBC, manages the PBF, and coordinates UN system peacebuilding efforts.

The PBC is an intergovernmental body mandated to:

- Propose integrated strategies for post-conflict peacebuilding and recovery;
- Marshal resources to help ensure predictable financing for early recovery activities and sustained financial investment over the medium to long-term;
- Extend the period of attention provided by the international community to post-conflict peacebuilding and recovery;
- Develop best practices on issues that require extensive collaboration among political, security, humanitarian and development actors.

Source: UN (2008)

B.3.2 Alignment

Processes of alignment within Burundi are progressing, but remain constrained by a mixture of technical and political factors. The three main constraints are:

- Financial management structures remain weak and corruption is rife (UNSG, 2007 and 2008)
 making development partners unwilling to provide extensive support directly through
 government.
- Government institutional capacity remains weak and thus they are unable to effectively spend the money that is provided to them.
- Political instability continues to undermine development partner confidence and decreases the capacity of the government to develop effective long-term strategies.

Financial management structures within Burundi have improved considerably over the past five years but remain weak in some respects. In 2005, the government adopted a unified functional and economic classification of budgetary expenditure, as well as a double entry accounting system to enable the tracking of poverty related resources allocated by activity and region (World Bank, 2006). In 2008, a process to improve procurement was also launched to address an area that had been subject to considerable criticism with multiple examples of corruption and patronage. The sale of the Presidential Aeroplane in 2006 for US\$2 million below the highest bid is one such example that has served to reduce development partner confidence in government financial management (ICG, 2006). This event also caused a delay to the provision of US\$191 million of budgetary support that had been pledged at the May 2007 round table (PBSO, 2007) causing difficulties for government financial planning.

²⁵ See OECD/DAC (2008:i) for information on the new mechanisms of procurement and ICG (2008) for further information on the accusations of patronage and corruption.

²⁶ The EU Burundi Rehabilitation Programme also suffered extensively from corrupt tendering processes with the EU asking for a full investigation into the programme (Relief Web, 2006)

The high turnover of government officials for political and legal reasons has also undermined developments towards alignment. The partnership framework, reinitiated in 2006 and designed to assist moves towards budget support has been particularly affected by two changes in Finance Minister during the partnership's two years of existence (France Diplomatie, 2008). These factors have also been exacerbated by the continuing factional nature of politics. This situation makes development partners providing direct budget support susceptible to inadvertently supporting divisive political agendas and networks of patronage. The process of increasing transparency and accountability are thus ongoing and with some success as the country has progressed from 2.5 to 3.0 on the World Bank's CPIA (1 is poor and 6 is excellent); and closer to the average of 3.2 (OECD/DAC, 2006).

Institutionally the government created the CNCA and later the GCP (after requests at the development partner round table in 2007 (IRIN, 2007)) to coordinate development partner alignment (CSLP, 2006; PBSO, 2007). The CNCA has failed to developed effective coordination between Ministries and development partners with both parties having to engage separately with each other.²⁷ It is hoped the GCP will be able to rectify this situation and present a more coherent and comprehensive coordination mechanism. For this to happen it is essential that the government recognised that coordination and harmonisation are beneficial to Burundi as well as the international community (DRI, 2007). The GCP's capacity to achieve coordination will also be restricted by the overlapping remits and lack of capacity within many of the ministries involved. The Ministry of Planning for instance is responsible for investment and aid management but was seen to have no capacity to do either whereas the Ministry of Finance, where aid management issues are normally located, and is better prepared for such functions has no authority to manage it (Mutalemwa and Mbilinyi, 2007).

The provision of long term development support to Burundi is also hindered by the current aid architecture. The long period of instability has caused many development partners to engage with the country via predominately short term project and humanitarian structures (Mutalemwa and Mbilinyi, 2007). Development partners must thus adjust their support to more long term programme based developmental goals, while maintaining or increasing its value, in order to stay effectively engaged. This process has the potential to increase the capacity of government as well as beginning to address some of the longer term challenges of working within a post conflict situation (Delrue, 2006). This transition should however be reversible as continuing political instability may require a reversion to rapid humanitarian/emergency assistance within a short time frame.

B.3.3 Harmonisation

Harmonisation within Burundi presents a mixed picture. Development partners are conducting a high number of situation analyses jointly, yet levels of coordination with regard to missions and programme assistance remains limited.

Communication between development partners might be expected to be eased by their relatively low numbers and small in-country staff teams, although this has done little to facilitate effective harmonisation strategies. The small scale of many development partner operations has also meant there has been little overlap in operations, so reducing the perceived need for coordination. Physically development partner communication is aided by offices that are located within close proximity, or within the same building, and there is now evidence of some staff being recruited, employed and housed jointly by different agencies.²⁸

²⁷ Personal communication.

²⁸ Personal communication.

The two major multilateral organisations play a role in facilitating harmonisation and coordination between development partners although their effectiveness is contested. The EC organises monthly general information meetings for European external partners, which provide a forum for discussion and information sharing but are not focused on enforcing coordination (World Bank, 2006). The UN Integrated Office in Burundi (BINUB) is also mandated to coordinate development partners and UN organisations (BINUB, 2008). It has undertaken joint initiatives with the government and leads a joint planning committee for the humanitarian sector (NRC, 2008). It has not however, targeted harmonisation as a specific issue and the topic is absent from the Secretary General's reports on the office (UNSG, 2007 and 2008).

The PBC has worked to facilitate coordination by putting pressure on both development partners and the government to honour commitments (PBSO, 2007). The PBC's position in this is not without conflict, as it maintains its own fund - the Peacebuilding Fund - that is also reliant on development partners and is responsible for distributing funds. The PBC's location in New York also makes it ineffective at dealing with localised issues as well as removing it from many of the complexities of in country implementation.

Development partners are thus yet to develop an effective central system for coordination. The partners forum that was refused by the government in 2005 was retried in 2006. Despite efforts to improve strategies for budget support it has remained dysfunctional (DRI, 2007). Work is thus primarily conducted with the government on an individual basis, or through thematic groups that plan and coordinate sectoral activities (NRC, 2008). UNICEF for example is cluster leader for education, water and the environment. These structures are then replicated at local levels in collaboration with local actors (UNICEF, 2008).

A range of aid instruments have been used to facilitate coordination within Burundi. MDTFs, including the Education Sectors Common Pot and the MDRP Trust Fund,²⁹ provide examples of ways that development partners have streamlined their financing and objectives.

The health sector has seen considerable developments in both policy development and service delivery (World Bank, 2006). The process of defining a coherent sector programme was initiated in 2004 by the government. Initial progress was slow. However a sector coordination group (CPSD) that included both development partners and the government supported the development of The National Health Policy (2005–2010) and National Plan for Health Sector Development (PNDS) (WHO, 2007). The sector working group is led by the Ministry of Health. It has met monthly, and has technical committees, which are responsible for implementation as well as reporting back to the group. In 2007, the government also signed an agreement to become part of the International Health Partnership. The partnership is an approach behind which development partners and national governments within the health sectors of seven countries can harmonise their actions within a sector with multiple vertical funding streams (DFID, 2008).

The education sector within Burundi has also seen substantial success and has a MDTF, which supports initiatives agreed through the sector working group. This is the first of its kind in Burundi and there are hopes that inter-ministerial advocacy will be conducted to encourage other sectors to adopt the same approach.³⁰ A set of national guidelines on such processes would also facilitate the spread of SWAp's not only aiding implementation but preventing a confusing set of unique systems and processes from being established within each sector or ministry.

²⁹ For more information on this see the DRC case study.

³⁰ Personal communication.

Other sectors that are more politically contentious have had less success in developing consistent approaches and in harmonising and aligning their work with development partners. BINUB's efforts to create a sector wide plan for security sector reform were rejected by the government (UNDP, 2007). Instead the government has pursued parallel reforms through subsector plans for the National Defence Forces and the Burundi National Police. The Ministry of Justice also faces difficulties within this area despite having adopted a sectoral reform plan. Here the process is hindered by a lack of well-trained personnel, and political interference, progress consequently remains extremely slow.

The nature of harmonisation within Burundi is closely related to its context. The small number of development partners has facilitated coordination and maintenance of informal structures that are highly responsive to the changing context. Formal coordination along sectoral lines has proved successful within at least two sectors, with development partners able to help develop and subsequently align closely with clearly defined government objectives. Such programming reduces the risk that is posed by open budget support, and leaves development assistance less vulnerable to politicisation and corruption. The process however has a long way to go, and development partners have done little to fully harmonise their engagement. The current system of fragmented (often project based) working puts additional pressure on the government's resources as well as creating fragmented approaches to security and development objectives.

B.3.4 Managing for results

Burundi has begun to link the management of its ODA with a commitment to achieving effective monitoring of development outcomes. The country has developed nationally owned management tools for both the CSLP and the SFPB (PBSO, 2007), although these are poorly harmonised and aligned with each other. A central coordination body in the form of the GCP is responsible for ensuring that effective management occurs and that results are being achieved. The group has only recently become operational and thus it is too early to assess its effectiveness (PBSO, 2007).

An Aid Management Platform is also being set up within Burundi to help track and manage aid flows (PBSO, 2007). The system will provide a virtual workspace where aid information is gathered and shared and can be analysed by development partner, sector, status region, timing and other attributes.

These systems are still severely limited by the availability of data as well as the capacity of organisations to fully implement a process of monitoring (World Bank, 2006). As such the country still receives a rating "D" (weak) for managing for results within the World Bank's latest CDF.

B.3.5 Mutual accountability

Through the development of the GCP and monitoring frameworks for both CSLP and SFPB, progress has been made towards developing mutual accountability. No formal mechanism however exists to ensure that development partners meet their commitments or that this money is then appropriately spent. This function is currently provided to some degree by the PBC which is able to put pressure on development partners, something that the government is not well placed to do due to its high dependence on development assistance to function (PBSO, 2007). Although as mentioned above the PBC's role within this is not uncontested, and its location in New York makes it less responsive to situations on the ground. The GCP is also yet to be implemented and the overlaps between the CSLP and SFPB monitoring frameworks make the process cumbersome and far from effective, reducing levels of development partner accountability.

With regard to expanding accountability downwards serious limitations still exist both in terms of citizens' awareness of the development objectives and the potential impact that improved awareness could have. Proactive attempts to develop downward accountability, while crucial in the long term, may be counter productive in the short term due to the potential to fuel conflict. The emergence of forums such as the Observatorie de l'Action Gouvernementale (OAG), however, marks a positive point in the development of civil societies ability to challenge the government (OAG, 2008).

B.4 The Paris Declaration and state-building in Burundi

Burundi has made considerable progress towards consolidating peace since the beginning of the century. The process however is far from complete and high levels of tension remain within both the political arena and at community level. The recent deterioration in political and security conditions, high levels of corruption combined with extreme rural poverty and the return of refugees and excombatants make Burundi highly vulnerable to a return to widespread violent conflict.

This context presents a complex challenge for government and development partners alike. The newly elected government is keen to increase its power relative to the international community but is paralysed by both a lack of institutional capacity and continuing political and physical conflict, which reduces its efficiency. Similarly, development partners while wishing to support the processes of state-building are made wary by high levels of corruption as well as the low capacity of the government to effectively plan and implement new policies.

Both sets of actors have thus far shown a lack of desire to fully commit to major policies or practices that would be in line with either Paris Declaration principles or those of state-building. The parties have instead allowed themselves to be restricted by a number of tensions that are inherent in the application of PD principles within post conflict states. These include but are not limited to:

- The tension between developing ownership and capacity and delivering tangible and immediate development results.
- The tension between effective alignment and the ensuring that development assistance is not used to fund divisive political agendas or patronage and is able to deliver immediate developmental results.

This does not make the Paris Declaration principles redundant. The principles present an aspirational set of goals for both government and development partners, which if adhered to within the limits of the context could have a positive effect on state-building processes. The example of pooled funding within the education sector illustrates the benefits of following the principles by making assistance more streamlined and effective. Were the government to be able to take this further and develop national guidelines for SWAps it would not only facilitate ownership but state-building through improved efficiency within service delivery and a more streamlined structure. It also remains with the government to ensure a more coherent set of legislation on aid management between ministries something that would be important to any new national guidelines.

The development of the CSLP and SFPB has also had similar positive effects. While the process of formulating these frameworks was development partner led, high levels of government involvement have provided ownership and the resulting frameworks have increased government power at the negotiating table, and facilitating the process of aid allocation.

The Paris Declaration principles have thus had positive impacts on state-building within Burundi within certain areas in which they have been followed. Development partners however remain caught in a complex position. The continuation of a fragmented approach has provided little support to state-building processes and has failed to present a coherent voice to an increasingly factionalised

government. Increased harmonisation conversely could be perceived to present a challenge to government sovereignty, something over which the government has already expressed concern. Development partners should further analyse ways in which harmonisation can be increased and provide further support to the formation of a unified and effective government. This will require strategies that help to ensure support that is both predictable and flexible, allowing development partners to put pressure on the government to achieve resolutions to conflict while not removing government ownership of the process.

Annex C DRC case study

C.1 Dimensions of fragility

The DRC is in a process of transition between a situation of ongoing violent conflict to one of post conflict and peace building. The country has undergone a sustained period of violent conflict. This has served to further erode the capacity and legitimacy of a state that has, historically, been predatory and exploitative. Thus while recent political and economic developments within the country provide cause for hope, the situation remains fragile and reversible.

The political terrain with which development practitioners must engage is consistently changing. Fragmented military alliances have recently coalesced into a centralised state (World Bank, 2006; Vaux, 2007). This state has subsequently achieved some legitimacy through democratic elections but its institutions remain weak. Capacity of government agencies is also limited and logistical constraints combined with security issues present a serious challenge to state administration.

In 2001 Joseph Kabila assumed the presidency of a country affected by widespread violent conflict. With the help of pressure from the international community Kabila was able to bring the warring parties together to form a Transitional Government of National Unity in June 2003. The transitional parliament drafted a new Constitution, which was overwhelmingly approved by popular referendum in December 2005. The first general elections since independence from Belgium in 1960 were held in July 2006. A subsequent run off election in November returned Joseph Kabila as the elected president. The elections were seen to be broadly fair (World Bank, 2006).

Progress towards establishing a more effective, accountable and responsive state however remains minimal³¹ (Cahill, 2007). Key dimensions of fragility include but are not limited to the continued presence of a predatory state apparatus, a lack of state reach, an ongoing conflict in the East, a reliance on external support, and widespread corruption. These dimensions are also exacerbated by the nation's immense geographical area, its cultural and ethnic diversity, and the presence of easily extractable, high value natural resources (Vaux, 2007).

Further progress towards reducing levels of fragility and reaching a situation of gradual improvement will depend on the state's capacity to maintain peace and stability (Vaux, 2007). In the short-term, this depends on delivering a substantial peace dividend without compromising the medium to long-term processes of state-building. This situation involves potential tensions between the state's need to honour promises made during the peace process and elections, the central state's desire to maintain power and the need to develop a wider legitimacy through effective service provision and establishing responsive and accountable state structures. Failure to achieve a resolution to these tensions will increase the potential for conflict, triggers for which already exist within the process of decentralisation, the unresolved military conflict in the East, and an unpaid civil service (Vaux, 2007).

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³¹ According to the Failed States Index the DRC progressed from number 2 in the league table of failed states to number 7.

Development partners therefore face two fundamental challenges when engaging with the country:

- Tension between building accountable and efficient government institutions (state-building) and maintaining an extremely fragile peace, which rests upon continuing support of unacceptable patron client relationships.
- Tension between building state capacity to deliver services and develop a level of accountability to the population and the need to provide basic quick win service provision associated with both humanitarian need and delivering a tangible peace dividend.

C.2Implementation of the Paris Declaration

The Paris Declaration principles are highly relevant within the DRC due to the high number of development partners present within the country (40) and the absence of one major lead partner. This situation combined with the fact that many development partners are returning to the country after a long period of absence provide an excellent opportunity for Paris Declaration principle implementation. The recent election of a new government also presents opportunities to increase adherence to the Paris Declaration principle although a lack of government capacity can be seen as a severe challenge to full adherence.

There is evidence that efforts are being made to take these opportunities and for development partners and government to adhere to Paris Declaration principles. The Country Assistance Framework (CAF), which represents the most critical post election development partner, has mobilised seventeen development partners to identify key priorities for peace consolidation and recovery in the DRC. This framework as well as the poverty reduction strategy paper on which it was based and the Plan d'Action Prioritaires (PAP) that has emerged from it and the government's "cing chantiers" all also state their commitment to the principles. These measures have produced some success and progress to the present day is discernable from the 2006 Paris Declaration principles monitoring survey (OECD/DAC, 2006). This progress however is still met with considerable challenges relating to the dimensions of fragility discussed above.

The approach, however, emerged from efforts to effectively identify the key challenges and appropriate responses opposed to an effort to increase harmonisation.³² From this process and its integration with the government's "cinq chantiers", government bodies have been developed within the Ministry of Planning and thematic working groups to coordinate development partner engagement (DSCRP, 2006).

Key aid effectiveness challenges

C.3.1 Ownership

Levels of state ownership of the development processes within the DRC are hindered by a fundamental lack of capacity, and fluid political terrain. Development partners' efforts to create government leadership have often resulted in processes that are designed and implemented by development partners such as the PRSP and the governance contract.

The DRC's PRSP (Document de Stratégie de Croissance et de Réduction de la Pauvreté, or DSCRP) was elaborated in July 2006, and was based on a process of country wide consultation. These consultations involved approximately 35,000 people in all eleven provinces (CAF, 2008). The objectives developed from this process were also supported by a poverty diagnosis which was 'forthright and rich in insight' having been based on an ambitious series of surveys initiated in 2003

³² Alignment to the Paris Declaration principles are however mentioned within the PAP, the PRSP and the CAF.

(CAF, 2008). The consultation processes that were central to the development of PRSP and other central development documents have been praised for developing an understanding of marginal voices as well as identifying true priorities for development.

The ownership of the document can however be contested. At the time of elaboration the government remained highly factious and was experiencing a time of extensive political activity as the elections approached. This compounded the government's lack of capacity and caused the majority of preparation work to be conducted by specialist NGOs so the level of government engagement is uncertain. The government was also in a state of internal conflict and thus was unable to fully contribute to or define coherent and unified national development strategies. Ownership on behalf of the population and civil society is also difficult to quantify. The population as a whole has been largely disengaged from the political process, thus large scale consultations may have added more to the development of unrealistic expectations from peace than a sense of political empowerment.

The elaboration of the CAF presented similar difficulties with ownership. The process began in February 2006, towards the end of the transitional government's tenure. This caused development partners to see initial engagement with the government as inappropriate due to likely upcoming changes resulting from the election. Development partners also felt that it was important to develop international consensus both in terms of goals and a willingness to adapt their own programmes prior to engaging national authorities (Dwan et al, 2008).³³

This process of elaboration has resulted in discrepancies between the government perceived aims and approaches and those emerging from the development partner process. The government's goals do not map directly to those of the PRSP or the CAF, and sector ministries have indicated that their needs are different from those stated in the PRSP.³⁴ The President has declared his priorities known as the "cinq chantiers" which while similar to the five pillars of the PRSP and the priorities of the CAF are not in themselves coherent with them (Cahill, 2007). A subset of the CAF's priorities has thus been merged with the "cinq chantiers" to create the PAP, which presents a set of short-term priorities, which remain coherent with the longer term objectives of the CAF.

These processes have, however, provided framework documents behind which the new government can ask development partners to align despite their contestable ownership. This has allowed government, development partner coordination committees within the Ministry of Planning and thematic working groups to develop more effective leadership roles in engagement with development partners.³⁵ Thus while compromising initial ownership these processes represent a realistic effort to develop a framework on which national leadership and ownership can be built within the context of fragility which limits both the capacity of the government to lead and the legitimacy of the development goals that they may set independently.

³³ It is noted that UN and World Bank figures made considerable efforts to keep key members of government informed on the process of elaboration of the CAF as well as gaining feedback from them to reduce the feeling that development partners were coordinating in order 'gang up' on the new government (Dwan et al, 2008).

³⁴ Personal communication.

³⁵ The Ministry of Planning has been designated as responsible for overseeing implementation of the PAP and in February 2008 established 15 thematic groups intended to serve as the institutional framework for substantive sectoral coordination and programming (Dwan et al, 2008, and personal communication).

This compromise can however be criticised. From the government perspective, many officials see external aid coordination as an infringement of sovereignty (ICG, 2007; Ruffer, 2006). These officials still prefer to work bilaterally with individual development partners. The decision to initiate the PRSP and the CAF, which are both medium to long term documents, during some of the most challenging political periods for the transitional and new government can also been seen as inhibiting any potential government involvement in the processes. It also resulted in a new government being presented with 'its' development goals by an external body upon election. Had development partners been willing to delay the process by one year or more there would have potentially been an opportunity to use similar approaches to that used in the CAF to assist the government in defining its own strategy.

Box C.1 Ownership at what cost?

The Governance Contract announced by the Prime Minister in front of Parliament in 2007, can be highlighted as an indication of state ownership of development processes. The development of the document however did not provide the same indication of ownership. The document was initiated and drafted by a working group of external partners, was reviewed by bilateral and multilateral donors and in parallel was sent to all candidates to the Presidency for information and comment.

Source: EC and WB (2006) and Cahill (2007)

C.3.2 Alignment

Development partner alignment within DRC is still at a very early stage of development. Development partner alignment in 2006 was seen as weak (OECD/DAC, 2006). The absence of a clearly defined national development strategy and a weak administration hampered efforts to align development partner actions with government policies and systems. Major development partners claimed that their programming was in line with the Interim-PRSGP, however from the government side it was felt that national stakeholders were insufficiently engaged in the identification, commissioning and implementation of aid funded projects (OECD/DAC, 2006). Project implementation units were not only parallel to government but were unable or unwilling to provide information. When information was provided it was in a format not compatible with the government's own budgeting systems.

Box C.2 The Programme of Priority Actions

Eighteen donors, civil society and the private sector have aligned behind the PAP. The programme has been designed to work for 18 months on:

- 1) Establishing security;
- 2) Reviving the economy;
- 3) Reducing poverty.

The PAP encompasses the PRSP, the CAF and the Governance Contract (PAP, 2007). In its nature it is thus a cross cutting document focused on addressing issues of state fragility but in so doing providing a guide to increase aid effectiveness.

The development of the PAP from the CAF and the "cinq chantiers" presents a mutually accountable framework between national and international partners. The flexible nature of the thematic working groups set up by the Ministry of Plan to implement the PAP (and CAF) allow space for specific targets, costing and divisions of labour to be worked out, and allow development partners to more closely align with the objectives of the government while remaining within the overall strategy.

Development partners are also making efforts to reduce the number of parallel project implementation structures. TA is being located both physically and politically within ministries and government systems. Development partners have also begun to return financial management systems to Ministerial departments although they are still separately staffed by TA. The relocation of these has allowed for increased training opportunities, both technical and cultural, as well as a closer link between sector groups and the financial resources to which they have access.

State capacity to manage funds, however, remains weak and development partners are reluctant to engage in direct budget support. Within some sectors this has created a tension for development partners between supporting state-building as opposed to civil society strengthening with regard to service delivery (EU, 2007). This is particularly true where civil society organisations hold a strong position within thematic groups, as well as having access to implementation capacity.

Box C.3 Issues for Chinese engagement in the DRC

In April 2008 the Chinese signed a US\$9 billion bilateral agreement with the DRC, which promises 2000 miles of new rail lines and an equivalent amount of new roads. The money will also pay for 32 hospitals and 145 smaller health care centres, along with two large new universities and 5,000 new government housing units, all of which are to be constructed within 36 months.

The deal is in accordance with the PRSP, which prioritises the rehabilitation of road and energy infrastructure. It also addresses dimensions of fragility by providing a highly visible peace dividend as well as tackling inaccessibility within the country which has been seen to increase the probability of violence recurring in post-conflict countries (Collier and Sambanis, 2005).

In return for the work that will be conducted by Chinese firms the Chinese are to receive access to about 10m tonnes of copper and 400,000 tonnes of cobalt. The government of the DRC has thus essentially outsourced the development of its infrastructure. While impressive in terms of expected results, the programme fails to develop any tangible state capacity. The failure to develop this will also mean that at the end of the three year period the DRC will be left with infrastructure it does not have the institutions or financial resources to maintain.

Source: BBC (2008)

C.3.3 Harmonisation

Development partner coordination has been challenging in the DRC. The high risk nature of intervening within conflict and post conflict states has increased political tensions within and between development partners approaches to assistance. These challenges have been further exacerbated by the high number (40) of development partners engaged in the country.

A continuing challenge is the tension between harmonization and ownership. During the immediate post-conflict period, the International Committee in Support of Transition (CIAT), established by the Sun City Accords, acted as a means of political harmonisation. Members of this committee were also responsible for the elections steering committee and the steering committee for the UNDP basket fund for the elections. The concentration of authority for these aspects within a relatively small number of development partners had mixed effects. The group was particularly influential in the run up to the elections; however, although it helped to resolve conflicts between national actors and ensure election timetables, it was criticized for acting beyond the normal remit of development partners (ICG, 2007; Ruffer, 2006). In the post election environment different development partner coordination mechanisms are emerging to deal with the changing priorities and issues including the high levels of interest in natural resources between development partners (Vaux, 2007).

Box C.4 Development of the Country Assistance Framework

The CAF originated from discussions in 2006 between the UN and WB who decided to set aside parallel preparations of their country strategy documents in favour of a joint strategy. Over the coming year many other key multilateral and bilateral development partners joined the process, bringing the total number to seventeen. Key elements in the successful elaboration of the CAF were:

- A common starting point;
- A domestic policy vacuum;
- A legacy of coordination;
- A coordinated rather than joint strategy;
- Substantive policy leadership;
- Effective process management.

Critical lessons learned from this process include the following:

- Individuals matter but institutional buy-in is critical to adoption and implementation;
- Multilateral institutions can exert a powerful pole of attraction where coherent and cohesive;
- The development of strategic approaches may be facilitated by in-country process;
- Clarity on the goals and intended outcomes of strategic coordination exercises is critical;
- The elaboration of a strategic coordination framework does not automatically translate into coordination in implementation;
- National engagement and commitment to a coordinated strategic approach is essential to implementation.

Source: Adapted from Dwan et al (2008)

The CAF is now the principal instrument for development partner harmonisation having evolved from efforts by the UN³⁶ and World Bank in the DRC to present a more coherent set of strategies. The CAF now involves seventeen of the major development partners. The strength of this harmonisation has not however come from efforts to achieve harmonisation itself but rather an effective debate on "what needs to be done", and to defined substantive challenges to development within the DRC. Discussions on the strategy took the PRSP as a starting point and looked to further prioritise its goals. The outcome was a focus on health, education and transport (Dwan et al, 2008) which while important also represent the traditional locations of development partner coordination. The process has also failed to engage China whose increasing importance as an individual development partner has reduced the impact of the CAF's approach.

Principles for better aid

A large number of principles for better aid have been either piloted or adopted within DRC. Principles such as the Good Humanitarian Donorship, EU guidance for coordination and the Fragile States principles, while providing guidance to specific development partner agencies or within sectors have not obtained such a central role, and there is a danger of confusion or saturation of principles (Ruffer, 2006). A selection of these principles are used by development partners in conjunction with

³⁶ The UN Integrated office is alone responsible for eighteen funds, agencies and programmes (Dwan et al, 2008).

documents such as the PAP to help streamline their engagement within the country. An example of this is DFID, which is looking to reduce the number of areas in which it is physically engaged and focusing on sectors in which it is particularly strong despite current and future increases in funding (DFID, 2008).

Thematic Groups

This streamlining process has also facilitated the development of more specific working groups which engage along thematic, sectoral or geographical lines. The health sector provides an example of such strategies with an active donor coordination committee the "Groupe inter-bailleurs de santé" (GIB). The GIB contributes to policy discussions and deals with the recovery and transition of the health sector (WHO, 2008). This group has also assisted in aligning the health sector with the Strategy for the Reinforcement of the Health System (SRSS), and has provided a central trust fund to facilitate health programme financing.

Box C.5 Whole of government approaches in the DRC

Coordination and harmonisation are not only crucial between development partners but also across the governments of development partners. This is something that has become increasingly relevant with regard to peace keeping missions where political, military, economic, humanitarian, and developmental objectives overlap, and there may be tensions between them. In these situations coherent approaches are crucially important as they allow dimensions of fragility to be addressed effectively.

Whole of government approaches are not limited to individual states, but are also used by multilateral agencies. Within DRC the UN Humanitarian Coordinator functions as the Head of OCHA (humanitarian concerns), the head of UNDP (political representative) as well as the Deputy Head of MONUC (military representative of the secretary general). This aids rapid and coherent decision-making.

EU member states have had difficulty developing a shared approach at a political level despite functional technical coordination on the ground. Different EU member states have particular histories of aid giving and as a result are willing to develop individual relationships with host governments as well as those managed through the EU. EC (2007) notes that in practice coordination between European institutions in the field depends heavily on the personal relations between key individuals.

Source: Adapted from Cahill (2007)

Trust funds

Trust funds have acted as a key tool to aid harmonisation in the DRC. Two important examples are provided here, the DRC Pooled Fund (DRCPF), and the Greater Great Lakes MDRP Trust Fund.

The DRCPF was established in 2006 to help support humanitarian activities and enable the UN Humanitarian Coordinator to target funds to critical humanitarian needs, encourage early development partner contributions and enable a rapid response to unforeseen circumstances (UN, 2007). The development of this fund combined with the broad remit of the Humanitarian Coordinator make the fund a powerful cross cutting tool. The success with regard to humanitarian objectives is however achieved through compromises in the levels of state ownership and capacity building with long term developmental aims being largely sidelined (Bennett, 2007).

The Greater Great Lakes MDRP Trust Fund administered by the World Bank has a specific remit with a sole focus on ex-combatants. Its geographical reach encompasses Angola, Burundi, the Central African Republic, the DRC, the Republic of Congo, Namibia, Rwanda, Uganda and Zimbabwe. With a mixture of programmes including national programmes, special projects, and regional activities, the fund was designed to be flexible enough to tackle a complex region situation in a transparent and constructive way (Scanteam, 2007).

The fund has been criticized for being too narrow (only focused on ex-combatants) with issues of SSR, sustainability of new livelihoods and reconciliation between ex-combatant groups not being addressed in a systematic way (Scanteam, 2007). Despite this the fund has been able to deal with the complex issues of providing support at regional and national level as well as to areas outside of full governmental control. Its innovative set up, both with regard to regional approach and the ability to have a national programme and special programme running within the same nation, has allowed it to address both issues of fragility with regard to providing an immediate peace dividend, while also tackling aspects of state ownership and capacity building in regions where the state is able to request and become engaged with assistance.

C.3.4 Managing for results

The absence of effective implementation strategies and tangible targets to accompany them limits the scope for managing for results in the DRC. The IMF Joint Staff Assessment (JSA) of the I-PRSP recommended establishing implementation mechanisms and spelling out the details of participatory monitoring in the full PRSP. While improved levels of poverty diagnosis and base line data collection carried out for the PRGSP will facilitate monitoring, the structures and modalities required as well as the role of non-government entities in any participatory implementation and monitoring process are yet to be identified (IMF, 2007).

The results matrices developed within both the PAP and CAF are also still hindered as management tools by a failure to fully identify actors responsible for monitoring and a lack of capacity to effectively conduct and report the results of such processes.

C.3.5 Mutual accountability

Mutual accountability is still at a very early stage within the DRC. While the population has become more interested in the development process, accountability still lies firmly between development partners and the political elite. One observer noted that the direction of state accountability was indicated when Joseph Kabila immediately embarked on an international tour to ensure support for his presidency, something that occurred instead of a tour of the country.

An increasing trend towards mutually accountability is occurring. The development of the PAP has provided a framework for accountability and the emergence of additional development partners has increased state's power to hold development partners to account. While this presents a positive development within some areas the absence of a strong democratic tradition combined with this modified power balance presents a threat to the development of a fully accountable state.

C.4 The Paris Declaration and state-building in the DRC

The DRC illustrates the challenges of effectively implementing the Paris Declaration principles within a highly fragile context. The country is undergoing a dynamic transition moving between ongoing conflict and post conflict conditions. Development partners have sought to engage within this fluctuating political terrain and have considered the Paris Declaration principles in their actions. These efforts while seeking to support developmental aims have not been fully conducive to processes of state-building.

The example of the processes of PRSP and CAF elaboration show a failure to fully support the state-building process. The PRSP was elaborated during a period of considerable political fluctuation during which politicians were preoccupied with the development of political relations opposed to the development of long term development strategies. The insistence of development partners to pursue the development of the PRSP during this period therefore resulted in a lack of national political

involvement and a consequent reduction in ownership. The timing of the CAF and the decision to exclude national politicians from the process has resulted in a similar lack of ownership.

The utility of these frameworks in providing a starting point for government ownership and mutual accountability does not compensate for the failure to engage government in the development process. Indeed it is the process of framework development where development partners have negotiated and clarified objectives that the government should be involved in. It is this process that will help to modify cultures of patronage that currently dominate national political systems, and will also help to link national political power with technical development issues (Booth, 2008). Failure to address these systems reduces the relevance of the positive effects of technical frameworks that allow for steps towards alignment and harmonisation to occur.

The process through which the CAF was developed and it's resultant structure also illustrates two weaknesses in the Paris Declaration principles, within fragile states. The process of development was not based on a widespread desire to harmonise approaches but a pragmatic effort to identify what needed to be done (Dwan et al, 2008). This has produced a stronger coalition than any framework initiated from the basis of harmonisation. Secondly, despite its pragmatic approach it has failed to reach consensus on areas in which there is international disagreement, such as the security sector. Its failure to present a coherent approach in these areas or to engage the government in the development undermines efforts at state-building in other often less critical sectors.

The implementation of the Paris Declaration principles within the DRC has thus failed to provide coherent support to a process of state-building. Development partners remain reluctant to expose themselves to high levels of risk through direct support to the government. They have instead relied on the development of a series of technical frameworks which while facilitating technical aspects of development have not engaged the political processes of state-building and accountability. These frameworks and approaches have also been used to satisfy international objectives towards the Paris Declaration principles, while failing to use the principles as a guide in addressing internationally contentious development challenges.

Annex D Nepal case study

D.1 Dimensions of fragility

Nepal is currently in the midst of a fundamental political transition following a ten year armed conflict, although a transition where the risks of political failure remain significant. This conflict had its roots in the concentration of power in the monarchy and more specifically, amongst males from small, historically privileged, social/ethnic groups (Moore, 2006:1). This created a system of governance that effectively excluded women, national, ethnic, and caste groups, and promoted a culture of impunity and corruption (IRC, 2007). The growth of the violent Maoist insurgency from 1996 was in part a response by excluded groups. Over the next ten years, an estimated 13,000 people lost their lives (DFID, 2008:1) and there were widespread human rights abuses (ICTJ, 2007:13). In November 2006, a landmark Comprehensive Peace Agreement (CPA) was brokered between the Maoist rebels and the Government of Nepal (GoN).

One of the main conditions of the peace process was the abolition of the Monarchy in 2008. The problem with Nepal's political structures is not simply that public authority has been exercised in a very hierarchical and exclusionary fashion. There is a major division between the capital Kathmandu and the rest of the country. The Maoist rebels and their affiliated political and social parties are, for all intents and purposes, the main authorities in rural parts of Nepal (ICG, 2007:1). This problem is also further compounded by the perception that the public service in Nepal is oriented more to rule than to service delivery (Moore, 2006:1). Furthermore, the two armies that fought the war continue to remain intact, are politically suspicious, have no mutual trust, and maintain combat-readiness although the ceasefire has been maintained (ICG, 2008b:i). Unrest has also continued since the signing of the CPA in the Terai region (Chandrasekharan, 2008).

Until there is comprehensive progress in integrating the various political groups into mainstream politics based on the April 2008 elections, the risks of destabilising political settlements remains very real. Although they won a decisive victory at the polls, to date "the Maoists have been unable to secure agreement on a new coalition government. Other parties, still struggling to accept their defeat, have set new conditions for supporting a Maoist-led administration" (ICG, 2008a:i).

Despite the lengthy conflict and the fundamental challenges to the political processes in the country, Nepal managed over this period to record significant development progress. The proportion of the population below the absolute poverty line fell from 42% to 31%. Most of the MDG targets, with the exception of primary education and HIV-AIDS, are on track to be met by 2015 (Pokharel, 2008:3). Nepal's human development index (HDI)³⁷ has improved to the point that the country is no longer considered to be in the low human development bracket. In particular, since 2000, Nepal has steadily improved its Education and Life Expectancy scores in the UNDP's Human Development Reports (HDR, 2007:236). As noted by a recent review of the Nepal Health Sector Programme (NHSP), "Nepal has reduced under five and maternal mortality rates by about half between the early 1990s and the 2000-2006 period" (Foster, 2007:16). Nepal's development partners played a key role in this success story.

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³⁷ HDI: A composite index measuring average achievement in three basic dimensions of human development - a long and healthy life, knowledge and a decent standard of living (HDR, 2007:367).

D.2 Implementation of the Paris Declaration

Despite significant volatility in bilateral assistance, overall ODA to Nepal since 2000 has increased significantly (Table D.1). Since the de-escalation of conflict in 2005 and the signing of the Peace Treaty in 2006, bilateral donors have begun increasing their assistance packages to Nepal yet further. DFID alone has committed US\$120 million to Nepal for 2007/08, up from US\$74.8 million in 2006 (DFID, 2008:1, Annex 1). Sixty percent of Nepal's development budget is donor-financed (DFID, 2007:v). The top six donors in 2006 accounted for more than 60% of all ODA inflows to the country.

Table D.1 ODA and humanitarian assistance to Nepal, (US\$ million)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Official Development Assistance*	387	390	361	463	427	425	514		
Humanitarian Assistance★★	0.6	3	7	7	9	14	76	90	31

Source: * Data from the OECD Statistics Database; ** Data from the UN Office for the Coordination of Humanitarian Affairs Database.

Although Nepal is a signatory to the Paris Declaration, the experience of implementing the Paris Declaration agenda has been uneven. Certain elements of the agenda have received a lot of attention from development partners and the government. The government's focus has been on security rather than development in the ten years of the Maoist insurgency. As a result, the assistance provided by development partners has been primarily concentrated on two areas. For one, assistance has aimed to fill the void left by the lack of service delivery by the government (i.e. the SWAp on Rural Transport³⁸). Alternatively, assistance has been provided by means of budget support to bolster existing government programmes (e.g. the DFID budget support to health programmes (DFID, 2008:2)).

The Ministry of Finance in Nepal is the lead agency responsible for coordinating development policy and managing relations with development partners. The primary consultation mechanism by which development partners are engaging in Nepal is the Nepal Development Forum (NDF) / Nepal Donor Consultation Meeting (NDCM). The Ministry organised the NDF between 2000 and 2004 to coordinate work with the GoN's development partners. The NDF was re-configured in 2008 as the NDCM. The NDF/NDCM enabled the government to outline its development priorities and encourage development partners to harmonise and align their interventions along these priorities (Cammack et al, 2006:75).

How relevant is the Paris Declaration in the Nepali context?

The 2006 pilot study of the Fragile States principles on Nepal concluded that the Paris Declaration agenda could provide an adequate starting point for engaging in development partner dialogues. The study further found that the Paris Declaration principles could be contextualised to adapt to the challenges facing states like Nepal, where the government lacks the capacity to achieve development outcomes (Fragile States pilot, 2006a:4).

The Paris Declaration principles have been interpreted by the current interim government in Nepal based on the priority of stabilising the country following a decade of conflict. As a result, the focus has been primarily on ensuring the realisation of the various elements of the peace process, and building the capacity of critical institutions to promote rule of law.

³⁸ At the February 2008 NDCM, the GoN and the seven major development partners involved in development of the rural transport sector in Nepal signed a Statement of Intent to adopt a SWAp.

It is worth noting that the Paris Declaration has mostly revolved around development partner-government relationships in enhancing aid delivery and management. This narrow interpretation has excluded civil society as active stakeholders, and therefore has serious implications for aid disbursement. Nepali Civil Society Actors have commented that:

"...the five principles in the PD are good starting points to address aid effectiveness but are compromised by realities on the ground such as the power relations between donors and recipients, and the neo-liberal policies that represent these relations, as well as corruption, inefficiency and lack of coordination among development actors. There is a gap between policy and implementation, and the differences in approaches to aid effectiveness of the major actors are not reflected in the PD." (Reality of Aid (RoA), 2008)

D.3 Key aid effectiveness challenges

D.3.1 Ownership

Long-term poverty-reduction objectives for Nepal have been integrated into the country's Five-Year Plan cycle since 1997. The Tenth Plan – Nepal's PRSP (2002-7) – was created by the royal government and parliament. The PRSP has set poverty reduction targets for 2016, and generated six sector plans – agriculture, rural transport, rural electrification, water supply and sanitation, health and education. However, the extent to which there can be effective national ownership of the PRSP targets in the context of fundamental political change is clearly uncertain (Whaites, 2005:6). Given the socio-cultural biases that created the governance structures before the peace-treaty of November 2006, it is not surprising that research has found the PRSP to be conflict-blind and unable to be effective under circumstances of uncertainty (Cammack et al, 2006:80). The PRSP needs to be updated in light of the upcoming elections and the change in political and governance structures particularly in support of decentralisation.

The 11th Plan, the Three Year Interim Plan (TYIP), was introduced at the NDCM meeting in February 2008 by the interim government (NDCM, 2008a). The TYIP focuses on the immediate aftermath of the cessation of conflict and facilitation of successful elections. It includes a priority focus on providing employment opportunities, post conflict reconstruction and rehabilitation, with a view to stabilising the country over the identified period.

Annual reviews of the PRSP have continued to stress that country ownership of development strategies is the most effective way of realising development goals in Nepal. The IMF reviews have noted that "in order to realise the goals of the Paris Declaration, a systematic programme is needed to localise aid effectiveness commitments, developing national action plans, setting baselines and introducing more effective monitoring systems" (IMF, 2007:87).

D.3.2 Alignment

Alignment with the GoN's policies: The PRSP process in Nepal has provided a platform for development partners to align their assistance packages to the goals enshrined in the strategy (World Bank, 2006:4). Throughout the process of consultations, development partners have committed to aligning with government priorities and internal processes. However, the persistent conflict has made development partners cautious about the levels and avenues of engagement in the country.

Development partners in Nepal have also drawn up a number of country-specific plans and strategies to ensure alignment with the government's priorities. For example, DFID's Nepal Country Assistance Plan 2004 – 2008 is based on the four-pillar approach of the Nepalese government's poverty reduction strategy (DFID, 2008). Japan International Cooperation Agency (JICA) has established an office in Kathmandu to develop its programming in consultation with Nepali authorities. USAID's comprehensive five-point agenda reflects the Nepali government's focus on peace and security, and recovery from crisis (USAID, 2008). Multilateral agencies such as UNDP have implemented rolling country programmes – with lessons learned from previous programmes feeding into the development of newer programming (UNDP, 2005). The World Bank's Country Assistance Strategy informs financing and advice for projects, which are "owned and supported by the Nepali people, and which are a logical part of a comprehensive and efficient overall development agenda" (World Bank, 2008).

Alignment with the GoN's systems: The GoN faces a number of major challenges in ensuring that inflows of aid are appropriately and effectively used. The 10-year conflict severely disrupted the service delivery capacity of the government (NDF, 2004:16). The weakness of the government's internal institutions also represents a major barrier to making aid effective. As a result, there are major gaps in terms of what has been promised in sector strategies and what is actually delivered on the ground. To compound the problems further, there is poor coordination across the various government agencies, and synergies from successful projects are not adequately harnessed. Finally, the proposed processes of decentralisation – a crucial component of the peace process – have yet to take shape and direction.

The Medium Term Expenditure Framework (MTEF) has been implemented in Nepal since 2002/3, and has proved an effective and credible framework for development partners to support development activities in the country. The MTEF has become a key instrument for the GoN to operationalise the PRSP. "By prioritizing the plan/programmes/project according to the changed resource situation and strongly linking the annual programmes and budget with the plan objectives and strategies it has been used as an effective mechanism for achieving PRSP's goals and targets" (NPC, 2006:1). The MTEF is currently on its fifth cycle in 2008.

However, although the PFM system in Nepal has been assessed as "well designed", development partners regard it as poorly implemented (PEFA, 2008:vii; ADB, 2007:4). Not surprisingly, development partner support has been unpredictable, and the percentage of aid that is managed directly by national procedures is still very small (PEFA, 2008:ix). There have also been issues surrounding the transparency of development partner practices in Nepal, which has further put a strain on alignment initiatives.

In order to assist development partner alignment with the national systems, a new Public Procurement Law has been drafted which has incorporated best practices of international standards in procurement (IMF, 2007:87). Similarly, a number of country strategies have been prepared by development partners to ensure alignment with Nepali priorities. There are several programmes in sectors such as HIV/AIDS and water that have common operational and financial modalities and are jointly funded through external support. Two SWAps are underway in the education and health sectors (as described in the next section) and common financing and project operation modalities are

being prepared in the water supply and local development sectors. "These activities are expected to better align aid with national priorities, systems and processes and help reduce reporting and other transaction costs" (IMF, 2007:87).

There are a number of ongoing challenges to these processes of alignment. Development partners have continued to rely on their own systems of financial management and disbursement, creating a large number of parallel structures of accountability (PEFA, 2005). This has undermined existing systems and agencies relying on these systems, and further hampered the capacity of national processes to manage and disburse aid-funds. The UN Peace Fund for Nepal (UNFPN) is an example of development partners choosing to rely on development partner-led systems of funds-management rather than government channels, even though both are aimed at achieving the same outcomes.

D.3.3 Harmonisation

Development partners are not harmonised in terms of their own agenda and rationale for intervention and assistance in Nepal (Lockhart, 2008:19). Despite identifying a number of Paris-compliant strategies over the various rounds of the Nepal Donor Forums (2000, 2002, 2004, and 2008), actual harmonisation and implementation of activities by development partners has been very uneven. These plans and strategies are often informed by donor foreign policy priorities and perspectives and not by frameworks such as the Fragile States principles. An example of this is the ongoing prohibition of engagement between America's private sector and the Maoists by the US government. Despite the Maoists enjoying considerable popular support in Nepal, and winning the 2008 elections by a considerable margin, the US government has not changed its position. In addition to this, a recent review by Danida (2007) also noted that:

"Despite an appreciation of the Paris Declaration on the harmonisation of donor activities, despite the numerous working groups or focus groups that have been established in Nepal, the main activity seems to have been a mapping of donor-supported projects, the setting up of data bases and the sharing of information. There is little evidence of engaging in joint planning and moving towards more basket funding."

The GoN and development partners have committed to using common arrangements and procedures to ensure harmonisation of interventions. A number of plans, management tools and action strategies have been initiated to ensure harmonisation of development partners to nationally identified priorities. They include the PRSP, Immediate Action Plans, sectoral business plans, joint portfolio performance review, poverty reduction strategy monitoring, Financial Management Information System, and consultative groups such as the Reform and Development Group (RDG) and the NDCM (formerly the NDF) (IMF, 2007:87).

Consultative groups such as the RDG³⁹ and the NDCM (formerly the NDF) have proved to be useful forums for discussion and prioritising. Each of the rounds of the NDF have yielded agreements between development partners and the GoN on sector programmes, which have achieved a degree of success in harmonising development partner activity in the education, health and rural infrastructure sectors (NDF, 2004; NDCM, 2008).

The RDG closely monitors the implementation of reform programmes, public service delivery, and implementation of the aid integration process (World Bank, 2006:7). Nepal has also regularly engaged with development partners to ensure harmonised approaches to addressing its development

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³⁹ The RDG is co-chaired by the Government and the World Bank, and includes representatives from the National Planning Commission and the Ministry of Finance, and a number of donors; ADB, Denmark, the IMF, Japan, Norway, DFID and the World Bank. The RDG meets regularly to review the government's reform agenda (World Bank, 2006:7).

needs through a series of Nepal Donor Consultation Meetings. The recently agreed SWAp on rural transport infrastructure includes frameworks for joint planning, monitoring and evaluation, and funding (NDCM, 2008b:1). In addition, a number of additional joint assessments have also been undertaken by development partners in Nepal. They include the Country Financial Accountability Assessment (GoN, World Bank, larger donors), Poverty Assessment and Gender and Social Exclusion Assessments (World Bank, DFID, and ADB) (World Bank, 2006:8).

Development partners have been involved in supporting SWAps and pooled funding in health and education (DFID, 2008). In both these sectors, significant progress has been made to improve standards and the reach of services. The Nepal International Health Partnership (IHP) is one example of development partners working together to build the capacity of the government in improving service delivery. The IHP is a key component of DFID's strategy on operationalising Paris Declaration principles in a specific sector. By supporting government-led initiatives and helping to effect tangible improvements in the sector, the programme is an important element of improving Nepal's ownership of its own development strategies.

DFID and the World Bank are also directly supporting the GoN to implement the Nepal Health Sector Programme (NHSP) (2004-2009) (DFID, 2007). Through this programme, the Ministry of Health intends to move towards a SWAp to managing the health sector, rather than having a series of projects with their own funding, management, implementation, and reporting arrangements (NHSP, 2003:47). Development partners and the GoN have also signed a Code of Conduct that operationalises harmonisation activities, ensuring Nepali ownership and development partner alignment (NHSP, 2003:48). Through the activities of the NHSP, Nepal is now on track to meeting its MDG commitments on reducing child mortality and improving maternal health (DFID, 2008:4). The NHSP has built in a Joint Annual Review (JAR) which has included development partners as well as NGOs and private sector stakeholders (NHSP, 2004:52). The Review of the NHSP has however noted that although the JARs have provided the Ministry of Health with recommendations for improvement, the process has not taken into account the ability of the Ministry to implement these reforms (Foster, 2006:3). There are still improvements to be made in ensuring that the NHSP is as effective as it can be. A recent review of the NHSP has found that:

"...support has been unpredictable, far short of promised levels, with an unknown proportion funding activities that are parallel to NHSP-IP and do not help to fill the funding gap. The pooled donors have not kept to the commitment to provide longer term, predictable support, with amounts advised early enough to inform budget preparation, and with assurance that it would not be interrupted during the budget year. There has been negligible progress on harmonisation and alignment, and the cost of managing the SWAP partnership has been additional to an undiminished burden of dealing with bilateral meetings and reports required in order to keep donor project funds flowing. The burden of coping with donor procedures has been a significant contributor to the low disbursement that has constrained performance in several areas, notably immunisation" (Foster et al, 2006).

The Review also notes that the World Bank and DFID have provided pooled funding via the budget, but concerns over financial management have added extra layers of procedures on top of existing systems. This is in marked contrast to other development partners operating in the sector, who continue to rely on their own procedures of disbursement and accounting (Foster, 2006:3).

A recent review of the education SWAp - Education for All (EFA) programme⁴⁰ - has also found that the EFA is one of the most useful instruments available to development partners as it reflects the Fragile States principles and directly addresses issues of exclusion (Vaux et al, 2007:2). The review however noted that a lack of consultation between funding, implementing and representative groups (such as teachers, communities and CSOs working on minority rights issues) has created a system that is unable to address the root causes of social exclusion in the education sector in Nepal. The report concluded that funding to this SWAp should continue at current levels. Additional resources should be made available to improve the capacity of CSOs working in these issues (Vaux et al, 2007:4).

D.3.4 Managing for results

The Nepal Ministry of Finance has conducted joint portfolio performance review meetings and monitoring and evaluation of programmes and projects at all levels. As noted by an IMF report, "PRS [poverty reduction strategy] monitoring and a performance-based budget release system for projects have also been introduced" (IMF, 2007:87). There are also ongoing efforts to improve the statistical analysis of development programmes in Nepal. The World Bank is managing a MDTF for Statistical Capacity Building to enhance the Central Bureau of Statistics collect better data on MDG and PRSP targets, and conduct more efficient Public Expenditure Tracking Surveys (World Bank, 2006:8).

Although the GoN has initiated a number of processes that could provide a framework for results-based management, all of these processes have been deeply affected by the conflict. The processes include the PRSP, SWAps, the MTEF, Immediate Action Plans, and poverty monitoring and analysis frameworks.

The main challenges to managing for results in Nepal relates to capacity building. Specifically, there is a need to strengthen existing Action Plans and Strategies to reflect the evolving socio-political realities on the ground. The capacity of the various government departments and agencies, as well as CSOs also needs to be improved substantially if development targets are to be met. As with the other Paris Declaration principles, sustained development partner support is critical to ensuring the continuity of processes and programmes already underway. In addition, the government has also identified a need to decentralise planning and implementation processes in order to improve the overall outcomes of development interventions (IMF, 2007). Finally, both the GoN and development partners agree that stronger monitoring systems need to be put in place to ensure that programmes are heading in the right directions (ADB, 2005).

D.3.5 Mutual accountability

Mutual accountability requires the active participation of development partners as well as a legitimate and effective government. The interim government is continuing to facilitate existing plans and strategies so that progress achieved through these processes is not lost. In addition, it is important to continue delivery of critical assistance to the most vulnerable members of Nepali society. This in turn will continue to strengthen the legitimacy of the government which emerges from the April 2008 elections (Mahat, 2008:3). NDCM have provided a framework for reviews of progress and mutual accountability. These systems have been integrated within the resulting SWAps and joint programmes (World Bank, 2006:9). In most cases, the Ministry of Finance has the overall responsibility to monitor progress, and ensure accountability to the Paris Declaration processes.

⁴⁰ Commissioned by the Embassy of Finland, Kathmandu.

A review of Citizens' Voice and Accountability (CV&A) in Nepal was recently conducted by the Evaluation Core Group⁴¹. The review looks at the effects of a range of development partner CV&A activities on governance and on aid effectiveness in Nepal (Danida, 2007:1). The review identified a number of key government and development partner challenges on accountability, including: the future of the monarchy and the mechanics of a federalist structure; the implementation of intended decentralisation policies; inclusion of traditionally excluded groups like the dalits (untouchable castes) and the janajatis (indigenous peoples) and the role of the traditional elites; public oversight mechanisms; civil society and the media; and the existing aid architecture.

The Review backed up the statistics by noting that development partners have been withdrawing somewhat from providing support to government or ad-hoc government institutions in the current uncertain political scenario (Danida, 2007:18). Instead, donors such as Danida, DFID, GTZ, and the Swiss Development Cooperation (SDC) have decided to provide support to CSOs and help integrate them into national planning structures and processes. The review also found that there has been little attention paid by development partners on accountability issues.

The Paris Declaration and state-building in Nepal **D.4**

In February 2008, in his address to the NDCM, Nepal's Minister of Finance in the Interim Government noted that "the first and foremost task before us is correcting everything that went wrong due to a decade-long armed conflict" (Mahat, 2008). His note outlined a number of priorities for consolidating the peace process and state-building, which included: rehabilitating ex-combatants; providing employment to rehabilitated or disqualified candidates; rebuilding critical assets and infrastructure; re-instating the government's presence in rural communities; and deepening democracy to all levels of Nepali society.

In February 2007, in order to designate conflict sensitive and preventative programming as a high priority on the development agenda, the GoN created the Nepal Peace Trust Fund (NPTF) to mobilise funds to strengthen the peace process. The fund aims to achieve a number of objectives, namely "the rehabilitation of displaced people and Maoist fighters, rebuild infrastructure destroyed by the rebels, hold the Constituent Assembly elections, support law and order, and maintain the cantonments in which former Maoist fighters are sequestered" (Bhattarai, 2007). The main donors to this fund include Denmark, Finland, Norway, Switzerland, and the UK.

To complement the NPTF, the United Nations Peace Fund for Nepal (UNPFN) was created to "mobilize resources to the UN system in Nepal in support of activities of clear, short-term relevance to the peace process" (UNPFN). Through the Fund, UN agencies aim to support activities related to "cantonment/ registration, elections and governance, security, rights and reconciliation, and the needs of vulnerable communities where the absence of a 'peace dividend' would represent a proximate threat to the peace process" (UN Mission in Nepal (UNMIN), 2008a). To date, the total portfolio of the UNFPN is over US\$9.5 million, with a total of 12 projects approved for funding within the priority areas. The UN has also maintained a presence in the country since the agreement of the CPA. The UNMIN was established by the United Nations Security Council in January 2007 to support the peace process in Nepal, "in particular, to assist in the conduct of the Constituent Assembly election in a free and fair atmosphere" (UNMIN, 2008b). To achieve its mandate, UNMIN conducts activities in a number of areas, including: arms monitoring, mine action, electoral assistance, ceasefire monitoring, human rights, gender mainstreaming, child protection, social inclusion, and coordinating the work of the various UN agencies.

⁴¹ Established by seven development partners from Belgium, Denmark, Germany, Norway, Sweden, Switzerland and the UK.

There is however a lack of donor-funded programmes in DDR, SSR, and JSR in the country. To achieve these objectives, donors must provide greater assistance to existing trust funds such as the NPTF and the UNFPN. Development partners should develop more comprehensive strategies in support of Nepali institutions and agencies that aim to deepen democracy, incorporating: support to the Electoral Commission; capacity building of political parties; support to parliamentary processes; capacity building of civil society organisations involved in CV&A; capacity building of local authorities and sub-district committees for planning development initiatives, support for minorities and marginalised communities to become fully engaged in CV&A; support to the media engaged in CV&A; promotion of a coordinated national civic education programme (Danida, 2007:40). Supporting the processes of decentralisation through technical assistance and capacity building are also a crucial component of enhancing the ownership of development strategies at both the national and the sub-national levels. This has been a government-identified priority from both the CPA as well as the 2008 NDCM, and will help to build the presence of the newly elected government in rural Nepal.

The example of Nepal highlights several issues about the role of development partners in supporting state-building and the process of a successful political transition from conflict:

- Development partner activity has to be politically and socially sensitive in order to understand the current state of affairs, and respond accordingly. Careful sequencing is necessary to ensure that ownership is maintained, and that development partner programming assists with the state-building processes such as conflict resolution and restoration of democracy activities (Cammack et al, 2006:80). JICA and ADB have seen their development interventions as apolitical (Cammack et al, 2006:78). However, a more nuanced and deeper understanding of the impact of their support to the education sector for instance would have revealed that programmes supported by these two development partners have helped to potentially re-create the conditions of social exclusion that led to the instigation of the conflict in the first place (Vaux et al, 2007:4).
- Development partners themselves have not been able to agree on the role and legitimacy of the various stakeholders in Nepali politics. The US government has placed the Maoists on its list of Specially Designated Nationals, prohibiting American citizens and permanent residents from doing business with the party (OFAC, 2008). At the same time, the US, with the UK and India, has provided military assistance to the Royal Government over the course of the conflict (Amnesty International, 2005:8). On the other hand, DFID has been working in areas under Maoist control, which has required engagement with Maoist officials (DFID, 2008).
- Other agencies such as JICA and ADB have considered their development interventions apolitical, and not commented on the political situation (Cammack et al, 2006). It will be most helpful if development partners are able to harmonise their views and strategies on Nepal.
- There are very strong and positive lessons to be taken away from development partner engagement in Nepal in improving service delivery capacity in key social sectors despite ongoing conflict. The continuous engagement of development partners in the health and education sectors throughout the conflict managed to yield remarkable indicators in sector performance. Nepal is on track to meet several of the MDGs despite experiencing a fundamental transformation in political systems and society in general. Specifically, DFID has noted:

"Narrowly focused programmes that are directly managed or use established delivery mechanisms have proved effective in a fragile state environment. Short, quick impact interventions have also been appropriate, but setting longer timeframes does work in situations where committed, experienced partners can use this to build trust and show flexibility of implementation in response to the intermittent nature of conflict. The five largest programmes (in health, education, governance and roads) have had lower performance ratings, related to ambitious sector and governance reforms where Government leadership is weak; although in health and education, the sector support programmes are still quite new." (DFID, 2007:vii)

• The Fragile States pilot study found that there were tensions between the "do no harm" and the "state-building" principles in Nepal. "In a conflict environment "do no harm" may lead to a position akin to neutrality for donors, whereas "state-building" has implications of bias and risks. Equally the idea of "doing no harm" could become a rationale for inaction, leading donors to avoid risks that they perhaps should take" (Fragile States pilot, 2006a:3).

Annex E Data on aid to case study countries

Table E.1 ODA, 2000-2006 (US\$ million)

Afghanistan										
	2000	2001	2002	2003	2004	2005	2006			
Total ODA	136.0	404.6	1,300.5	1,590.7	2,171.1	2,752.1	2,999.8			
Total Debt Relief (DR)	0.0	0.0	3.0	0.0	0.0	0.0	0.0			
Total Humanitarian Aid (HA)	87.6	313.8	601.0	378.1	363.6	269.6	277.7			
ODA less DR and HA	48.4	90.9	696.5	1,212.6	1,807.5	2,482.5	2,722.1			

Burundi											
	2000	2001	2002	2003	2004	2005	2006				
Total ODA	92.6	137.2	171.5	227.4	361.6	365.2	414.9				
Total Debt Relief (DR)	0.8	0.6	0.4	0.4	53.2	9.6	10.8				
Total Humanitarian Aid (HA)	28.3	34.1	56.1	102.7	135.7	147.0	132.5				
ODA less DR and HA	63.5	102.5	115.0	124.3	172.6	208.7	271.6				

DRC											
	2000	2001	2002	2003	2004	2005	2006				
Total ODA	177.1	243.1	1,175.0	5,416.0	1,824.1	1,827.3	2,055.7				
Total Debt Relief (DR)	6.8	7.7	126.4	371.7	790.7	508.7	874.0				
Total Humanitarian Aid (HA)	40.9	86.0	140.7	176.0	245.2	320.3	368.1				
ODA less DR and HA	129.4	149.4	907.8	4,868.4	788.2	998.3	813.6				

Nepal											
	2000	2001	2002	2003	2004	2005	2006				
Total ODA	387.3	390.6	361.1	463.0	427.5	424.9	514.3				
Total Debt Relief (DR)	18.2	16.0	15.3	9.0	0.2	4.5	3.4				
Total Humanitarian Aid (HA)	3.8	6.9	14.7	9.8	22.6	26.7	35.6				
ODA less DR and HA	365.3	367.7	331.1	444.2	404.8	393.8	475.3				

 $[\]bigstar$ Sum of each row may not add up to totals due to rounding

Table E.2 ODA to Afghanistan, 2000-2006 (US\$ million)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
United States	2.42	7.7	367.61	485.79	778.29	1 318.3	1 403.71	1641.8
EC	17.73	45.79	143.72	208.03	212	256.62	220.9	1104.8
United Kingdom	12.65	35.44	130.8	98.61	224.01	219.92	246.49	967.92
IDA			20.17	72.24	95.09	200.47	140.72	528.69
Germany	10.63	44.14	92.57	82.1	75.13	99.23	117.99	521.79
Japan	0.21	0.58	31.7	134.42	172.52	71.05	107.42	517.9
Netherlands	10.17	71.95	88.28	77.37	90.31	79.09	87.34	504.51
Canada	6.66	14.23	35.81	73.13	56.24	89.47	140.27	415.81
Norway	12.57	39.71	60.86	68.78	67.73	59.95	69.68	379.28
Asian Dev. Fund			86.48	55.44	42.11	22.85	66.17	273.05
Sweden	11.5	20.6	27.52	41.88	55.68	44.22	46.42	247.82
Italy	0.71	22.11	28.34	38.16	37.31	27.39	32.5	186.52
UNHCR	5.77	6.38	6.47	0.23	45.61	21.47	21.17	107.1
Turkey	0.07	0.43	0.38	0.7	8.74	28.56	57.65	96.53
Denmark	0.32	2.41	7.75	17.91	14.18	23.64	29.63	95.84
Switzerland	5.11	7.47	13.3	15.04	18.81	17.67	17.58	94.98
UNICEF	8.77	8.99	9.18	14.53	11.14	17.09	18.49	88.19
Finland	4.96	8.72	15.26	13.57	15.45	14.57	15.26	87.79
Australia	2.15	6.18	12.77	8.31	21.09	15.85	21.15	87.5
France	0.71	9.61	11.86	12.45	15.03	19.46	14.62	83.74
Spain		5.92	17.81	5.15	16.56	19	18.11	82.55
Arab Countries	0.5	4.15	17.73		13	0.23	31.68	67.29
Korea			4.78	21.12	21.54	8.89	2.15	58.48
Greece	0.06	1.38	8.95	8.61	9.61	17.28	10.91	56.8
Austria	5.85	9.74	13.4	6.9	8.65	7.68	1.24	53.46
UNDP	4.77	3.9	9.01	0.64	5.81	7.08	7.58	38.79
Belgium		3.69	7	3.09	6.96	5.08	7.63	33.45
Ireland	0.54	4.6	6.57	5.25	4.55	3.13	4.59	29.23
UNFPA	0.75	0.77	9.03	6.02	3.27	4.88	4.06	28.78
UNTA	3.36	3.6	4.18	4.09	3.92	4.81	2.96	26.92
New Zealand	0.11	0.6	2.04	1.4	10.01	9.22	3.32	26.7
Czech Republic	0.05	0.64	0.73	6.12	6.08	1.96	4.2	19.78
Luxembourg	0.18	6.08	4.72	1.51	0.96	1.46	2.13	17.04
WFP	6.67	6.68	1.96	1.46	-2.22		1.5	16.05
Portugal			1	0.24	1.98	5.55	6.58	15.35
Iceland						2.91	4.42	7.33
Global Fund					1.69	1.09	3.87	6.65
Slovak Republic				0.18	0.38	4.41	1.54	6.51
Other - Bilateral		0.16	0.15	0.02	0.07	0.14	5.38	5.92
Hungary					1.63	0.07	0.39	2.09
Poland	0.02	0.1	0.3	0.11	0.21	0.33	0.55	1.62
Arab Agencies		0.19	0.3	0.1		0.02	-0.24	0.37
Thailand Source: OECD/DAC							0.05	0.05

 $[\]star$ Sum of each row may not add up to totals due to rounding

Table E.3 ODA to Burundi, 2000-2006 (US\$ million)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
EC	9.16	62.56	36.44	47.8	69.06	85.11	47.06	357.19
IDA	27.57	2.19	25.03	27.6	43.33	43.1	80.5	249.32
United States	0.96	4.85	21.17	49.02	43.79	54.79	46.58	221.16
Belgium	5.98	7.49	16.52	15.88	25.08	21.3	33.33	125.58
Netherlands	4.39	11.68	9.59	12.67	23.33	22.87	16.98	101.51
France	4.78	4.67	7.14	4.39	34.8	14.45	13.9	84.13
Norway	5.34	5.66	10.17	12.15	11.85	10.28	13.08	68.53
IMF	-5.06	-6.22	-2.76		39.12	21.11	21.04	67.23
United Kingdom	1.74	1.69	1.19	3.51	9.46	14.78	26.9	59.27
Germany	3.02	3.25	2.71	4.78	10.37	11.36	14.54	50.03
UNDP	6.36	4.49	5.44	6.01	8.89	6.49	5.21	42.89
UNHCR	3.29	6.45	8.9	7.81	7.24		3.89	37.58
Sweden	4.25	2.5	3.57	5.22	6.56	5.27	8.24	35.61
Global Fund				2.78	9.58	12.16	9.66	34.18
Italy	0.41	1.64	4.48	2.13	4.35	3.44	14.08	30.53
WFP	2.05	7.94	5.36	6.78	3.81	1.7	1.48	29.12
UNICEF	2.91	2.54	2.52	3.95	3.36	5.1	7.99	28.37
Switzerland	3.39	3.9	2.43	3.28	4.9	4.62	5.36	27.88
Canada	1.27	2.26	1.8	5.07	4.3	5.13	4.5	24.33
Japan	0.24	0.29	0.09	0.09	0.4	0.49	15.42	17.02
IFAD	1.76	1.61	1.65	2.64	1.58	2.87	2.56	14.67
UNTA	2.9	0.52	2.06	1.81	2.1	2.69	1.66	13.74
Ireland	1.01	1.34	1.24	1.15	2.88	1.96	3.7	13.28
Denmark					0.09	5.24	2.99	8.32
UNFPA	0.67	0.78	1.51	1.21	1.63	1.09	1.12	8.01
Finland	0.97	0.84	1.18	0.02	1.49	0.87	1.33	6.7
Austria	1.2	0.49	0.95	1.24	0.72	1.18	0.48	6.26
Luxembourg	1.86	1.63	0.17	0.24	0.42	0.38	0.54	5.24
Spain	0.08	0.51	0.19	0.33	0.8	0.69	0.22	2.82
GEF					0.57	0.54	1.38	2.49
New Zealand			0.05	0.03	0.12	1.25		1.45
Greece	0.01	0.01	0.01		0.05	0.38	0.2	0.66
Korea	0.03	0.03	0.03			0.17	0.2	0.46
Portugal						0.1	0.08	0.18
Czech Republic						0.04		0.04
Poland							0.03	0.03
Turkey							0.03	0.03
African Dev. Bank African Dev.								0
Fund	-0.17	0.02	0.66	-0.91	-13.88	3.54	9.71	-1.03
Arab Agencies	0.21	-0.47		-1.33	-0.59	-1.34	-1.03	-4.55

 $[\]bigstar$ Sum of each row may not add up to totals due to rounding

Table E.4 ODA to the DRC, 2000-2006 (US\$ million)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
Belgium	26.68	43.23	41.26	789.63	265.27	151.72	221.57	1539.4
IDA		-2.2	293.85	190.78	228.54	425.2	237.34	1373.5
United States	12.75	20.23	79.99	1 415.45	189.63	143.64	838.47	1284.7
EC	33.49	43.36	72.01	80.06	249.81	213.58	222.22	914.53
Germany	12.76	12.92	21.11	541.56	59.29	51.09	35.7	734.43
United Kingdom	8.03	17.04	14.93	22.66	300.97	77.57	139.93	581.13
IMF			358.79	74.65	79.12	39.42		551.98
Netherlands	4.67	12	135.03	220.55	58.75	46.23	29.88	507.11
Italy	0.96	1.59	3.87	428.98	23.8	1.02	1.27	461.49
Japan	0.47	0.32	0.85	0.63	48.47	376.26	23.17	450.17
France	8.21	7.94	0.82	1 274	134.68	87.96	57.24	296.85
Sweden	7.69	5.46	7.69	170.97	23.3	23.71	39.98	278.8
Canada	5.6	6.38	9.77	74.49	20.29	24.83	28.07	169.43
UNICEF	16.64	17.97	18.83	17.5	18.72	21.64	26.12	137.42
UNHCR	15.53	20.98	26.38	17.1	15.15	9.47	6.04	110.65
African Dev. Fund	-0.35		31.89	-0.68	42.02	19.45	9.99	102.32
Norway	5.66	3.87	12.47	17.1	18	19.29	20.71	97.1
Global Fund				1.58	8.89	37.83	28.98	77.28
Switzerland	3.98	4.38	4.41	34.71	4.85	7.3	7.65	67.28
UNDP	3.12	3.71	6.2	8.93	11.66	14.93	15.23	63.78
Spain	0.85	1.95	3.35	5.41	6.09	9.23	19.13	46.01
WFP	2.07	11.7	10.32	11.45	3.38	0.45	1.95	41.32
Ireland	0.59	1.31	2.28	2.41	4.08	5.89	12.79	29.35
UNFPA	0.65	1.74	1.72	3.19	4.76	6.95	9.46	28.47
Austria	2.65	3.05	5.44	5.06	3.04	0.32	4.41	23.97
Finland	0.88	1.27	1.12	1.9	2.7	4.64	6.14	18.65
UNTA	3.17	2.32	3.66	3.17		3.44	1.97	17.73
Portugal			4.7	2.4	0.17	0.51	1.82	9.6
Denmark		0.17				3.08	6.18	9.43
Luxembourg	0.2	0.18	1.52	0.96	1.22	1.72	2.12	7.92
Greece	0.07	0.07	0.07	0.15	0.32	0.35	2.54	3.57
Australia	0.01		0.27				1.54	1.82
New Zealand			0.06	0.47	0.07	0.22	0.05	0.87
Korea	0.01	0.03	0.03	0.07	0.01	0.32	0.31	0.78
Poland	0.05	0.05	0.05	0.04	0.09	0.06	0.14	0.48
Czech Republic			0.1	0.04	0.07	0.09	0.16	0.46
GEF						0.04	0.15	0.19
Turkey			0.01				0.03	0.04
IFAD				-1.22		1.34	-2.89	-2.77
Arab Agencies			0.03	-0.14	-3.15	-0.91	-0.61	-4.78

 $[\]star$ Sum of each row may not add up to totals due to rounding

Table E.5 ODA to Nepal, 2000-2006 (US\$ million)

	20002							
	000	2001	2002	2003	2004	2005	2006	TOTAL
Japan	99.93	84.39	97.45	60.61	56.43	63.38	41.72	503.91
United Kingdom	23.01	33.15	36.92	53.1	65.79	61.63	74.81	348.41
Germany	21.81	37.92	34.52	63.05	52.55	63.07	33.03	305.95
United States	15.95	20.23	32.6	37.8	35.37	52.05	61.53	255.53
IDA	34.37	29.65	14.45	79.32	45.85	15.8	34.16	253.6
Asian Dev. Fund	75.18	41.17	8.41	11.6	-3.72	15.9	75.16	223.7
Denmark	24.95	26.05	25.37	40.05	34.25	27.54	32.69	210.9
Norway	8.91	11.49	13.11	20.22	23.02	25.12	25	126.87
EC	14.76	11.1	13.41	16.21	22.14	9.79	24.37	111.78
Switzerland	11.63	12.4	14.4	14.44	15.56	15.98	17.32	101.73
Netherlands	5.74	13.42	7.29	9.9	14.1	12.04	4.2	66.69
UNDP	8.23	8.41	6.49	5.43	7.38	6.31	7.8	50.05
WFP	6.32	7.16	7.51	6.28	9.63	5.51	7.51	49.92
Canada	4.15	4.34	4.15	6.08	7.73	10.18	11.07	47.7
Finland	5.55	4.68	5.6	5.3	6.24	8.96	8.12	44.45
UNTA	4.14	3.26	4.62	5.29	5.3	7.27	4.7	34.58
UNICEF	3.68	6.04	3.26	4.2	5.43	4.86	6.32	33.79
UNFPA	2.48	4.89	3.3	2.83	5.75	6.55	6.51	32.31
Australia	4.06	4.53	3.48	3.24	3.76	3.12	2.39	24.58
Sweden	1.23	13.64	3.6	1.21	1.05	1.15	2.11	23.99
IMF	-4.43	-5.45	-4.35	6.9	9.73		20.98	23.38
Arab Countries	0.99	4	18.38	-1.24	1.27	-0.32	-0.94	22.14
UNHCR	4.12	4.69	5.16	4.63		2.18	1.28	22.06
Korea	2.33	1.62	2.13	1.53	1.68	1.78	2.04	13.11
Austria	1.32	1.27	1.84	2.33	1.75	1.08	2.07	11.66
Arab Agencies	3.78	1.44	-0.53	-0.13	-1.44	2.83	1.14	7.09
Global Fund				0.17	0.78	0.6	5.49	7.04
New Zealand	0.44	0.47	0.52	0.78	1.57	1.4	1.24	6.42
Luxembourg	0.3	0.01	0.12	0.62	1.16	0.69	0.85	3.75
Belgium	-0.19	2.31	-0.09	1.87	-0.55	-0.33	0.61	3.63
Ireland	0.14	0.16	0.34	0.31	0.55	0.52	0.95	2.97
Italy	0.25	0.36	0.07	0.27	0.28	0.01	0.01	1.25
Spain	0.04	0.03	0.02	0.04	0.09	0.1	0.19	0.51
IFAD	-0.12	2.09	-0.71	-0.41	-0.63	0.09	0.17	0.48
Thailand							0.19	0.19
GEF	0.03	0.07					0.04	0.14
Czech Republic		0.01	0.02	0.01	0.02	0.02	0.03	0.11
Greece	0.05			0.01	0.01	0.01	0.02	0.1
Poland	0.01	0.01	0	0	0.01	0.01	0.03	0.07
Slovak Republic				0.02	0			0.02
Portugal							0.01	0.01
Turkey						0.01		0.01
Nordic Dev. Fund			-0.12	-0.2	-0.21	-0.34	-0.32	-1.19
France	1.97	-0.61	-1.92	-0.87	-2.24	-1.74	-2.38	-7.79

Source: OECD/DAC Statistics Database

 $[\]bigstar$ Sum of each row may not add up to totals due to rounding

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