PILOTING THE PRINCIPLES FOR GOOD INTERNATIONAL ENGAGEMENT IN FRAGILE STATES

Draft Concept Note

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Background

1. A Senior Level Forum on Development Effectiveness in Fragile States (SLF) took place in London in January 2005, hosted by DFID and co-sponsored by the European Commission, OECD-DAC, UNDP and the World Bank. One of the outcomes of the Forum was a proposal that a set of Principles for good international engagement in fragile states be developed. The Principles (attached at Annex A) reflect lessons on aid effectiveness derived from recent experience in fragile states, covering issues including: priority interventions, alignment, donor coherence and coordination, aid instruments and aid allocations.

2. The Principles were drafted by the co-Chairs of the LAP and made available for discussion and consideration at the OECD’s High Level Meeting (HLM) of Development Ministers and Heads of Agencies on 3 March where the discussion on the Principles was positive. Moving towards implementation, it was agreed that the draft Principles should be piloted in a number of countries over the next 2 years. The DAC Chair invited delegations to propose pilot country cases and volunteer to lead a pilot. To date, DAC members have offered to lead pilots as follows: Australia and New Zealand: the Solomon Islands; Belgium: the Democratic Republic of Congo; Canada: Haiti; Norway: Sudan; Portugal: Guinea Bissau; UK: Nepal and Somalia (UK in collaboration with the World Bank). Other DAC members have indicated their interest in participating in the piloting process.

3. Within the above group of suggested countries there is a broad geographical range, with varying dynamics of state fragility, and a mix of lead donors. This variety will be helpful in testing the validity of the Principles in a range of contexts.

4. This note explores a possible way forward for piloting the Principles. In order to achieve consistency and maximize lesson learning, it would be advantageous if lead donors followed a common approach to testing and implementing the pilots. The note lays out some elements of this common approach and will serve as a basis for discussion at a meeting proposed for lead donors in Paris on May 10 2005.

Purpose

5. The piloting exercise will have two phases, and two objectives.

   **Phase 1 (May 2005 to December 2005):** The objective of Phase 1 is to secure broad buy-in and finalize the Principles. The Principles of Good International Engagement in Fragile States are still in draft form. The finalization of the Principles will be informed by an on-going consultation process which will continue through the end of 2005. The very nature of the Principles requires broad buy-in from all international actors and partner countries and as such the process for finalizing the Principles must be an iterative and responsive one. Phase 1 will thus serve to validate and fine tune the Principles to reflect a broad range of realities on the ground. A final version of the Principles will be presented to the Senior Level Meeting in December 2005. Phase 1 will include the development of action plans, which will outline the steps that need to be taken to implement relevant Principles.

   **Phase 2 (from January 2006 to December 2006):** Phase 2 will focus on implementing the action plan. The overall objective here is to use the Principles to make real improvements in donor behavior—with the hope that this will lead to better results and outcomes in the partner country. Some Principles will be more valid in some settings and less in others so it is expected that action plans may

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1 The DAC characterises difficult partnerships or fragile states by those countries where there is a lack of political commitment and weak capacity to develop and implement pro-poor policies, suffering from violent conflict and weak governance. It recognises that the complexities of these partnerships vary from country to country and over time.
vary from country to country. An evaluation of the progress on country action plans and lessons learned could be presented at the Paris High Level Meeting (HLM) of 2007.

Methodology

6. In taking this work forward, we must avoid generating a new layer of activity and requirements in country contexts where fragile governments and donor agencies are already stretched thin. This would be contrary to the aim of the Principles themselves, which, *inter alia*, seek to tackle inefficiencies in donor practice in fragile states. To mitigate this risk, the piloting process should, as far as possible:

- Use existing processes and avoid creating new structures.
- Be kept simple: minimize and harmonize reporting requirements and limit additional work.
- Recognize that actions to adopt the Principles will vary by country, and that not all Principles will apply. What is important is to focus work on the Principles that would make the most positive impact for the given country.
- Encourage participation of ‘national’ government whenever possible. In countries where government participation is perceived to be problematic, the role non-state actors, the UN and key civil society organisations, are likely to be much more crucial.
- At the core of the Principles is the need to involve all international actors in dialogue to improve engagement. Hence, the importance of ensuring participation of diplomatic, defense, finance and humanitarian ministries throughout the pilot process.
- Depending on the Principle, the “Lead Donor” could be represented by diplomatic, defence or other ministries. For instance, follow up on one Principle might be run through a security led committee, another through a gathering of ambassadors, and another through a partner government process. The role of the lead donor will be to keep abreast of these different processes, perhaps stimulate action where progress seems too slow, and to coordinate a report to the DAC.

Proposed Process

7. In practice, the implications of the Principles will be different for each country and may call for different piloting processes. However, the following steps are suggested as the minimum requirements to make the overall exercise consistent and meaningful:

*Phase I*

- The Principles should be *introduced* at an aid co-ordination meeting or equivalent to familiarize national government and donors in-country. Particular efforts should be made to include colleagues from the diplomatic, defense, and humanitarian communities in this initial discussion and beyond. Prior consultation with national government—where the basic relationship makes this possible—is recommended. The discussion should include an explanation of the background to the Principles, their content, and the intention of DAC members to apply the Principles. An ideal outcome would be the adoption or endorsement of the Principles by the donor coordination body as a basis for strengthening donor collaboration and aid effectiveness, and volunteers to participate in a workshop to prepare an action plan.
- *Facilitate* an informal workshop for the in-depth discussion of the Principles on the basis of the template (see Annex C) soon after the meeting above. A minimum of a half day
workshop would seem necessary to enable a full discussion. The agenda for the workshop should aim to include discussion of (a) which Principles would have the most positive impact on the country situation (b) what is the current status regarding these Principles (c) what would be realistic targets for progress for each i.e. where do we want to be in a year? (d) what indicators could be used to track progress? (e) what actions should be taken (and by whom) to apply the selected Principles (f) what obstacles and risks are anticipated? The outcome of the workshop would be agreement on a short action plan based on the annexed template.

8. In addition to developing an action plan, workshop participants should consider the most appropriate mechanism for tracking progress against an action plan. To avoid creating parallel mechanisms, one option would be to present the action plan to donors and government at the main donor coordination forum, and propose using established donor coordination arrangements / meetings to review progress against the action plan.

9. For the piloting process to have broad-based support and ownership, lead donors should aim to secure participation in the workshop by the main actors in country including diplomatic, defense, and humanitarian communities. Bilateral and multilateral donors involved in the DAC / LAP are likely to be supportive given involvement of their HQ’s in the SLF and HLM discussions. The need for coherence between donor government aid, diplomatic and defense agencies is a central premise of the Principles. Donors should consider options for promoting greater coherence as part of the action plan preparation and would therefore be imperative to consult with the diplomatic, defense, and humanitarian communities.

10. Partner government representation is essential to ensure that the action plans reflects government perspectives on how international engagement could be strengthened. Other major stakeholders, not represented in the DAC/LAP should also be invited to participate, along with key civil society actors. In some countries, the private sector may be an important player and source of knowledge. Where relations are particularly difficult, managing expectations will be the highest priority.

11. However, care should be taken that broad representation does not result in a workshop that is too formal or large. The workshop might best be organised as an informal brainstorm by those strongly interested in testing and applying to the Principles, and could be followed up with subsequent meetings to refine an action plan.

- Action plans could include helping government to develop, implement and monitor a plan which integrates political, security, economic and social issues (such as the transitional results matrix); piloting more joint analysis or interventions between donors; studying the effectiveness of new aid instruments such as coordinated multi-donor budget support or support to the social services, advancing new initiatives such as agreed salary scales for local staff. This action plan, in particular the sections on current status and indicators, will serve as a baseline against which progress will be reviewed periodically during the following year. Actions taken should ideally use of existing processes. For instance, once international actors and government have agreed on which Principles are applicable/ priorities, these Principles could be incorporated in existing plans e.g PRSP, or an overarching transitional plan.
Phase II

- Continued implementation for the action plan and any new initiatives consistent with Principles. In the second half of 2006, a short report drawing together the key lessons from the exercise will be drawn up by each lead donor.

- DAC to commission an independent evaluator to evaluate the pilot process in each country and produce an overall report on the relevance of the Principles and lessons learned from their application. The report should be put together by the end of 2006 with a view to being presented at the DAC High Level Meeting of 2007.

Managing the piloting process

12. The DAC Secretariat, and specifically the LAP\(^4\), will support the piloting process and facilitate the inclusion of key lessons and messages from the exercise into appropriate DAC forums. In particular the Secretariat will:

- Arrange a preliminary workshop for task team of lead donors on May 10\(^{th}\) to agree on the piloting concept.
- Send a resource person to the workshops in pilot countries, where desired.
- Assist lead donors in preparing feedback on the Principles in November 2005
- Commission an independent evaluation of the piloting process prior to the HLM in 2007.

13. Draft Terms of Reference for the lead donor in each case are attached at Annex B. In summary the role of the lead donor is to facilitate dialogue and implementation of the piloting process and to be the main point of contact for the DAC LAP and others interested in the piloting process.
ANNEX A

PRINCIPLES FOR GOOD INTERNATIONAL ENGAGEMENT IN FRAGILE STATES

A durable exit from poverty and insecurity for the world’s most fragile states will need to be driven by their own leadership and people. International actors can affect outcomes in fragile states in both positive and negative ways. International engagement will not by itself put an end to state fragility, but the adoption of the following shared Principles can help maximize the positive impact of engagement and minimise unintentional harm.5

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

1. **Take context as the starting point.** All fragile states require sustained international engagement, but analysis and action must be calibrated to particular country circumstances. It is particularly important to recognize different constraints of *capacity* and *political will* and the different needs of: (i) countries *recovering* from conflict, political crisis or poor governance; (ii) those facing *declining* governance environments, and; (iii) those where the state has partially or wholly *collapsed*. Sound political analysis is needed to adapt international responses to country context, above and beyond quantitative indicators of conflict, governance or institutional strength.

2. **Move from reaction to prevention.** Action today can reduce the risk of future outbreaks of conflict and other types of crises, and contribute to long-term global development and security. A shift from reaction to prevention should include sharing risk analyses; acting rapidly where risk is high; looking beyond quick-fix solutions to address the root causes of state fragility; strengthening the capacity of regional organizations to prevent and resolve conflicts; and helping fragile states themselves to establish resilient institutions which can withstand political and economic pressures.

3. **Focus on state-building as the central objective.** States are fragile when governments and state structures lack capacity – or in some cases, political will - to deliver public safety and security, good governance and poverty reduction to their citizens. The long-term vision for international engagement in these situations must focus on supporting viable sovereign states. State-building rests on three pillars: the capacity of state structures to perform core functions; their legitimacy and accountability; and ability to provide an enabling environment for strong economic performance to generate incomes, employment and domestic revenues. Demand for good governance from civil society is a vital component of a healthy state. State-building in the most fragile countries is about depth, not breadth – international engagement should maintain a tight focus on improving governance and capacity in the most basic security, justice, economic and service delivery functions.6

4. **Align with local priorities and/or systems.** Where governments demonstrate political will to foster their countries’ development but lack capacity, international actors should fully align assistance behind government strategies. Where alignment behind government-led strategies is not possible due to particularly weak governance, international actors should nevertheless consult with a

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4 The piloting of the Principles will draw on the experience of the Good Humanitarian Donorship Principles endorsed in Stockholm (June 2003).

5 For governments where political will exists and capacity is the main constraint, supporting state-building means direct support for government plans, budgets, decision-making processes and implementing structures. In countries where political will is the main constraint, support for long-term state-building does not necessarily imply short-term support for government - but it does mean moving beyond repeated waves of humanitarian responses to a focus on how to support and strengthen viable national institutions which will be resilient in the longer-term. A vibrant civil society is also important for healthy government and may play a critical transitional role in providing services, particularly when government lacks will and/or capacity.
range of national stakeholders in the partner country, and seek opportunities for partial alignment at the sectoral or regional level. Another approach is to use ‘shadow alignment’ – which helps to build the base for fuller government ownership and alignment in the future - by ensuring that donor programs comply as far as possible with government procedures and systems. This can be done for example by providing information in appropriate budget years and classifications, or by operating within existing administrative boundaries.

5. **Recognise the political-security-development nexus.** The political, security, economic and social spheres are interdependent: failure in one risks failure in all others. International actors should move to support national reformers in developing unified planning frameworks for political, security, humanitarian, economic and development activities at a country level. The use of simple integrated planning tools in fragile states, such as the transitional results matrix, can help set and monitor realistic priorities and improve the coherence of international support across the political, security, economic, development and humanitarian arenas.

6. **Promote coherence between donor government agencies.** Close links on the ground between the political, security, economic and social spheres also require policy coherence within the administration of each international actor. What is necessary is a whole of government approach, involving those responsible for security, political and economic affairs, as well as those responsible for development aid and humanitarian assistance. Recipient governments too need to ensure coherence between different government ministries in the priorities they convey to the international community.

7. **Agree on practical coordination mechanisms between international actors.** This can happen even in the absence of strong government leadership. In these fragile contexts, it is important to work together on upstream analysis; joint assessments; shared strategies; coordination of political engagement; multi-donor trust funds; and practical initiatives such as the establishment of joint donor offices and common reporting and financial requirements. Wherever possible, international actors should work jointly with national reformers in government and civil society to develop a shared analysis of challenges and priorities.

8. **Do no harm.** International actors should especially seek to avoid activities which undermine national institution-building, such as bypassing national budget processes or setting high salaries for local staff which undermine recruitment and retention in national institutions. Donors should work out cost norms for local staff remuneration in consultation with government and other national stakeholders.

9. **Mix and sequence aid instruments to fit the context.** Fragile states require a mix of aid instruments, including, in particular for countries in promising but high risk transitions, support to recurrent financing. Instruments to provide long-term support to health, education and other basic services are needed in countries facing stalled or deteriorating governance – but careful consideration must be given to how service delivery channels are designed to avoid long-term dependence on parallel, unsustainable structures while at the same time providing sufficient scaling up to meet urgent basic and humanitarian needs. A vibrant civil society is important for healthy government and may also play a critical transitional role in providing services, particularly when the government lacks will and/or capacity.

10. **Act fast…** Assistance to fragile states needs to be capable of flexibility at short notice to take advantage of windows of opportunity and respond to changing conditions on the ground.

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6 The Addis Ababa principle developed in November 2001 as part of the Strategic Partnership for Africa Initiative states: “All donor assistance should be delivered through government systems unless there are compelling reasons to the contrary; where this is not possible, any alternative mechanisms or safeguards must be time-limited and develop and build, rather than undermine or bypass, governmental systems.”
11. **...but stay engaged long enough to give success a chance.** Given low capacity and the extent of the challenges facing fragile states, investments in development, diplomatic and security engagement may need to be of longer-duration than in other low-income countries: capacity development in core institutions will normally require an engagement of at least ten years. Since volatility of engagement (not only aid volumes, but also diplomatic engagement and field presence) is potentially destabilizing for fragile states, international actors commit to improving aid predictability in these countries, by developing a system of mutual consultation and coordination prior to a significant reduction in programming.

12. **Avoid pockets of exclusion.** International engagement in fragile states needs to address the problems of “aid orphans” - states where there are no significant political barriers to engagement but few donors are now engaged and aid volumes are low. To avoid an unintentional exclusionary effect of moves by many donors to be more selective in the partner countries for their aid programs, coordination on field presence and aid flows, and mechanisms to finance promising developments in these countries are essential.
ANNEX B

TERMS OF REFERENCE FOR LEAD DONORS

Donors that have volunteered to lead a pilot are invited to consider the following as a minimum requirement for their leadership role:

1. Facilitate dialogue on how the Principles can be applied in the pilot countries.

2. To act as the contact point with the DAC LAP on agreed approaches to pilot implementation, for example attending the informal meeting on the 10\textsuperscript{th} May and the possible follow up meeting in November 2005.

3. Arrange to introduce the Principles at an aid co-ordination meeting or equivalent to familiarize government and donor stake-holders in-country.

4. Organize and facilitate an informal workshop on the piloting approach at country level, and taking whatever steps are needed (contracting consultants, communicating with donor and government parties) to ensure an effective meeting.

5. Pull together the outcome of the workshop and complete the action plan (Annex C) agreed by participants.

6. Act as focal point for donors and government on the piloting process as it unfolds.

7. Feed in findings and lessons from the pilot process in two stages:

   - \textit{Phase I}) By November 2005, organizing feedback from country experience on the usefulness of the Principles, in advance of the DAC SLM when the Principles will be validated.

   - \textit{Phase II}) Coordinating comprehensive feedback on the piloting experience and providing a report on progress on action plan by October 2006. This report will be necessary as an input to the DAC Secretariat commissioned independent evaluation of the pilot exercise.

All / any of these functions may be delegated to other donor partners and government representatives if they are willing. Indeed, broad ownership of the Piloting process is considered desirable. Having been put forward at the January Senior Level Forum and then adopted at the DAC’s HLM in March, the Principles can to some extent be regarded as the collective view of DAC member countries. It is hoped that this might translate into commitments and action towards implementing the pilots at country level, allowing for burden sharing between the lead donor and other agencies committed to the implementation of the Principles.

Lead donors may also want to consider using \textbf{consultants} to assist with managing the above tasks. While this may be very helpful for certain tasks – e.g. facilitation of workshops or supporting implementation of specific element of the implementation plan, assisting with writing up findings at the end of 05 or 06, it is imperative that the lead donor remains active as the focal point for the piloting process. Contracting out the entire pilot process would be considered inappropriate.
ANNEX C
PROPOSED ACTION PLAN

Principles for Good International Engagement in Fragile States

Country:

Date Agreed:

Lead Donor:

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<tr>
<th>Which Principles would make the most positive impact to the country situation?</th>
<th>What is the current status regarding these Principles?</th>
<th>Realistic targets for progress within 1 year</th>
<th>Indicators to track progress</th>
<th>Actions to be taken</th>
<th>Obstacles and risks</th>
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Summary of discussion of arrangements for tracking progress: