This FSG work plan takes stock of the mandates set out by the Senior Level Forum on Development Effectiveness in Fragile States held in London on January 2005 and subsequently by the High Level Meeting in March 2005 and sets out in detail the proposed activities, outputs and related financial costs for the period of 2005-2006.

This Work Plan was approved at the FSG meeting held on May 27th 2005

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I. Introduction and Mandate

1. There is broad agreement that aid for poverty reduction is most effective in countries with sound institutions and policies. However, this begs the question of how to improve development effectiveness in countries with weak institutions and policies. Without targeted support for fragile states it is highly unlikely that the MDGs can be met. It is estimated that one third of people living in absolute poverty live in fragile states. When considering spill-over effects of crisis or conflict, these numbers are even much higher. Not only are fragile states bad for their citizens, each fragile state can have negative consequences for their neighbours, their regions and beyond. As a result, there is now a consensus that international actors must find effective ways to remain engaged in those countries where institutions and policies are the weakest, and where poverty reduction partnerships are most difficult to establish. Donors must work alongside other agencies in their own governments and with other donors to help national reformers transform fragile states into well functioning states and to improve the lives of the poor people who live in them.

2. In view of the pressing need to address these issues, the DAC established the Fragile States Group (FSG) [formerly known as the DAC Learning and Advisory Process on Difficult Partnerships (LAP)] in 2003. The FSG’s work builds on a knowledge base drawn from experience, research, country cases and lessons learned on the design and implementation of development approaches in fragile states. It is a unique process for bringing together experts on governance and conflict prevention and reconstruction to share methods to enhance approaches to fragile states. It forms a bridge between the DAC Network on Governance (GOVNET) and the Conflict, Peace and Development Co-operation (CPDC), and also benefits from inputs from other DAC Networks and Working parties such as the DAC Working Party on Aid Effectiveness (WP-EFF).

3. The work commissioned by the FSG has focused on two broad areas: resource allocations; and donor coordination (policy coherence, harmonization, alignment) in fragile states. The main findings and conclusions of these two work streams were put forth for consideration a Senior Level Forum on Development Effectiveness in Fragile States (SLF), held in London in January 2005, which was hosted by DFID and co-sponsored by the European Commission, OECD-DAC, UNDP and the World Bank. The SLF mandated the FSG to focus on four areas over the period of 2005-2006. Future FSG work will focus on the following themes and deliverables:

i. Coordinated Engagement:
   a. Agreement and application of Principles for Good International Engagement in Fragile States
   b. Advice and guidance on Policy Coherence and Whole of Government Approaches

ii. Resource Allocations to Fragile States: agreement and use of a Watch List on resource flows

iii. Good Practice on Service Delivery in Fragile States

iv. Cross Cutting issues with other DAC groups.

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2 See Chair’s Summary of Senior Level Forum on Development Effectiveness in Fragile States DAC/CHAIR (2005)3
The FSG itself and these major areas of focus were subsequently approved by Ministers and Heads of Agencies at the DAC High Level Meeting (HLM) in March 2005.³

4. The purpose of this work plan is to take stock of the SLF and HLM mandates and to set out in detail the proposed activities, outputs and related financial costs for the period of 2005-2006. References to outputs and results can also be found in the DAC Programme of Work and Budget for 2005-2006.⁴

II. Work Plan Items and Proposed Outputs

Item One: Coordinated Engagement:

5. This workstream is a continuation of a previous workstream which considered ways in which donors should be improving coordination, specifically it looked at ways to harmonise and align differently in fragile states. The workstream also did some initial work on policy coherence. The focus of future work will be on operationalising previous policy work (through the implementation of some Principles for Good International Engagement in Fragile States) and also to develop better approaches to coherence within governments and at a country level.

Principles for Good International Engagement in Fragile States

6. As one of the outcomes of the SLF, participants agreed that a short list of principles for good international engagement in fragile states should be developed. Principles were drafted by the co-Chairs of the FSG and made available for discussion and consideration at the OECD Development Ministers and Heads of Agencies at the High Level Meeting (HLM) in March 2005.⁵ These principles reflect aid effectiveness lessons from experiences in fragile states as well as areas in which international actors felt improvements could be made.

7. It was agreed that the draft Principles should be piloted in a number of countries over the next year. At the HLM, the DAC Chair invited delegations to propose pilot country cases. In this regard, DAC members have thus far offered to lead pilot countries as follows:

8. -Democratic Republic of Congo: facilitated by Belgium

-Guinea Bissau: facilitated by Portugal

-Haiti: facilitated by Canada

-Nepal: facilitated by the UK

-Somalia: co-facilitated by the World Bank and the UK

-Solomon Islands: co-facilitated by Australia and New Zealand

-Sudan: facilitated by Norway

-Yemen: facilitated by the UN and the UK

³ See forthcoming HLM summary record DCD/DAC/M (2005)4/PROV
⁴ See DCD/DAC (2004)23/Final p.23
⁵ See DCD (2005)8 REV2 for Draft Principles for Good International Engagement in Fragile States
Zimbabwe: facilitated by the European Commission

9. The Principles recognize that 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 engagement will not by itself put an end to state fragility. The overall purpose of the implementing the Principles is to maximize the positive impact of such international engagement in the field and minimise unintentional harm.

Proposed tasks and output

10. The piloting exercise will have two phases, and two objectives.6

   **Phase 1 (May 2005 to December 2005):** The objective of Phase 1 is to secure buy-in at country level to the Principles and the piloting process and to outline actions that need to be taken to implement relevant Principles. At the end of this initial Phase, the draft Principles will be fine-tuned, reflecting feedback from pilot countries.

   **Phase 2 (from January 2006 to December 2006):** The objective of Phase 2 is to implement the agreed actions outlined in Phase I. The overall goal for this Phase 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. At the end of this Phase the Principles will be finalized.

   The Co-Chairs of the FSG and the DAC Secretariat will coordinate the production of a synthesis of good practice emerging from the Pilots which will focus on (i) the applicability of each of the principles, (ii) any additions or changes to the Principles and (iii) implementation experience based on country case studies. 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. The Secretariat will also work to finalise the Principles, for endorsement at the HLM, and ensure their wide dissemination.

Policy Coherence and Whole-of-Government Approaches of Donors

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

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

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

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14. Equally, there is also a need to encourage and promote coherence within developing country governments.

**Proposed Tasks and Outputs**

- Coherence within Donor governments: A series of case studies identifying various approaches to whole of government practice, identifying best practice and instruments that may be useful in improving coherent engagement by donor countries. This will draw, whenever possible, on the country pilots where the Principles are being tested. The work of the CPDC on whole of government approaches in the security sector will be fed into this work stream.

- Coherence within partner country governments: Guidance on ways to strengthen partner country approaches to coherence between the political, security, and development spheres and encourage coherent whole-of-government policies in their engagement with international partners.

- A conference will be held to synthesise the components of the work stream, and to disseminate best practice.

**Item Two: Resource Allocations to Fragile States**

15. In the course of 2004, the FSG work stream on Resource Allocations commissioned three studies which were presented at the Senior Level Forum on Development Effectiveness in Fragile States (SLF). The research found that aid to fragile states, other than those emerging from recent conflict, appears to be disproportionately low in aggregate terms, even taking into account the poor performance of the countries concerned. Preliminary research results suggest that aggregate aid to this group could be increased by about 40% without undermining the (Collier and Dollar) poverty and performance based allocation model.

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

17. Research also suggested that aid is more valuable at some points of a crisis and recovery situation than others, and that the share of different types of aid (technical assistance and other forms) should vary over time. One study suggests that investments in secondary and higher education may be particularly important. However, these findings were preliminary, and need to be further investigated.

18. The international community is now beginning to understand the problems that can arise if a country is left ‘under-aided’ or is marginalised from diplomatic and other ties. Yet one of the main constraints is the lack of a system of reporting which highlights trends in ODA to fragile states. For instance, the cases of Guinea Bissau or the Central African Republic, where donors appear to have withdrawn from the same country at the same time, illustrate this point.

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7 These studies include: *The Forgotten States: Aid Volumes and Volatility in Difficult Partnership Countries (1992-2002)* (Victoria Levin and David Dollar, 2005), *Aid Allocation Criteria: Managing for Development Results and Difficult Partnerships* (OPM,2005) (Study co-commissioned with the JV MfDR) and *Development Effectiveness in Fragile States: Spillovers and Turnarounds* (Lisa Chauvet, Paul Collier, 2005)

8 *Development Effectiveness in Fragile States: Spillovers and Turnarounds* (Lisa Chauvet, Paul Collier, 2005)
19. To help address this issue, the Senior Level Forum on Development Effectiveness in Fragile States and subsequently Development Ministers and Heads of Agencies at the HLM agreed that the DAC Secretariat would put forward a proposal for the regular monitoring of resource flows to fragile states, with a view to facilitating a discussion at the next DAC Senior Level Meeting (SLM) in December 2005 on under aided countries and the volatility of resource flows to fragile states.

20. It was also recommended that the DAC Secretariat develop a proposal for future research or related policy work on allocations that would not be limited to fragile states.

**Proposed tasks and output**

**Component One: Transparency and Predictability of Resource Flows**

- In collaboration with the Working Party on Statistics (WP-STAT), survey and evaluate existing data on resource flows to Fragile States for the development of a “watch list” for the most marginalised countries.

- Commission a consultant to develop the proposal for a “Watch List on Resource Flows to Fragile States” for consideration at the SLM in December 2005.

**Outputs**

- A list of fragile states in danger of being marginalised presented to the SLM in December 2005 together with the methodology for the Watch List. This will be set in the context of allocations to all developing countries. The FSG will work in partnership with the DAC Joint Venture on Managing for Development Results to deliver this work jointly.

- Agreement by the SLM to contribute data and discussion/agreement on a suitable response mechanism.

- Once a group of apparently under-funded countries is identified by the Watch List, organize a meeting where DAC members could informally share plans on future engagement in this vulnerable group.

**Component Two: Improving Development Effectiveness through Adequate Resource Flows and Instruments**

21. In the context of the research leading up to the SLF, it was found that the empirical literature on aid effectiveness could not say much about fragile states. Most studies have used data sets in which fragile states are not well represented. Therefore, more research is needed on the impact of aid in fragile states in order to be able to make the right allocation decisions. It was also not possible to consider the impact of spill-over calculations on the policy and poverty basis for resource allocations.

**Outputs**

- Further research will be commissioned to examine the following themes in the context of Fragile States: factors of turnaround; characteristics of effective projects; absorptive capacity; the effects of policy regimes; aid, policies and growth; efficiency of Government expenditure and costs of neglect. The aim of this research is to contribute to guidance for aid practitioners and policy makers to better inform decisions concerning resource allocations.
Item Three: Service Delivery in Fragile States

22. Much, if not most, of traditional development assistance focuses on supporting the host countries ability to deliver various services—ranging from health to education to natural resource management to security reform. Thus an important question becomes: how should support to service delivery systems be adapted so it remains effective in fragile state?

23. Given the emphasis that all donors place on support to service delivery and our common desire to work more effectively—and collaboratively—in fragile states, it seems highly desirable for donors to focus attention on better understanding the challenges of supporting service delivery, identifying exemplary programs and distilling good practices.

24. Given the convergence of the expressed interest of the donor community to better address service delivery in fragile states, the SLF agreed on the creation by the DAC/FSG of a work stream on Service Delivery. This work stream will include consideration of the instruments and mechanisms that are likely to increase absorptive capacity and efficiency.

Proposed tasks and output

25. The international community has limited evidence as to the impact of its service delivery interventions in difficult environments. It has proven challenging to find empirical support in existing literature for the extent to which service delivery interventions effect on fragility, longer-term social and political change, and human development. Given this, the next step will be to test these hypotheses through practical analysis in fragile states. The task team has agreed on a three phase process for the work, which is outlined below.

- **Phase 1: Framing & Grounding.** A concept note will be presented for adoption at the FSG meeting in May to serve as the guide for the orientations and activities of the workstream. FSG members should be prepared to indicate there interest in joining the overall task team or any of the sub-teams at that meeting. A sub-team will have the task of developing a cross-cutting issues paper. The aim is to produce this paper early in the process so that it can inform the work of the sectoral sub-teams.

- **Phase 2: Identifying Good Practice.** A series of papers managed by four sub-teams will identify and document good practice. The four sub-teams will also produce specific papers on health, education, potable water and policing. The task team will work with the sub-teams to develop terms of reference for each group. These terms of reference draw on the cross-cutting issues paper to lay out a common methodology and approach for the research that the sub-teams will refine through their work. The intention is that each sub-team should canvas their own organizations and other members to identify good practices and practical guidance. These lessons will form the basis for recommendations.

- **Phase 3: Synthesis.** The five sub-team papers will serve as the foundation for a final synthesis paper. The FSG Secretariat will be asked to commission and oversee its production, assuming there are sufficient voluntary contributions from members to cover the cost. The final paper will be completed in summer 2006 for presentation to the Senior-level Forum on Fragile States.

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9 The OECD/DAC secretariat, through its Conflict Peace and Development Co-operation Network (CPDC), has expressed an interest in chairing the policing sub-team, pending member approval. This will build on the CPDC’s work regarding SSR.
Item Four: Cross Cutting Issues with Other DAC Groups

26. The challenges facing donors in fragile states are wide ranging, which makes many of the themes explored by the FSG of direct relevance to work of the DAC’s Conflict Peace and Development Cooperation Network (CPDC), the Governance Network (GOVNET) and the Working Party on Aid Effectiveness (WP-EFF). Close co-operation with these groups will continue to be at the core of FSG mandate for 2005-2006.

Proposed tasks and output

Future areas of work in collaboration with the CPDC, GOVNET, and WP-EFF may include looking at:

- In collaboration with GOVNET, look at what modifications to Drivers of Change approaches are necessary in these contexts; approaches donors could take to governance reform in fragile states; explore what approaches to capacity development to take in fragile states.

- In collaboration with CPDC, lead the work on practical guidance in service delivery in the policing sector; share best practice on CPDC work on Evaluation.

In collaboration with Joint Venture for Managing Development Results (JV MfDR), explore ways to develop the watch list concept to all recipient countries.

In collaboration with the WP-EFF, look to link lessons on Principles with Paris Declaration.