OECD publishing

GOOD DEVELOPMENT SUPPORT IN FRAGILE, AT-RISK AND CRISIS AFFECTED CONTEXTS

OECD DEVELOPMENT POLICY PAPERS

March 2016 No. 4

OECD
BETTER POLICIES FOR BETTER LIVES

This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and the arguments employed herein do not necessarily reflect the official views of OECD member

The publication of this document has been authorised by Brenda Killen, Deputy Director of the OECD Development Co-operation Directorate.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgement of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org.

COPYRIGHT © OECD 2016

Keywords: donorship, conflict, fragile states, aid effectiveness

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS 4

EXECUTIVE SUMMARY 5

INTRODUCTION 7

BUILDING INSTITUTIONAL FITNESS 8
1. Create the environment to enable change 8
2. Invest in Institutional Capacity 10
3. Use the full range of tools and influence 10
4. Become "system players" 12

ASPIRE TO DELIVER CHANGE 13
5. Invest in context and problem-led programming 13
6. Re-calibrate approaches to managing risk 15
7. Support locally led change 17
8. Learn, adapt, adjust 20
9. Rethink outcomes 21
10. Responsive instruments and partnerships 22

LEAVING NO-ONE BEHIND 24
11. Advocate for including those most likely to be left behind 24
12. Global approaches to global challenges 25

REFERENCES 27

ACRONYMS AND ABBREVIATIONS

AFD	Agence Française de Développement
DAC	Development Assistance Committee
DFID	Department for International Development
EC	European Commission
EU	European Union
GBP	British Pounds (currency)
IGAD	Intergovernmental Authority on Development
INCAF	International Network on Conflict and Fragility
MDTF	Multi-Donor Trust-Fund
NGO	Non Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PIU	Parallel Implementation Unit
Sida	Swedish International Development Co-operation Agency
UN	United Nations
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

New thinking is emerging on the nature of fragility and risk. This includes a shift from a one-dimensional understanding of fragility towards a more holistic approach in which degrees of fragility exist on a spectrum of dimensions and risks; which recognises the need for collaborative, regional and global solutions to tackle the root causes and consequences of fragility and risk when they are transnational; and which acknowledges the need to broaden the use of institutional influences, policy levers, and expertise "beyond aid". Parallel to this, many development co-operation agencies are undergoing major reviews to meet their commitments under the newly agreed Sustainable Development Goals, Paris climate agreement and the outcomes of the 2015 Financing for Development conference.

In this context, the OECD Development Assistance Committee (DAC) commissioned a study as a practical contribution to current learning and thinking on how to work more effectively in fragile, at-risk and crisis-affected contexts. The study is based on a review of the existing literature, especially OECD DAC peer reviews, International Network on Conflict and Fragility (INCAF) member self-assessment surveys carried out in 2013/14, and interviews with representatives of 12 OECD DAC member countries.

It identifies 12 lessons grouped into 3 thematic areas (Figure 1): (1) **building institutional fitness**, which includes commitments, investments, cultural and strategic shifts required at the highest levels of decision making and influence; (2) **aspiring to deliver change**, rather than results, which describes a set of characteristics of good donorship at a more operational level; and (3) **leaving no-one behind**, which includes cross-cutting, principled, thematic and global issues. These lessons are illustrated with a wealth of good practice examples from DAC members.

Building institutional fitness

Policy aspirations are often at odds with domestic political realities, institutional incentives, behaviours and standard procedures. For example, follow-up monitoring of both the Fragile States Principles and of the New Deal for Engagement in Fragile States has found a significant gap in institutional capabilities to implement them. And while donors are increasingly keen to carry out political economy analysis of the institutions they aspire to transform, they are less inclined to recognise the political economies of their own institutions which may frustrate well-intentioned policies and reforms. Without acknowledging and taking a realistic approach to tackling, accepting or working with these constraints and contradictions, donors will continue to struggle to deliver real change.

Aspiring to deliver change

The many processes and principles that currently exist will not deliver change on their own. Environments that are complex and fluid require thorough crisis analysis to understand the drivers and dynamics of fragility. If risks associated with engaging in fragile contexts are better understood, they can be factored into genuine problem-led programming, however only if donor institutional culture and funding mechanisms are flexible enough to absorb set-backs. Moreover, since change is a difficult process to quantify, strict output measurement does not sufficiently reflect the real project value, therefore greater creativity should be allowed for gauging project impact.

Leaving no-one behind

The rallying call of Agenda 2030 is to "leave no-one behind". This requires donors not only to invest more, and more effectively, in some of the most difficult environments – it will also mean a different role for ODA as one element of a wider range of resources: catalysing solutions and providing safety-nets in the context of shared global challenges. OECD DAC members can play an important role in influencing principles, norms and behaviour to ensure that marginalised, excluded and vulnerable groups are included in programming, and that collective international responses invest in global public goods. It is hoped that the findings of this study will stimulate an exchange of ideas and experiences on the challenges with which development co-operation providers are currently grappling in living up to their various policy commitments.

Figure 1. Twelve characteristics of good development support

INTRODUCTION

The OECD Development Assistance Committee (DAC) commissioned this study as a practical contribution to current learning and thinking on how to work more effectively in fragile, at-risk and crisis-affected contexts.

The study takes a somewhat broader interpretation of a fragile states "problem statement" to reflect emerging thinking on the nature of fragility and risk. This includes a shift from a one-dimensional understanding of fragility towards a more holistic approach which understands degrees of fragility as a spectrum of dimensions and risks (OECD, 2015); recognises the need for collaborative, regional and global solutions to tackle the root causes and consequences of fragility and risk that are transnational; and acknowledges the need to broaden the use of institutional influences, policy levers, and expertise "beyond aid" to catalyse a critical mass of resources, skills and capabilities and increase the speed and scale of development progress.

The report is based on a review of the existing literature, especially OECD DAC peer reviews, International Network on Conflict and Fragility (INCAF) member self-assessment surveys carried out in 2013/14, and interviews with representatives of twelve OECD DAC member countries. It should be noted, however, that the majority of donors consulted indicated that their approaches to working effectively in fragile, at-risk and crisis-affected settings are very much a "work in progress", with some donors at a relatively early stage of reflection and adaptation. In addition, a number of donors noted that they are undergoing major reviews of their government-wide approaches to supporting the newly agreed Sustainable Development Goals, Paris climate agreement and the outcomes of the 2015 Financing for Development conference. Therefore, some of the "lessons" outlined here are more an emerging consensus on desirable approaches, than lessons based on past evidence and experience. Indeed, a number of donors indicated that a useful outcome of the study would be to stimulate an exchange of ideas and experience on the challenges they are currently grappling with in living up to their various policy commitments.

The 12 lessons are grouped into 3 thematic areas (Figure 1): (1) **building institutional fitness**, which includes commitments, investments, cultural and strategic shifts required at the highest levels of decision-making and influence; (2) **aspiring to deliver change**, rather than results, which describes a set of characteristics of good donorship at a more operational level; and (3) **leaving no-one behind**, which includes cross-cutting, principled, thematic and global issues. The report is structured around these three themes.

BUILDING INSTITUTIONAL FITNESS

International actors have numerous principles and good practice observations for desirable approaches to engaging and programming in fragile, at-risk and crisis-affected settings. For example, it is widely observed that change takes generations and therefore commitments should be long-term; that change is often subject to unexpected set-backs, reversals and dynamics; and that potential risks are significantly higher, and therefore programming should be tailored to the context, adaptable to changing circumstances and should seek to avoid inadvertently "doing harm". Yet, despite high-level policy and in some cases spending commitments, there remains a substantial lag between institutional rhetoric and realities. For instance, monitoring of the Fragile States Principles[1] in 2011 – four years after their agreement – found a significant gap in institutional capabilities to implement them: "The key finding of the 2011 Survey is that most aid actors are neither set up to meet the specific challenges posed by fragile situations, nor systematically able to translate commitments made by their headquarters into country-level changes" (OECD DAC, 2011). Monitoring of the New Deal for Engagement in Fragile States (IDPS, 2011) similarly reported limited progress in delivering meaningful change after three years of implementation, noting pointedly that, "At present, there is a risk that New Deal implementation will turn into a box-ticking exercise against elements of the FOCUS and TRUST principles, without allowing country-led processes to take root" (IDPS, 2014).

Policy aspirations are often at odds with domestic political realities, institutional incentives, behaviours and standard procedures. And while donors are increasingly keen to carry out political economy analysis of the institutions they aspire to transform, they are less inclined to recognise the political economies of their own institutions which may frustrate well-intentioned policies and reforms (Hulme and Yanguas, 2014). Without acknowledging and taking a realistic approach to tackling, accepting or working with these constraints and contradictions, donors will continue to struggle to deliver real change.

The following section outlines some of the institutional enablers required to bring about a gear-shift in adapting more effective donorship in fragile, at-risk and crisis-affected settings.

1. Create the environment to enable change

Policy and spending commitments alone are insufficient to enable donors to deliver the sorts of flexible, adaptive, context-tailored, risk-sensitive programming frequently called for by policy makers. Political leadership and explicit and predictable backing from the highest institutional levels are required if donors are to negotiate and overcome powerful institutional disincentives to "doing things differently" and to manage external pressures to demonstrate results and avoid reputational risk.[2]

Institutions that develop and communicate realistic claims and aspirations for the scale, nature and timeframes for change, and are clear and honest in their identification of potential risks, will ultimately reduce the likelihood that they fall short of expectations. The importance of conducting a robust and realistic analysis of the characteristics, dynamics and constraints of the context cannot be overstated. Knowledge and understanding alone may not be sufficient, however, to counter a range of pressures to commit to over-optimistic results, timeframes and programmes.

Mismatched expectations of actors within donor agencies and those they are ultimately accountable to – including elected officials and the wider tax-paying public –constitutes something of a "Faustian pact" whereby donors over-promise results and under-play risks in order to secure funds. Actors within donor institutions however acknowledge that such "compacts" tie them to unrealistic expectations that pile on the pressure to deliver results, and particularly results that might create the "perception of movement".[3] Although this phenomenon is widely recognised within donor agencies, none of the donors consulted appeared to have any current or planned actions to actively

manage their external stakeholders' expectations around risks and outcomes.

Internal mismatches of expectations across institutional levels, and misaligned institutional incentives also compound external pressures to over-promise unrealistic results, and shrink organisational appetites for risk. Spending targets and pressure to disburse funds; over-stating what can be achieved in order to compete internally for funds; fear of being held responsible should programmes go awry; and simple misunderstandings across teams and disciplines over expectations and risk appetite, all contribute to programming choices which may fall short of donors' policy commitments to effective development co-operation.

Being clearer along decision-making chains about where the buck stops; simplifying and building common understandings of organisational appetites and approaches to managing risk; and investing in and communicating realistic problem and risk analysis, can help to diffuse these internal tensions. Managing internal disincentives and levelling expectations can in turn build political decision makers' confidence that actions are defensible, can allow front-line staff to think creatively and reduce tendencies to avoid risk, and can help to build trust across organisational levels and teams. The UK's Department for International Development (DFID), for example, underwent an internal review of its business processes and identified measures to better manage internal institutional expectations and incentives (Box 1).

Box 1: DFID's review of business processes

Recognising that its business processes were not effectively supporting the delivery of their policy aspirations and commitments, particularly in fragile and conflict-affected states, DFID undertook an "end to end" review in 2013. In addition to reflecting on rules and processes, the review also assessed skills, capabilities, behaviour and incentives.

The review confirmed that organisational responses to risk, and policy commitments to demonstrate value-for-money and results, had improved rigour but had added additional layers of controls. They had also skewed incentives towards meeting an increasingly high bar for approval at the outset of programme development, and had unintentionally rendered tools and practices more rigid.

In addition, the review unearthed a variety of organisational challenges, including a lack of trust and competitive dynamics across institutional levels and teams; a lack of delegated authority leading to staff disempowerment; risk aversion due to fear of failure; and "second-guessing" including "gold-plating" of documents in order to navigate layers of approvals. DFID's response was a package of reforms including:

- A **programme leadership model** where people closest to delivery are empowered to use their judgement and are held accountable for their decisions. Each programme now has an identified Senior Responsible Owner, providing far greater clarity for where accountability lies.
- Greater **organisational clarity** through clearly defined rules and processes, including a stripped back set of "Smart Rules", which have simplified and clarified the programme approval chain.
- **Capability improvements** to ensure staff have the adequate programme, commercial and financial skills.
- An **organisational culture** committed to learning, where embracing risks, problem solving, and challenging the status quo are encouraged and where staff have assurances of organisational "cover".

Source: DFID internal documentation and donor interviews.

2. Invest in Institutional Capacity

Policy commitments to investing in fragile, at-risk and crisis-affected contexts need to be matched with investments in the ability to spend that money in an effective way. Institutional capability derives largely from the skill, creativity and experience of its people: indeed, many of the lessons and good practices discussed throughout the study rely on having substantial institutional capacity to analyse, engage, think creatively, monitor, learn and solve problems. Moreover, programming in fragile and conflict-affected environments often requires higher levels of oversight relative to the volumes of funds disbursed.[4] Yet while donors have expressed policy commitments to working more effectively and on a larger scale in fragile, at-risk and crisis-affected states, government-wide fiscal constraints have seen a number of them in fact freeze or cut their institutional budgets and staff.[5]

Given these resource constraints, donors have invested in efforts to streamline workloads and increase organisational efficiency. France, for example, has focused on training and better supporting existing staff. The Crisis Prevention and Post-conflict Recovery Unit within the Agence Française de Développement (AFD) has established a niche as a "knowledge-broker", adapting evidence, policy and tools into more digestible and user-friendly forms for busy technical staff. DFID, meanwhile, has streamlined bureaucratic programme approval processes with the introduction of the Smart Rules, freeing-up staff time formerly taken up with organisational sign-off processes (Box 1). A number of donors have also moved towards allocating larger volumes of funds to fewer partners in order to reduce the transaction costs of managing partnerships – though it should be noted there are programmatic trade-offs associated with portfolio and partner consolidation.

Attracting and retaining staff in difficult working environments remains a real challenge. A number of donors have responded with incentives and inducements such as more generous leave, financial compensations, and career incentives. Italy, for example, provides financial incentives for hardship postings which include additional salary and extra credit towards retirement. Norway and the Netherlands offer financial incentives and shorter postings, and links working in fragile states with opportunities for career advancement.

The challenge of attracting and retaining staff is recognised as a problem which requires constant management; alternative approaches may be required. Many donors invest in locally-engaged staff. For example, Ireland committed to investing in national staff capabilities and leadership opportunities early on in its field presence in Tanzania, Uganda, Mozambique, Sierra Leone and Liberia with positive results; Australia gives national staff a key role, particularly in ensuring effective design and implementation of programmes. To help bridge staffing gaps, France is able to send volunteers to fragile states after either training or an apprenticeship in Paris.

In addition, donors recognise that expectations placed on staff have changed. Staff are expected to have different sets of skills, and to take on greater responsibilities. USAID, for instance, notes that staff, particularly those in the field, "will need to serve more as development facilitators and social entrepreneurs—convening, connecting and catalysing local and international actors" (USAID, 2014). Donors will therefore need to re-tool their workforce. This is a medium-term objective, which will require hiring in new skills; engaging in new partnerships; investing in developing staff skills and establishing performance management incentives in order to bring about cultural and behavioural change.

3. Use the full range of tools and influence

Donor approaches to policy coherence in fragile states have focused largely on ensuring greater coherence across humanitarian and development portfolios and across development, diplomatic and defence engagements. In addition, the majority of donors consulted indicated that coherence across government institutions is relatively limited and is not given a high level of priority.[6] This is changing, however. Increasingly governments recognise that the root causes of risk and fragility are often transnational and multi-causal; therefore, a far wider ranges of resources, influences and

capabilities are needed than envisaged in the previous '3Ds' – development, diplomacy and defence - approaches to governmental coherence.

The UK, for example, has recently published a new Aid Strategy which takes a broader approach to cross-government coherence (Box 2). Several donors noted that major cross-governmental reviews are underway and new approaches are anticipated in response to the new post-2015 development consensus, including the financing for development agenda, Sustainable Development Goals and the 2015 Paris Climate Agreement. For example, the Netherlands has nominated a national co-ordinator for the coherent implementation of the 2030 Agenda across different ministries.

Box 2: The UK approach to whole-of-government coherence

In November 2015, the UK government published a new Strategic Defence and Security Review (SDSR) and a new Aid Strategy. The SDSR puts forward the government's high-level strategic objectives, which include a clear role for its aid investments in tackling global security challenges. The new Aid Strategy asserts the need for a new strategic approach to emerging global challenges, including greater cross-governmental working.

In countries and regions at risk of instability, contributions from different government departments are co-ordinated through the National Security Council and aid spending calibrated to support diplomatic action. Three cross-governmental funds will stimulate cross-governmental working including:

- The existing Conflict, Stability and Security Fund, which will be expanded to support the UK's global security objectives.
- A new GBP 500 million official development assistance (ODA) crisis reserve, which will support resilience and crisis response.
- A new Prosperity Fund, led by the National Security Council, which will support the UK's global prosperity and opportunity objectives.

While DFID will remain the primary custodian of UK aid, its share will fall from 86% to around 70% by 2020, with the balance being spent by other government departments and specialist funds. The UK government also expects to call on UK science and research communities to work on solutions to global challenges.

Source: UK Government (2015)

As donors expand their use of policy instruments to address global development challenges and enlist the support of a wider range of government ministries and departments, development agencies are likely to be called upon to play a new role: advising and advocating for adherence to principled approaches and policy commitments and for the inclusion of excluded groups. Indeed, several donors noted that development policy thinking on effective engagement in fragile states has influenced defence and foreign policy thinking to a significant extent.

In addition to government efforts to advance their support to global commitments through a broader remit for government technical capabilities and influence, recent global crises which have threatened national interests of donor governments have stimulated new policy thinking. For instance, in response to the Ebola crisis in 2014, a number of donor governments deployed military and health ministry capabilities as well as traditional development and humanitarian financing support. The current refugee and migrant crisis in Europe has also stimulated major policy debate on the connections between humanitarian, development, security and domestic migration policies within many European countries. This has in turn prompted, for example, the creation of a Migration Task Force within the Dutch Ministry of Foreign Affairs, and the establishment of a major European Union trust fund designed to address the root causes of irregular migration in Africa.

However, achieving coherence necessarily involves compromises and trade-offs; there are significant risks that development priorities will lose out in negotiations with more influential government bodies who may more aggressively compete for priorities which favour national interests. Government responses to the refugee and migrant crisis in Europe exemplify how trade-offs between development objectives and pressing domestic considerations can see development priorities lose out. Indeed several governments have diverted a proportion of their overseas ODA spending to meet the domestic costs of hosting refugees. Similarly, it may prove challenging in practice to reconcile managing the perceived challenges to domestic interests posed by fragility – such as tackling violent extremism and reducing the drivers of migration – with policy commitments to support locally-led state-building and peacebuilding processes.[7]

In practical terms, coherent approaches rarely occur without explicit requirements or incentives to work across institutional divides. Even when shared analysis and high-level objective setting is required, this does not necessarily lead to coherent programming or collaborative working in practice. Real connected and coherent working happens when there is a specific challenge or task to address, in which actors have clearly defined roles and interests. Donors may need therefore to aspire less to bureaucratically imposed exercises in cross-departmental coherence, which often in practice equate to co-ordination, and more to setting and communicating high-level objectives and principles, improving information sharing and communication, and where there are specific advantages in collaborative approaches, ensuring that disincentives to collaboration are reduced. For example, Canada is currently exploring options for promoting policy coherence in its efforts to promote security and stability abroad, particularly in high-profile contexts where a wide range of Canadian priorities and interests are at stake. Ireland is planning joint team country visits in order to build shared analysis and strategy across diplomatic, humanitarian, development and resilience-building investments.

4. Become "system players"

Donors vary tremendously in their capabilities and comparative advantages – this diversity is an asset to be strengthened. Not every donor can do everything, but even smaller donors may have particular advantages, such as more level hierarchies and smaller teams which can facilitate internal dialogue and collaboration, higher levels of trust and flexibility. In practice this means that donors play very different roles and should work on dividing up their roles in different partner countries, based on competence, comparative advantage and motivation.

In addition, donors should also aspire to be "system players"[8] investing in public goods which benefit the collective response while also pursuing their own individual priorities. Co-ordination is one obvious system contribution, and the New Deal in particular has made more explicit requirements for donor co-ordination. The costs of co-ordination, however, are frequently underestimated and under-financed (Box 3).

Box 3: Italy's role as co-ordinator and honest-broker in Somalia

Italy plays an important role in supporting co-ordination of implementation of the New Deal as donor co-leads to the Peacebuilding and Statebuilding Goals (PSGs) 1 and 5. Italy is considered to be a relatively neutral actor in its co-ordination functions and is often called upon to mediate as an "honest broker". Italy has established an embassy in Mogadishu which includes a Cooperation Development Office; has consistent political representation, with an ambassador deployed for 70% of their time to Mogadishu. In addition to Italy's historic ties with Somalia, this political engagement strengthens the political and conflict sensitivity of Italy's development engagement. The workload associated with Italy's co-ordination functions, however, is substantial. As noted by other donors in other contexts, few donors are willing to step up and take over.

Source: Member interviews

Being prepared to take on responsibilities and tasks that others are less willing or able to support is also key. Norway, for example, stepped in to fill a critical gap in funding for civil servant salaries in Somalia in 2014 before the World Bank multi-donor trust fund was operational. Supporting "public goods" that benefit the collective response, such as funding fragility assessments (Marcus, 2015), also makes a critical contribution to improving overall effectiveness.

ASPIRE TO DELIVER CHANGE

Achieving results without impact is common in fragile, at-risk and crisis-affected settings. In reality, policy makers and practitioners know relatively little about how to reduce fragility and increase resilience. Solutions are, in any case, highly variable from place to place. In addition, institutional emphasis on avoiding fiduciary risk, and pressure to demonstrate results, combined in some cases with ambitious spending targets, steer donors towards programming choices which focus on the "form rather than function" of change (World Bank, 2011), on technical fixes and on buying measurable "façade results" (Ball and van de Goor, 2013).

A number of donors have recently been influenced by those policy schools of thought often referred to as "doing development differently": drawing on complex systems thinking which identifies a non-linear relationship between cause and effect and the interaction of multiple factors and actors in engendering change.[9] This notion of complexity and unpredictability fits well with fragile states, where trajectories of change and outcomes are often extremely difficult to predict. Recommended programming responses seeking to support and stimulate positive change through this school of thought should be rooted in locally identified solutions, and supported with flexible and adaptive programming which learns and adjusts regularly on the basis of monitoring, feedback, and continual evidence building.

The ability to learn, adjust and adapt requires significant investments in monitoring, analysis and problem diagnosis instead of simply identifying needs and making standard palliative prescriptions. It also requires real flexibility, including up-front dialogue with partners, and the ability to learn and change course accordingly. This has significant implications for donors in terms of staffing levels, expertise and the distribution and delegation of decision-making authority and responsibility. Many of the lessons in the following sections point towards increasing donor support – at least in principle – for flexible, iterative, adaptive programming approaches. In practice however, the institutional investments and cultural changes needed to support this approach have yet to be realised.

5. Invest in context and problem-led programming

Analysis of the root causes of fragility, conflict, risks and capacities is fundamental to identifying and prioritising responses that will contribute to peacebuilding and statebuilding goals and strengthen resilience to risk. In addition, in dynamic and often politically contested contexts, understanding the political economy of the situation is crucial to understanding the calculations of different decision makers and opportunities for influence and change, as well as the potential risks and unintended consequences of aid investments.

In order to tailor responses to context, identify risks and to "do-no-harm" in programming, donors have invested in their ability to understand the drivers and dynamics of fragility and contextual risks through political-economy, conflict and risk analysis approaches and tools. The European Commission (EC) and European External Action Service (EEAS), for instance, have developed policy guidance on the use of conflict analysis in EU external action (Box 4).

Box 4: The EU approach to conflict analysis

The EU re-affirmed its commitments to conflict prevention contained in the Treaty of Lisbon and has subsequently strengthened its architecture and capabilities for conflict prevention, including through the creation of the European External Action Service in 2011. Independent evaluations, however, noted that the EU's capacity to understand and anticipate conflict were inadequate, and political reporting, strategy development and programming were not sufficiently conflict-sensitive.

In 2013, the European Commission (EC) and European External Action Service (EEAS) developed policy guidance for the use of conflict analysis to support EU external action. This guidance clearly identifies a proactive, conflict-sensitive approach as a means to ensure the EU "does no harm" and as the basis for a comprehensive institutional approach to conflict and crisis situations.

Around 20 joint conflict analyses have since been carried out. For example, a multi-donor evaluation of Sudan had noted that recent donor approaches to peacebuilding rested on a faulty and naïve analysis of the root causes of conflict. In 2014, the EU carried out a joint conflict analysis, which was facilitated by the EC's Directorate-General for International cooperation and Development (DG DEVCO) and EEAS. It included participation by all active EU institutions, EU member states in-country and key UN agencies. The process included an independent literature review of existing conflict analysis; a two-day conflict analysis workshop; and a report capturing analysis and recommendations for engagement. The analysis considered the drivers of conflict; capacities for peace; stakeholder analysis; conflict dynamics and scenarios; and also reviewed the current EU portfolio of investments and engagement to evaluate the extent that it was "fit for purpose". The analysis has informed subsequent engagement and contributed to a portfolio which systematically considers conflict sensitivity and more explicitly targets upstream conflict prevention.

Source: EC (2013); Bennett et al., (2010); and member interviews.

Political-economy and conflict analysis often focus heavily on institutional capabilities, while consideration of political dynamics and risks and a wider range of contextual risks is relatively uncommon. Disaster risk analysis is typically treated as a separate technical field. This is a product of the existence of institutional "siloes", whereby technical teams focus on different types of risks within donor institutions. While peacebuilding and statebuilding actors may consider future conflict risks, these are seldom combined with a forward-looking analysis of other potential risks, such as climate change, which leaves development actors at risk of supporting maladaptation and exacerbating the drivers of conflict (Crawford et al., 2015). Sweden has begun using a tool which enables them to consider a far wider range of potential risks and sources of resilience in their problem analysis (Box 5).

A heavy emphasis on analytical tools and the framing of context and problem analysis as a technical exercise, which is in many cases carried out by 'outsiders' including externally commissioned consultants, risks relegating this critical skill to a marginal exercise. Indeed, a number of donors noted that field-based staff questioned the usefulness of the analysis and the analytical tools provided by policy-divisions, which they find onerous and in some cases difficult to relate to their information needs. Moreover, smaller donors are less likely to undertake detailed context analysis, and when they do, they often rely on ad-hoc pieces of research commissioned out to external third-parties. In addition, critically analysing the extent to which existing programmes and approaches do in fact contribute to strategies addressing identified problems and risks may also return some uncomfortable and unwelcome findings, obliging donors to question long-standing assumptions, investments and relationships and in some cases is met with resistance.

Incorporating context and problem analysis into the DNA of donor behaviour will require much more than the commitment to undertake political-economy analysis and to provide tools and guidance.

Rather, it should be considered a medium-term institutional objective, which requires investments including training and performance-related incentives that recognise the regular use of critical analysis in the performance of individual and team duties.

Box 5: How Sweden uses the OECD's resilience systems analysis

The Swedish International Development Co-operation Agency (Sida) is using the OECD's resilience systems analysis framework[10] in its context analysis and strategy development. It notably used this tool in developing Sida's development cooperation strategy for the Syria crisis.

Resilience systems analysis takes into consideration a wide range of potential risks and considers their interaction – for example, how disasters can trigger economic shocks, and how conflict can increase exposure to disaster risk. This approach also tries to take into account how long-term trends – such as climate change, governance and insecurity, economic marginalisation and volatility, environmental degradation, and demographic shifts – can change the nature and impact of shocks in the future. As the name suggests, however, the primary focus of the resilience systems analysis approach is not risk itself, but on how systems respond to risk and shocks. The results are then used to identify opportunities and gaps in programming, and thus to develop a detailed plan of how to build well-being and resilience to shocks in a particular area. The tool is highly participatory and brings together a wide range of stakeholders – government, donor staff, civil society, private sector and many others.

Sida has also used the resilience systems analysis approach to undertake portfolio reviews, which have identified a number of recommended course-corrections and adjustments to align programme responses with problems identified.

Source: Member interviews

Shared analysis of the drivers of fragility and sources of resilience are frequently noted as beneficial for coherent planning across disciplines, sectors and levels. There are few examples, however, of this taking place in practice. A notable exception is a planned Conflict Sensitivity Resource Facility in South Sudan supported by leading donors (Canada, Germany, Switzerland, the UK, and the US), which aims to strengthen analysis and approaches to conflict sensitivity. There are likely to be optimal levels of participation in such joint exercises, however, beyond which the quality and honesty of analysis may decline. Where joint analysis is happening, it is typically related to a particular joint enterprise such as a pooled fund or co-financed programme and involves a limited number of actors – those with direct interest in effective programme. France, for example, has recently conducted a number of joint political-economy analyses with the World Bank for their jointly funded programmes in Cote d'Ivoire, Cameroon and the Central African Republic (CAR), where DFID and UN agencies will also be contributing donors. Joint programming and shared analysis are likely to become increasingly common.

6. Re-calibrate approaches to managing risk

Contextual, programmatic and institutional risks are significantly higher in fragile settings. Many types of risk need to be considered: including the risk of failure; the risk of inefficiency; the risk of diversion of funds; the risk of doing harm; and risks to human rights (ICAI, 2015). In addition, access to insecure areas and implementing partner capacity challenges often mean that in practical terms, investments are routed via complex transaction chains which are difficult to monitor. There are many examples of creative approaches to navigating and managing risk, including the use of joint strategies (Box 6).

Donors widely recognise, however, that strong institutional desires to avoid fiduciary and reputational risk are a major barrier in scaling up and delivering more effective and transformative programmes in fragile, at-risk and crisis-affected contexts. In addition, institutional responses to risk

have often added additional layers of controls that have become a real barrier to flexible and adaptive programming. Concern to minimise fiduciary risk can, for example, mean that funds are slow to arrive and that inefficient delivery channels are chosen (Marcus, 2015). Such concerns steer donors towards investing in programmes which may be predictable, but not transformative (they may indeed fail in programmatic terms, but in a predictable way). In short, the overall impact of decisions driven by a desire to avoid or minimise fiduciary and institutional risk may be that the overall effectiveness of aid investments is severely compromised.

Box 6: Donor-supported risk management strategies in Somalia

Somalia, where contextual, programmatic and institutional risks are all very high, is a testing ground for many innovative approaches to managing risk. High levels of insecurity mean that remote management has become the default approach, limiting oversight of programme implementation. Donors are under pressure to disburse – particularly in response to extreme humanitarian need, and to implement the New Deal. High-profile corruption scandals have put additional pressure on donors to manage fiduciary and reputational risks. In addition, international actors have been criticised for permitting a "blame culture" in which risks were unfairly distributed along the partnership chain, with front-line responders exposed to the most significant risk. Recent strategies to better manage risk in Somalia include:

The Risk Management Unit (RMU). The RMU was established in 2011 to help UN agencies to better asses and understand risk. It is funded by Denmark, DFID and the Common Humanitarian Fund for Somalia. The RMU carries out risk assessments and monitoring; conducts due diligence on implementing partners; and manages a database of risk-related evidence on UN implementing partners. The RMU has latterly provided practical support and guidance to donors and NGOs as well as UN agencies.

Third-party monitoring. Many implementing partners have incorporated third-party monitoring systems into their remotely managed programmes. For example, DFID has contracted a private consulting company to provide comprehensive monitoring and evaluation services for its multi-year humanitarian programme (2013-17). Planned monitoring activities include remote sensing, a beneficiary call centre, mobile phone data collection, a knowledge platform and data analysis (Integrity Research, 2015).

Sources: Hedlund et al. (2013); Integrity Research (2015).

Many donors have put in place, or are in the process of putting in place, revised risk management frameworks and tools. However, these technical fixes often fall short of delivering a significant institutional shift in donors' risk appetites, and the tools may not in fact even be used (Williams, Burke & Wille, 2014), or more specifically, they may not be translating into altered approaches to risk at country-level (IDPS, 2014). Despite being an explicit target of the New Deal, there has been little progress in shared/joint risk assessments that might enable better collective analysis and approaches to managing risk (IDPS, 2014). In addition, investments in monitoring and use of process indicators as a tool to manage risk have yet to be systematically built into programming approaches (Ball & van de Goor, 2013).

As noted in Lesson 1, the most critical element in changing donor approaches to managing risk is altering institutional culture, the authorisation environment and incentives. Therefore, technical tools are unlikely to have much traction if institutional incentives pull in the opposite direction. In fact, many of the lessons outlined throughout this study point towards institutional changes which will ultimately put donors in a much better position to anticipate, detect, and respond to risk. In practical terms, these measures include investing in the capacity to understand contextual risk, and building feedback, evidence and reflexive and dynamic analysis into programming to allow for the early detection and management of risks. At the institutional level, organisations will need to

provide staff with the skills, authorisation, incentives and political cover to make programming choices which might have higher risks, but also greater returns.

7. Support locally led change

Donors maintain strong support for their aid effectiveness commitments, though in practice the application of these commitments in at-risk, fragile and crisis-affected contexts can be highly challenging for many and thus the use of parallel systems is common.[11] Indeed, the overall volume of funds channelled through country systems in fragile states remains low, even though donor approaches to the use and strengthening of country systems continue to diversify and adapt to the realities of partner country capabilities and risks.

To the disappointment of the New Deal pilot countries, the use of country systems in the form of direct budget support has not met early expectations and many donors have, in the years following the signing of the New Deal, rolled back their use and enthusiasm for general budget support.[12] For example, the UK – formerly a strong supporter and advocate of budget support – announced in its new 2015 Aid Strategy the end of budget support and its intention to expand payment by results in order to ensure clear earmarking of contributions (UK Government, 2015).

New approaches to providing budget support seek to calibrate instruments against the assessed level of fiduciary risk and donor appetite for risk, and to integrate targeted capacity strengthening of country systems. For example, Australia combines the partial use of country systems where capacity is assessed as being low, with investments to improve public financial management. Other donors have devised specialised instruments to balance the multiple requirements to use and strengthen local systems with managing fiduciary risk (Box 7).

Box 7: Emerging flexible approaches to budget support

EU statebuilding contracts. In 2013, the EU developed statebuilding contracts, a new, relatively flexible, financing modality to provide tailored budget support to fragile and conflict-affected states. Budget support is complemented by a package of technical assistance, and includes a combination of regular and performance-related payments. In Mali, the statebuilding contract played a key role in maintaining fiscal stability during a period of democratic transition following the 2013 political crisis, a crisis that had led to the suspension of a large proportion of other bilateral donor financing.

USAID Fixed Amount Reimbursement Agreement (FARA). USAID established a FARA with the Government of Liberia in 2011 in an effort to channel its support to the health sector through local systems. The FARA is a form of "cash-on-delivery" aid, whereby the government is reimbursed on completion and verification of a specified set of activities or outputs. FARAs manage fiduciary risk by transferring it to the implementing partner, who is obliged to risk their own capital. Early feedback from implementation of the FARA in Liberia indicates the need for a high level of engagement between USAID staff and government counterparts, particularly in the initial stages. This poses "significant challenges for USAID/Liberia staffing and program management capabilities".

Sources: Bernardi, Hart, and Rabinowitz (2015); USAID (2013).

In other cases, multi-donor trust-funds (MDTFs) have proved valuable in enabling donors to harmonise and align with government-led priorities, reducing transaction costs and pooling risks (Bernardi, Hart, and Rabinowitz, 2015).[13] In volume-terms, however, the majority of funding remains programmed bilaterally and via multilateral institutions. While MDTFs have been successful in channelling significant donor contributions 'on-budget', the use of government systems – including procurement and financial systems – is typically more limited.[14] The Liberia Health Sector Pool Fund

represents a successful government-managed fund, which uses government planning, procurement, financial management and evaluation systems (Box 8). However, contributing donors note that the work involved in co-ordinating, technical support and managing risk should not be under-estimated.

Box 8: The Liberia Health Sector Pool Fund

The Liberia HSPF was established by the Government of Liberia in 2008 in order to navigate a transition from humanitarian finance towards harmonised donor support to the National Health and Social Welfare Plan and to strengthen government leadership and management of health sector programming (MOHSW, 2015). The fund was established in a manner that supports aid effectiveness, capacity building and national ownership. Notably, at the time of its creation, no donor was willing to channel funds to the health sector via direct budget support, even though this was the government's preference.

The Ministry of Health and Social Welfare (MOHSW) chairs the fund's primary decision-making body, the Steering Committee, along with a donor co-chair. IrishAid, DFID, the Swiss Agency for Development and Cooperation (SDC), AFD and UNICEF have been donors to the fund. Crucially, the fund uses the MOHSW's existing systems for financial management, procurement, internal audit, planning, and monitoring. A third-party managing agent administers and monitors the disbursement of funds. In addition to using local systems, the HSPF has directed funds to address institutional capacity gaps. Although the majority of funds for the health sector are channelled through other mechanisms, the fund is credited with having improved the institutional capacity of the MOHSW, particularly its financial management capabilities, and in increasing MOHSW stewardship of health service delivery. The HSPF has proved capable of adapting to changing circumstances; in response to the Ebola crisis in 2014, the HSPF was able to receive and programme additional donor contributions to support the government-led response. Through quarterly meetings, fund priorities could be adjusted to meet emerging needs.

The Ebola crisis accentuates the need for predictable long-term and flexible support to health services and systems in Liberia. Yet despite the achievements of the fund, no additional donors have come forward in the wake of the Ebola crisis. The fund also requires a sustained and high-level of engagement from contributing donors, particularly by the lead donor (Ireland has been the lead donor since 2010).

Sources: MoHSW (2015); Hughes, Glassman and Geringale (2012); and member interviews.

Where fiduciary and political risks prohibit use of government systems, donors have in some cases developed pragmatic approaches to maintaining the overall objective of aid effectiveness and New Deal aspirations to strengthen local systems. For example, DFID's Girls' Education Programme in South Sudan "shadow aligns" with government systems to support government priorities and capacities, without using them directly (Box 9).

Box 9: DFID "shadow alignment" with government systems in South Sudan

DFID is supporting a large-scale five-year education programme in South Sudan, providing incentives to households to offset the cost of keeping girls in schools, and cash grants to schools to improve the learning environment. The programme is also designed to support the transition from the historically fragmented support to the education sector towards harmonised donor support to a government-led education service.

Since capacity constraints and fiduciary risks ruled out direct budget support early in the design stage, the programme instead channels capitation grants to schools (an amount of money that is given to the school for each person it teaches). These are aligned closely with government systems, but are implemented via a private sector management agent. The programme includes a range of capacity-strengthening activities, and the management of capitation grants is envisaged to provide schools with an opportunity to strengthen their public financial management systems alongside separate donor supported efforts to implement the Government of the Republic of South Sudan Local Support Services Aid Instrument (LSSAI) system.

From the perspective of schools, the source of the funds received in their account makes little difference; they implement and report on them in the same way as they would funds channeled via government systems. And the Girls' Education South Sudan programme (GESS) reportedly has very strong ownership by both national and state governments. Indeed capitation grants are increasingly being taken over and paid by the government.

Sources: DFID (2013); DFID (2015); Hart, Hadley and Welham (2015).

Donors have in some cases invested disproportionately in supporting and strengthening government systems at the central level, while neglecting sub-national institutions, resulting in a "missing middle" (ICAI, 2015). However, working at the sub-national level can be a useful strategy when it is not feasible to strengthen national country systems. For example, Spain focuses on working with local authorities and local public institutions, including supporting participatory budgeting and strengthening state-society relations.

For some donors, the concept of "local systems" has broadened beyond strengthening government institutions towards multiple interdependent elements which contribute to the functioning and sustainability of local systems. USAID's Local System's Framework in particular illustrates this broadened concept of local systems (Box 10).

Box 10: USAID's Local Systems Framework

In 2014, USAID published a policy framework setting out its concept and rationale for supporting local systems in order to deliver "development that is locally owned, locally led and locally sustained".

USAID maintains an "inclusive" interpretation of country ownership that looks not only to government priorities, but also to the needs and aspirations of citizens. USAID's policy also draws on complexity theory[15] and systems thinking, which attempt to "understand how systems behave, interact with their environment and influence each other". In the context of local systems, for USAID this means that country systems should be "framed inclusively"; in other words recognise that different elements of the system – including governments, but also civil society, the private sector, and individuals – interact and contribute to development. Therefore, in practical terms, strengthening local systems includes strengthening the capacities of a range of inter-connected local actors, and the system as a whole.

Source: USAID (2014).

8. Learn, adapt, adjust

Contexts are dynamic and programmes rarely unfold as planned. Investments should be reviewed regularly against context and problem analyses and theories of change to ensure they are in fact contributing to change and not inadvertently causing harm. Therefore, programming needs to be sufficiently flexible so as to respond to changing circumstances, change tack, stop things that aren't working, and scale up things that are.

While the value of a detailed context analysis is recognised by many donors, exercises such as political-economy analysis are largely done early on, at programme design phase. The integration of context and problem-led analysis throughout the life-span of programmes is less common, and the capacity and commitment to make use of feedback, monitoring information, and evidence on programme impact were noted as problematic by a number of donors.

However, some donors are beginning to build in significant operational learning components to their programming and to consider investing in generating evidence as a public good. For instance, the EC's Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa contains an inbuilt research and evidence-generating component. In the Democratic Republic of Congo, DFID is funding an Evidence, Analysis and Co-ordination Programme which supplements limited institutional contextual understanding with a research programme and expert panel – aimed at improving analysis, programme design and strategies (ICAI, 2015). The Netherlands supports a UNICEF Peacebuilding Education and Advocacy Programme in 14 countries, including a monitoring and evaluation system to systematically feed evidence into programmate review and adjustment of education strategies to improve their contribution to peacebuilding outcomes. France is piloting a new approach to systematically integrate analysis of the interaction of programmes with their operating environment (Box 11).

Box 11: AFD's approach to real-time monitoring and analysis

The Agence Française de Développement has developed a modified version of the Collaborative Learning Projects (CDA) "do no harm" tool[16] which has been simplified for field implementation. The tool is accompanied by guidance to help staff integrate the approach into project design, follow-up and monitoring. The approach is designed to provide implementers, including independent local researchers, with additional sources of information outside of their regular interlocutors, to help them to develop a more objective analysis of the context, and of the interaction between the programme and its environment. The approach is currently being piloted and is expected to provide regular real-time monitoring and analysis to provide programme managers with evidence to inform programme adaptation.

Source: Member interviews

In some cases, donors have also developed tools which provide a 'safety-valve' function, alerting actors across institutional levels to changes in the context and triggering reviews of programmes and approaches, which in turn may stimulate programme and portfolio adjustments (Box 12).

Box 12: Donor "safety-valve" mechanisms

USAID risk alert system. USAID maintains an internal tool to monitor indicators of fragility and future risk – including risk of political instability and conflict. The tool is used to flag changes in key risk indicators and to initiate discussions and reviews of programming responses, including in contexts not previously identified as at-risk or fragile, where funding may be predominantly invested in earmarked sectoral programmes. Flagging situations of concern allows USAID country-level and headquarters staff to critically review the balance of investments and may lead to a conflict-analysis or analytical process to inform programme adjustments. The tool generates space for discussion and reflection across teams that might not otherwise be feasible.

Germany's crisis early-warning instrument. BMZ, the Federal Ministry for Economic Cooperation and Development, commissions an annual survey of partner countries and classifies them according to crisis and risk potential. Countries receiving an amber or red rating must undergo a review of the political and security context and Germany must consider whether their investments are sufficiently conflict-sensitive and whether additional peacebuilding investments are required.

Source: Member interviews

Given the overall scale of donor investments, there are relatively few examples of programmes which have built in the capacity to learn and adapt. It is relatively straightforward to include evidence-generating elements at the programme design stage, but it is more difficult for donors, particularly those who are resource-constrained, to process, understand and react to this evidence. Analysing and thinking through the consequences of evidence, and engaging with partners to adapt programmes, requires substantial skills and capacity, sufficiently empowered programme managers, and management incentives for critically reviewing evidence (beyond the much simpler task of just generating evidence).

9. Rethink outcomes

Prevailing bureaucratic approaches to fragile contexts rely heavily on linear theories of change documented in logical frameworks, and institutional incentives that heavily favour measurable results. In some cases, the generation of evidence of results is a hard constraint, with some donors obliged to report to their parliaments against pre-agreed results frameworks. But results that can be predicted and measured within a programme implementation period may not equate to positive and sustainable change in fragile contexts, where the trajectories and drivers of change are extremely difficult to predict. In order to encourage more adaptive problem-solving programming, a different set of metrics to measure progress and success will be needed.

Programmes which aspire to deliver transformative outcomes are likely to benefit from more loosely prescribed programming frameworks and results expectations. These can contribute to higher-level programming objectives, while exact priorities and programming modalities may be defined "on-the-job"[17] (Box 13).

Box 13: Flexible results expectations for Norway's support to civil service capacity strengthening in South Sudan

Norway supported a triangular co-operation programme led by the Intergovernmental Authority on Development (IGAD). It provides technical assistance in South Sudan through secondments of civil servants from three IGAD member states to national and state-level ministries. The programme was facilitated by the United Nations Development Programme (UNDP). While higher-level governance strengthening objectives were broadly identified, the approach to achieving these was only loosely defined at the outset. In practice, this meant that seconded staff could be given a high degree of freedom and flexibility to work with their local counterparts to identify those problems and capacity gaps they could usefully help to address. Consequently, the programme was able to respond and adapt to highly specific capacity challenges, and ultimately, achieved very high levels of local buy-in and satisfaction with the programme. In this instance, the non-prescriptive design of the programme proved to be one of its most valuable assets.

Source: Rosén and Hadrup (2013); and member interviews.

In addition, some donors are looking beyond outputs to measure contributions to the process of change. For example, USAID's 2014 Local Systems policy framework (described in Box 10) expands the concept of "results" to include measurement of "a well-functioning system", as well as outputs and outcomes. This includes measures of the durability and adaptability of systems, which provide a more robust indication of the effectiveness and sustainability of investments (USAID, 2014).[18]

The idea of totally dispensing with predictable results may be unrealistic, and without sensitive management a high degree of latitude with partners could prove a risky strategy. Clearly, flexibility needs to be matched with the capacity for oversight and critical engagement with implementing partners. Moreover, in practice, for the foreseeable future a substantial part of donor portfolios in fragile, at-risk and crisis-affected contexts will most likely continue to support programming which substitutes for or supplements capacity, including direct service delivery or infrastructure investments. In this case, donor portfolios will contain a range of programming types, from more traditional programmes with conventional results (such as numbers of children vaccinated, numbers of girls completing primary education, number of clinics constructed), to activities which provide evidence of change (for instance in the capacity and accountability of local systems or the resilience of communities and systems to shocks) to more experimental programmes where the high-level principles and direction of travel are indicated at programme design stage, but where activities and measures of success are defined and refined during implementation. The uncertainty of results in this latter group can be offset by packaging the different programme types as a 'portfolio' of investments.

10. Responsive instruments and partnerships

The high likelihood of major reversals, shocks and set-backs in fragile, at-risk and crisis-affected contexts means that donors should be prepared to very quickly adapt to new realities. This also means that the need for humanitarian response is an ever-present possibility and should be considered an important part of necessary response tools.

Donors have responded by building flexible and responsive instruments and approaches, including blended funding from humanitarian and development sources. In some cases, donors have built in discretionary funding elements. Belgium's multi-year development portfolios can in some cases retain up to a 10-15% reserve element to fund interventions not defined at the sign-off stage. In the Democratic Republic of Congo (DRC), this discretionary element was used to support a complementary investment in strengthening public financial management, which was identified as adversely affecting the delivery of Belgium's health and education programmes. The Netherlands sometimes allows NGO partners to use 10% of agreed development funding for humanitarian purposes to adapt to unexpected circumstances. Some donors have a high degree of flexibility and

discretion in modifying funding arrangements. For instance, Ireland was able to request that its partners re-direct existing development funds towards Ebola response activities to enable a rapid scale-up pending subsequent additional funding allocations. Similarly, France has a range of programming tools with flexibility to shift priorities within these. Consequently during a period of political crisis in Mali it was able to quickly shift its programming from technical assistance towards strengthening governance and boosting the role of civil society.

New funding instruments have also emerged which are better tailored to the needs of particular contexts. For example, in Somalia, DFID supports a range of multi-annual humanitarian and resilience-building programmes which are complemented by a "risk facility" which retains around GBP10 million annually to respond to early indicators of crisis, potentially shortening response times by several months. In Central African Republic (CAR), France and the EU sought both humanitarian and development financing contributions for the Bekou Trust Fund to help avoid a rapid tailing off of funds in the post-crisis period, and to retain the capacity to shift towards humanitarian response, should further crises occur (Box 14).

Box 14: Building flexibility and responsiveness into pooled funds in the CAR

From the initial design stage of the Bekou Trust Fund for the CAR, there was explicit recognition of the desire to avoid the classic funding shortcomings of fragile contexts. In particular, the fund sought to attract funds when the visibility of the crisis was still high and to then deploy these over an implementation timeframe that included the recovery period – typically when international funding typically tails off sharply. The fund also sought to attract contributions from both humanitarian and development donors, and built in flexibility to respond through different programming modalities, as spikes in humanitarian needs were expected. In addition, the likelihood of regional impacts of the crisis was also anticipated in the fund design. This was addressed by ensuring that funds could be programmed for responses outside the CAR, including support to neighbouring countries hosting refugees.

Source: Member interviews

In addition to a range of funding and programming tools and gears, some donors are considering building in "red lines" which signal potentially deteriorating scenarios in order to reduce the impact of stop-start engagement in the event of a major deterioration in political and security environments. This would improve the predictability of donor responses to major changes in the programming context.

Donors have struggled to scale up investments in fragile states, often due to a lack of absorptive capacity among governments but also among their international partners, which in some cases have still to adapt their regular development programming models to challenging contexts and also struggle to attract and retain staff.

Many donors note that they rely heavily on their multilateral partners to programme large volumes of funds in fragile, at-risk and crisis-affected settings. Overall, however, in contrast to the policy commitments and spending aspirations of their donor partners, multilaterals do not channel a large proportion of their resources to fragile states. Moreover, donors indicated frustration at the limited attempts by some of their multilateral partners to adapt their programming repertoires to fragile contexts. They also expressed concern about the often inadequate responsiveness, effectiveness and capacity of the partners on whom they mostly rely. Donors are likely to increase their reliance on multilaterals in order to scale up programming in fragile, at-risk and crisis-affected settings, yet there is little indication that they are working pro-actively with these partners to encourage more effective programme design and delivery, or to shift the emphasis of their overall funding allocations towards fragile, at-risk and crisis-affected settings.[19]

In some cases, donors have adopted a broader approach to who they partner with, including private sector actors and civil society consortia, who may have greater appetite for risk, experimentation, and in some cases better access and local knowledge than their habitual multilateral partners. For example, DFID's Girls' Education Programme in South Sudan (Box 9) is channelled via a consortium of private sector actors who DFID judged to be providing greater value for money than an equivalent multilateral administrative agent (DFID, 2014). In other cases, donors have worked with local and regional partners who often benefit from superior local knowledge and acceptance. For example, Italy has funded IGAD to implement activities in Somalia, including a reconciliation conference in Jubbaland and support to the Technical Veterinary School in Sheikh, a shared knowledge platform for other regional IGAD members. USAID has a strong organisational commitment to investing in and through local partners as part of its "USAID Forward" initiative, which has increased the overall volume of funds channelled via local systems.[20] For example, in Ethiopia, USAID has increased its funding and partnership support to civil society organisations, though this represents a small proportion of USAID's overall support to the country.

In practice, the availability of alternative partners is limited in many contexts, and the aspiration to strengthen local partners is a long-term objective. The absorption capacity and effectiveness of partners remains a major challenge in donor aspirations to scale up their investments in fragile, at-risk and crisis-affected contexts. Where the pool and capacity of partners is limited, to avoid overloading delivery partners with funds and expectations which they cannot reasonably deliver, donor contributions should be co-ordinated and calibrated to the capacity of partners, rather than to their own spending targets.

LEAVING NO-ONE BEHIND

The rallying call of Agenda 2030 to "leave no-one behind" requires donors not only to invest more, and more effectively, in some of the most difficult environments – it will also mean a different role for ODA as one element of a wider range of resources: catalysing solutions and providing safety-nets to protect from shared global challenges. OECD DAC members can take an important role in influencing principles, norms and behaviour to ensure that marginalised, excluded and vulnerable groups are included in programming, and that collective international responses invest in global public goods.

11. Advocate for including those most likely to be left behind

Donors remain strong supporters and advocates for aid effectiveness commitments to support locally-led development. However, they need to take care not to forget that the interests of local elites do not always reflect the interests of all. Neglected population groups and geographical areas remain a significant concern and, operational access challenges notwithstanding, international actors need to be aware that the interests of political elites may be at odds with the interests of particular groups. In these cases donors should be prepared to take measures to support and advocate for their inclusion.

Donors report that their thematic commitments help to retain a focus on the inclusion of marginalised groups. For example, Sweden maintains a thematic commitment to civil participation, gender equality and empowerment for women and girls across its aid investments (Swedish Ministry of Foreign Affairs, 2013). Similarly, the US is strongly committed to supporting accountability (USAID, 2013b), female empowerment and gender equality (USAID, 2012), as well as strengthening local systems, including civil society systems, through the USAID Forward initiative (USAID, 2014).

Supporting inclusive prioritisation processes represents a critical opportunity for ensuring that the priorities of marginalised groups are considered. Geographical needs-based approaches to identifying key areas of vulnerability and neglect also provide a useful corrective. For example, Belgium volunteered to direct funding to "forgotten provinces" in DRC on this basis.

International actors are highly selective about the contexts in which they are willing to invest. As a result, ODA investments are highly uneven across fragile, at-risk and crisis-affected states. This creates not only pockets of exclusion, but whole countries of neglect. At the global level, donors rely on a voluntary division of labour, which leaves a variety of countries reliant on a very small number of donors. Many donors prioritise their humanitarian funding on the basis of "humanitarian needs" employing analytical tools and supporting funds and partnerships which help to ensure that crises are not neglected (Box 15). Yet there are few incentives for donors to support neglected crises, and no global-level mechanisms to balance out uneven funding across crises, or to tackle the shortage of development actors that can work in partnership with governments.

Box 15: Ireland's approach to counteracting global humanitarian funding neglect

Ireland's humanitarian and resilience funding allocations are prioritised using the INFORM Index, which quantifies and ranks risk exposure, vulnerability and coping capacities. Ireland also looks to identify underfunded or forgotten crises, and has a number of partnerships to channel funds to such crises. Ireland is a leading donor to the UN's Central Emergency Response Fund, which channels significant volumes of funds to underfunded crises. Ireland also supports country-based pooled funds and prioritises these where there are few other donors – notably in the Central African Republic, where Ireland was one of only two donors for a number of years. Ireland also supports the NGO-managed START fund, which channels funds to those small-scale crises which typically fail to command international attention and financial support.

Source: Member interviews, www.startnetwork.org , www.inform-index.org

In addition, the commitment to "leave no one behind" will require new approaches to providing long-term support and opportunities for people even when there is no reasonable expectation of a political settlement, these will help donors to mobilise their usual statebuilding and locally-led prioritisation. There are good practice examples; in Syria, Sida has identified systems at the local and district-level which they could strengthen pending political resolution of the conflict (Box 16).

Box 16: Sida's approach to supporting local capacity in active conflict in Syria

In Syria, Sida's development strategy has tried to balance institutional commitments to maintain the neutrality of their humanitarian support with a desire to invest in and strengthen existing capacities and assets which are helping people to cope with the current crisis and which are likely to be critical for future recovery.

Sida used the OECD Resilience Systems Analysis (see Box 5) to identify capacities and assets which could be supported, and to develop a theory of change and strategy for their development investments. This process helped them make the case internally for investing in government-held areas, by focusing on technical responses aimed at halting a downward spiral in coping capacities.

Source: Member interviews

12. Global approaches to global challenges

The drivers and consequences of fragility, conflict and risk appear to be increasingly *"sans frontières"* and to require regional and global solutions and investments in public goods. Indeed, addressing fragility and risk requires supporting peace and statebuilding at the country-level alongside investments in public goods, such as peacekeeping and conflict resolution capabilities at the regional and global levels; investments in technology to support low-carbon growth; investments to reduce and manage climate related risks; and new approaches to detecting and responding to transnational pandemic diseases (OECD, 2015).

Donors have already developed some programming and funding instruments which address root causes and respond to the consequences of risk across regions. These include regional resilience-building programmes in the Sahel, such as the EU's AGIR (Alliance Globale pour la Resilience). The EU-managed Bekou Trust Fund (Box 14) is designed not only to respond to crisis needs in the Central African Republic, but also to spillover regional effects, including the regional refugee response. Donors are also supporting regionally led instruments, notably the African Union's regional risk insurance pool, the African Risk Capacity (ARC).

The new World Bank-WHO Pandemic Emergencies Fund is one example of a shift towards collective approaches to addressing global public health challenges (Box 17).

Box 17: The Pandemic Emergencies Fund

The idea of a global facility to respond to pandemic emergencies was mooted by the World Bank during the response to the Ebola outbreak in 2014, and has rapidly taken shape and gathered political support.

The PEF has been developed by the World Bank Group with the World Health Organization (WHO) to ensure adequate resources (including medical staff, equipment and medical supplies, logistics and food supplies, and co-ordination and communication activities) to mobilise an adequate response to a future pandemic.

Funds would be accessible to affected country governments, international organisations and civil society organisations involved in pandemic response.

The PEF will purchase private sector insurance cover for developing countries to cover the cost of containing disease outbreaks. It will also receive grant contributions and contingent long-term pledges against which the World Bank Group could mobilise funds through its own liquidity or ability to borrow, so that it can rapidly advance and front-load funds for response. The PEF will disburse funds on the basis of pre-agreed triggers.

The PEF complements an existing WHO Contingency Fund, as well as World Bank disaster response and reconstruction financing instruments.

Source: www.worldbank.org/en/topic/pandemics/brief/pandemic-emergency-facility-frequently-asked-questions

Bilateral donors are also initiating programmes and funds to address global challenges (Box 18).

Box 18: The UK's instruments for addressing global challenges

The UK recently announced the creation of a new Global Challenges research fund with a value of GBP 1.5 billion over five years. The fund will engage UK science capabilities to develop solutions to address a variety of challenges including tackling antimicrobial resistance, protecting animal and plant health, addressing emerging viral threats in developing countries, and strengthening resilience and crisis-response approaches.

The UK also announced the creation of a fund to invest in new health technologies, the Ross Fund, with a value of GBP1 billion over five years. The Ross Fund will support the development and testing of vaccines, drugs, diagnostics, treatments and other technologies to address major global health challenges including infectious diseases, diseases of epidemic potential, neglected tropical diseases, and drug-resistant infections such as tuberculosis.

Source: UK Government, 2015

REFERENCES

Andrews, M., L. Pritchett, and M. Woolcock (2012) "Escaping capability traps through Problem-Driven Iterative Adaptation (PDIA)", *CGD Working Paper* 299, Center for Global Development, Washington, DC, www.cgdev.org/publication/escaping-capability-traps-through-problem-driven-iterative-adaptation-pdia-working-paper.

Ball, N. and L. van de Goor (2013), "The challenges of supporting effective security and justice development programming", *OECD Development Co-operation Working Papers*, No. 10, OECD Publishing, Paris, http://dx.doi.org/10.1787/5k49dffl6bmq-en.

Barder, O. (2015), "Is the UK putting its own interests ahead of the poor in its new aid strategy?", Views from the Center, 10th December 2015, Center for Global Development, Washington, DC, www.cgdev.org/blog/uk-putting-its-own-interests-ahead-poor-its-new-aid-strategy.

Barder, O. (2012), "Complexity, adaptation, and results", Views from the Center, 7th September 2015, Center for Global Development, Washington, DC, www.cgdev.org/blog/complexity-adaptation-and-results.

Bennett, J., Pantuliano, S., Fenton, W., Vaux, A., Barnett, C. and E. Brusset (2010), *Aiding the Peace: A multi-donor evaluation of support to conflict prevention and peacebuilding activities in southern Sudan 2005–2010,* Overseas Development Institute, London, www.odi.org/publications/5488-aid-effectivenes-south-sudan.

Bernardi, M., Hart, T. and G. Rabinowitz (2015), *EU State Building Contracts: Early lessons from the EU's new budget support instrument for fragile states*, Overseas Development Institute, London, www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9441.pdf.

Crawford, A., Dazé, A., Hammill, A., Parry, J. and A. Zamudio (2015), *Promoting Climate-Resilient Peacebuilding in Fragile States,* The International Institute for Sustainable Development, Winnipeg, www.iisd.org/sites/default/files/publications/promoting-climate-resilient-peacebuilding-fragile-states.pdf.

DFID (2015) *Girls' Education South Sudan Annual Review (April, 2015),* Department for International Development, London, https://devtracker.dfid.gov.uk/projects/GB-1-202511/documents.

DFID (2014) *Girls' Education South Sudan Business Case and Summary (December, 2014)*, Department for International Development, London, https://devtracker.dfid.gov.uk/projects/GB-1-202511/documents.

EC (2013), *Joint Communication to the European Union Parliament and the Council: The EU's comprehensive approach to external conflict and crises.* European Commission, Brussels, *http://eeas.europa.eu/statements/docs/2013/131211_03_en.pdf.*

Hart, T., Hadley, S. and B. Welham (2015) *Use of Country Systems in Fragile States*, Overseas Development Institute, London, www.odi.org/publications/10208-using-country-systems-fragile-states.

Hedlund, K., Majid, N., Maxwell, D., and N. Nicholson (2013), *Final Evaluation of the Unconditional Cash and Voucher Response to the 2011–12 Crisis in Southern and Central Somalia,* An evaluation by Humanitarian Outcomes commissioned by UNICEF, Somalia, www.unicef.org/somalia/SOM_resources_cashevalfinep.pdf.

Hughes, J., Glassman, A. and W. Gwenigale (2012), "Innovative financing in early recovery: the Liberia Health Sector Pool Fund", Working Paper 288, Center for Global Development, Washington

DC, www.cgdev.org/publication/innovative-financing-early-recovery-liberia-health-sector-pool-fund-working-paper-288.

IDPS (2014) *New Deal Monitoring Report 2014*, International Dialogue on Peacebuilding and Statebuilding, Paris, www.pbsbdialogue.org/en.

IDPS (2011), *A New Deal for Engagement in Fragile States*, International Dialogue on Peacebuilding and Statebuilding, Paris, www.pbsbdialogue.org/en.

Independent Commission for Aid Impact (2015), *Assessing the Impact of the Scale-up of DFID's Support to Fragile States,* Independent Commission for Aid Impact, London, http://icai.independent.gov.uk/wp-content/uploads/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFIDs-Support-to-Fragile-States.pdf.

Levine, S. and I. Mosel (2014), *Supporting Resilience in Difficult Places: A critical look at applying the 'resilience' concept in countries where crises are the norm*, HPG Commissioned Report, Overseas Development Institute, London, www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8881.pdf.

Marcus, M. (2015), "Implementing the new development framework in countries affected by conflict and fragility", Background briefing note for International Dialogue on Peacebuilding and Statebuilding UNGA side event 28 September 2015, Overseas Development Institute, London, www.pbsbdialogue.org/media/filer_public/c4/6d/c46dc18d-52bb-4635-9ea5-dfb2d5ecced7/odi_briefing_paper_idps_side_event.pdf.

MOHSW (2015), *Annual Report of the Health Sector Pool Fund*, July 1, 2014 through June 30, 2015, Ministry of Health and Social Welfare of the Republic of Liberia, www.mohsw.gov.lr/documents/HSPF_AR_2015_lr.pdf.

OECD (2015), *States of Fragility 2015: Meeting post-2015 ambitions*, OECD, Paris, www.oecd.org/fr/publications/states-of-fragility-2015-9789264227699-en.htm.

OECD (2011), *International Engagement in Fragile States: Can't we do better?* Conflict and Fragility, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264086128-en.

Ralston, L. (2014) *Success in Difficult Environments: A Portfolio Analysis of Fragile and Conflict-Affected States*, World Bank Group, Washington, DC. https://openknowledge.worldbank.org/handle/10986/20618.

Rosén, F. and S. Haldrup (2013), "By design or by default: capacity development in fragile states and the limits of program planning", *International Journal of Security and Development*, 2:46, 2013, http://dx.doi.org/10.5334/sta.cg.

Routley, L. and D. Hulme (2013), "Donors, development agencies and the use of political economic analysis: getting to grips with the politics of development?", Effective States and Inclusive Development, University of Manchester, ESID Working Paper No. 19. www.effective-states.org/wp-content/uploads/working_papers/final-pdfs/esid_wp_19_routley-hulme.pdf.

Swedish Ministry of Foreign Affairs (2013), Aid policy framework – the direction of Swedish aid, Government Communication 2013 / 14:131, Swedish Ministry of Foreign Affairs, Stockholm, www.regeringen.se/contentassets/6eef64a9a36e48ff9a95e4d6ad97ce84/aid-policy-framework.

UK Government (2015), *UK aid: tackling global challenges in the national interest*, HM Treasury and Department for International Development (DFID), London, November, 2015.

www.gov.uk/government/uploads/system/uploads/attachment_data/file/478834/ODA_strategy_final_web_0905.pdf.

USAID (2015), *Agency Financial Report Fiscal Year 2015*, USAID, Washington DC, www.usaid.gov/sites/default/files/documents/1868/USAIDFY2015AFR_508a.pdf.

USAID (2014), *Local Systems: A framework for supporting sustained development*, USAID, Washington DC, www.usaid.gov/policy/local-systems-framework.

USAID (2013a), *Country Development Cooperation Strategy: Liberia 2013-17*, USAID, Washington DC, www.usaid.gov/sites/default/files/documents/1870/liberia-cdcs.pdf.

USAID (2013b), *USAID Strategy of Democracy, Human Rights and Governance,* USAID, Washington DC, www.usaid.gov/sites/default/files/documents/1866/USAID%20DRG_%20final%20final%206-24%203%20(1).pdf.

USAID (2012), *Gender Equality and Female Empowerment Policy*, USAID, Washington DC, www.usaid.gov/sites/default/files/documents/1870/GenderEqualityPolicy.pdf.

Williams, G., Burke, A., and C. Wille (2014), *Development Assistance and Approaches to Risk in Fragile and Conflict Affected States*, OECD, Paris, www.oecd.org/dac/governance-peace/publications/2014-10-30%20Approaches%20to%20Risk%20FINAL.pdf.

Van Veen, E. (forthcoming), "*Improving security and justice programming in fragile situations: Better political engagement, more change management*", OECD Development Policy papers, No. 3, OECD, Paris.

World Bank (2011), *World Development Report 2011: Conflict, security and development*, The World Bank, Washington DC, http://siteresources.worldbank.org/INTWDRS/Resources/WDR2011_Full_Text.pdf.

Yanguas, P and D. Hulme (2014), "Can aid bureaucracies think politically? The administrative challenges of political economy analysis (PEA) in DFID and the World Bank", Effective States and Inclusive Development, University of Manchester, ESID Working Paper No. 33, www.effective-states.org/wp-content/uploads/working_papers/final-pdfs/esid_wp_33_yanguas_hulme.pdf.

Notes

[1] Refer www.oecd.org/dacfragilestates/the10fragilestatesprinciples.htm

[2] Indeed, several donors noted that a change in leadership at the ministerial level represented a defining moment that opened up possibilities for institutional reform. Critical historic moments, including political and security crises, were also noted as major drivers of institutional change in priority, risk appetite and approach.

[3] International targets, most notably the Millennium Development Goals, were also noted by some donors as exerting considerable pressure on donor investments in favour of programmes promising measurable results against key MDG indicators.

[4] As a World Bank portfolio analysis of investments in fragile and conflict-affected states (FCS) explains: "As projects in FCS countries have smaller net commitments than those in non-FCS countries, relative preparation and supervision costs tend to be higher in FCS countries" (Ralston, 2014).

[5] Germany, notably, has doubled the number of field and desk officers since 2012.

[6] This finding may partly be a consequence of interviewing a small set of individuals only from government donor agencies; they may not have known about wider government policy and actions.

[7] The UK's new Aid Strategy for instance states its strong commitment to balancing goals for poverty reduction with the national interest: while spending in fragile and conflict-affected states will increase to 50% of UK ODA, these investments have multiple objectives ("address current crises, the root causes of migration, and the threats posed to the UK by the ongoing conflict"), which may prove challenging to reconcile in practice.

[8] Term coined by Levine and Mosel (2014) who argue that "agencies need to think of themselves not only as individual actors trying to optimise the way they work, but also as system players actively trying to shape the way in which other agencies behave and relate to each other. Some of what is recommended here cannot be achieved by any agency working in isolation. However, that does not absolve agencies from playing their part in helping to bring about change at this much wider scale".

[9] The most well-known and influential approach is the theory of Problem-Driven Iterative Adaptation (PDIA) proposed by Andrews, Pritchett and Woolcott (2012).

[10] Learn more about the OECD's resilience systems analysis at www.oecd.org/dac/risk-resilience.htm.

[11] Successive aid effectiveness commitments (under the Paris Declaration, 2005; the Accra Agenda for Action, 2008; and Busan Partnership for Effective Development Co-operation, 2011) have progressively nuanced and broadened their interpretation of effective support to partner country ownership of development strategies. These include the recognition of the need for inclusive partnerships and an onus on donors to encourage "developing countries to consult fully with their parliaments and civil society" (AAA, 2008), as well as "broader more inclusive" development partnerships "involving state and non-state actors that wish to shape an agenda that has until recently been dominated by a narrower group of development actors" (Busan Partnership for Effective Development Co-operation, 2011). The 2011 New Deal supports the aid effectiveness principles of nationally-owned and led development plans, but places a strong emphasis on peace and state building, with practical commitments to use and strengthen country systems and to invest in capacity strengthening. This highlights the fundamental necessity of a functioning state in order to achieve peace, security and to deliver public goods.

[12] It is worth noting that in certain cases, concerns about risk and capacity of local systems are overridden when political imperatives are high (Bernardi, Hart, and Rabinowitz, 2015).

[13] Hart (2015) also notes, however, that pooled funds 'can fall prey to complexity, a costly fund manager, slow disbursement and declining commitment from donors.'

[14] Hart, Hadley and Welham (2015) note for example that although the South Sudan MDTF was intended to be recipient-executed, "in practice, it was implemented through PIUs within government ministries using World Bank systems, not government systems…. funds were effectively executed off-budget through the MDTF's parallel systems".

[15] Barder (2012) argues for instance that economic and political systems can best be thought of as complex adaptive systems, and that development should be understood as an emergent property of those systems.

[16] For more on Do No Harm please refer to http://cdacollaborative.org/cdaproject/the-do-no-harm-project/

[17] A recent OECD study of security and justice programmes also recommends that programmes should "Define only intermediate results at the start of a programme and put a process in place to develop longer-term results that is guided by agreed principles" (van Veen, forthcoming).

[18] In 2015 USAID held a workshop with representatives from 47 partner organisations to further develop concepts and approaches to measuring systems change and learn from partner experiences. See for example: http://usaidlearninglab.org/library/systems-and-capacity-two-measurement-challenges-search-progress-event-materials.

[19] The UK, however, has indicated that it may reduce core funding to multilateral agencies and funds that do not – in their assessment – adequately prioritise fragile and conflict-affected states and the poorest countries (based on comments from Mark Lowcock, the Permanent Secretary of DFID, to the House of Commons International Development Committee, as reported in Barder, 2015).

[20] USAID has increased its global average of funds programmed through local systems from 9.6% in 2010 to 16.9% in 2014. (USAID, 2015)