DAC Guidelines and Reference Series

International Support to Post-Conflict Transition

RETHINKING POLICY, CHANGING PRACTICE

OECD

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Foreword

OECD member countries provided USD 46.7 billion in official development assistance to fragile states in 2009. This is a significant investment, but we still struggle to work with our partners in ways that support transformative results in fragile states. The fact that no low-income fragile state has yet achieved a single Millennium Development Goal (MDG) is a stark reminder both of the needs that drive all sides to focus on fragility, and of the daunting challenges that remain.

Evidence shows that effective support to transition requires collective and parallel engagement by different policy communities. Despite decades of experience, we have still not been able to build a response that effectively links humanitarian and development assistance, and that reconciles different principles and operational modalities in a way that supports transitions from conflict to peace. A change in both policy and practice is needed.

From Afghanistan to Haiti, and most recently in the Horn of Africa, we have witnessed the results of development approaches that are not designed to meet the challenges of fragile states in a timely and flexible manner. We know that in many of these countries, unrealistic expectations about capacities and ownership frequently cause delays in development assistance. In the absence of better development funding, humanitarian actors have been left to fill the void; yet humanitarian instruments are neither designed nor well-equipped to promote peacebuilding and statebuilding. This, in turn, has a negative impact on the prospects of a successful transition.

If we know all this, why has so little changed? Some of the problem might have to do with current approaches to managing risks. Transitions are high-risk environments for development investments and action, yet more often than not, the risks of not engaging in these contexts — both for the countries themselves and for the international community — outweigh the risks of engaging in the first place. The question, therefore, is not whether to engage, but how to engage in ways that are context-specific and do not come at an unacceptable cost.

The Fourth High-Level Forum on Aid Effectiveness in Busan (2011) was a watershed moment for international development co-operation. More than 40 fragile states and development partners came together to endorse a New

Deal for Engagement in Fragile States, which gives clarity on priorities in these difficult contexts by setting out a roadmap for better use of both international and domestic resources. Built on a set of agreed peacebuilding and statebuilding objectives, the New Deal also recognises the need for focussed approaches that support country-led transitions out of fragility, and for accepting the risks of engagement with fragile countries. Developed by the DAC International Network on Conflict and Fragility (INCAF), *International Support to Post-Conflict Transition* provides the guidance that development partners need to make good on the commitments they made at Busan.

To ensure that development resources are used to support the essential objectives of peacebuilding and statebuilding, we need to bridge the divide between policy and practice to deliver more rapid, flexible and risk-tolerant support. And because the vastly diverse contexts from one country to another can turn blueprint approaches into recipes for disaster, we cannot afford to take a "one-size-fits-all" approach. With these challenges in mind, this guidance calls for support focussed on peacebuilding and statebuilding to enable donors to deliver better results to those who need it most. The suggestions raised in this important publication merit in-depth discussion by all concerned development partners and will no doubt contribute to shaping the discussion about how to improve delivery in post-conflict transitions.

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Abbreviations and acronyms

AAA	Accra Agenda for Action
AIMS	Aid information management system
BCPR	Bureau for Conflict Prevention and Recovery, UNDP
BSO	Budget support operation
CAP	Consolidated appeals process
CCA	Common Country Assessment
CDF	Capacity development facility
CERF	Central Emergency Relief Fund
CHAP	Common Humanitarian Action Plan
CHF	Common Humanitarian Fund
DAC	Development Assistance Committee, OECD
DOCO	Development Operations Co-ordination Office, UN
DRC	Democratic Republic of the Congo
DSRSG	Deputy Special Representative of the UN Secretary-General
ECHA	Executive Committee on Humanitarian Affairs, UN
ERF	Emergency Response Fund
FSP	Principles for Good International Engagement in Fragile States and Situations, OECD DAC
GHD	Good Humanitarian Donorship
HC	Humanitarian Co-ordinator
IASC	Inter-agency standing committee
ICI	International Compact with Iraq
IDA	International Development Association, World Bank
IDPS	International Dialogue on Peacebuilding and Statebuilding
IMF	International Monetary Fund
INCAF	International Network on Conflict and Fragility, OECD DAC
IOM	International Organisation for Migration
IPI	International Peace Institute

JCMB	Joint Co-ordination and Monitoring Board
MDG	Millennium Development Goals
MDTF	Multi-donor trust fund
NGO	Non-governmental organisation
OCHA	Office for the Co-ordination of Humanitarian Affairs, UN
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PBC	Peacebuilding Commission, UN
PBSO	Peacebuilding Support Office, UN
PCNA	Post-conflict needs assessment
PD	Paris Declaration on Aid Effectiveness
PRSP	Poverty reduction strategy paper
RC	Resident Co-ordinator
TRM	Transitional results matrix
UN	United Nations
UNDAF	UN Development Assistance Framework
UNDG	UN Development Group
USD	United States Dollar
WDR	World Development Report, World Bank
WFP	World Food Programme

Executive summary

Around 1.5 billion people live in countries affected by repeated cycles of violence and insecurity. These countries represent a central challenge for development and are a priority for many states' national security interests. Sustained and co-ordinated support is required to tackle the risks and vulnerabilities inherent in such situations. The continued relevance and influence of OECD governments will in part depend on their ability to deliver results and make a difference in these most challenging of environments.

Official development assistance (ODA) to fragile states has doubled over the past decade, reaching USD 46 billion in 2009, or about 40% of total ODA. Despite this, no low-income fragile or conflict-affected country has yet achieved a single Millennium Development Goal (MDG). This is a stark reminder both of the needs that drive donors and their partners to focus on fragility, and of the challenges that remain. *International Support to Post-Conflict Transition* looks at the reasons behind this and suggests a new way forward.

The guidance is founded on the recognition that four critical obstacles block more effective use of aid in transition contexts:

- **Fragmented aid architecture and overlapping guiding principles.** The Paris Declaration on Aid Effectiveness assumes a level of capacity and institutional complexity that may simply be unrealistic in most transition contexts. As a result, development funding is slow to materialise before national capacities and plans have been developed. This means that humanitarian assistance is stretched to the brink and relied upon to fund a broader set of transition priorities far beyond its mandate and expertise. Responsibilities are also spread across multiple institutional mandates and budget lines, thus complicating efforts to work together across communities and to draw on the strengths of these different mandates.
- **Risk-averse behaviour on the part of donors and implementing partners.** Donor approaches focus on risk avoidance rather than context-specific risk management. Accountability and reporting requirements that are used during transition have often been designed for more stable environments. Risk assessment frameworks tend to

be bureaucratic and to focus on addressing donor institutions' fiduciary and reputational risks rather than the risks of state failure and a return to conflict.

- **Lack of prioritisation in plans and strategies.** Development plans and strategies are grounded in the recognition of the massive needs that are present during transition, but often fail to prioritise and sequence activities. The has resulted in overambitious plans that make unrealistic assumptions about absorptive capacities and what can be delivered within short timeframes. The result is long delays and limited impact.
- **Incoherence across instruments.** Donors struggle to understand how different aid instruments can be used in parallel to support rapid and sustainable delivery. Their aid instrument designs are often based on specific institutional mandates and operating procedures rather than on effective delivery approaches. This has resulted in both duplication and a fragmentation of efforts, preventing strategic linking of different instruments to a coherent delivery strategy.

Recognising the need to address the above shortcomings to improve the quality of aid during transition, partner countries and some international actors are calling for a shift in the way aid and support are provided. At the core of this is the recognition that the MDGs are not an adequate framework to guide international support to transition. A broader view of support is required, focussing on *i)* the need to support statebuilding by strengthening the political settlement, core state capacities and legitimacy; *ii)* strengthening civil society and state-society relations; whilst *iii)* continuing to guarantee people's access to basic services. This includes addressing the challenges of linking emergency and development responses and of prioritising and delivering aid in contexts where state legitimacy is put into question, where governments are unable or unwilling to protect and defend human rights, where large-scale violations and insecurity prevent effective monitoring of international support, and where risks are writ large.

With the full range of actors engaged in humanitarian, diplomatic, security and development operations in mind, **this guidance explains why a different approach is required during transition. It shows how to provide rapid, flexible and predictable development funding while balancing the risks and opportunities that come with such engagement.** Development partners need to accept that a pragmatic approach is fundamental to generate results in transition contexts, and that

greater simplicity is required in planning and accountability frameworks, procedures and instruments. Therefore a gradual application of the Paris Declaration principles and more realistic assumptions about what can be achieved by different actors within different timeframes are needed. Engagement must be country-specific and driven by actors on the ground, and international partners need to tailor their policies and procedures to transitional challenges and allow for an early and flexible release of development funds. At the core of an amended approach is the need for more serious collaboration, joint analysis and willingness to be held collectively accountable to agreed objectives.

This guidance sets out specific recommendations to improve transition support in four key areas. These recommendations might require reforms to existing policies and procedures, but should nonetheless be understood within the existing legal requirements that guide bilateral partners' funding decisions and allocations:

i) **Find better ways of dealing with risk** (Chapter 1). This should be done by clarifying the relationship between different guiding principles and improving approaches to risk taking and risk management. Effective aid in these contexts may demand a significant degree of risk appetite — a willingness to consider risk in relation to opportunities — and a recognition that the risks of non-engagement in these contexts are often more significant. A joint assessment of contextual risks should be the basis for engagement, and development partners should look at collective management of specific risks. Procedures of international engagement should allow for targeted risk taking, including by using simplified emergency procedures for procurement and financial management. Bilateral partners should also support the reform of multilateral organisations' abilities to pool risks more effectively.

ii) **Help governments in transition to prioritise their development plans** (Chapter 2). A fundamental principle of development today is that the governments of partner countries, rather than donor countries, should lead and guide planning and prioritisation exercises. However, countries in transition face particular challenges that limit government-led planning. Rapid and transformative results call for the use of simplified approaches that move beyond assessments of needs to an actual agreement on priorities. Government leadership should be supported at the strategic level, but shorter planning cycles should also be used to allow for a frequent reassessment of priorities to ensure continued relevance. Various sector plans should be integrated into a single planning framework, with clear links to how different institutions can support the delivery of collectively agreed priorities.

iii) **Mix and match aid instruments according to the national context and priorities** (Chapter 3). Humanitarian, security and development instruments are very different in the way they are able to link with national actors and make use of country systems, and the specific conditions under which such linking will take place. A mix of aid instruments can improve financing for agreed priorities based on harmonisation, institutional transformation, speed and flexibility, and scope for risk management. The mix should account for both rapid and sustained delivery, and should in particular focus on country-specific instruments and pooled funds that allow for a gradual increase in the use of country systems. As multilateral actors are expected to play key co-ordination and implementation roles during transition, continued investments are also required to strengthen their systems and processes.

iv) **Improve collective engagement through the use of transition compacts** (Chapter 4). A "compact" is a flexible agreement between national and international partners. Compacts represent a solution to many of the challenges of transitional contexts: they link agreement on priorities with a strategy for how these priorities should be funded; and they allow for joint prioritisation between national and international actors and frequent reviews of progress, thus addressing donor concerns about capacity, legitimacy and risks of engagement, and ensuring mutual accountability. Compacts can initially be agreed among a limited set of actors and then scaled up to include other development partners, although participation needs to be carefully considered to strengthen legitimacy from the outset. Success requires devolved responsibility and decision making, strong multilateral capacity to co-ordinate and lead the international response, commitment to aid transparency, support to local aid tracking and co-ordination structures, and a focus on capacity development.

Delivering on the above recommendations will require significant improvements to both policy and practice. Annex A outlines some of the steps and reforms that donors should consider when implementing this guidance.

Introduction

The DAC International Network on Conflict and Fragility (INCAF) is a unique decision-making forum that brings together diverse stakeholders to support development in the world's most challenging situations — such as Afghanistan, Haiti and South Sudan. INCAF was established in 2009 as a subsidiary body of the OECD Development Assistance Committee (DAC). Following its establishment, the DAC and the Secretary-General of the United Nations asked INCAF to provide guidance on how to make international financial support to countries emerging from conflict (*i.e.* in transition) more rapid, flexible and risk-tolerant. To accomplish this, INCAF has explored the opportunities and challenges in current international responses during transition to develop guidance on making aid more effective in these situations. This guidance is for policymakers, diplomats and staff of agencies in OECD and non-OECD countries, multilateral organisations, and civil society organisations in fragile and conflict-affected contexts that are working to achieve coherence across humanitarian, mediation, security, human rights, justice and development operations.

This work finds that urgent and significant changes are needed to systems, behaviours and approaches in order to respond more effectively to the challenges posed by conflict and fragility. Transitional responses require more coherence between different domestic and international resources, including development, humanitarian and security-related expenditures. This represents a changing aid paradigm based on the recognition of peacebuilding and statebuilding objectives and widely shared goals of increased national ownership, and more co-ordinated and flexible international support.

The guidance builds on and complements other analysis and recommendations, including those made in the *Report of the UN Secretary-General on Peacebuilding in the Immediate Aftermath of Conflict* (UN, 2009), the *2011 World Development Report: Conflict, Security and Development* (World Bank, 2011), the OECD/DAC Guidance on *Supporting Statebuilding in Situations of Conflict and Fragility* (OECD, 2011b) and by the International Dialogue on Peacebuilding and Statebuilding (IDPS) in its *New Deal for Engagement in Fragile States* (Box 2.1).

How is this guidance structured?

The guidance is divided into four chapters: Chapter 1 reviews the transition challenges faced in fragile and conflict-affected states and shows why current donor approaches are not properly designed to manage and tolerate the substantially higher level and diversity of risk that characterise these situations. Chapter 2 discusses why better prioritisation and planning is needed and how this can be achieved, and Chapter 3 looks at the choice of funding instruments to deliver on transition priorities. Chapter 4 brings the discussions together to propose a way forward for mutual accountability, organising and focussing international support in the form of "transition compacts". Each chapter contains its own set of recommendations, which are also summarised in a reform agenda in Annex A.

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Chapter 1

The need for change in a context of risk

Fragile and conflict-affected states have specific challenges and risks, which current development and humanitarian approaches are not properly designed to meet. This chapter outlines the main reasons why current approaches are inadequate, including: i) *a fragmented aid architecture where response is spread across multiple institutional mandates and budget lines;* ii) *policies and procedures for international engagement and risk management that are not tailored to the context;* iii) *the inability of international actors to support strict prioritisation due to the absence of national leadership in planning processes and internationally agreed objectives of transition/development strategies; and* iv) *the duplication and lack of coherence in aid instruments. It provides a number of recommendations on how approaches to risk management can be adapted to enable effective engagement, including through enhanced use of joint approaches for assessing and managing risks and by using simplified procedures for engagement.*

What are the challenges during transition?

People living in countries emerging from crisis need sustained and co-ordinated support to tackle the particular risks, insecurity and vulnerability they face. The improvement of people's lives must be at the heart of international support, because the human and financial costs of renewed conflict and crisis are simply unacceptably high. Yet the international community needs to recognise and address the political challenges and risks associated with their engagement in these transitional environments (Box 1.1). These include prioritising and delivering aid where state legitimacy is put into question, where governments are incapable or unwilling to protect and defend human rights, and where large-scale violations and insecurity prevent effective monitoring of support.

Effective aid delivery in these circumstances requires collective engagement by different policy communities, who will need to reconcile their different principles for engagement. The complexity of the challenges in these situations means that no single organisation or agency can provide adequate support on their own. Instead a shared space is needed to allow different

Box 1.1 What do we mean by transition and transition financing?

The term "*transition*" describes countries and regions that are emerging from armed conflict or violent instability. These are normally fragile and conflict-affected situations where the pace of change — political, economic and social — is matched by uncertainty, and where international aid may be one strategic part of a wider foreign policy agenda. As they become more stable, these countries have the potential for sustainable development, and this is the shared goal of the governing authorities and the international community. In these situations there is also a transition from the external provision of services towards greater state ownership and responsibility for the safety and welfare of its own people. International engagement typically combines humanitarian, development and security-related interventions within a broader peacebuilding and statebuilding agenda, and different communities are required to operate in parallel and in a shared space.

Transition financing covers a broad spectrum of resource flows to countries in transition. Transition financing traditionally lies between humanitarian and development engagement, and includes recovery, reconstruction, security-related and peacebuilding activities. Funding itself is not limited to international donor financing, but also encompasses domestic resource mobilisation and debt relief.

See OECD (2010b), *Transition Financing: Building a better response*, OECD, Paris.

actors to operate in parallel, based on mutual respect for individual mandates and objectives and a collective commitment to improve co-ordination and coherence. Such a shared space is critical to deliver peace dividends, which require speed and flexibility, and to strengthen legitimate and inclusive institutions that can lead and deliver sustainable development.

Transition financing should come primarily from the rapid release of development financing. This implies a shift away from using and stretching humanitarian aid as a tool to deliver broader recovery activities, towards a strategic approach to address transition priorities. It also implies a flexible use of different budget lines and instruments and willingness to accept a level of strategic simplicity that does not comply with existing norms for aid effectiveness. Transitional needs call for different objectives to be met simultaneously using different methods and aid instruments, which means that all actors will be required to think about how their mandates and objectives can be used more actively to support transition.

Why is the international community not meeting these challenges?

Bilateral and multilateral donors provide substantial and increasing amounts of aid to fragile states. Official development assistance (ODA) to fragile states has doubled over the past decade. It reached USD 46.7 billion in 2009, accounting for nearly 40% of total ODA (OECD, 2011d).

The increase in ODA flows has been complemented by improvements to the international capacity to deliver during transition. Advances in the collective ability to address complex and protracted humanitarian and peacekeeping needs have saved many lives. Reforms to the humanitarian system have resulted in improved financial mechanisms through pooled funding, and strengthened partnerships, co-ordination and leadership through the establishment of a system of "clusters" (see Chapter 3). More recently, the creation of the UN peacebuilding architecture has renewed the focus on the need for policies to link political, security and development agendas during transition. Donors have also recognised the need for different approaches in fragile states and for more whole-of-government co-ordination in these contexts. In 2007 they adopted the Principles for Good International Engagement in Fragile States and Situations (FSP) and widened ODA definitions to enable more targeted support to peace and security (OECD, 2009b).

However, overall support to transitions remains inadequate. More than half of the total funding goes to only eight countries,[1] leaving limited resources available for the majority of fragile states (OECD, 2011d).[2] Much is also provided as humanitarian aid, which has a limited impact on broader statebuilding prospects. The fact that no low-income fragile or conflict-affected country

has yet achieved a single MDG (World Bank, 2011) is a stark reminder both of the needs that drive donors and their partners to focus on fragility, and of the challenges that remain.

Transitions are non-linear and complex. The tensions between maintaining a fragile peace, meeting humanitarian needs and building resilient states and societies are real and hard to navigate. In this space, a series of overlapping policy agendas and principles have emerged, often driven by different goals and political agendas. The proliferation of agendas — each with resources aligned to different budget lines (humanitarian, development, security), and operating under different rules, regulations and political strategies — has led to further fragmentation of the international system in exactly the contexts where it needs to be most coherent (UN Senior Advisory Group, 2011). Specific challenges include the following:

- **Priorities are not targeted:** Most aid does not target appropriate objectives, and international actors struggle to prioritise their support and link activities to specific aid instruments that can provide focussed yet flexible financial support. Too often priorities are shaped more by the supply side than by real prioritised needs, and as a result plans have become inflated and based on unrealistic assumptions about what can be delivered within short timeframes.
- **Whole-of-government co-ordination is lacking:** International actors are struggling to find ways to provide efficient support during transition. Despite significant work in recent years, driven largely by engagement in Afghanistan and Iraq, donor governments find it challenging to move beyond information sharing and co-ordination towards more integrated approaches (SDC, 2009). This continued challenge has shown itself most prominently in attempts at co-ordination between aid (humanitarian and development), defence and diplomatic actors, and the increasing pressure on aid instruments and resources to meet strategic objectives related to peace, security and stabilisation.
- **Efforts of humanitarian and development actors are fragmented:** These actors often work as two unconnected parts of a donor strategy and engagement in a particular country. While the separation of these agendas may be a necessary reflection of different objectives and operating principles, the distinction is by no means absolute: basic services and social protection are often provided under externally driven humanitarian programmes because no viable alternative exists. But in the end these are developmental challenges and part of the central function and responsibility of the state. As a result, aid

agencies are often left struggling to create links between humanitarian and development instruments when the transition requires a mix of activities that encompasses all instruments.

- **Development assistance arrives too slowly:** Donors are generally expected to pledge development funds once a national plan has been developed and sufficient local ownership is in place to guide international engagement. This artificial sequencing of events is driven in part by the Paris Declaration (PD, Box 1.2), which is explicit on the need to deliver aid with and through country systems.[3] It is an important reason for the significant lags in response time that have been witnessed in places like Haiti, Liberia and Sudan (Box 1.3). Transition contexts are fluid and fast-changing environments that are not conducive to medium-term development planning cycles and complicated planning processes. Important opportunities are missed because aid is tied up in instruments that are not adapted or are insufficiently responsive to fast-evolving situations. These instruments are linked to narrow institutional mandates and guided by policies and principles that are not fit for purpose in transition contexts.
- **Over-reliance on humanitarian aid:** A side effect of delays in development instruments has been the stretching of humanitarian aid instruments, which are asked to fund ever-broader needs and objectives. Humanitarian funding continues to support the majority of basic service needs and is perceived as more risk tolerant and flexible than development aid. But humanitarian aid almost always by-passes central state institutions, and does little to build state capacity beyond the local level. Nor is it a cost-efficient approach in the long run, as it relies heavily on external capacities and supplies.
- **International aid principles are incompatible with the reality on the ground:** This has become a major impediment to effective engagement in transition situations (Box 1.2). An additional challenge comes from the PD commitment to focus aid in fewer countries and fewer sectors, which means that donors are often reluctant to provide funding beyond humanitarian assistance because this has to be reported as bilateral spending.
- **Corruption and lack of capacity in fragile and conflict-affected states raise concerns:** Transition contexts are characterised by weak human and institutional capacity and often by complex issues related to political will, state legitimacy and corruption. Development assistance has been delayed by the lack of capacity and overly bureaucratic

and risk-intolerant systems, shielded by the PD provisions. International actors must recognise that development funding is required even where full government ownership does not exist, and find ways to deliver rapid support to strengthen capacities and systems for ownership at national and local levels. Immediate and sustained investment in strengthening country systems in a way that addresses these concerns can lead to more efficient and co-ordinated development programmes, greater government ownership and improved budget and expenditure systems, assuming that the government is committed to and capable of undertaking the necessary reforms.

- **There are too many levels of accountability in the aid architecture:** This further complicates results delivery and raises dilemmas for those involved. National governments must meet their constituencies' expectations as well as a multitude of reporting requirements and overlapping aid principles. Similarly, international actors (bilateral and/or multilateral) are primarily concerned with accountability to their domestic constituencies and only secondarily to counterparts or citizens in the countries in transition. This "dual accountability dilemma" (World Bank, 2011) leads to a misdirected focus on risks, as highlighted earlier. Donor concerns about domestic constituencies are another disincentive for channelling development funds through transition countries' own institutions or accounts. In the long run, this under-uses government capacities in partner countries and undermines the ability of donors to achieve the strategic objectives of their engagements. This in turn undermines donor relationships with their constituents.

For these reasons, partner countries and some international actors are calling for a paradigm shift in the way aid and support is provided in fragile and transitional contexts (g7+, 2010; World Bank, 2011; Permanent Mission of India to the UN, 2011; UN, 2011). At the core of this call is the recognition that the MDGs do not provide an adequate framework to guide international support to transition. A broader view of support is required, focussing on *i)* the need to support statebuilding by strengthening the political settlement, core state capacities, and the legitimacy of the state; as well as *ii)* strengthening civil society and state-society relations; while *iii)* continuing to guarantee access to basic services for the people (IDPS, 2011a).

What are the risks for donors in transition contexts?

Countries affected by repeated cycles of political and criminal violence represent a central challenge for development and are a priority for many

Box 1.2 **Challenges and opportunities of different principles for engagement**

Several sets of principles have been developed over the last decade to guide appropriate and effective international assistance, and to which donors and implementing agencies have signed up. The aid effectiveness agenda is a set of international initiatives and agreements that underline the importance of harmonising aid activities: the **Paris Declaration on Aid Effectiveness** (OECD, 2005), the OECD DAC **Principles for Good International Engagement in Fragile States and Situations** (OECD, 2007), the **Accra Agenda for Action** (OECD, 2008) and the **Busan Partnership for Effective Development Co-operation** (2011). There are also principles for **Good Humanitarian Donorship** (GHD, 2003). These donor initiatives are proceeding in tandem with efforts to improve co-ordination and harmonisation in the multilateral system, most notably the UN "Delivering As One" process.

These principles and processes have improved how humanitarian and development assistance is managed and have increased its impact and benefits. For example, the PD has resulted in more frequent use of in-country funding instruments, and has also encouraged donors to undertake joint assessments and establish joint offices and development plans in places like Liberia and Sierra Leone. Some donors are using joint sector approaches backed by budget support and division of labour as standard modes of operation, and groups of like-minded donors have developed joint institutional strategies for relationships with multilateral agencies.

Similarly, the GHD principles encourage donors to strive towards more flexible and predictable funding and a more holistic approach to humanitarian assistance. Together with the process of UN humanitarian reform, initiated in 2005, this has resulted in the establishment of pooled financing mechanisms at both global and country levels, *i.e.* the Central Emergency Relief Fund (CERF) and Common Humanitarian Funds (CHF) and the cluster approach of the Inter-Agency Standing Committee ▷ (IASC), which aims to improve co-ordination and avoid gaps in the provision of humanitarian aid. GHD provides an operational framework to advance the humanitarian principles of impartiality, neutrality, independence and humanity, and is premised largely on the prevailing assumption that the affected state is either not willing, or not able, to adequately assist and protect its citizens in times of crisis. As a consequence, humanitarian actors tend to work around formal state structures, although GHD recognises the need to "provide humanitarian assistance in ways that are supportive of recovery and long-term development, striving to ensure support, where appropriate, the maintenance and return of sustainable livelihoods and transitions from humanitarian relief to recovery and development activities" (GHD, 2003).

The Principles for Good International Engagement in Fragile States and Situations (FSP) were created to complement the PD in contexts where donors are ▷

Box 1.2 Challenges and opportunities of different principles *(continued)*

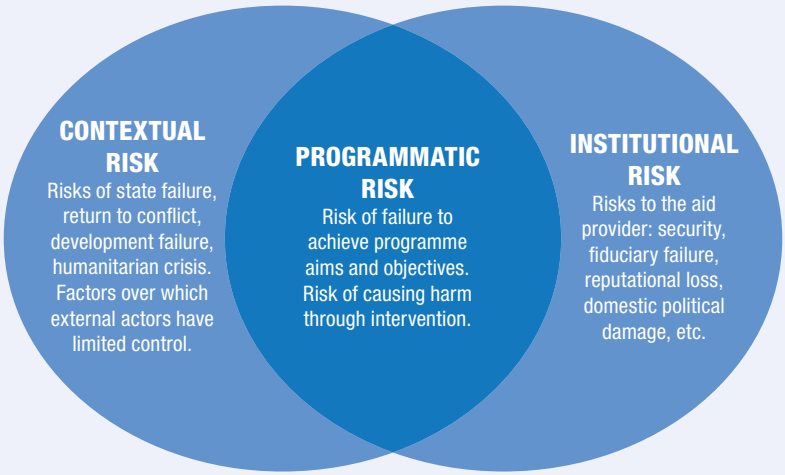
unable to adopt a state-to-state approach because the state lacks legitimacy, capacity and/or will. While both the PD and FSP frameworks strive towards alignment, harmonisation and accountability, one key difference is that the FSPs at present lack mutual commitments for results. The biannual monitoring survey of the FSPs, required by the Accra Agenda for Action, is one step towards providing such a mutual commitment.

A particular challenge with having multiple sets of principles is that, in some countries, the different principles might apply simultaneously and be subject to periodic re-configuration as the context fluctuates. For example, in Sudan, donors were operating according to the GHD principles in Darfur and the FSP in Southern Sudan. This raises challenges for how different policy communities are able to engage. For example, capacity building is a real challenge for humanitarian actors funded under short-term contracts that require immediately quantifiable results. Humanitarian assistance also has no division of labour requirements, which complicates transition funding for donors and means that once peace takes root they may have to disengage from sectors where they have significant experience and have built long-term, effective partnerships in order comply with the PD provisions.

states' national security interests. They face the toughest development challenges and the highest risks of political instability, violent insecurity and failure of basic state functions. Aid plays an important role in these situations, not least because it offers one of the few available means to positively influence peacebuilding and statebuilding processes and introduces hope into devastated areas by delivering on critical humanitarian and developmental objectives. International assistance can make (and often has made) the difference between continued conflict and progress towards stability and sustainable development. But the results of interventions are unpredictable: they can be positive in unexpected ways as well as negative, and there is no clear, pre-defined pathway to peace.

Transitions are high-risk environments, where positive outcomes are hard to define and achieve and the risk of regression and relapse into conflict is high. External financing is one of few things within donor control in these contexts, and as a result, decisions on what and how to provide financing can easily become politicised. Yet these are contexts where the strategic risks posed by failure to engage outweigh most risks to individual donor institutions and programmes. Given the low starting point, effective aid in transitional contexts can do more, for more people, than aid in most other situations.

Figure 1.1 **Conceptual framework for understanding risks**



Source: OECD (2011a), *Managing Risks in Fragile and Transitional Contexts: The price of success?*, OECD, Paris, *www.oecd.org/dataoecd/59/40/48634348.pdf*.

What are the risks and opportunities that donors face? Figure 1.1 provides a new conceptual framework for aid-related risks, based on a threefold distinction between contextual, programmatic and institutional risk (OECD, 2011a).

The importance of contextual risk has long been understated and poorly analysed by bilateral and multilateral donors (OECD, 2011a). Many aid agencies continue to use general project and programme management frameworks that have not been adapted to the risks faced in fragile states (OECD, 2011a). Partially as a result of this, current risk management practice is primarily focussed on reducing institutional risk — in particular to address fiduciary and reputational risks to the donor. But risk management is not just about the aid provider reducing or avoiding risk: it involves balancing risk and opportunity, or one set of risks against another. **Effective aid in these contexts may demand a significant degree of risk appetite — a willingness to consider risk in relation to opportunities.** Risk management should be an enabling process, not only a precautionary one, and it should focus on how to enable strategic success (*i.e.* how to tackle the contextual risks shown in Figure 1.1).

All aid programmes carry the risk of programme failure. These risks are heightened in fragile and transitional contexts, where readiness to fail may be

a prerequisite to success.[4] At the same time, decisions need to continue to be context-based and well thought-out, and should not overburden or "over-test" new approaches and initiatives that could do more harm than good. Expectations concerning results and reporting must reflect dynamic and complex political, social and economic realities. Specific outputs and outcomes may simply be impossible to guarantee.

Pressures to demonstrate rapid results and to meet generic reporting and accountability requirements make donors and their implementing partners risk-averse. Current accountability and reporting requirements are unrealistic in many transition contexts and need to be better adapted to their contexts and capacities. The question is where the appropriate balance lies in a given context between control and flexibility, what bottom lines are set, and how risks can be effectively mitigated without undermining the capacity to achieve sustainable results.

Opportunities to influence the course of events (at the operational and tactical levels) in these contexts may be short-lived, given the pace of events in transition contexts. This requires rapid action and flexible financing, which rely on swift aid decisions and using new approaches and/or untested partners. Standard development mechanisms and procedures rarely allow for such approaches. **Yet, just as life-saving objectives have led donors to accept a higher degree of risks in humanitarian instruments, so should the extreme human and financial costs of recurrent conflict and natural disaster be an argument to accept a certain degree of risk during transition.**

Given the high-risk nature of transition contexts and of aid engagement in such contexts, the prevailing emphasis on institutional risk avoidance needs to be replaced by a more balance approached to risk management and by risk-sensitive aid strategies. A more dynamic approach to risk management does not imply passive acceptance of risk. Issues of staff security, state legitimacy and corruption, for example, will rightly remain a major issue for donors and a core concern in risk management strategies. But these risks can and must be better assessed and managed as part of a calculated and conflict-sensitive approach oriented towards achieving strategic objectives in each particular context. Without a careful balance, and an approach that embraces risk as a way to enable strategic success and greater impact, the current *modus operandi* of risk avoidance will endure. Indeed, the more risk-averse the approach, the narrower the range of achievable goals. The present culture of risk avoidance is reflected in inflexible policies and procedures that were developed for more stable environments. It has also become part of the culture of institutions where reward depends more on "avoiding failure" than on achieving success.

Recommendations: Strategies for dealing with risk

As highlighted earlier, significant changes are needed to improve coherence in the global aid architecture to deliver results during transition. One key way forward involves balancing risks and opportunities, and amending procedures to improve context-specific risk management. Specific recommendations are:

i) *Clarify relationships between different guiding principles*

- *At the international level, assess and address overlaps and challenges in existing principles and modes of engagement.* Additional analysis is needed to understand how different principles interact and complement each other, and how they can be used to manage different risks during transition. Joint performance assessments at country level should also be developed to more effectively map donor activities and reforms, possibly under the auspices of existing regional peer review mechanisms and/or the DAC peer reviews, recognising that the Paris Declaration often sets the bar too high in transition contexts and that different approaches are required to manage transition challenges. The international community should also consider adopting the Principles for Good International Engagement in Fragile States and Situations (FSP) as the overarching guiding framework for transitions, which will require converting the FSP into joint principles with buy-in from both fragile states and donors.

ii) *Improve the assessment of risk*

- *Recognise that effective risk management requires realistic and modest assessments of what can be achieved.* International plans and schedules underestimate the difficulty of implementation and often set unrealistic goals. This has consequences: failure to adapt to context and capacities, failure to deliver results and, more importantly, building expectations that will not be met. Realistic assumptions about absorptive capacity and a higher degree of humility and pragmatism will be critical.
- *Improve communication of risks and risk mitigation strategies.* Risk assessment methodologies need to be simplified to provide clear language and arguments for politicians, senior managers within aid bureaucracies, and taxpayers in donor countries, as to why certain risks must be tolerated and how they are assessed and managed.

- *Be transparent about risks and ready to share risk assessments as an explicit mitigation measure*. Assessments should be shared among donors and with host governments as the basis for constructive dialogue about risk mitigation measures. Communication on risks should nonetheless be balanced against the need for confidentiality, recognising that sometimes talking about risks makes their outcome more likely.

iii) *Take collective approaches to risk assessments and management*

- *Agree to jointly assess and identify contextual risks*. A joint understanding between donor and partner governments of the major contextual risks is a critical starting point for designing more effective responses. This should facilitate stricter prioritisation by highlighting those areas and activities that hold the highest potential for contributing to strategic objectives. Risk assessments should be linked more closely to country-specific policy assessments, such as staff assessments conducted by the International Monetary Fund (IMF) in Article IV contexts (IMF, 2011).[5]
- *Establish a joint donor risk management framework based on the conceptual framework for understanding risks proposed in this guidance* (possibly under the auspices of the OECD-DAC). As a rule, risks to individual donors are higher than risks to donors working as a group. Commitment to better collective risk management and risk "burden sharing" are critical elements of more flexible engagement.

iv) *Reform bilateral and multilateral procedures so that risk management can be context-specific*

- *Amend normal aid regulations and practices when engaging in transition contexts to reflect specific risks*. Application of "emergency procedures"[6] for financial management and procurement should be combined with an explicit focus on building local capacities to perform fiduciary and accounting functions and a commitment to collectively manage risks associated with such approaches. Financial and procurement arrangements should also be simplified. This could involve using national procurement rules with appropriate international oversight for procurement up to a certain limit, and to shift donor oversight from *ex ante* to *ex post* reviews. As part of this, the role of donor fiduciary staff could shift from being external regulators of internal rules to facilitators of good procurement outcomes from national rules.
- *Urgently reform procurement policies of those institutions managing pooled funds* (*e.g.* the United Nations and World Bank) to facilitate more rapid

Box 1.3 **Pooled funds, fiduciary risks and the limits of effectiveness**

The Multi-Donor Trust Fund for Southern Sudan (MDTF-SS) has been widely criticised for its slow disbursement of funds and its lack of results. This experience raises lessons about the limitations created by unrealistic donor expectations, strict fiduciary rules and regulations and overly complicated governance structures.

The World Bank was appointed by the government and donor community to act as the MDTF-SS trustee, as it was felt that the bank's fiduciary rules and regulations would provide the best guarantee against corruption and misuse of money (a very real threat in post-Comprehensive Peace Agreement Southern Sudan). However, serious delays in allocating funds were partly due to the preconditions and safeguards requested by the donors. These same donors, nevertheless, have been competing to brand the MDTF-SS a failure and to blame the World Bank. They have also initiated new, often competing funds, to ensure delivery.

The World Bank did indeed make some major mistakes in setting up the fund and its operational facilities, but blame cannot simply be assigned to the Bank. It was not able to allow for more fiduciary risk taking because its board does not allow the Bank's fiduciary rules and regulations to be relaxed. The same donors that criticise the World Bank for this inflexibility sit on the Bank's board. The problem is that these board representatives are usually staff from ministries of finance or treasury departments, whose perspective is different from that of the donor representatives who deal with fragile states. To make things more complicated, donor representatives in the field are usually less risk-averse than their counterparts in headquarters. With all these different perspectives, there is a great risk of miscommunication, misconception and different expectations.

Sources: OECD (2011a), *Managing Risks in Fragile and Transitional Contexts. The Price of Success?*, OECD, Paris.

delivery and use of local procurement. Conflict prevention is a valid justification to apply emergency procurement procedures until the overarching transition objectives are met.

v) Avoid "risk dumping" and set realistic expectations for implementing agencies

- *When delegating control, donors need to make sure they give implementing partners enough room and the necessary means to take risks and respond flexibly.* Greater honesty and transparency about exposure to all risks

is needed between donors and those they fund, along with greater realism between managers and financial controllers about the parameters within which aid interventions in these contexts can realistically be accounted for. Those on the front line of programme delivery are currently faced with competing demands that require changes in the way donors have traditionally worked, as highlighted by the case of South Sudan (Box 1.3). Donors should discuss these issues in the governance boards of relevant multilateral agencies, and should consider efforts to strengthen multilateral collaboration and leadership at the country level (including through the Resident/Humanitarian Co-ordinator – see Chapter 4 for more).

Notes

1. In 2009, half of ODA to fragile states went to only eight countries. These were (in descending order of ODA allocations): Afghanistan, Ethiopia, Pakistan, Palestinian Administered Areas, Iraq, Democratic Republic of Congo, Côte d'Ivoire and Sudan. See OECD (2011d) for more.

2. In its analyses of resource flows to fragile states, DAC-INCAF uses a list of countries in fragile situations that is neither an official DAC list nor an official definition. It is a compilation of two lists: the *Harmonised List of Fragile Situations* (2009; World Bank, African Development Bank, Asian Development Bank) and the 2009 Fund for Peace *Failed States Index*. The list includes Pakistan, Nigeria and Bangladesh, which together represent one-third of the total population living in these 45 countries. See OECD (2011d) for more.

3. According to the Paris Declaration and the Accra Agenda for Action (OECD, 2007), country systems and procedures typically include, but are not limited to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.

4. See Natsios, A (2010), *The Clash of the Counter-bureaucracy and Development*, Center for Global Development Essay, Center for Global Development, Washington DC, *www.cgdev.org/content/publications/detail/1424271*.

5. IMF staff assessments are part of an ongoing process that culminates in regular (usually annual) comprehensive consultations with individual member countries, with discussions in between as needed. The consultations are known as "Article IV consultations" because they are required by Article IV of the IMF's Articles of Agreement. During an Article IV consultation, an IMF team of economists visits a country to assess economic and financial developments and discuss the country's economic and financial policies with government and central bank officials. IMF staff missions also often meet with parliamentarians and representatives of business, labour unions and civil society.

6. "Emergency procedures", as coined by the World Bank, are a set of simplified rules and regulations to facilitate rapid and flexible responses during emergency recovery efforts.

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Chapter 2

Coherent planning and prioritisation

A fundamental principle of development today is that the governments of partner countries should lead and guide planning and prioritisation exercises, rather than the donor country. However, countries in transition face particular challenges that limit government-led planning and prioritisation. This chapter asks how stricter and more realistic prioritisation can be achieved during transition in order to enable countries to move from crisis to peace more effectively. The emphasis is on: i) *supporting national transition strategies while allowing governments to take gradual leadership of the prioritisation and planning exercise;* ii) *keeping objectives and planning processes simple;* iii) *ensuring a collaborative approach; and* iv) *creating coherence between international and national planning approaches.*

What are the priorities for transition support?

Effective support during transition requires a focus on a limited set of jointly agreed priorities that brings together the need for continued humanitarian efforts with more targeted support to peacebuilding and statebuilding. While the priorities chosen depend on the specific context and national needs and objectives, they should be informed by the global consensus on the factors that enable countries to transition from crisis to peace (Box 2.1). An international agreement on transition objectives is important to allow more targeted attention and financial support to transition from across the international system.

Effective support during transition requires delivering rapid and lifesaving support in parallel with the more targeted efforts towards peacebuilding and statebuilding outlined in Box 2.1. International support *via* humanitarian, development, political and security channels can broadly be divided into three priority areas (Figure 2.1):

- **Delivering basic services and addressing urgent needs:** These activities would initially be delivered by humanitarian actors and through humanitarian funding channels, but there will be gradual transition towards more sustainable local approaches. Key activities include relief assistance to address acute needs; providing basic social services, both directly and by building the capacity of communities and local authorities to do so; protecting vulnerable populations; facilitating the community's return to normal lives and livelihoods; and building capacities for preparedness and contingency planning to manage future crises.
- **Fostering inclusive political settlements and processes:** These activities would be delivered by political, mediation and development actors, and financed through a combination of ODA and non-ODA resources. Activities involve fostering political dialogue among key domestic actors; concerted efforts to support ongoing political processes and broaden political settlements (*e.g.* reconciliation efforts, civil society and parliamentary programmes); and more targeted support to strengthen state-society relations.
- **Strengthening state functions:**[1] This covers activities delivered primarily by development and security actors and financed through ODA as well as some non-ODA for peace and security. It involves efforts to strengthen the states' capacity in the areas of security and justice, revenue management, oversight and facilitation of service delivery, and economic recovery and employment.

Box 2.1 International agreements on transition objectives and priorities

Several international processes have helped develop a more thorough understanding of the types of objectives and priorities that are important during transition: *i)* the *United Nations Millennium Declaration* highlighted the critical importance of peace and security as preconditions for poverty reduction; *ii)* the UN Secretary-General's report on *Peacebuilding in the Immediate Aftermath of Conflict* identified five core activities (services, economic opportunities, security, livelihoods and governance); *iii)* the *World Development Report 2011* highlighted the importance of security, justice and jobs; and *iv)* the OECD Statebuilding Guidance (OECD, 2011b) identified the critical importance of strengthening states' capacity to perform core functions in security and justice, revenue management, oversight of service delivery, economic recovery and employment.

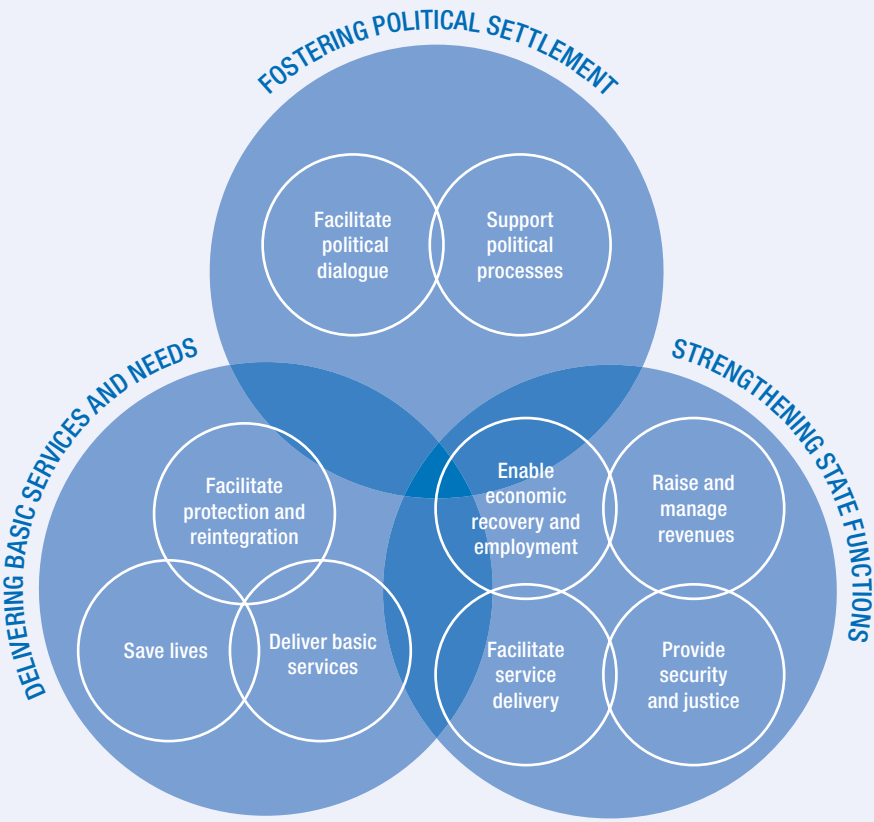
In 2011 this thinking was tied together by the International Dialogue on Peacebuilding and Statebuilding, which agreed on five key peacebuilding and statebuilding goals:

- **Legitimate politics:** Foster inclusive political settlements and conflict resolution
- **Security:** Establish and strengthen people's security
- **Justice:** Address injustices and increase people's access to justice
- **Economic foundations:** Generate employment and improve livelihoods
- **Revenues and fair services:** Manage revenues and build capacity for accountable and fair social service delivery

Sources: OECD (2011b), *Supporting Statebuilding in Situations of Conflict and Fragility, Policy Guidance*, OECD, Paris; OECD (2011f), *Busan Partnership for Effective Development Co-operation*, OECD, Paris; UN (2000), *United Nations Millennium Declaration* (A/RES/55/2), UN, New York; UN (2009) *Report of the Secretary-General on peacebuilding in the immediate aftermath of conflict* (A/63/881–S/2009/304), UN, New York; World Bank (2011), *World Development Report 2011: Conflict, Security, and Development*, The World Bank, Washington DC.

These priority areas should not be approached in isolation — there are significant linkages that will require support in parallel from different parts of the aid architecture (World Bank, 2011). For example, support to basic service delivery through humanitarian and development assistance might require peacekeeping or stabilisation efforts to provide the necessary enabling environment to deliver such support. Addressing these linkages will require more coherence in planning frameworks and stricter prioritisation, which is the topic of the remainder of this chapter.

Figure 2.1 **Broad categories of transition priorities**



Source: OECD (2011a), *Managing Risks in Fragile and Transitional Contexts: The price of success?*, OECD, Paris, *www.oecd.org/dataoecd/59/40/48634348.pdf*.

What is limiting effective planning and clear prioritisation?

A fundamental principle of development today is that the governments of partner countries should lead and guide planning and prioritisation exercises, rather than the donor country. This principle also applies in fragile and conflict-affected states. The assumption is that national governments and other local stakeholders are best placed to identify needs and deliver development to their population. This means that the national budget is the best vehicle to allocate resources and to prioritise and sequence activities based on budgetary constraints and predicted spending levels. However, countries in transition face particular challenges that limit government-led planning. For example:

- A government might lack the will, capacity and legitimacy to plan on behalf of its population, in particular in contexts with fragile political settlements and continued insecurity. Similarly, there might be a lack of consensus on priorities among stakeholders. In these contexts, international actions will be needed to, at a minimum, support broader and more equitable distribution of financial support and access to services, including to neglected regions and population groups.
- International actors might have overlapping foreign policy objectives guiding their engagement in specific contexts. The strategic role of aid is often placed within these wider frames of engagement, which in turn influences how aid is prioritised.
- Many transition contexts are highly aid-dependent. The large volume of external aid compared to domestic resources means that its allocation is likely to be a matter of political significance. International actors need to balance aid distribution through broad-based consultations to ensure that aid does no harm. This is particularly important given the need to protect the neutrality and impartiality of humanitarian aid, which initially might represent a large proportion of total international assistance.
- National budget processes and related systems might not exist or be too weak to serve as tools for prioritisation. Similarly, parliamentary oversight and accountability institutions may be too weak to provide effective control of budget priorities.
- The fast-evolving situation during transition means that priorities may shift quickly. Planning frameworks used in other developing contexts are not necessarily applicable, as they favour longer plan-

ning cycles that may stifle flexibility and prevent more frequent evaluation and reassessment of priorities based on the evolving context.

In response to these challenges, the international community has increased its capacity to engage in transition planning. Over the last decade several strategic planning frameworks, as well as more detailed thematic and sector planning tools and instruments, have been developed as a basis for delivering different types of aid (Box 2.2). Each approach requires different levels of government engagement and ownership, as well consultation with civil society.

However, despite these improvements, such planning frameworks struggle with trade-offs between effective and flexible planning and government ownership. For example:

- In the absence of government capacity to lead the planning process, plans are often "ghost-written" by donor staff and consultants, increasing the risks of embarking on complex approaches driven by international good practice but not grounded in national context and expectations. This has frequently resulted in plans that are unrealistic and unprioritised, and that underestimate implementation challenges and absorptive capacity. The large resource envelopes created for post-disaster/conflict reconstruction and development in places like Haiti and South Sudan demonstrate this effect. For international actors, such approaches amplify risks, not only in terms of failure to deliver results, but also in creating expectations that cannot be met.
- National ownership is further challenged if several overlapping planning frameworks are used in parallel. For example, a Consolidated Appeals Process (CAP, Box 2.2) will often take place in parallel to government-led development planning processes without formalised links or discussions about how to handle possible overlaps between the two. In some contexts (*e.g.* the Democratic Republic of Congo) several parallel government-led planning processes have been supported, imposing significant transaction costs on national stakeholders and undermining ownership. While in some countries different plans have been aligned and integrated into one core document, as was the case when the Peacebuilding Strategy was integrated into the Poverty Reduction Strategy Paper (PRSP) in Sierra Leone, this remains more the exception than the norm.
- Efforts to clarify the relationship between different planning frameworks have resulted in frequent delays in development funding. The trend has been that PRSPs and Post-Conflict Needs Assessments

Box 2.2 International planning tools and their usefulness during transition

A **Poverty Reduction Strategy Paper (PRSP)** is a tool to support a government's own efforts to develop a National Strategic Development Plan. It normally sets out an overall strategy and more detailed sector plans. The PRSP thus holds the highest degree of government ownership, and is an integral part of international engagement in more stable countries, as well as a key milestone for achieving debt relief. PRSPs (and interim poverty-reduction strategies) have also been attempted in transitional countries, including in the Central African Republic, Guinea and Sierra Leone. These experiences have shown that as PRSPs are geared towards longer-term development investments aimed at delivering the MDGs, additional external efforts are required to highlight and address the specific challenges associated with peacebuilding and statebuilding. Successful PRSPs require a certain degree of institutional capacity, which may prevent them from becoming an effective tool during transition.

A **Post-Conflict Needs Assessment (PCNA)** is used by national and international actors as an entry point for "conceptualising, negotiating and financing a common shared strategy for recovery and development" during transition (UNDG, 2010). It normally provides both an overall strategy and more detailed thematic plans divided into "clusters" of issues. The tool is based on the assumption that the partner government should own the planning process, but recognises that capacity and ownership may be weak. It proposes to address this tension through a collective exercise where the international community comes together with the government to jointly assess needs, which are then prioritised and costed in an accompanying **Transitional Results Matrix (TRM)**. While experiences over the last decade have displayed the shortcomings of needs-based approaches during transition, in particular in terms of translating peacebuilding and statebuilding needs into a prioritised plan,[2] PCNAs have nonetheless proven successful in certain cases by facilitating prolonged engagement with government actors and thus strengthening their capacity to perform certain core functions.

The **Consolidated Appeals Process (CAP)** presents the funding needs by social service sectors. It allows for humanitarian planning, and as such assumes that planning is based on needs, not political objectives. It takes place independently of government and national planning processes. The CAP was never designed as a transition tool and faces several shortcomings during transition, including the lack of government leadership and engagement, limited co-ordination with development plans, the often unclear process through which priorities are identified, and the lack of an exit or handover strategy and criteria. Nonetheless, the CAP (and the related **Common Humanitarian Action Plan** or CHAP) holds some valuable lessons for how planning processes might look during transition. These include the fact that: *i)* planning is undertaken on an annual basis and revised mid-year, ▷

Box 2.2 International planning tools *(continued)*

thus providing the opportunity to frequently reassess priorities; *ii)* plans are prepared for each sector through a system of clusters and cluster leads (see Chapter 3), while the process is managed and guided by the UN Office for the Co-ordination of Humanitarian Affairs (OCHA), thus providing some continuity and control at both the cluster and management level; and *iii)* donors are committed to using the CAP as the primary instrument for strategic planning, prioritisation and co-ordination in complex emergencies, thus ensuring a solid link between financing decisions and the jointly agreed priorities.

Different organisations and agencies also have their own strategic planning frameworks. In countries with peace missions, the United Nations uses the Integrated Missions Planning Process to assess the situation strategically, identify options for UN engagement, and develop Integrated Strategic Frameworks to agree on joint UN priorities for peace consolidation. The **United Nations Development Assistance Framework (UNDAF)** is another mechanism for co-ordinating UN development assistance in a country. UNDAFs rely on existing assessments, such as a **Common Country Assessment (CCA)**, for prioritising UN support to national development goals. Similarly, the World Bank uses Country Assistance Strategies to identify priority areas for engagement, while bilateral donors rely on published or internal country strategies and partnership framework agreements to guide funding.

(PCNAs) have focussed on longer timeframes and on the delivery of the MDGs, while the CAP has focussed on short timeframes and delivery of specific needs-based, life-saving and some limited recovery activities. The adverse outcome of this "division of labour" has been frequent delays in the disbursement of development assistance, based on the assumption that such aid would only be needed to meet priorities once these are set out in national development strategies with sufficient national involvement and ownership. In the interim, humanitarian aid has been left, and expected, to deliver initial development activities. The lack of coherence and shared priorities also hampers efforts to ensure that humanitarian programming dovetails with future development work, and efforts to ensure that development programming builds on humanitarian knowledge and results.

- A common challenge to all planning tools is the lack of prioritisation and sequencing of activities. These challenges can be linked to the needs-based approaches that underpin CAPs and PCNAs and the lack of authority in the international system to prioritise cer-

tain activities and mandates over others, which is essential in transition contexts. In addition, PCNAs have tended to become vehicles for broader international engagement and dialogue, with technical experts rather than mediators left in charge of highly political negotiations over priorities.

- Limited links between strategic and operational plans also impose constraints during transition. While some prioritisation might take place at the strategic level, implementation strategies are largely designed through thematic or sector planning processes and defined in the individual strategies prepared by individual agencies. Such plans are rarely cross-checked against the overall strategy, but are presented for funding by different organisations and agencies. This can fragment approaches, complicate co-ordination, and challenge collective prioritisation and harmonisation with government-led exercises.

Recommendations: Helping governments in transition prioritise their development

The experience with different planning tools over the past decade offers lessons for donors that can be used to improve planning and prioritisation (PBSO, 2009; UN and World Bank, 2007a; World Bank, 2011). These are consolidated here under three headings, illustrated by examples from countries in transition. The overall point to remember is that impact will be greatest where priorities and plans are kept clear, realistic and simple:

i) *Use national transition strategies as the basis for prioritisation where they exist — if not, find ways to prioritise*

- *Keep priorities simple*. The 2011 *World Development Report* shows that the most successful and rapid transitions are those that have focussed on a limited set of strategic objectives at any given time, rather than attempting to address a multitude of priorities in parallel (World Bank, 2011).
- *Ensure national governments lead the strategic process,* even where they might lack the legitimacy to undertake more detailed planning on behalf of entire populations. Weak capacity and legitimacy cannot be an excuse for internationally driven (and written) development strategies. Instead, approaches will need to be adapted to the context, and simplified planning frameworks with shorter timeframes should be combined with a specific focus on capacity and institutional strengthening for planning and budgeting functions.

- *Develop transition strategies collaboratively.* Transition strategies should be based on internationally agreed objectives (Box 2.1) and on the analysis of contextual risks and drivers of conflict. They should be developed in consultation with different stakeholders, including from civil society, to ensure representativeness. Strategies should be used to guide collective prioritisation of different activities, and donors need to be willing to support and finance the basic elements set out in these strategies, however simplified, and even if they do not comply with existing rules and procedures that guide development funding.
- *Use planning processes as critical vehicles for engagement and capacity development.* As shown by PCNA experiences (Box 2.2), the continued opportunity to engage with key government officials and other concerned stakeholders (including civil society) in prolonged planning and discussions about needs can be critical during transition. International actors should focus less on the "paper plan" that is produced through these processes and more on the process itself as a vehicle for broader engagement and capacity development. However, this calls for time- and resource-intensive engagements, and donors should find different ways of providing and aligning development funding to support them.

ii) *Prioritise annually to ensure that transition strategies target the most critical areas*

- *During transition, annual prioritisation should be the norm.* This allows frequent reassessment of progress and risks, thus preventing strategic failure and keeping the priorities relevant. A contextual risk analysis should be done jointly and revisited as part of annual meetings between national and international stakeholders (see Chapter 1). This will provide donors with the necessary confidence to allow the use of simplified rules and procedures. The example from Timor-Leste (Box 2.3) shows how the National Priorities Process was able to establish broad objectives that served as basis for rapid engagement and annual reassessment of priorities, and to guide more detailed sector planning exercises.
- *Alter international approaches to enable annual/rolling prioritisation from year to year.* The humanitarian model of two-day workshops as the basis for planning could be suitable during transition. Donors will need to allow for early release of development funding based on broadly defined priorities in national transition strategies rather than on fully elaborated development plans and more detailed sector plans.

- *Increase the flexibility of funding allocations* by increasing contingencies in budgets so that "activities and delivery mechanisms can be adjusted when new risks and opportunities emerge" (World Bank, 2011). A few basic performance benchmarks could also be agreed to facilitate decisions about when to move from transition strategies towards proper development plans.

iii) *Ensure coherence between existing planning frameworks*

- *Development, diplomatic, humanitarian and security-related activities must complement and reinforce each other.* This requires integrated planning. Sector plans can be developed using existing planning tools but these should be brought together into one core transition strategy (Box 2.4).

Box 2.3 **Transition planning in Timor-Leste, 2008-11**

In the wake of the 2006 crisis, Timor-Leste's National Priorities Process (NPP) harmonised ministerial and development partner programming while at the same time providing leadership on priority identification and sequencing. Through this process the government sought to streamline the transition from post-conflict emergency response towards development in a manner and timeframe that allowed it to remain flexible in responding to "post-conflict spot fires".

Through the NPP the Ministry of Finance initiated partnerships with key development partners to develop an interim planning and priority-setting mechanism. The mechanism encouraged a whole-of-government approach to transition. It involved an annual planning framework set by ministries around identified priorities to which development partners could then align.

In its initial years the process focussed primarily on establishing security, and repatriating internally-displaced people. Once peace had been fully restored, the government chose infrastructure, agricultural and rural development and human resource development as top priorities. As peace and stability continued, public security and safety remained a priority, to which were added justice and good governance infrastructure.

The importance of a whole-of-government approach throughout the process cannot be understated. The co-ordination with all stakeholders including civil society and gender organisations helped to build capacity, allowed for a more collaborative, open and transparent national priority identification process, and fostered better dialogue with the donor community.

See OECD (2010b), *Transition Financing: Building a Better Response*, OECD, Paris; OECD (2011g), *2011 Report on International Engagement in Fragile States: Democratic Republic of Timor-Leste*, OECD, Paris.

Sector plans should be reviewed annually for continued compliance with overall priorities and with the involvement of all appropriate actors. *Transitional Results Matrices* (TRMs) could be adapted to such shorter timeframes and used to map priorities against proposed sector plans, as a basis for review and funding during annual roundtable meetings (UNDG and World Bank, 2005). This will allow for effective prioritisation, ensure consistent co-ordination and help align international action with transition objectives.

- *Support reforms for integrating and aligning strategic* and sector planning tools and processes with transition strategies. This might involve aligning different operational planning cycles with annual/rolling prioritisation and using national programmes that specify how each activity and organisation will deliver specific elements in the transition strategy. Donors should be prepared to adjust multi/bilateral country strategies and the United Nations, World Bank and European Commission should review the Operational Note on Transitional Results Matrices (UNDG and World Bank, 2005) to ensure that these can be used effectively to support annual priority plans.

Box 2.4 **Sierra Leone: Donor alignment with the Agenda for Change**

All major development partners in Sierra Leone have aligned their programmes with the country's main strategic planning instrument, the Second Poverty Reduction Strategy Paper (PRSP-II), also known as the Agenda for Change (2008-12). International support for the Agenda for Change has been a decisive factor in ensuring co-ordinated support and funding for implementation. Development partners combine their initiatives to reduce transaction costs for the government. The Agenda for Change is also well supported by the development partner community through joint strategies. The Joint Vision for Sierra Leone of the UN family, the European Community and UK Department for International Development Joint Assistance Strategy and the World Bank/African Development Bank Joint Assistance Strategy constitute the core elements of development partner support to the Government of Sierra Leone. All other partners also ensure that their projects and programmes are aligned to the Agenda for Change.

Source: OECD (2011c), *2011 Report on International Engagement in Fragile States: Republic of Sierra Leone*, OECD, Paris.

- *Ensure stronger accountability in the development of sector plans.* At the sector level, plans should be developed and revisited through a continuous engagement between different national and international stakeholders. Humanitarian and development engagement already operate in this way, through cluster and sector working groups that advance thinking around specific issues. Such sector working groups should be streamlined during transition, as the primarily vehicle for identifying, agreeing, and revisiting priorities on a regular basis. Each sector group should operate based on clearly defined accountability and responsibility structures, building on the positive lessons learned from humanitarian clusters.
- *Clarify how the international community can best support a gradual shift to national planning and government leadership.* The composition of planning groups and specific accountability arrangements must be decided based on the country context and national capacities. To facilitate a smooth transition out of the humanitarian cluster system, in particular in those service delivery sectors that will require rapid national engagement, the Inter-Agency Standing Committee (IASC), in consultation with the UN Development Group, should clarify its position on how this process can be managed, how clusters could more clearly support transition priorities and objectives, and the specific capacities needed to facilitate handover to development actors. The roles and authority of the Resident/Humanitarian Co-ordinator in this regard should also be clarified.
- *Cost the strategy and link it to specific funding sources to avoid fragmentation.* Understanding the resource flows and instruments available reveals what can be realistically achieved within severe budget constraints, thus decreasing the strategic risks of failure to deliver on agreed priorities.

Notes

1. See OECD (2011b) for more detailed description of these functions.
2. In response to this challenge, the United Nations, World Bank and European Commission have committed significant resources to strengthen the PCNA methodology, and in particular to adapt the approach to make the transitional results matrix a useful tool for prioritisation in different transition contexts. While it is too early to say, these investments should hopefully facilitate a more effective translation of needs into a prioritised plan that can be financed by domestic and external resources.

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Chapter 3

Getting the mix of aid instruments right

No single aid instrument can cover all the priorities of transition. A mix of different aid instruments will allow coherent and effective aid to support shared priorities, plus rapid and flexible delivery. Chapter 3 provides guidance to ensure that aid instruments contribute to the critical objectives of harmonisation, institutional transformation, speed and flexibility, and risk management. The mix should be decided based on the need to provide both rapid and sustained delivery, and should in particular focus on country-specific instruments and pooled funds that allow for a gradual increase in the use of country systems.

Why is a mix of aid instruments required?

No single aid instrument[1] can cover all the priorities of transition. A mix of different aid instruments will allow coherent and effective aid to support shared priorities, plus rapid and flexible delivery. The ultimate aim should be to support institutional transformation and a transition towards the use of a country's own systems for aid delivery.[2] Different aid instruments have different mandates, strengths and weaknesses that can be drawn on. In particular, humanitarian, security and development instruments are very different in the way they are able to link with national actors and make use of country systems, and the specific conditions under which such linking will take place.

Transition financing should come primarily from development budget lines and allow for alignment with domestic resources and systems. Using partner country systems is often perceived to be the same thing as providing general budget support. However, aid instruments can connect to different parts of country systems based on the level of capacity and legitimate institutions in place. Options include on-treasury budget support and aligning with plans and oversight mechanisms. Different aid instruments exist for this purpose, ranging from general budget support to project support to non-state actors.

An effective mix will enable rapid release of development assistance while promoting coherence with other funding flows (humanitarian, stabilisation, etc.). This calls for the use of a "portfolio" approach that can allow different instruments and their respective mandates to deliver different transition objectives. Pooled funds and other dual-objective aid instruments[3] will be particularly important for this, as will more effective and specialised use of global funds and budget lines for transition.

What categories of aid and associated instruments are available?

Key categories of aid and associated instruments include humanitarian aid, programme and project approaches, peace and security instruments, pooled funds and budget support. What follows is an overview of their value and use for transition countries.

Humanitarian aid

The complexity of providing aid in conflict-affected and transition situations is well-recognised and documented. In the humanitarian realm the cluster lead approach[4] has provided accountability and predictability, strengthened flexibility and effectiveness, and addressed the complexity of providing needs-based humanitarian aid. Pooled funding instruments have demonstrated that they can provide more predictable, flexible and timely funding

in response to crises, most notably through the Central Emergency Response Fund (CERF) and through country-specific Emergency Response Funds (ERFs) and Common Humanitarian Funds (CHFs). The CERF, a global, non-earmarked fund, provides an initial injection of resources to kick-start response to rapid-onset emergencies and to ensure resources for under-funded emergency responses. The CHFs and ERFs, as country pooled funds, provide more rapid and predictable funding for critical humanitarian needs, under the direction of the field-level Humanitarian Co-ordinator (HC). CHFs and ERFs are designed to give the HC greater ability to target funds to the most critical needs, provide up-front funding, encourage donor contributions and allow rapid response to unforeseen needs.

Programme and project approaches

A programme-based approach provides co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or the programme of a specific organisation. Project approaches focus on more narrowly-defined and specific activities (OECD, 2006). Many donors prefer to get involved in transition countries through projects, programmes and technical assistance given the immense lack of capacity, risks, and especially the fluid political and institutional situation. These approaches often aim to support specific activities that require rapid and effective delivery, while building capacity. Smaller projects can be used to encourage innovation and rapid delivery. Programme support can have advantages in transition periods, as it is often very staff-intensive and can develop capacity through on-the-job training. Nonetheless, such approaches are sometimes seen to be outside the broader policy and institutional environment and directly reaching non-state actors. Projects and programmes vary infinitely in design and degrees of alignment to country systems. Projects can be delivered directly to and through country systems, but as with other modes of delivery, their impact will depend on the quality of these country systems.

Peace and security instruments

Acknowledging the obstacles that have been created by the ODA criteria,[5] and by internal donor policies and financial controls, a growing number of donors have created specialised budget lines and instruments for supporting peace and security initiatives.[6] The bulk of these budget lines can combine ODA and non-ODA funding, increasing the applicability of funding to transition situations and generating more holistic programming support. These budget lines nonetheless still account for a very small percentage of the total funding allocated to transition situations.

Pooled funds

Country pooled funds, used both by humanitarian and development actors, are becoming an important channel for assistance to transition situations. Pooled funds, such as Multi-Donor Trust Funds (MDTFs) and joint programmes, vary largely in the way they are established, ranging from jointly managed pools that implement through country systems to externally managed and implemented funds. They offer a number of advantages. For example, they promote a more programmatic approach to service delivery, and can increase national ownership and political visibility, while at the same time giving international actors political leverage in discussions with partner governments (van Beijnum and Kaput, 2009). They also spread donors' exposure to political and reputational risk by sharing the burdens of control and oversight (OECD, 2011a).

Finally, pooled funds can reduce transaction costs for both donor and partner countries by transferring the costs of co-ordinating and managing funds to a fund administrator. There will likely be significant costs associated with the operation of pooled funds as well, which become more visible when charged as overheads. Nonetheless, while effective co-ordination can be expensive during transition, such costs will likely be significantly lower than the combined costs of separate bilateral funding mechanisms (Ball and van Beijnum, 2010; World Bank, 2010b).

However, the implementation of country pooled funds raises many critical challenges. These include assigning responsibility and management, the time involved in setting up these instruments, and expectations about what can be delivered within specific timeframes (Ball and van Beijnum, 2010; World Bank, 2010b). Unrealistic expectations about how quickly pools can start to work and what they can deliver — which largely depend on fund managers' procedures and local implementation capacity — have contributed to the fragmentation of different funding instruments (as was the case in Southern Sudan; OECD, 2010b). Several reviews have been undertaken to address these challenges and ensure that pools live up to their potential. Some key conclusions are outlined in Box 3.1.

Pooled funds have also struggled to attract enough donors to enable economies of scale. Some donors are unable or unwilling to contribute, or are limited by national rules and regulations (*e.g.* for accountability and appropriation). Others are unwilling to transfer power to joint mechanisms, are dissatisfied with the results of pooled funding mechanisms to date, or perceive more direct instruments to be more appropriate.

Box 3.1 **Using pooled funds in transition situations: Secrets of success**

Pooled funds or trust funds involve multiple donors who contribute to a set of common objectives and to activities approved by a joint governing mechanism. They aim to improve co-ordination, risk management, speed and flexibility and can take many forms (*e.g.* global or in-country funds); standing funds or funds that are developed in response to a specific situation; funds that channel only ODA funding; and funds that channel both ODA and non-ODA funding. The extent to which these funds are able to deliver during transition will largely depend on the governance structure and the rules and regulations that guide the funds. A joint study by the UN Development Group (UNDG) and the UN Executive Committee on Humanitarian Affairs (ECHA) categorises pooled funds into three groups based on the degree to which they contribute to government ownership, and their speed and flexibility:

i) Funds that allow for quick disbursement and rapid impact, and that use non-inclusive governance structures, existing capacities and presence on the ground (*e.g.* Common Humanitarian Funds, Afghan Interim Authority Fund).

ii) Funds that emphasise sustainable results and use inclusive governance structures to support ownership and capacity building (currently the bulk of the in-country multi-donor trust funds, *e.g.* the MDTF for Southern Sudan, Afghanistan Reconstruction Trust Fund, International Reconstruction Fund Facility for Iraq, Sudan Recovery Fund). Ideally they are linked to government structures/systems to ensure more rapid movement towards using the budget as the key tool for prioritisation (*e.g.* Liberia GEMAP, see Box 3.3; Afghanistan MDTF).

iii) Funds that combine different approaches with different time horizons but deliver results under one fund structure (*e.g.* a fast-track modality based on top-down, non-inclusive decision-making, developed simultaneously with or before a central development facility). Examples include the Humanitarian Response Fund, and the Standby Recovery Financing Facility and the United Nations Peacebuilding Fund's Immediate Response Facility (IRF) and Peacebuilding Recovery Facility (PRF).

The study also identified five preconditions for pooled funds to strengthen aid effectiveness during transition:

i) Appropriate leadership by key actors involved in the pool (both at the policy/strategic and the technical levels).

ii) Targeted funding available for capacity development activities that can enable local participation, strengthen ownership and enable local service provision.

▷

Box 3.1 Using pooled funds in transition situations *(continued)*

iii) Harmonised strategies, procedures and management arrangements across different pooled funds to prevent fragmentation.

iv) Constructive donor engagement in steering committees, both on strategic/policy issues and fund oversight to strengthen risk management.

v) Realistic assumptions about the time needed to establish pooled funds.

Effective fund management will also depend on adequate human and financial resources, an adequate understanding of the context in which the fund will be operating, and clarity over fund procedures and the roles and responsibilities of key stakeholders.

Source: Ball, N. and M. van Beijnum (2010), *Pooled Funding for Transition at the Country Level*, UNDG/ECHA Task Team on Financing for Transition, UN Development Group, New York, *www.undg.org/docs/11628/Review_of_Pooled_Funding_for_Transition_Final.pdf*.

Budget support

It is generally (although not always explicitly) agreed that general budget support is the preferred way to ensure that partner governments are in charge of their own development process. Budget support has had some success, particularly in two kinds of transition contexts: *i)* in the early stages of state formation, where budget support is given *via* pooled funds (*e.g.* Afghanistan, Timor-Leste); and *ii)* in more established post-conflict countries with new regimes, where budget support is given directly to government (*e.g.* Rwanda, Sierra Leone) (World Bank, 2010a). These experiences show that:

- Budget support can rapidly address immediate financing needs to prevent government collapse and help maintain basic state functions. Fragile states often have severe domestic resource constraints and struggle to pay for basic state functions, clear external and domestic arrears and resume debt service. This, in turn, often undermines security, state services (non-payment of wages for civil servants), and related social services, and increases the risk of instability. There is, therefore, a serious need to fund recurrent costs to maintain stability. Giving budget support opens up an opportunity to engage in dialogue on an overall stabilisation and reform strategy rather than a project-by-project approach.
- Budget support can help governments to implement policy and institutional transformations that can break cycles of fragility and vio-

> lence. The 2011 *World Development Report* argues that, in addition to avoiding the negative effects of parallel systems, giving aid through the budget can support institutional mechanisms of political decision making about priorities and trade-offs, can leverage the development of public financial management and accountability systems, and can create a tool for co-ordinating international assistance (World Bank, 2011).

However, recent work has also highlighted the challenges associated with this type of support during transition (OECD, 2011a; IDPS, 2011c), and it is clear that budget support may not always be an appropriate instrument to address transition challenges. For example, it may be premature to use budget support when formal authority is still vested in a transitional body — such as a UN mandate or a national unity government — which may not be able to make long-term commitments. Budget support may also be inappropriate where budget institutions cannot provide sufficient assurance that they can use the resources appropriately and where adequate measures to mitigate fiduciary risk cannot be put in place. Budget support is also inappropriate where current leaders lack legitimacy or are not committed to redressing fragility, and where there is no commitment to use public resources for development benefits.

Where budget support is not appropriate, there are some innovative instruments and approaches that can help the move from external delivery towards the use of country systems. Recent work by the International Dialogue on Peacebuilding and Statebuilding, the World Bank and the African Development Bank has provided a better understanding of the challenges and opportunities of gradually moving aid "on-budget" (Box 3.2). This work has highlighted that because of its cross-cutting nature, "budget aid" should be at the core of an effective mix of instruments to promote institutional transformation and strengthen the transition towards greater state capacity and legitimacy. It also points to the potential for using budget support through multilateral organisations to spearhead alignment with national budgets and planning processes.

Guiding principles for choosing the right mix[7]

In this section we assess the various aid instruments against their ability to achieve the objectives of co-ordination and harmonisation, institutional transformation, speed and flexibility, and their scope for risk management (Table 3.1). The choice of aid instruments during transition should be grounded in the aid effectiveness agenda (Box 1.2), which aims to deliver rapid and sustainable results. The choice should also reflect the legal requirements that guide bilateral donor funding decisions and allocations, as well as their abil-

Box 3.2 **Understanding budget aid**

The concept of budget aid differs from budget support. It includes *i)* policy-based instruments (lending or grants delivered through budget support operations or BSOs); and *ii)* the use of other sources of financing to the budget, such as multi-donor trust funds (MDTFs). The release of funds linked to policy-based BSOs is usually triggered by the partner government fulfilling certain conditions. The amount of aid provided can vary with the recipient's ability to meet these requirements. MDTFs can finance discrete projects and also provide resources to the budget. For instance, they can be used to reimburse recurrent expenditures on a regular basis, subject to specific fiduciary arrangements (*e.g.* verification of payment) signed between the government and the manager of the trust fund. At times, BSOs are channelled through MDTFs and not directly to the central bank and treasury. The combined use of these instruments and sources of financing – that is, budget aid – can simultaneously:

- **Support macro-budgetary stability.** Due to their macro-economic vulnerability and inability to raise revenues from regular taxes, many fragile states struggle to pay for basic state functions, clear external and domestic arrears and resume debt service. Unlike well-performing, general budget support countries, where the development goal is often more about scaling up, countries in transition require a reasonably stable flow of resources to the budget to allow the government to continue salary and credit payments.
- **Support and strengthen state capacity.** Bypassing the government through alternative delivery mechanisms weakens state capacity. Ultimately, capacity is most effectively built through gradual "learning by doing". International assistance provided mostly through budget aid can allow newly formed governments to gradually take on their most important functions: setting priorities, making hard choices, and managing expenditures.
- **Increase predictability of funding.** Providing programmatic budget support in advance may help tie budget aid into a broader and more coherent programme of assistance. It can also help recipient countries' governments develop a medium-term reform plan. While varying country performance may affect the ability to provide predictable resources through performance-based lending, different instruments and sources of financing can be deployed to support and complement the budget and allow the state to fulfil its essential functions. Support to recurrent costs through MDTFs, for instance, could complement more traditional means of aid delivery and could help avoid threats to state stability if policy reversals delay budget support.

Source: World Bank (2010a), *Providing Budget Aid in Situations of Fragility: A World Bank-African Development Bank Common Approach Paper*, The World Bank, Washington DC

ity to deliver on agreed priorities. A balance must be struck between the need to continue channelling lifesaving humanitarian assistance to deliver basic services with the need for significant levels of development funding to kick-start the recovery process. Finally, the mix should combine and complement country-specific aid instruments with resources from global specialised funds and budget lines.

Co-ordination and harmonisation

Co-ordination among donors and between donors and partner governments strengthens coherence, can increase effectiveness, support national and local ownership and improve accountability. Individual aid instruments can either contribute to or challenge co-ordination depending on how their governance and management arrangements are designed (Table 3.1). As highlighted in Chapter 2, successful operational co-ordination relies on better planning and prioritisation; if this is the case then the use of aid instruments will also be better co-ordinated, and more nationally and locally owned, more accountable, and more effective. Critical to this will be the quality of national and international leadership and management capacity in-country, as much as the confidence built with the population.

Institutional transformation

Strong country systems ensure sustainable development efforts, but a gradual approach is required to overcome problems associated with weak capacity and lack of legitimacy. This does not mean bypassing government institutions altogether – instead it means sequencing national engagement by focussing first on strategic leadership, then introducing priorities, policy direction, consultations with civil society and, over time, direct management of implementation (IDPS, 2007; g7+, 2010). Instruments should be chosen based on their ability to support institutional transformation, allow country actors to provide strategic oversight and lead in key areas from the outset, and expand responsibilities as capacity increases. This is particularly important for aligning the different objectives that guide humanitarian and development actors. A gradual handover of service delivery from humanitarian actors is necessary as priorities evolve, development programmes become operational, and national institutions take on co-ordination and implementation. Nonetheless, the focus on institutions should not come at the expense of rapid delivery, and development actors should build on humanitarian presence, capacities and knowledge as they scale up. Box 3.3 shows how aid instruments were used in Liberia to speed up the transition towards using country systems by using external oversight and accountability.

Table 3.1 **Effectiveness criteria for choosing aid instruments during transition***

	Co-ordination and harmonisation	Institutional transformation	Speed and flexibility	Scope for risk management
General budget support	***High.*** Allows linking of resources to capacity building and impact	***High.*** Clear incentives to strengthen country systems	***Low.*** Takes time to negotiate and requires up-front investments to strengthen systems	***Mixed.*** Requires high standards of public financial management and local accountability
Sector budget support	***High.*** Facilitates joined-up sector dialogue and lower transaction costs	***High.*** Allows government-led delivery and pooling with domestic resources	***Low.*** Requires up-front negotiations and investments in sector systems	***Mixed.*** Requires high standards of public financial management and accountability
Jointly managed pooled funds implemented through country systems	***Potentially high.*** Allows for pooling of donor resources. But requires a critical mass of donors to be an effective harmonisation tool	***Potentially high.*** Resources aligned with government strategy. Can allow for additional controls	***Mixed.*** Can take time to establish, as requires significant up-front investments and capacity building and may be subject to lengthy negotiations and lack of prioritisation	***High.*** Provides framework for risk sharing and additional oversight. But potential risks of not delivering and of dumping risks on implementing partners
Jointly managed pooled funds not implemented through country systems	***Potentially high.*** Allows for pooling of donor resources. But requires critical mass of donors to be an effective harmonisation tool	***Potentially high.*** As long as resources are aligned with government strategy and implementation happens in partnership	***Mixed.*** Can take time to establish, and might limit flexibility once resources have been allocated. But allows for rapid implementation once funding decisions have been made	***High.*** Provides framework for risk sharing, and can decrease risks of strategic failure by allowing more rapid delivery. But risk of uncoordinated implementation
Externally managed pooled funds	***Mixed.*** Can allow pooling of donor resources	***Low.*** Can support institutions, but in general not aligned with or using country systems	***High.*** Allows for rapid establishment and funding decisions and provides great flexibility in allocations	***Potentially high.*** Can contribute rapidly to supporting peace. But can undermine country ownership if used for too long
Project / programme support to state institutions	***Low.*** Can make co-ordination more time-consuming, allowing for more fragmented approach	***Low.*** Can use country systems to differing extents but can undermine institutions if provided in an uncoordinated manner	***High.*** Can target specific urgent priorities, through earmarking for specific activities and allow for flexibility in design	***Potentially high.*** Offers risk mitigation measures to deliver where government lacks capacity/ legitimacy and allows quick delivery. But risk of promoting "dual public sector" and undermining incentives to support state capacity
Project or programme support to and through non-state actors	***Low.*** Can make co-ordination more time-consuming, allowing for more fragmented approach	***Low.*** Can undermine institutions.	***High.*** Can help to meet short-term service delivery needs where state capacities are weak, or for communities that are not political priorities	***Mixed.*** Can undermine transparency and domestic accountability and raise social expectations beyond state capacity, fuelling frustration. But can strengthen state legitimacy over time through support to citizen engagement
Humanitarian support	***Low.*** Co-ordination within clusters but not with other resource flows	***Non-applicable.*** Based on neutrality and impartiality	***High.*** Rapid and flexible based on clearly defined mandates	***Potentially high.*** Allows for better risk management through by-passing state structures, but comes with security risks to staff

*The ratings in this table are indicative only and will vary according to the situation in specific countries.

Speed and flexibility

Speed and flexibility are central elements of effective engagement in unstable transition situations. It is, however, important to understand the meaning of "speed" and how much of it is reasonable to expect in transition situations. Acting fast may increase the risk of unwanted outcomes, but, as highlighted in Chapter 1, these risks should be weighed against the opportunities to deliver and show peace dividends rapidly in essential areas. Nonetheless, statebuilding and peacebuilding are long and non-linear processes (OECD, 2010b; World Bank, 2011), and attempts to move too rapidly with larger reform agendas in unstable environments can easily undermine the statebuilding process. It is thus essential to set realistic expectations about speed for different types of activities: for establishing effective funding instruments, dispersing funds, and securing outcomes. Ideally, the mix of funding should

Box 3.3 **Dual accountability: GEMAP in Liberia**

The Governance and Economic Management Assistance Program (GEMAP) was a multi-donor agreement signed by the National Transitional Government of Liberia in early 2006, along with USAID, the EU, UN, IMF, World Bank, African Union and the Economic Community of West African States. GEMAP was based upon the premise that in order to restore the public trust in government and attract investment, Liberia had to stem the diversion of state resources, manage public finances transparently, deliver government services, and demonstrate the political will to prosecute corruption.

The unique feature of GEMAP (and also the most controversial) was the placement of international financial controllers in key state-owned enterprises, and experts in the Ministry of Finance, Bureau of Budget and Treasury. These experts were granted co-signing authority on spending and were therefore managerial rather than advisory in capacity, as distinct from other public sector support programmes. It was widely claimed that having co-signatory authority on all financial transactions at key revenue generating government institutions was central to building accountability in the Liberian civil service. However, the downside of this outsourcing of authority was the lack of capacity transfer, which meant that sustainability was not ensured once the international controllers had left. A more specific focus on building capacities, while establishing sound principles for financial management, would have enabled a more rapid and successful handover of authority to the Government of Liberia.

Source: USAID Liberia (United States Agency for International Development) (2009), *Governance and Economic Management Assistance Program*, USAID, Monrovia, *http://liberia.usaid.gov/sites/default/files/Liberia_Briefer_GEMAP.pdf.*

involve a degree of sequencing and multi-year funding, even for humanitarian-type funding, to bridge the need for rapid engagement with the start-up time required for development instruments.[8] The use of such bridging mechanisms to allow for the arrival of development investments was invaluable in Afghanistan, where the Interim Authority Fund was used as a rapid response tool (Box 3.4).

Rapid response mechanisms can provide peace dividends in contexts where development resources are expected to be slow to emerge. Key elements of successful rapid response initiatives include: *i*) removing adminis-

Box 3.4 **Case study: Sequencing aid in Afghanistan**

The Afghan Interim Authority Fund (AIAF) was prepared and managed by UNDP in 2002. The fund was set up for six months as a flexible mechanism for quick resource mobilisation and initial institution building, and to support recurrent expenditure by the Afghan Interim Authority. During this time, the Afghanistan Reconstruction Trust Fund was also established as part of a temporary National Development Strategy.

In its six months of existence, the AIAF re-established salary payrolls for all 32 provinces of Afghanistan, installed salary payment control systems, trained finance staff — including in ICT-related skills — and completed emergency repairs in 30 ministerial offices of the Afghan Interim Authority. The AIAF further supported the commissions created under the Bonn Agreement, including fully funding the Emergency *Loya Jirga* – the traditional grand council that endorsed the Transitional Administration led by the president. In accordance with the exit strategy devised for the AIAF when it was established, the fund ceased operations after the successful conclusion of the Emergency *Loya Jirga* and the installation of the Transitional Administration.

Budgetary support for the Transitional Administration was taken over by the Afghanistan Reconstruction Trust Fund (ARTF) jointly set up and managed by the World Bank, the Asian Development Bank, the Islamic Development Bank, the United Nations Assistance Mission in Afghanistan (UNAMA) and UNDP. In addition to financing infrastructure projects and the country's recurrent budget deficit, one aspect of the ARTF was to establish financial management and fiduciary standards and help the finance ministry and national audit office to meet them. By way of demonstration, the ARTF's standards have influenced how the government conducts the control and audit function for regular public expenditure. Thus the ARTF is an important platform for capacity development in Afghanistan.

Source: OECD (2010b), *Transition Financing: Building A Better Response*, OECD, Paris; Brinkerhoff, D.W. (2007), *Governance in Post-Conflict Societies: Rebuilding Fragile States*, Routledge, London.

trative blockages in institutions that administer and manage funds and instruments; *ii)* ensuring that these institutions secure appropriate personnel and expertise in a timely manner; *iii)* recognising that the operation of funds and instruments will require serious and prolonged commitment and predictable funding; and *iv)* ensuring that unearmarked funding is made available in a timely manner or that agencies can make commitments against pledges to initiate operations.

Scope for risk management

As outlined in Chapter 1, appropriate and context-specific risk management is critical for effective engagement. Each instrument should spell out the main risks and risk mitigation strategies that will be applied. The mix of instruments should be based on a shared and prioritised approach that effectively pools risk, thus mitigating the risk of strategic failure. This allows donors to employ a portfolio approach to risk management; *i.e.* to use a range of instruments with different levels of risk and return. This makes it easier to accept one high-risk, innovative instrument as part of an aid portfolio that otherwise consists of fairly low-risk standardised instruments (OECD, 2011a). A targeted approach to contextual risks allows for more flexibility to shift between different instruments in response to changes in the context, thus avoiding the use of the "on-off switch" (World Bank, 2011).

Recommendations: Putting together an effective financing strategy

It is not possible to identify a "default" mix of instruments given the large contextual differences between transition situations. However, the following elements will help national and international actors to develop a financing strategy that combines different aid instruments to support agreed priorities:

*i) Define the right mix through a financing strategy**

- Understand how different aid instruments (*i.e.* country-specific *versus* global) can support the transition towards the use of country systems.
- Rely primarily on country-specific funding arrangements to finance transition priorities.
- Ask each instrument administrator to spell out how or whether its instrument will enable a shift towards the use of country systems, the risk mitigation strategies that they plan to apply and the level of flexibility that would be allowed.

* Using the criteria in Table 3.1

- Identify capacity development objectives in each instrument to help in the shift towards the use of country systems.

ii) *Sequence the mix of instruments in a way that enables rapid support to critical priorities while phasing in development objectives*

- *Leverage and strengthen the ability of existing humanitarian instruments to scale-up delivery of immediate support and services.* Multi-annual funding during transition will allow humanitarian actors to adapt their programmes to the evolving context and pick up on opportunities as they arise, and importantly to scale up delivery of social services through existing delivery channels.
- *Kick-start delivery through fast track modalities* in global funds (*e.g.* the UN Peacebuilding Fund) to provide immediate support from development budgets. Set up interim modalities that can provide bridge funding until more permanent country-specific funding instruments can be established. Draw on the IMF Rapid Credit Facility to finance recurrent costs to avoid government collapse, while the World Bank should be requested to draw on its own funding to initiate institutional support.
- *Support gradual handover of recovery activities from humanitarian to development mechanisms to ensure maximum involvement of national actors.* Humanitarian engagement should be scaled down and handed over as soon as possible, in particular in service delivery sectors that will require rapid national engagement (*e.g.* health, education). This handover will require better communication between the different communities, even in areas where handover might not be possible or warranted. Sequencing handover is possible, with humanitarian co-ordination continuing at the provincial level with local authority leadership, and feeding into national cluster meetings. Local institutions should help to develop policies and deliver services to increase their legitimacy.
- *Introduce the establishment of pooled funds at the appropriate moment.* Rapid results are best delivered through funds that allow for external implementation and management, while mechanisms that support sustainable development should only be established once they can show a clear link to national priorities and budgets and be used to strengthen country systems. Interim or dual-window approaches can be helpful to facilitate transition from external delivery.

- *Use non-ODA funds as part of the mix*. Non-ODA funds can play a critical role by opening space for development engagement, and donors should consider establishing or scaling up stabilisation instruments to fund critical non-ODA activities. Funding for agreed transition priorities, including non-ODA, should be reported and tracked at the country level. The DAC should explore incentives to increase such funding, including considering whether total funding against agreed transition priorities could be recorded under a separate reporting line without changing the current ODA criteria.

iii) *Favour the use of country pooled funds*

- *Make country pooled funds the centrepiece of a financing strategy to deliver on transition priorities*. Donors should consider increasing support through, or aligning with, country pooled funds. Smaller donors should in particular be willing to contribute to these funds, recognising the high costs of co-ordinating and managing such contributions. Larger donors should at least align with the strategic priorities addressed by the pool. The establishment of pooled funds should be premised on achieving a "critical mass" of donors.
- *Strengthen donor ability to fund country pooled funds* via *development budgets*. Donors should be allowed to report development funding provided to country pooled funds as multi-bi rather than as bilateral contributions, as such funds would be channelled through multilateral organisations.
- *Improve the effectiveness of pooled funds*. Be realistic about the time involved in establishing pooled funds (Ball and van Beijnum, 2010; World Bank, 2010b). The United Nations and World Bank should develop and communicate their experiences on what time is realistic, and outline areas where response time can be improved. The United Nations should consider harmonising its rate of overheads at 7%, as currently charged in UN-administered MDTFs (UN Senior Advisory Group, 2011). Donors should discuss improvements to pledging and disbursement timeframes, and should allow for higher contingencies in interim funds as a way of increasing flexibility to address fast-changing transition objectives.
- *Use joint oversight mechanisms to link country pooled funds with national budgets*. Jointly managed pooled funds should favour the use of joint oversight mechanisms to shortcut delivery through country systems. Establishing such mechanisms will require up-front invest-

ment to strengthen country fiduciary and financial management systems, and fund administrators should find ways to make such investments in the absence of firm financing commitments.

iv) *Clarify the roles of multilateral organisations and funding sources in the transition and invest in their capacity and systems to provide more co-ordinated support.*

- *Amend multilateral procedures, especially human resources and financial allocation models, to allow for rapid deployment during transition* (UN Senior Advisory Group, 2011). The UN should allocate core resources (from assessed contributions, core agency funding and the Resident Co-ordinator Strengthening Initiative) to enable Deputy Special Representatives of the UN Secretary-General (DSRSGs) and Resident Co-ordinators (RCs) to rapidly engage critical staff/capacities and to further match the pool of potential UN leaders to transition challenges. The World Bank should increase flexibility in staffing regulations and allocate its own resources for immediate support to core state functions. Donors should provide access to rapid financing and guarantees to allow implementing agencies to make multi-annual commitments, similar to fast track procedures already operated by agencies such as the World Food Programme and UNDP. They should also facilitate hiring of critical programme staff during the design and approval phase.
- *Donors should invest in and strengthen the multilateral system's capacity to support effective planning and implementation.* Multilateral actors are expected to play key co-ordination and implementation roles during transition, but continued investments are required to strengthen systems and processes to this end. For instance, funding and support is required to strengthen the UN's ability, and the authority of the DSRSG/RC/HC, to support country team efforts to strengthen planning and coherence, to deploy capacity to enable core government functions, and to strengthen nationally led aid co-ordination.
- *Clarify and further specialise global pooled funds and link these to country-level funds and priorities.* There is a plethora of global funding sources available to support country priorities, ranging from assessed contributions and core funding for international organisations, to thematic and specialised global pooled funds (Table 3.2). Given the different institutional and operational mandates and procedures that guide these instruments, it has proven problematic to muster global resources to support country-specific priorities. There is a need to

encourage further specialisation among the different global funds and to clarify how they could meet country priorities and relate to country pooled funds. A dialogue is required between donors and fund managers to better understand the roles and responsibilities of different global pooled funds and to agree on a more efficient division of labour and specialisation. Table 3.2 suggests how the various global funding sources could be further specialised.

Table 3.2 **Options for a more efficient division of labour across different global transition funding mechanisms**

Funding mechanism	Options for priority tasks and responsibilities
Central Emergency Relief Fund (CERF)	• Continued delivery of life-saving activities
International Development Association	• World Bank re-engagement (staffing, etc.) • Project preparations (feasibility studies, etc.)
IMF Rapid Credit Facility	• Recurrent costs to keep government running • Funding to enable government to undertake initial prioritisation • Analysis of policy
Stability instruments	• Peace and security activities that require non-ODA funding (*e.g.* security sector reform; disarmament, demobilisation and reintegration activities) • Seed funding to continue mediation and political dialogue • Peace dividends in non-service delivery sectors
UN assessed contributions	• Limited project fund for UN mission chief • Civilian capacity funding
UN agency core funding	• Support immediate deployment of agency staff • Finance immediate engagement
UN Peacebuilding Fund	• Rapid support to political settlements, peace processes, and capacity development support for reconciliation and national conflict resolution mechanisms • Support to the establishment and capacity building of nationally owned co-ordination and prioritisation mechanisms • Immediate and catalytic support to statebuilding and re-establishment of essential administrative services, economic revitalisation and the provision of peace dividends until more formalised funding structured can be established
UNDP Thematic Fund	• Recovery start-up through early livelihoods initiatives • Initial capacity development for institutions and effective civilian leadership • Quick transition to national leadership of recovery efforts • National aid co-ordination mechanisms within government • Strategic crisis prevention and preparedness
World Bank State and Peacebuilding Fund	• Initial capacity development for institutional transformation in areas such as public financial management and economic management • Seed funding to allow government and World Bank engagement in planning process • Preparations for setting up longer-term funding mechanism (dual accountability) that links to budget

- *Improve the relationship between different multilateral agencies, in particular the UN and World Bank*. Much has been done to improve UN-World Bank relations, specifically on rules and regulations surrounding pooled funds, which resulted in a framework agreement and joint fiduciary principles. However, many of these agreements have been drawn up by fund managers — it would be worthwhile for donors and their multilateral implementing partners to jointly agree on key elements of a pooled fund and the key roles and responsibilities of actors involved. Increased efforts are required at both corporate and

Box 3.5 **Practical options to improve UN-World Bank relationships**

The United Nations and the World Bank should consider the following options as they continue to improve institutional co-operation and operational procedures:

- Agree on appropriate division of labour based on the comparative advantages of different organisations.
- Streamline policies across various multilateral boards to promote coherence and consistency in messages.
- Implement the 2011 WDR recommendation on joint operations. To make change happen, the United Nations and World Bank should consider initiating joint programmes during transition and more regular staff exchanges when appropriate (World Bank, 2011).
- Improve field co-ordination through strengthened incentives for mission chiefs and senior officials. Heads of missions should be evaluated partially on their co-ordination capacities, including by regularly conducting 360° performance reviews of each other and participating in joint staff retreats.
- Include senior World Bank staff in Resident Co-ordinator rosters for transition contexts that might require more engagement through country systems.
- Initiate dialogue between donors and multilateral fund administrators to agree: *i)* level of risk acceptance for multilateral implementation; *ii)* requirements for more effective risk pooling; and *iii)* default positions for design of country pools based on realistic assumptions about delivery.
- Reform and streamline procurement policies to enable more rapid engagement and use of emergency procedures, including a commitment to scale up local procurement.

field levels to implement agreements, change behaviour, streamline rules and procedures for staff deployment, and to fit legal and procurement rules and regulations to transition challenges. Progress is also needed to establish joint reporting requirements and results frameworks, as well as common standards that can facilitate more flexibility. Some options are set out in Box 3.5.

- *Explore joint multilateral approaches to budget aid*. Donors should use multilateral agencies to spearhead budget support operations. Multilateral agencies should further align their operational procedures and approaches to facilitate such co-operation, drawing in particular on the IMF Rapid Credit Facility, which can provide on-budget aid to fragile states on concessional terms.

Notes

1. The term "*aid instrument*" in this guidance refers to specific instruments for channelling and delivering *financial support*. The OECD statebuilding guidance (OECD, 2011b) provides more details on other aid modalities, including the use of technical assistance.
2. For a more detailed discussion of options for using country systems, see (OECD, 2009a).
3. Dual-objective aid instruments blend the objectives of delivering services (which may require "capacity substitution" in the short term) with the objective of capacity development and improving country systems. Examples include the use of Multi-Donor Trust Funds with a pooled technical assistance element, capacity development facilities (CDFs) or development-oriented emergency aid.
4. The 2005 humanitarian reform, within which the cluster approach is a major component, sought to improve the effectiveness and timeliness of humanitarian response by ensuring greater predictability, accountability and partnership. The cluster approach was introduced as one of three pillars of the reform. This approach calls for sectoral co-ordination and designated lead organisations. Eleven thematic or services areas were identified (agriculture; camp co-ordination/management; early recovery; education; emergency shelter; emergency telecommunications; health; logistics; nutrition; protection; and water, sanitation and hygiene), and each cluster has a designated lead or co-lead (*e.g.* the World Food Programme was designated as the lead agency of the logistics cluster and is therefore responsible for co-ordinating logistics support for the humanitarian community). Procedures are in place for designating country-level cluster leads, though the principle is to have the government take the lead wherever possible (WFP, 2011).
5. For a detailed discussion of the ODA criteria, see OECD (2008b).
6. Examples include the Stability Fund in the Netherlands, the Stability Instrument of the European Commission, the U.S. Transition Initiatives budget, the UN Peacebuilding Fund, the World Bank State and Peacebuilding Fund, the

Canadian Global Peace and Security Fund (GPSF) and the Danish Stability Fund.

7. Section based on Ball and van Beijnum, 2010.

8. These recommendations are also echoed in the 2011 independent review of civilian capacities (UN Senior Advisory Group, 2011), which calls for more rapid actions by agencies in the aftermath of conflict, and a focus on enabling state institutions to perform quickly.

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Chapter 4

A new way forward: transition compacts

The chapter pulls together the ideas of the previous chapters to present a way forward for transition. This involves the development of a "transition compact": a country-specific, light and flexible agreement between national and international partners. A compact allows for agreement on critical transition priorities with an explicit financing strategy through a mix of funding sources and instruments. Compacts can improve the coherence and effectiveness of aid, thus reducing the risk of strategic failure, improving results focus, and providing real steps towards stronger national engagement and leadership. They allow for joint prioritisation between national and international actors and frequent reviews of progress, thus addressing donor concerns about capacity, legitimacy and risks of engagement.

Can mutual accountability work in transition?

The evidence presented in previous chapters is clear: there is a need for serious and significant reform to allow faster, more flexible and predictable financing to implement a more coherent and prioritised strategy, even where the legitimacy of a government and its institutions might be in question. Similarly, the countries that have emerged from conflict are also clearly asking donors and the international community to come together to nurture their state capacities and help to build peaceful and resilient states and societies through broad consultation and engagement. The *New Deal for Engagement in Fragile States* specifically calls for the use of compacts as a key mechanism to focus support and allow greater country ownership of transitions. This calls for increased emphasis on mutual accountability.[1] Yet a recent monitoring survey of how donors are implementing the Principles for Good International Engagement in Fragile States and Situations (Box 1.2) has highlighted the challenges ahead: 12 of the 13 countries surveyed suggested that the lack of mutual accountability for results was a major obstacle to more coherent and co-ordinated support (OECD, 2011e). Furthermore, none of the 13 countries had functioning co-ordination mechanisms to bring government and donors together for strategic discussions about how to deliver development.

Significant work has been done by the OECD and others to explore mutual accountability frameworks as part of the aid effectiveness agenda, but it is clear that such frameworks need to be better adapted to the specific challenges of transition countries (OECD, 2008; Wood *et al.*, 2011). This guidance suggests that the best way forward is through mutual agreements labelled "transition compacts". These can bring coherence to the diverse interventions, objectives and funding streams involved in transition situations. Specifically, compacts can:

- **Deliver better results by targeting evolving and realistic priorities:** To ensure that international assistance is targeted in response to the most urgent priorities across sectors and population groups, compacts provide a framework to agree and revisit collective priorities based on participatory approaches and to respond to changing situations, thus guiding sector planning processes.
- **Enable collective risk management:** Compacts help individual donor agencies and their implementing partners to identify key contextual risks effectively and to "pool" programmatic and institutional risks. In constantly changing circumstances, this should help donors to take strategic and informed decisions about the level and type of risks that they can tolerate.

- **Strengthen country-level ownership:** Transition takes a long time;[2] compacts can provide strategic focus from the outset, gradually increasing aid through country systems while simultaneously ensuring that access to basic services is maintained.

The four elements of a transition compact

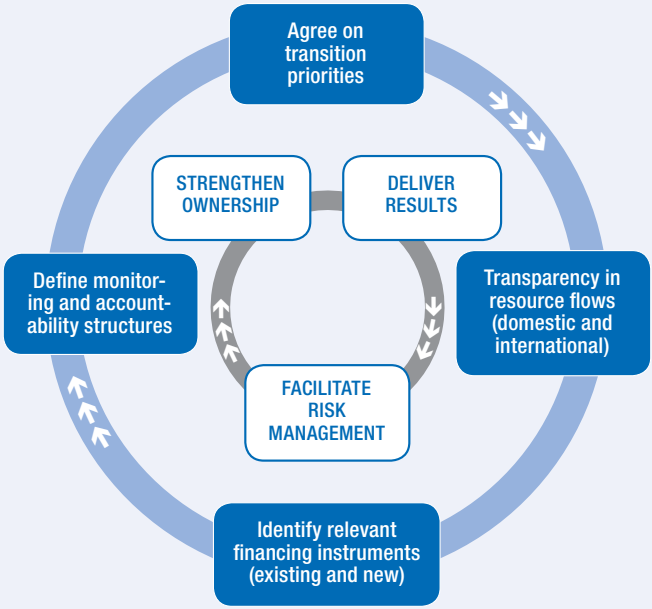
Compacts are tools to link national priorities with an explicit strategy that includes relevant funding sources and instruments. They combine four basic elements: *i)* agreement on a limited set of priorities; *ii)* transparent overview of funding sources and flows; *iii)* a strategy for how to finance agreed priorities; and *iv)* a very basic monitoring framework to facilitate accountability for results (Figure 4.1). Each of these is discussed in turn in the following paragraphs.

There is no single blueprint here — compacts need to be designed based on the local context, dynamics, existing capacities and structures. The international community should not impose external models or political solutions on partner countries, but rather seek to engage in open discussions about what framework would best capture issues arising from internal political dynamics and circumstances. Nonetheless, recent work by the International Dialogue on Peacebuilding and Statebuilding suggests that compacts have the highest chance of success if: *i)* agreed in-country between national governments and key international partners; and *ii)* based on broad consultations and feedback from civil society and other stakeholders, including at the local level (IDPS, 2011a). As a result, the national government will be better placed to provide at least a minimum level of strategic direction for the national transition strategies — even in contexts with extremely weak institutional and human capacity. Nonetheless, in complex emergency and conflict contexts and/or in situations where governments are particularly weak or illegitimate, compacts could still provide the basic organising and co-ordination framework for development partners on the ground, and will ensure that rapid financial support is configured in a way that does not undermine sustainable recovery efforts.

Agree on transition priorities

Compacts should be based on strict prioritisation across sectors, as discussed in Chapter 2. This will require complementing humanitarian needs-based approaches with explicit efforts to prioritise peacebuilding and statebuilding activities based on more realistic assumptions about available resources. Prioritisation should ideally be done on the basis of a national plan (*e.g.* Sierra Leone), but could at a minimum be agreed based on international

Figure 4.1 **Elements of transition compacts**



transition objectives (see Chapter 2), a national transition strategy and joint contextual risk analysis.

The compact process ensures that prioritisation is done in partnership with the government and other relevant country actors, rather than by donor staff and consultants (g7+, 2010; IDPS, 2010a). Where national governments lack the appropriate systems, capacity or legitimacy to effectively manage and guide international support, compacts allow for a more flexible and gradual application of development principles to ensure the prioritisation and sequencing of interventions to support the establishment of functioning country systems. This in turn would allow donors to accept a higher level of simplicity in plans than would normally be expected.

Priorities will need to be revisited annually to ensure flexibility and continued relevance. As explained in Chapter 2, high-level priorities can provide the basis for development of a single, annual plan and more detailed sector and sub-national plans. Plans and implementation strategies will still be the responsibility of clusters and sector working groups, which bring together different actors and agencies for strategic discussions about how to best address a specific thematic area.

Allow transparency in resource flows

Compacts should map expected funding levels and flows and set out a strategy for how funds will be used to implement agreed priorities. National governments and donors should agree how different resource flows (domestic resources, humanitarian and development aid, non-ODA) will support specific priorities (Chapter 3). Local aid information management systems should be charged with mapping resource flows against priorities, based if possible on local budget categories to facilitate links with national budgets (Box 4.1).

Identify a coherent mix of instruments

Greater coherence between domestic revenues and external financing — mixing and matching the available tools — will result in a more coherent response and aid that is catalytic and responsive to changing circumstances (see Chapter 3). Compacts can help by identifying the financing instruments that are best suited to implement priorities, enable rapid release of develop-

Box 4.1 **Aid information management systems in transition**

Aid information management systems (AIMS) are designed to assist developing countries to manage their aid flows, incorporate them into their national budgets and improve the overall alignment of assistance with country priorities. AIMS can thus fulfil two purposes at the same time: *i)* strengthen government capacities to plan, implement, monitor and evaluate the use of public resources; and *ii)* enable aid co-ordination and information sharing.

In transition contexts, these two purposes can potentially be at odds because national governments may not have the immediate capacity to manage and co-ordinate the use of resources. In such environments, the international community might take on certain AIMS responsibilities to support and strengthen government-led co-ordination and management structures and capacities. However, AIMS can only respond to a small part of international development actors' needs for fast and reliable information on financial flows in post-conflict contexts. It is thus important that processed, illustrative information and sound data analyses are available in the form of documentation and reports, alongside public access to the database itself. The better the reporting, the more likely it is that the AIMS will serve as a credible and useful decision-making tool for recovery planning as well as for longer-term institutional development.

Source: UNDP (2010), *Aid Information Management Systems in Post-Conflict and Fragile Situations. A Comparative Study*, Draft, UNDP, New York.

ment funding, and ensure increasing levels of ownership. They do so by developing a strategy that identifies the different instruments needed to implement different transition objectives. The mix should include instruments that can facilitate off-budget delivery, including for humanitarian aid, gender and human rights activities, and support to civil society. Pooled funds and dual-objective aid instruments will likely play an important role in the delivery of transition priorities given their potential for coherent and co-ordinated support. Sequencing such pools is of critical importance, as explained in Chapter 3. Similarly, global pooled and specialised funds should be relied upon to kick-start the establishment and implementation of agreed priorities.

Define monitoring and accountability arrangements

Monitoring frameworks can easily become big and bureaucratic, preventing rather than facilitating progress. Compacts should include a few basic indicators to measure and assess progress against agreed priorities. Three basic types of indicators should be considered:

i) **Progress indicators:** These assess progress against agreed priorities and help understand whether priorities are still relevant. They could track specific project deliverables (*e.g.* number of staff trained, soldiers demobilised) or broader strategic objectives, and could also be used to highlight new and emerging risks.

ii) **Process indicators:** These can be a mix of quantitative and qualitative indicators that track the transition towards national ownership and institutional transformation. They could track capacity and use of local institutions, the extent to which different instruments deliver agreed results, and whether risks are effectively managed.

iii) **Compliance indicators:** These indicators should be based on a resource map that outlines likely multi-annual flows and how and when international and national actors disclose information on volume and allocations of aid. Indicators could be used to assess actors against results and the outcome could be published and reviewed annually.

Donors should consider using and strengthening local systems from the start to provide independent oversight of government-executed activities as part of the compact monitoring framework, including through the establishment of joint oversight and dual accountability mechanisms. Local accountability structures and capacities play critical roles in monitoring and holding national governments to account by allowing citizens to participate and provide feedback on progress. The 2011 WDR recognises that such systems

should be strengthened at different levels, including through "community-driven development programs and direct contracting to NGOs using results-based financing" (World Bank, 2011).

A key element will be to ensure that monitoring and accountability structures are used to support the statebuilding process. The massive aid inflow during transition can overwhelm systems with limited absorptive capacity or limited capacity to meet onerous donor requirements. The burden to co-ordinate the ensuing fragmented international response is often placed on the government, putting further strain on its limited resources and capacities. Donors must recognise the transaction cost of co-ordination and find ways of addressing this, including through the very early establishment of aid co-ordination units within the government (UN Senior Advisory Group, 2011 and Box 4.2) and through specific capacity development efforts. Donors should agree to align their work with these units, provide staffing support on request, and should comply and respond fully to data requests for aid management systems to improve government planning.

Lessons from recent experiences with compacts

There are several examples from the past five years where national-international agreements, sometimes explicitly referred to as "compacts," have attempted to align and co-ordinate international and national peacebuilding efforts and funding for a set of priorities. This section describes some of the most notable experiences and draws out some lessons.

The **Afghanistan** Compact covered the period 2006-10 and was endorsed by 61 countries and international organisations. This five-year political agreement and strategy provided the framework for the partnership between the Afghan Government and the international community, outlining specific, measurable, time-bound targets in three interdependent areas: *i)* security; *ii)* governance, rule of law and human rights; and *iii)* economic and social development. The compact was significant in that it integrated security, governance and development. It also set out mutual commitments, which, while not legally binding, provided the basis for a more coherent and strategic approach to providing assistance to Afghanistan. The compact set up a Joint Co-ordinating and Monitoring Board (JCMB) co-chaired by the Government of Afghanistan and the UN, as well as associated sectoral working groups, to hold the government and international community mutually accountable to their commitments. The Afghanistan Compact gained added legitimacy by being endorsed by the UN Security Council.

The International Compact with **Iraq** (ICI) was an initiative of the Government of Iraq. It sought to achieve a national vision to facilitate, between 2007 and 2012, the consolidation of peace and the pursuit of political, economic, and social development. Domestically, the ICI aimed to build a national compact around the government's political and economic programme and to restore the Iraqi people's trust in the state and its ability to protect them and meet their basic needs. Internationally, the ICI established a framework of mutual commitments to support Iraq and strengthen its resolve to address critical reforms. The ICI was premised on the belief that peacebuilding and economic prosperity maintain a symbiotic relationship. Developed in close partnership with the United Nations and World Bank — as well as with other international partners — the ICI built on and aimed to enhance existing national planning and aid co-ordination mechanisms, such as the National Development Strategy for Iraq, Sectoral Working Groups, and Cluster Teams. In direct support of government-led reform efforts, the ICI established a schedule for the proposed actions of international partners, including tangible financial commitments.

Compacts in the **Democratic Republic of Congo (DRC)** and **Southern Sudan** provide evidence of how governance can be improved through better interaction and coherence among different modalities and actors. There are early indications that such planning and co-ordination tools have encouraged better prioritisation of activities and improved how governments and international partners interact. This is helping increase the accountability between government and donors and to their citizens (IDPS, 2010).

A statement on mutual commitments on peacebuilding in **Liberia** was agreed between the Government of Liberia and the Peacebuilding Commission (PBC) in October 2010. Based on the *National Vision for 2030* it identifies three critical peacebuilding priorities: *i)* rule of law; *ii)* security sector reform; and *iii)* national reconciliation, and sets out commitments by the government and the PBC to deliver on these priorities.

Ingredients for success

Several reviews have been undertaken over the past years in order to learn from experiences with this "first generation" of compacts (PBSO, 2009; IDPS, 2010; Bennett, 2012). These reviews have shown that experience with compacts has not been uniform, and that their nature and extent varies widely. There is a clear consensus, however, that without an instrument that provides both a framework and a forum for prioritisation and allocation of funding, international assistance will remain fragmented. Key factors that help make compacts successful include:

- **Timing and political will:** Compacts are likely to be more effective if pursued when basic security is in place and humanitarian indicators are improving. They work best when they operate on short (fewer than five years) timeframes, so that those who champion the agreement are still in office during its implementation. They are likely to gain more political and practical traction if signed by elected, rather than transitional, governments.
- **Mutual and costed commitments:** Where both sides are committed to achieving shared goals, there is more understanding of risks and challenges, and a more honest dialogue about how to overcome these. Commitments in the compact need to be costed and integrated into the government's budget framework, including those actions not financed from the budget, with sufficient clarity to monitor outcomes, final and interim outputs, inputs and organisational responsibilities for delivery.
- **Explicit prioritisation:** Focus the compact on a small number of key, high-level goals and priorities necessary for peacebuilding and statebuilding. These goals should encompass and bring together actions by all relevant policy communities — diplomatic, security, humanitarian and development — at both local and national levels. Other subsidiary goals should be delegated elsewhere, *e.g.* to the PRSP process (Box 2.2), policy-based financing from international financial institutions, or sector aid co-ordination groups. Regular compact round-tables or high-level decision-making fora can intervene when subsidiary processes don't work.
- **Link priorities to financing:** Through a transparent overview of resources, a compact can guide the choice of aid instruments to use for delivery, as well as provide a basis to determine the allocation of national and donor resources.
- **Focused participation:** Only the most critical international actors are needed at the outset (possibly based on funding levels, political leverage, etc.) to ensure focus and speed, although compacts should include provisions to broaden membership over time.
- **Senior and serious support:** Effective decision making and support require a forum with enough seniority and diversity to make decisions and work through problems, and the support of a technically competent secretariat that can manage policy and implementation and advice on adjustments as necessary. Ensure that the high-level forum is well-led on both government and international sides and

that the secretariat has the technical capacity to present well formulated options to the forum.

- **Inclusivity and the role of civil society:** All compacts studied were contracts between governments and their international partners, with little involvement in the negotiations by regional organisations, and virtually none by civil society. The role of these actors should be considered from the outset in terms of galvanising international and local opinion around compact debates, in creating an enabling environment for compact negotiations and in helping to hold compact signatories to their word.
- **Flexibility:** Compacts should be light on formalistic agreements and detailed negotiations. They should focus on main lines of accountability and be allowed to evolve and develop with the context. Com-

Box 4.2 Learning from the "first generation" of compacts

The International Peace Institute (IPI), in collaboration with the UN and the INCAF Secretariat, conducted a study in October 2011 on UN experiences with compacts in Afghanistan, Democratic Republic of Congo, Iraq, Liberia, and Timor-Leste. The findings were presented to senior UN officials and member states at a workshop on 2 November 2011 in New York. The study and workshop highlighted many of the conclusions contained in this chapter, and in particular explored the different roles that the UN has played in previous compacts. Participants highlighted the fact that the UN has played a catalytic and facilitative role in convening key stakeholders and has used its good offices with host governments, other member states, and regional organisations to galvanise support around compact initiatives. Similarly, the UN has provided technical and capacity support to host governments in the past to develop and implement compacts, and has even staffed and managed compact secretariats in certain cases. The UN Security Council has also helped legitimise compact processes by endorsing compact documents and including compact support in mission mandates.

Going forward, the workshop suggested that the above lessons should be used to develop a "second generation" of compacts that would be lighter and more flexible and focussed. The role of the UN in initiating, developing and managing compacts should be considered along with that of other actors and organisations, and global funding sources such as the UN Peacebuilding Fund should be looked to for initial seed funding to establish and build national capacities for compact management.

Source: Bennett, C. (forthcoming, 2012), *Aid Effectiveness in Fragile States: Lessons from the "First Generation" of Transition Compacts*, Policy Report, International Peace Institute, New York.

pacts need to be flexible and context-specific. By focussing initially on a small number of key priorities, a general commitment to transparency on resource flows and a certain level of multi-year financial commitments, compacts could hold a lighter footprint and be adjustable to dynamic situations and varying needs.

Recommendations: Making transition compacts happen

This final section outlines the steps needed by the international development community and national governments to make compacts happen within the legal requirements that guide bilateral development assistance. Table 4.1 summarises the roles of the key actors in the compact and the benefits of becoming involved.

i) *Formalise and fund compacts as an integral part of the global response*

- *Compacts should be formalised as an approach*, including by the UN Security Council when it adopts resolutions setting up UN missions.
- *Provide funding to establish and run compacts.* Donors should provide the resources necessary to enable compacts to be established and to operate, including by strengthening the authority and capacity of multilateral agencies to provide rapid support. Up-front investments should support and strengthen national engagement, deploy critical staff, and set up administrative and fund management structures. In particular, funding is required to support continued political dialogue to strengthen political settlements. The financing for compacts should initially be provided by global funds such as the UN Peacebuilding Fund (Box 4.2), the UN DOCO Country Co-ordination Fund and the UNDP/BCPR Thematic Trust Fund. Donors need to recognise and accept the higher administrative and co-ordination costs of working in transition contexts. They should also be willing to finance the deployment of specific expertise to facilitate inclusive political processes that are meaningful and legitimate in the eyes of the population; to conduct context and risk analysis, strategic planning, resource tracking and monitoring; and to manage pooled funds.

ii) *Establish effective management and accountability structures*

- *Ground national government leadership in the compact* and ensure commitment to reach out and consult broadly with civil society and other relevant stakeholders, to monitor performance, and strengthen

legitimacy over time. International engagement should initially be limited to key actors (based on the government's level of confidence, perceived legitimacy and authority, funding, etc.), with the explicit goal of rapidly scaling up participation over time. Governments should indicate which international actor would be best placed to act as convenor of the international community, based on demonstrated competence and engagement.

- *Agree leadership structures among international actors*. The capacity of the United Nations to act as a proxy for the international community in UN mission settings will need to be strengthened, and the UN should clearly outline what is needed to perform this role in an effective and efficient way. In non-mission settings, international actors should appoint a lead donor, strengthen the division of labour among the donors involved, and define the specific leadership roles expected from the UN and World Bank resident representatives (Box 4.3).
- *Identify innovative ways of managing the "dual accountability dilemma"* (Box 3.3). Compacts should recognise the need to adapt approaches to better manage accountability pressures and allow actors to communicate on results and risks of engagement. This will include identifying dual purpose results that would show the value of investments to both country population and donor constituency more quickly (World Bank, 2011).

iii) *Ensure that donor policies enable more flexible and predictable financing and engagement*

- *Devolve more decision-making authority to country-based staff*. This will give country actors the required mandate and expertise to engage in designing and implementing compacts. Field-level staff should have greater discretion over short-term spending decisions through the use of *ex post* justifications for reallocating project activities during the budget year.
- *Nurture closer co-operation between donor staff in different policy communities at both headquarters and in the field*. Co-ordinated engagement will require a specialised approach to staffing, including closer co-operation between humanitarian and development staff in-country, and mixed teams of humanitarian and development specialists. Expertise should be drawn from different policy communities to ensure holistic context analyses and programming. Humanitarian desk officers should automatically be transferred to country teams during

Box 4.3 **Managing transition compacts**

Multilateral and bilateral lead donors must be able to hold their peers accountable to the commitments made in compacts. Options to enable this include:

- Establishing aid co-ordination units within government as the main focal point for compacts, and aligning behind these from the outset. These units should be integrated into government structures and report directly to the relevant minister, but could be staffed by international technical assistance if required.
- Giving the DSRSG/RC enough authority and resources to support the capacity development of national and local civil servants, and/or hiring the expertise needed to support the political dialogue, management of compacts, and negotiations over evolving priorities. The relevant co-ordination mechanisms of the United Nations need to be strengthened for this purpose.
- Developing terms of reference jointly with national responsible authorities and concerned civil society stakeholders, which set out the process for decision making, rules and responsibilities, and accountability criteria (following OECD, 2011b).
- Spelling out which domestic institutions will be used to facilitate monitoring, reporting and auditing of various modes of engagement, as well as any additional arrangements required to strengthen these institutions. International actors should favour the use of country accountability institutions.

transition. This might mean revising current bilateral policies and procedures. Follow-up work to this guidance should map these reforms against principled and mandated activities and roles of the various contributing actors.

iv) Support the government in establishing aid tracking and co-ordination mechanisms to enable more clarity of resource flows

- *Set up aid tracking and co-ordination mechanisms* that are government-led and anchored in existing inter-governmental co-ordination mechanisms and constitutional divisions of responsibility. Support the setting up of aid co-ordination mechanisms and databases, and explore incentives to encourage different communities to use these mechanisms for reporting.

- *Be transparent about the likely levels of aid from different budget lines across years.* National and international stakeholders should be open about the likely level of support that can be expected in different sectors and how this will be used to support the transition. Such an up-to-date mapping of resource allocations to support funding of identified priorities would provide a hard budget constraint and baseline for agreeing on priorities and the right level of ambition.

Notes

1. Mutual accountability can be explained as follows: "In the current aid system, recipients are highly accountable to donors, but donors are seldom accountable to recipients. Making donors more accountable to recipients could encourage them to improve their aid practices, and more leadership by recipients in the aid relationship itself could promote better country ownership" (ODI, 2006).
2. The *World Development Report 2011* (World Bank, 2011) suggests that it takes 15-30 years for a country's institutional performance to improve from the level of a fragile state like Haiti to the level of a functioning state like Ghana.

Table 4.1 **Transition compacts: roles, benefits, contributions and actions***

	Host government / country stakeholders	Multilateral and operational agencies	Donors
Roles	• Provide strategic leadership to compact • Provide vision and engage in priority setting • Reach out and bring in views and input from local communities and civil society through appropriate mechanisms • Lead annual participatory reviews of progress as basis for revisiting priorities and ensuring compliance	• Manage day-to-day operation of compact in partnership with national and international stakeholders • Participate in collective priority setting and undertake more detailed sector/cluster planning • Contribute to design of aid instruments – assess transition strategies for increased use of country systems • Provide catalyst funding from global pooled and specialised funds • Support the execution of annual monitoring exercise	• Provide external resources for transition objectives • Contribute to political negotiations • Participate in collective priority setting based on relevant analysis • Contribute to and approve mix of instruments • Participate in collective monitoring exercise • Contribute to joint result reporting and communication
Benefits	• Coherent international support • Alignment and harmonisation of resources (domestic and foreign) • Opportunities for constructive dialogue • Forum for taking stock and reassessing results against priorities	• Increased coherence in funding streams • Rapid access to flexible development funds – less strain on humanitarian funding for recovery • Collective engagement with government and donors • Accountability for transition results • Opportunity to highlight and address key risks and implementation challenges	• Collective understanding and management of risks • Improved transparency, co-ordination and coherence of efforts • Accountability for results • Collective strategic thinking and greater inter- and intra-ministerial co-ordination of international transition engagement
Contributions	• Domestic financing for agreed priorities • Aid co-ordination and management • Regular consultations with local communities and civil society on priorities • Transparency on flows and willingness to be held to account	• Co-ordinate multilateral system and provide co-ordination role on behalf of international system • Use core funding and existing funds to facilitate rapid delivery and staff deployment	• Financing – predictable and early release of development funding • Overall coherence between different objectives • Transparency in flows and actions and willingness to be held to account
Major actions	• Initiate discussions to establish compacts • Identify necessary capacity gaps and request support as needed to fill these • Allow collective prioritisation and external delivery if needed	• Reform procedures to allow automatic use emergency procedures to deliver results during transition • Reform existing funding sources (core funding, specialised funds) to provide interim funding for immediate staffing and delivery • Implement existing agreements that regulate co-operation between UN and WB • Sequence the establishment of pooled funds based on objectives and level of external oversight required	• Devolve responsibility to empower country-based actors • Integrate whole-of-government thinking in transition operations • Allow collective prioritisation of funds • Facilitate early release of development funding – establish specialised funds if needed • Contribute to or align with country pooled funds

*The following should be understood within the context of existing planning and co-ordination systems and taking into account existing legal requirements that guide bilateral donor funding decisions and allocations.

ANNEX A

Key elements of a reform agenda to implement the DAC Guidance on Transition Financing

Commitment	Steps for donor consideration	HQ	Field
1. Identify, accept and manage context-specific risks	*a)* Active participation in joint assessments of contextual risks. The results of these assessments used when defining country strategies and deciding on priority interventions and funding channels.	X	X
	b) Decision making based on understanding of contextual risks and on the need to balance risks with opportunities.	X	X
	c) Strategy in place to communicate publicly about risks and mitigation strategies.	X	
	d) Simplified procurement and financial management procedures in place and used during transition.	X	X
	e) Incentives in place to enable use of emergency procedures in the initial stages of the transition.	X	
	f) Reforms undertaken to allow active participation in country-specific joint risk management platforms.	X	X
2. Strategise, prioritise and sequence activities	*a)* All aid to a given country, including through bilateral and multilateral channels and funding for global thematic programmes, is included and prioritised in the country strategy.	X	
	b) Policies recognise that elaborate planning frameworks can stifle results during transition and that simplified planning and shorter planning cycles are required. This is understood by planning and programming staff.	X	
	c) Criteria in place to ensure that donor strategies match the prioritisation laid out in country strategies and compacts. Adequate resources and systems allow participation in collective prioritisation and annual reviews, even in cases where this will involve suspending existing bilateral strategies.	X	X
	d) Operational guidelines recognise that development, diplomatic, humanitarian and security activities need to compliment and reinforce each other. Explicit guidance provided on how staff can achieve this.	X	

(continued) ▷

Commitment	Steps for donor consideration	HQ	Field
3. Deliver better aid through a mix of instruments	*a)* Ministerial-level recognition of the need to mix ODA and non-ODA and government-wide investigation to explore scope for establishing specific transition funding instruments at HQ level, including stabilisation funds and budget lines that bridge different funding streams.	X	
	b) Funding decisions based on an understanding of contextual risks and clear and realistic assumptions about what can be delivered within which timeframes.		X
	c) Ability to mix and match humanitarian, development and security tools and instruments to provide the most appropriate funding for an evolving transition context. Clarity on objectives and a transparent division of labour between instruments and budget lines and effective co-ordination in place.	X	
	d) Guidelines developed to clarify how and under what conditions different pooled funds can be supported. Where this is not possible, ensure that objectives are still aligned and complementary.	X	
	e) Strategy in place to explain how and through what instruments and institutions multilateral funding should be channelled. Explicit policy in place to sequence the use of instruments based on objectives at different stages of transition.	X	
4. Support and engage in transition compacts	*a)* Compacts formalised as part of national response strategies and accepted as a priority, including in New Deal countries.		X
	b) Sufficient authority delegated to field offices to allow staff to adjust programmes, instruments and aid flows in response to evolving contexts and based on compact negotiations.	X	
	c) Country and sector strategies automatically suspended once a compact is agreed, to allow collective prioritisation.	X	
	d) Donor reports locally on aid flows (with multi-year predictions) and results, and according to local aid tracking systems and categories.		X
5. Link humanitarian and development engagement	*a)* Both emergency and development interventions are explicitly recognised in country strategies during transition and policies are in place to effective co-ordinate and manage humanitarian and development responses. Steps taken to enable humanitarian desk officers to be part of country teams in all transition contexts.	X	X
	b) Funding procedures, practices and timeframes adjusted, as needed, to allow for early release of development funds to meet priorities during transition (as oppose to stretching of humanitarian funding and instruments).	X	
	c) Application of the Principles for Good International Engagement in Fragile States formalised as the overarching guiding framework. The need for gradual application of the Paris Declaration explicitly recognised.	X	X
6. Use and improve the effectiveness of the multilateral system during transition	*a)* Donor's multilateral aid strategy clarifies the intended role of different actors during transition and the capacities needed to perform such roles.	X	
	b) Donor engages in dialogue with multilateral actors about pooling of risk and support the establishment and use of mechanisms for this purpose.	X	
	c) Donor staff of multilateral boards and fora are briefed on the commitments in the DAC guidance and actively advocate for the use of compacts in the global response, including as part of the toolkit being considered by the UN, EU, etc.	X	
	d) Donor engaged in global dialogue between bilateral and multilateral actors to agree on default models for pooled funds, and to further specialise global pooled funds to avoid duplication of activities.	X	
	e) Donor encourages further coherence in planning and implementation, including through reforms of PCNA methodology and greater clarity on transition out of humanitarian cluster arrangements, and allocates flexible funding to achieve this.	X	

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