

## **CSOs and the IDPS - POLICY BRIEF 3**

### **THE MAIN ISSUES OF CONCERN AND DEBATE.**

**August 2011**

#### **CENTRAL TOPICS OF CONVERSATION.**

The many hours of focused conversations in the IDPS can obviously not be summarized in a few pages. This Briefing note however indicates the central topical areas that have been – and continue to be- under discussion. Clear central topics have been:

- a. The nature of a situation of **'fragility'**, and the challenges for states with weak capacities and faced with challenges of conflict and violence to make significant progress towards **achieving the MDGs**;
- b. The question of **'political dialogue'** and **'legitimate politics'**, with particular emphasis on inclusive and participatory politics and on implementation of agreements;
- c. The problems associated with **planning in situations of instability and fragility**, notably the burden of multiple planning exercises, the challenges of adequately incorporating peacebuilding and statebuilding objectives, the need for flexibility, questions over planning time horizons and the value of a 'national vision', and donors supporting interventions not in line with the agreed plan;
- d. The relative **ineffectiveness of much external support to capacity-development**, notably with regard to procurement procedures that work against local providers, with regard to so-called 'technical assistance' (too supply driven and fragmented, often not sustained enough, not necessarily the right people), and with regard to the market distortions caused by salary differentials;
- e. The problems arising from the frequent **choice of aid instruments** that bypass the national systems, the lack of information about aid flows that do so, the high degree of uncertainty about sustained aid flows, the need for national governments to raise their internal revenues and the need to strengthen mutual accountability.

Closely linked to these conversations are also the critical topics of **'results'** and **'risk'**. Although these haven't been focused on in the same way as the above topics, they have come up in the broader conversations, voiced mostly though not only by donors.

The next pages highlight some of the major points and observations.

## 1. Reality of 'Fragility'.

- A situation of violent political conflict or pervasive violence, especially when coupled with a weak state, makes significant progress towards the MDGs unrealistic. There is a need to recognize that such progress is dependent on certain pre-conditions. To this effect we want to see peacebuilding and statebuilding objectives as recognized pre-requisites that need to be achieved before progress towards the MDGs becomes possible.
- Many countries are labeled as 'fragile' by mostly external actors. The so-called 'fragile countries' want to be able to analyse and define themselves the nature, depth and reasons for their specific fragility. The Monrovia Roadmap proposes that a methodology for this will be developed by the g7+ and endorsed by members of the International Dialogue.

## 2. Legitimate Politics.

- There is recognition that a form of 'political settlement' is fundamental to start moving away from conflict and out of fragility. This is being discussed in terms of a 'peace agreement' (which can be quite exclusive, being limited to the main warring parties), in terms of a wider 'political elite settlement', in terms of a culture of 'political dialogue' that is inclusive, sustained and finds shape in multiple processes at all levels of society, and in terms of 'performance legitimacy' i.e. where the state is perceived as delivering public goods to all.
- Acute care is required that a 'political dialogue' process is correctly designed, and is convened and facilitated by credible actors, and that its results are being seen through to implementation. If not, failed political dialogue may do harm by creating 'dialogue fatigue', loss of trust in 'dialogue' as a means of dealing with differences, and/or loss of trust in 'the other'.

## 3. Planning.

- Too much planning is disconnected from the political realities. Often planning tends to be too comprehensive and ambitious and assume unrealistically short time frames. Planning exercises need to take into account the political realities and the capacities of the moment. That implies understanding when it is possible to plan for the longer term (not only strategically but also operationally) and when it is more realistic to stay with shorter term (operational) plans. This has implications for prioritization and sequencing.
- Planning cannot be a mere technocratic exercise. The political actors need to be engaged in the planning processes. It must flow from a peace process or be based on and constructed as a form of 'political dialogue'. That may take more time but generate stronger and more inclusive ownership and commitment. Care has to be taken that the politically sensitive issues are acknowledged and not left out.

- Stabilisation and peacebuilding and statebuilding objectives need to be explicit in the planning exercises, and may have to be given higher priority if tradeoffs have to be made. Risks have to be more explicitly paid attention to.
- Generic planning formats and methods are not helpful. We are looking for a 'best fit', not a 'generically best' practice. PRSPs are not always the best planning framework in volatile situations of violence and/or fragility. Peacebuilding Frameworks and other government-donor compacts are sometimes more appropriate.
- Flexibility is a fundamental requirement. Changing course need to be possible as new issues or situations emerge.
- The proliferation of planning exercises is not helpful and creates huge transaction costs for the aid receiving society. However, where multiple planning exercises have now been done, countries do not want to discard them and start again.
- Even if donors support demanding planning exercises, they are not necessarily consistent in then aligning behind the agreed plans.
- A 'national vision' of peace and the state may be vital to overcome a legacy of division, to resolve tensions between statebuilding, peacebuilding and development and set the longer-term goal for planning.

#### **4. External Support to Capacity Development.**

- Much of the external assistance to capacity development (CD) hasn't contributed very effectively to institutional transformation and the broader statebuilding and peacebuilding agendas. Sometimes it has been wasted or even counterproductive and harmful, notably because of
  - Supply driven and fragmented programming by donors which creates parallel structures to the national public sector, and expresses itself also in uncoordinated 'support' efforts. Capacity-support needs to recognize and build on existing capacities, be more led by demand, and grounded in a common, coherent and longer-term strategy for capacity development and for gradual transition from parallel to national structures. Obstacles to pooling resources need to be overcome. Parallel 'project implementation units' need to be avoided or kept to a minimum.
  - Too many internationals providing 'technical assistance', rather than others from the region or the wider 'South'; they are not always the right type of people; too many short term assignments rather than more sustained longer-term engagements;
  - Severe market distortions from donor hiring procedures and salary-top up policies that undermine the national institutions' ability to retain 'capacitated' personnel;

- Too often an excessive focus on short-term results, leading to 'gap filling' and 'substitution' rather than effective CD. A balance has to be found between service delivery and facilitated learning and ownership;
- Lack of information about the cost of TA to the national actors, and primary accountability of the TA to their donors rather than to the national actors;
- Excessive 'branding' or flagging of the donor support.
- There is often a disconnect between technical assistance, civil service reform (e.g. introducing or strengthening merit-based hiring and promotion systems with salaries based on market rates) and the broader statebuilding and –transformation agenda. Capacity development is not purely 'technical' but also touches on relational issues, power structures and questions of governance.
- Capacity for effective state-society relations is of special relevance. So too are strong national and local capacities for conflict resolution and reconciliation.

## 5. Aid Instruments.

- Six major categories of aid instruments are in common use: General Budget Support; Sector Budget Support; Government-Managed Pooled Funds; Jointly Managed Trust Funds; Project Support, and Support to and through non-state actors. They vary in terms of their use of 'country systems' and their performance regarding 3 of the Paris Principles: alignment, harmonization and ownership.
- Speed, flexibility and risk management are key criteria for aid effectiveness in fragile states, but not recognized as such under the Paris Principles.
- One source of inflexibility in fragile situations is the rigid demarcation between humanitarian and development funding. Humanitarian channels may be faster than using national systems, but tend to result in fragmented projects that do not necessarily result in the equal coverage that is expected of national government services, are difficult to scale up and to integrate into something coherent and affordable when the national government needs to 'take over'.
- No single approach or mix of approaches can be used as a generic model. The particular mix of aid instruments needs to be determined in terms of 'best fit' to the particular circumstances.
- Standard development approaches do not work well in situations of violence and fragility. A 'New Deal' is required for a well determined set of recipient countries, probably for a period of ten years, that allows donors to pursue a fundamentally different approach to delivering assistance, that notably will allow the provision of aid more rapidly and with greater flexibility. This would also include simplified procurement procedures.
- The g7+ has an understandable preference for more aid through government systems, and for aid flows to be aligned with the national budget and priorities. Many

fragile states are willing to accept additional oversight and safeguard mechanisms to enable this to happen. All aid flows that do not go through the budget should be 'shadow aligned' with the national budget. That means that donors are transparent and report on all their aid, in the same format as the government budget (timeframe, timings, content and classifications). Such 'alignment' makes it easier for the government to coordinate aid spending with government spending, and lays the foundation for separate aid flows to move towards Sector or General Budget Support at a later date.

- To reap the benefits of donor alignment, the government must have a strong aid coordination and management function, and strong institutions to oversee expenditure both on and off-budget. Such units merit strong support from donors.
- There is a need for more predictable and sustained financing. The stop go patterns of aid, excessive concentrations of aid immediately after the end of a crisis (when absorption capacity may still be limited), and the high uncertainty about coming aid flows, will only add to lack of information about existing aid flows, to create an impossible situation for the national government. The high volatility of and great uncertainties around its budget make it much more difficult to gain political legitimacy (with regard to political processes of decision-making) and performance legitimacy (from effectively delivering public goods and services). It may even put at risk the continued performance of key government functions and capacities.
- Fragile states need to also focus on raising and managing more internal revenue.
- Agree on country-level mechanisms to strengthen the partnership between national and international partners, based on mutual accountability, to enable better results delivery, value for money, and the alignment of resources to national plans and priorities.
- In some cases, policy alignment may not be appropriate, for example where there is a clear disconnect between the needs of the poorest and most marginalized groups and the allocation of the national budget. The potential for such disconnects needs to be explicitly recognized and managed.
- Some foreign assistance should not pass through the government budget in principle, e.g. support to build political parties and civil society organisations that amplify the public voice and develop the national conscience.

## 6. Results.

- Donors are under pressure from their domestic stakeholders to be able to credibly report 'results' for the aid provided.
- Sustained exit from violence and fragility will take 15-30 years. We should be careful to avoid going for the quick and visible 'results' that are easy to report on.

## 7. Risk Management.

- Incentives structures in public administrations tend to encourage risk-averse behaviour. The pressure to demonstrate 'results' may actually make donors even more risk-averse and/or encourage them to bypass a well demonstrated core principle of 'effectiveness' i.e. national/local ownership.
- Concerns have been voiced, mostly but not only by donors, about different types of risk:
  - Programmatic risk i.e. aid ineffectiveness; the failure to achieve programme aims and objectives; no results;
  - Fiduciary risk: particularly a risk of corruption leading to money (and trust) lost;
  - Political risks: major political crisis with possibly a return to violence and/or continued lack of inclusive politics, with strengthening state institutions controlled by a narrow and exclusive political elite;
  - Reputational risk: reputational loss and domestic political damage because of any of the above.
- The risk-tolerance of donors varies and tends to be higher in places deemed to be a higher strategic priority.
- Yet the failure to take risks in aid delivery in situations of violence and fragility may come at the cost of taking a much greater and potentially more expensive risk of renewed conflict (strategic failure). We need risk-sensitive not risk averse aid strategies, that involve balancing risk and opportunity, or one set of risks against another.
- There is a need for joint risk management, between donors and between donors and between aid donors and aid recipients. One mechanism would be pooled funds: in pooled funds donors share the risk but also transfer the risk to the multi-lateral organisations that usually administer such pooled funds. Other mechanism would be increased financial controls but also stronger mechanisms of regular monitoring and review. This could be underpinned by joint risk analyses.

This summary is based on the final versions of the documents generated by the Working Groups on 'political dialogue', 'external assistance to capacity development', 'planning' and 'aid instruments'. These papers can be found at [http://www.oecd.org/document/13/0,3746,en\\_21571361\\_43407692\\_47879501\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/13/0,3746,en_21571361_43407692_47879501_1_1_1_1,00.html) in English and French versions. It also draws on presence at various meetings of the IDPS, though in no way pretends to be a summary account of these meetings. Finally it draws on some of the ongoing INCAF work on 'Aid Risks in Fragile and Transitional Contexts' (<http://www.oecd.org/dataoecd/0/17/47672264.pdf>) and on 'transition financing', (see e.g. [http://www.oecd.org/document/2/0,3746,en\\_2649\\_33693550\\_45347394\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/2/0,3746,en_2649_33693550_45347394_1_1_1_1,00.html)). This INCAF work is very relevant but hasn't, so far, been referred to explicitly in the IDPS.