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Working Effectively in Conflict-affected and Fragile Situations

Briefing Paper F: Practical Coordination Mechanisms

DAC Principle 8: Agree practical coordination mechanisms

- Coordination can happen even in the absence of strong government leadership.
- It is important to work together on analysis, joint assessment, shared strategies and coordination of political engagement between donors and multilateral actors.
- Practical initiatives include joint donor offices, an agreed division of labour among donors, delegated cooperation arrangements, Multi-Donor Trust Funds and common reporting and financial requirements.
- Where possible, work jointly with national reformers in government and civil society to develop a shared analysis of challenges and priorities.
- In countries in transition from conflict or international disengagement, integrated planning tools, such as the transitional results matrix, can help set and monitor realistic priorities.

Introduction

Donor coordination has traditionally been poor in situations of conflict and fragility. The motivations for engaging in fragile situations vary, and there can be divergent political and security interests among donor countries. This affects donor willingness to align behind national governments and coordinate. It also affects the ability of multilateral agencies to pursue a coherent agenda. The need for rapid disbursement can work against coordination, particularly where donors have a relatively small in-country presence. There are varying mandates among international actors, covering political, security, humanitarian and development objectives, and the transaction costs of coordination can be high.

There is now a widespread recognition that gaps in international assistance can cost lives, and that uncoordinated activities may be harmful to early recovery, peace-building and state-building. There has been a recent proliferation of new coordination tools and initiatives, including:

- joint needs assessment and analysis;
- common strategic frameworks;
- Multi-Donor Trust Funds;
- national, sectoral and thematic coordination structures;
- agreements on donor division of labour; and
- joint implementation arrangements.

These provide a menu of tools or options that can be used to improve coordination. In most cases, however, the choice is not a purely technical one, but a matter of negotiation among various political and strategic interests. It is rarely preferable to create coordination structures from scratch – working to improve or build on existing mechanisms is often what is needed.

Under the Paris Declaration, our preferred choice is coordination led by the partner government, with structures and processes designed to support country ownership and leadership. This applies equally in fragile contexts. However, the reality is that relationships with country partners can vary widely, from active, government-led coordination structures (Cambodia, Uganda) to minimal involvement of government in coordination (Burma, Somalia, Zimbabwe). In most cases, there is emerging coordination capacity in national government, combined with a strong leadership and national capacity development role for multilaterals – particularly the United Nations (UN) and the World Bank.

The challenge is twofold: first, to develop coordination structures that allow national authorities and stakeholders to participate to the extent that is both appropriate and feasible, and help strengthen their capacity and leadership over time; and second, to support reform of the multilaterals so that they are better able to coordinate international efforts in situations where government leadership is not yet in place. The final section of this paper outlines the current reforms of the international architecture that may impact on coordination structures and partnerships at the country level.

Instruments and approaches

Joint needs assessment and analysis

Up-front investment in joint analysis – to develop a common understanding of the country context, the sources of fragility and the priorities for assistance – is a precondition for effective coordination. *Briefing Paper A: Analysing Conflict and Fragility* outlines the analytical tools and approaches that DFID can use to initiate or contribute to joint analysis of conflict and fragility. It also illustrates how joint analysis can help move towards agreement on objectives and priorities among donors.

In post-conflict situations, Post-Conflict Needs Assessments (PCNAs) have become a key tool endorsed jointly by the European Commission (EC), the UN Development Group and the World Bank.¹ PCNAs may be conducted during or after a peace process or political transition. They are often used as inputs into coordination mechanisms such as Transitional Results Frameworks (TRFs). They provide a baseline, as well as a means of raising funds. Assessment teams are generally made up of national and international counterparts, organised according to sectors or

¹ EC, United Nations Development Group (UNDG) and World Bank, 'Joint Declaration on Post-Crisis Assessments and Recovery Planning' (2008). Available at: www.undg.org/docs/9706/EC-UNDG-WB-Joint-Declaration-signed-Sept-25-2008.pdf. PCNAs have been conducted or remain ongoing in the following countries: Haiti, Iraq, Liberia, Pakistan, Somalia, Sudan (Darfur) and Sudan (North/South). See related pages on the UNDG website (www.undg.org/index.cfm?P=144) for further information on PCNAs.

clusters, with a programme of field visits and consultations. PCNAs are managed around four elements or phases:²

1. **Pre-assessment:** including conflict analysis, mapping institutional capacities, assessment of security issues.
2. **Assessment and recovery planning:** needs assessment, prioritisation, developing a TRF, budgeting.
3. **Validating and financing:** including determining coordination mechanisms and funding modalities.
4. **Implementation:** including progress reporting and monitoring, and a proactive communication strategy.

PCNAs should be validated with a wide cross-section of national and international stakeholders to build ownership. Where the legitimacy or capacity of national counterparts is limited, an initial assessment with a limited time horizon (18 months) may be undertaken, followed by an in-depth assessment once clearer national leadership emerges. PCNAs should help to generate a coherent 'storyline' for international engagement, identifying causes of conflict and fragility and how they will be addressed, assessing the capacity and legitimacy of national counterparts to guide partner selection, and beginning to identify the priorities of different national stakeholders.

Darfur Joint Assessment Mission (D-JAM)

Although now formally suspended until an inclusive political process begins in Darfur, the D-JAM began in 2006. It is mandated under the Darfur Peace Agreement to identify key early recovery and long-term reconstruction and development needs. The process is led by the parties to the peace agreement, with support from the UN, World Bank, African Development Bank and other donors. The process is structured on two mutually reinforcing tracks. Track I focuses on immediate priority needs for IDPs to return and re-establish livelihoods. Track II focuses on post-conflict economic recovery, reconstruction and development needs, based on the MDGs.

Common strategic frameworks

Specific tools have emerged to support coordination of complex recovery processes involving international actors. In post-conflict or post-transition situations, TRFs are used to set out a programme of activities, typically over a two-year period in six-monthly cycles. TRFs contain agreed outcomes, with a common monitoring and reporting system. They should describe a critical path for the transition process, and cover the range of transition issues, including state-building and peace-building, security, basic service delivery and economic recovery. In practice, diverging donor interests can make coherence across these areas difficult to achieve.

² United Nations Development Group (UNDG) and World Bank, 'Joint Guidance Note on integrated recovery planning using Post-Conflict Needs Assessments and Transitional Results Frameworks', working draft (September 2007). Available at: www.undg.org/docs/7818/PCNA-TRF%20GUIDANCE%20NOTE%20Working%20Draft%2009-2007.pdf.

TRFs can be used to coordinate external assistance even where there is low government capacity, incorporating greater involvement and leadership by national actors over time. A TRF can also play the role of a **donor–government compact**, articulating mutual roles and responsibilities. Budgeting of TRF activities is a key opportunity for early capacity-building. The process should be designed to mirror a normal budget process, with a ministry of finance team providing guidelines to sectoral working groups, and encouraging them to consider the longer term cost implications of capital investments. This can facilitate a transition to using the national budget as a tool for planning the long-term recovery.

To be successful, TRFs must be simple and accessible, selective and prioritised, integrated across the various spheres and nationally owned (even if not government-led). They must also generate sufficient donor buy-in: joint analysis underpinning the TRF is critical to achieving this.

Liberia Reconstruction and Development Committee

The original implementation structure for Liberia’s Transitional Results Framework (TRF) in 2004 was plagued with problems. The TRF itself was some 40 pages long, “hardly a simple planning tool”.³ The implementation mechanism consisted of an Implementation and Monitoring Committee, responsible for policy direction, and a series of nine Working Committees responsible for technical oversight and coordination. Poor performance and weak ownership on the part of the Transitional Government and patchy engagement by some international agencies undermined the effectiveness of the structures. Further problems stemmed from a narrow Joint Needs Assessment, insufficient administrative support, poor resource mobilisation and a lack of accountability and transparency.

Donors and government agreed in 2006 to establish a new Liberia Reconstruction and Development Committee (LRDC), to provide government and donors with a more effective coordination mechanism. The LRDC consists of a Steering Committee, involving key government ministers and heads of international and donor agencies under the chair of the President, which is responsible for policy direction. It is supported by a streamlined structure of four Working Committees matching the government’s stated development priorities: security; economic revitalisation; basic services and infrastructure; and governance and rule of law.

These Committees prepare annual sector development plans, oversee the planning and implementation of activities to achieve agreed sectoral priorities and outcomes, and provide monthly and biannual progress reporting. The Committees are supported by a National Coordinator and secretariat reporting directly to the President. The Committees have a mixed record, depending on the level of leadership from the ministerial chair, the willingness and capacity of the responsible ministry to participate and the quality of secretariat support.

In some contexts, joint planning mechanisms have focused explicitly on improving coordination among donors. In Cambodia and Bangladesh, DFID has undertaken joint country planning processes with a small group of bilateral and multilateral donors. Following a joint country analysis and risk assessment, a common set of high-level objectives was agreed, with each donor developing its own strategy in line with these. This has helped to bring together different interests and perspectives. A more ambitious version of this process has been initiated in the Democratic Republic of Congo (DRC). While it has succeeded in bringing 17 donors together under one

³ IEG, *Engaging with Fragile States: An IEG review of World Bank support to low-income countries under stress*, World Bank (2006). Available at: www.worldbank.org/ieg/licus.

framework, it also illustrates that such planning processes can be transaction intensive, and the benefits for partner countries have not always been proportionate to the cost.

DRC: Country Assistance Framework

The main instrument for donor coordination in DRC is the Country Assistance Framework (CAF).⁴ With 17 donors participating, it is projected to cover 95% of all external assistance to DRC. It consists of a joint country analysis, high-level objectives across five programme areas, a results matrix and a risk-management strategy.

The CAF was a joint initiative of the UN and the World Bank, who were due to prepare new country strategies at the same time. Their objective was not a comprehensive joint strategy, but an overall coordinating framework that each partner could use as a basis for individual planning and programming. The CAF was not linked to a coordination structure for implementation. It was seen by some participants as a 'framework for big ideas', connecting development assistance to the broader political and peace-building agenda.

The CAF was prepared during the post-election period, when there were no government counterparts to participate. However, the donors aligned the CAF to the five pillars of the existing Poverty Reduction Strategy (governance, growth, social sectors, HIV/AIDS and community dynamics), in the hope of engaging the new government in substantive policy dialogue as soon as it was formed.

While the CAF has been endorsed by the new DRC government, it is reportedly still seen as a donor instrument, with low ownership across the administration. It is credited with achieving a higher level of strategic coherence among donors, compared with the fractured nature of support during the transition period. However, separate bilateral agendas are still apparent, particularly in the security field. It has helped donors to identify gaps in assistance (e.g. for roads), but has not achieved a clear overall division of labour. Some observers have questioned whether it has had much practical impact on the pace of the recovery programme in DRC. There are concerns that the results framework is too complex to be useful to the DRC government, and that a simpler approach, starting from a realistic assessment of implementation capacity, might have been more useful.

Multi-Donor Trust Funds

Multi-Donor Trust Funds (MDTFs) have become increasingly important in post-crisis situations. They can serve as a joint funding modality, and a framework for strategic coordination. Many donors value the opportunity they provide to share both political and fiduciary risk, making them an effective fundraising tool. They provide a means to channel support for recurrent expenditure, including salaries, to promote recovery, state-building and peace-building. They can disburse directly into a national budget, subject to a range of additional fiduciary controls, thus enabling a limited form of budget support even where public financial management systems are weak. Where MDTFs include funds for allocation through a joint planning process with national government, they can be an effective platform for policy dialogue and for building up central planning and budgeting capacity.

For donors, MDTFs reduce the costs of information sharing, administration and coordination, and can encourage joint approaches to complex state-building processes. For partner countries, they improve the predictability of resource flows,

⁴ UN and World Bank, *The DRC's Country Assistance Framework: A 'big tent' built from 'big ideas'?* (May 2008).

and give them an opportunity to deal with donors through a common steering committee, reducing the “cacophony of donor voices” and minimising the transaction costs for the national government.⁵ The inclusion of national stakeholders, including civil society, in the governance structures of some MDTFs has helped to build their political profile and legitimacy.

Both the UN and the World Bank have acted as administrators of MDTFs, and their rules and systems have sometimes constrained effective design and management. Since 2006, UNDP has had a dedicated MDTF office based in New York, which *inter alia* provides technical support to MDTF administrators.⁶ Its procedures allow for rapid establishment of an MDTF. However, its funds are provided off-budget and are often earmarked by donors, and it has not been as effective at involving government in decisions or delivering funding through government systems. The World Bank’s MDTF procedures are based on its general lending operations, and have sometimes proved too slow and rigid for post-conflict environments. The World Bank also has some difficulty in deploying experienced staff to manage the funds. However, the Bank has good capacity to support government policymaking and systems development, and tends to be the partner of choice once the emergency phase has passed.⁷ These challenges notwithstanding, DFID remains committed to put more money through pooled funding mechanisms. We are working with our bilateral and multilateral partners at the global level to improve the effectiveness of these funding mechanisms.

A joint World Bank/UN Fiduciary Principles Accord (FPA) for crisis and emergencies was signed in 2008. It permits each institution to use its own fiduciary systems when executing activities financed under crisis MDTFs administered by the other. This is expected to improve considerably the flexibility and timeliness of operations. The FPA is part of a wider Partnership Framework between the World Bank and the UN for crisis and post-crisis situations, which establishes guiding principles for cooperation, improved coordination of planning, financing and field missions, and goes some way to establishing a more rational division of labour at country level.⁸ DFID is working with its international partners to push for faster implementation of these agreements on the ground.

⁵ Foster, M., *Aid Instruments in Fragile and Post-Conflict States: A desk review for DFID Nepal* (2007), p. 23.

⁶ See www.undp.org/mdtf for more information, including quarterly newsletters.

⁷ Scanteam/Norway, *Review of Post-Crisis Multi-Donor Trust Funds: Final Report* (2007).

⁸ The UN-World Bank Partnership Framework, the FPA and the related Operational Annex can be found on UNDG’s website (www.undg.org/index.cfm?P=1027).

Multi-Donor Trust Funds

Afghanistan Reconstruction Trust Fund

The Afghanistan Reconstruction Trust Fund (ARTF) is an MDTF fund administered by the World Bank and funded by 27 donors. It was established in the early days of the new government in 2002 to manage the large volume of donor funds. By March 2008, it had mobilised over US\$2.4 billion. The ARTF is accompanied by an (Interim) Afghanistan National Development Strategy (I-ANDS), which defines priorities, and a detailed government–donor coordination structure.

The ARTF promotes aid coordination by ensuring that all ARTF financing is on- budget, and all investment projects are approved by a joint government–donor Management Committee according to the priorities set out in the I-ANDS. ARTF meetings are open to all stakeholders and there is regular public reporting via an open access website. The ARTF reinforces country leadership by making the national budget the vehicle for aligning donor spending with national objectives and giving leadership of ARTF meetings to government. Its tightly managed procedures have resulted in effective fiduciary controls.

The ARTF has recently been extended to 2020. Continued use of this externally monitored, reimbursement-based approach to the national budget delays the adoption of more ‘normal’ budgeting processes. Donor ‘preferencing’ for specific projects also risks undermining agreed spending priorities. Despite the success of ARTF, two-thirds of aid (mostly from the USA) continues to be channelled outside the government’s budget.

Zimbabwe MDTF for analytical work

In Zimbabwe, donors are aware that a political settlement may lead to a sudden scaling up of international assistance for a national recovery programme, overwhelming existing aid coordination structures. Practical coordination mechanisms need to be in place for this purpose. DFID is working with the World Bank and other donors to establish an MDTF for analytical work. The MDTF will be a small instrument for commissioning research and analysis, to facilitate dialogue among donors and, potentially, with a future reformist government. It will assist partners to identify and analyse high-priority areas in advance, to enable rapid programming of recovery activities. It will also assist national authorities to put in place a sound economic recovery programme.

It is anticipated that, in due course, there will be a much larger, programmatic trust fund to support large-scale recovery activities under a Transitional Results Framework (TRF). One of the purposes of this first MDTF is to develop principles, modalities and structures that can be quickly replicated for coordination of the recovery programme as a whole. It will also put in place a body of analysis that will facilitate rapid development of a TRF.

National, sectoral and thematic coordination structures

There are other options available to improve coordination and alignment in different contexts, including situations of improving or deteriorating governance and protracted crises. These include building the capacity of central aid coordination units, and establishing sectoral or thematic working groups and structures. Where it is feasible for government to lead aid coordination, then investing in central capacity is often the best strategic approach over the longer term.

Country-led coordination structures

In **Yemen**, DFID supported the development of an Aid Harmonization and Alignment Unit in the Ministry of Planning and International Cooperation. The Unit has three main objectives: preparing a national aid policy to guide donors; developing a database of aid disbursements; and improving donor coordination through regular meetings. Given capacity constraints and the fragmentation of the administration, these objectives have been only partially successful. However, the Unit has for the first time established a core capacity for aid management, and has been calling donors together for dialogue on aid effectiveness and harmonisation.

In **Cambodia**, there is a much more elaborate government-led aid coordination structure. Donors and government have acknowledged the often harmful effect of fragmented, supply-driven project aid. The Cambodia Reconstruction and Development Board was set up as a single focal point for aid coordination, to prevent donors from negotiating assistance packages directly with line ministries, although some donors have been slow to accept this discipline. There is a Government–Donor Coordination Committee, which acts as a quarterly forum for dialogue on aid effectiveness, and a structure of 19 Technical Working Groups in particular sectors and thematic areas. While there are vested interests in traditional aid practices that are proving difficult to overcome, the structure is credited with a major improvement in the development partnership over the past five years.

In the **Occupied Palestinian Territories**, DFID funds a Governance Support Facility, which provides technical and financial assistance to strengthen the capacity of the Palestinian Authority (PA) to deliver its reform and development programmes more effectively. It engages with a broad range of PA institutions, particularly the Ministries of Planning and Finance and the Prime Minister's Office. The facility is shaped around three work streams: institutionalisation of the Palestinian Reform and Development Plan (PRDP) and performance measurement framework; organisational restructuring of the public sector; and strengthening of reform management institutions. The Public Administration and Civil Service Sector Working Group forms part of the aid coordination structure responsible for aligning funding with the PRDP. DFID also chairs the Security Sector Working Group and sits on the Judicial Sector Working Group. All three groups work under a Governance Strategy Group. Membership of the sector working groups is limited and based on the financial or analytical value of the respective agency. The working groups are mandated to conduct continuous sector policy dialogue, review performance and improve the harmonisation and alignment of donor procedures and programmes.

Where sufficient planning and budgeting capacity exists, it may be possible to move towards simple forms of programme-based approach (PBA),⁹ consistent with the Paris Declaration commitment, as a framework for aid coordination. A coordination committee is usually tasked with ensuring that aid is aligned with agreed priorities, and with identifying gaps and overlaps. Over time, it can encourage the emergence of a sectoral policy and budget framework, and a shift towards more programmatic assistance. An incremental approach to developing PBAs can be effective in fragile contexts because it is compatible with various funding modalities.

⁹ According to the OECD DAC, PBAs are not a specific aid instrument, but a category of assistance provided in accordance with a number of principles: leadership by the host country or organisation; a single comprehensive programme and budget framework; a formalised process for donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; and efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation: OECD DAC, *Harmonising Donor Practices for Effective Aid Delivery*, vol. 2 (2006), Box 3.1.

In some instances, coordination with government is constrained by difficult political relations between national authorities and the international community. In such instances, simple oversight and coordination mechanisms may give national authorities more confidence in working with international partners.

Donor coordination arrangements in Ethiopia

Donor coordination in Ethiopia has evolved in the context of a difficult relationship between government and donors. A Donor Assistance Group (DAG) was established in September 2001 to support Ethiopia's first Poverty Reduction Strategy Paper (PRSP). In June 2002, the government and DAG co-chairs set up a Joint Harmonisation Task Force to develop a programme of action on harmonisation.

During the following three years, much was done to promote aid harmonisation and predictability, including the introduction of budget support. However, suspension of the 2005 election results led to a sudden deterioration in the relationship between government and donors, with donors terminating general budget support and government withdrawing from engagement. A DAG meeting in Paris in March 2006 reiterated the need for donors to stay engaged, and set out a list of priority areas for donor action, focusing on the governance and human rights commitments in Ethiopia's PRSP. Relations have now normalised somewhat, although the government has become considerably more cautious towards donor harmonisation.

Periodic disagreements between donors and government on political issues (for example, proposed legislation to restrict the operations and funding of national civil society) have continued to disrupt donor harmonisation. There is a separate coordination structure – the External Partners Group – for ambassadors, and establishing linkages between the aid agencies and the political agenda has been very difficult. Under these conditions, political crises have a tendency to fragment donor engagement.

Burma Tripartite Core Group

Cyclone Nargis, which struck Burma on 2 May 2008, caused massive loss of life in the low-lying Irrawaddy Delta region. Official figures reported 140,000 people dead or missing. The UN estimated that 2.4 million people were affected in the delta and in Rangoon, Burma's largest city. Burma's internationally isolated military government was initially very reluctant to permit a major international relief effort, insisting that it was able to manage the crisis, and was only willing to accept the donation of supplies through government. A lack of accountability for assistance provided in this way made this an unacceptable condition for donors, including the UK, which supports a European Common Position prohibiting direct support for government. Although a lot of assistance was provided by local civil society, and some international NGOs managed to deliver aid via their local staff, the relief effort in the first few weeks was far below the scale needed for sustained relief or recovery.

Three weeks after the cyclone, a combination of pressure from the wider international community and diplomacy by the Association of Southeast Asian Nations (ASEAN) and the UN secured a commitment by government to allow relief agencies access to the worst-affected areas. Government agreed to create a Tripartite Core Group, made up of the government, ASEAN and the UN, to oversee and monitor the flow of international assistance. Since June 2008, the Group has met regularly, providing a forum for government and the international humanitarian community to negotiate solutions to constraints on access and recovery operations. The Group coordinated a Post-Nargis Joint Assessment, which provided the first joint assessment of damage and loss caused by the cyclone.

The Tripartite Core Group has contributed to a step change in the relief effort. It has helped to resolve key obstacles: first, it persuaded government to suspend a new set of highly restrictive operational guidelines for aid organisations; and second, it has given the UN and NGOs access to local currency at closer to market rates. It has started to build a level of trust and dialogue between the humanitarian communities and parts of government, although this remains fragile.

Agreements among donors on division of labour

The World Bank's Independent Evaluation Group notes that "when donor objectives [in fragile states] cannot be fully harmonized, it is important they at least be complementary".¹⁰ In high-risk environments, donors have a tendency to spread their risk by engaging across multiple sectors, even with a small in-country presence. The potential efficiency gains of a more selective approach, with donors and international agencies delivering better in a smaller number of sectors, are therefore high. However, given the complex play of interests involved, complementarity and a rational division of labour can be very difficult to achieve. For example, Uganda is one of the most advanced countries for donor division of labour, but challenges remain.

Donor division of labour in Uganda

In Uganda, donors have launched an ambitious exercise to increase the selectivity of their programming across sectors and thematic areas, according to comparative advantage. The initiative works by assigning a single donor in each sector to lead on policy dialogue, coordination and sectoral reviews, with other donors nominating themselves either as an active partner (participating in the dialogue, and possibly leading on sub-sectors or thematic areas) or a delegating/silent partner (providing funding but with no direct engagement with government). Only the lead donor and active donors are to participate in the Sector Working Groups, led by the responsible government agencies. However, all donors participate in a parallel Local Development Partners Group, which agrees on joint positions to be represented by the lead donor.

The Division of Labour mechanism is now established in a number of sectors, including education and justice. After initially weak leadership from government, it is being pushed forward as part of the government's efforts to secure an even spread of financing for its new national development plan. There has already been a noticeable decrease in transaction costs for government agencies, although as anticipated donors have experienced an increase. However, there has been a reluctance on the part of some sectoral ministries to engage with the process, for fear that it would lead to a reduction in overall aid. Some of the debates among donors on comparative advantage proved to be quite divisive, and many donors still find it difficult to act as silent partners due to their own accountability requirements.

Joint implementation arrangements

At the operational level, there are options available for improving coordination among donors in the field. In countries where DFID has only a limited presence, sharing staff or co-locating with other donors can be a practical means of improving capacity and gaining more influence in policy dialogue. In Burundi, for example, DFID shares a Governance Adviser with the Swedish International Development Cooperation Agency (SIDA), while in Liberia, the DFID office is co-located with the World Bank. These arrangements have strengthened collaboration, at the same time as reducing overheads. While such mechanisms can offer practical benefits, differences in objectives or procedures among donors can be time-consuming to resolve, and the transaction costs are often higher than intended.

¹⁰ IEG, *Engaging with Fragile States: An IEG review of World Bank support to low-income countries under stress*, World Bank (2006). Available at: www.worldbank.org/ieg/licus.

Joint arrangements in Southern Sudan

In Juba, Southern Sudan, a Joint Donor Office was established in May 2006 by Denmark, the Netherlands, Norway, Sweden and UK, as a mechanism to coordinate and pool development assistance. The intention was to create a mechanism for unifying aid administration and a multi-disciplinary team of experts contributed by different donors. Though the partners are broadly like-minded, there have been differences on issues, such as whether security sector programmes can be addressed under the umbrella of development cooperation. Three of the countries have additional representation in Juba to deal with political matters, and the lines of division between the political and development spheres have often been unclear.

Where multilateral partners have a limited in-country presence, DFID has boosted their capacity by funding additional in-country positions, to increase the scope for joint funding or delegated partnership arrangements. In Yemen, DFID funded three specialists in the World Bank (in macroeconomic management, public sector management and water) and one in UNDP (a macroeconomist/governance specialist). In Afghanistan, DFID funds a sub-national governance specialist in the World Bank, and in Cambodia, DFID funds a Poverty and Governance Team in the World Bank, which has contributed to a programme of analytical work to inform the national development plan, working closely with the Ministry of Planning.

However, there are potential problems around role definition and lines of accountability, and there may be a risk that incentives for the World Bank and UN to adequately staff their country offices in fragile states are reduced.

Burundi joint DFID/SIDA governance adviser

When DFID was planning the establishment of a Burundi office in 2004, it explored the possibilities for joint working with Utstein partners. SIDA, although it had no permanent presence in Burundi, was providing assistance through a Great Lakes regional programme. A comparison of the two programmes identified governance as the most appropriate area for joint work. A joint governance adviser was recruited in 2006 to develop and implement a £6 million, three-year Governance Fund, with each partner making an equal contribution. A governance mapping exercise was completed in the first quarter of 2007, which identified justice and accountability as the focus areas. The Fund has now launched a range of sub-programmes, including a joint justice sector programme implemented by Belgian Technical Cooperation.

In a small country programme, working jointly with other bilaterals provides DFID with more weight to engage with complex reform areas. It also encourages other donors to improve their harmonisation. However, the fact that SIDA has no in-country presence makes communications difficult and limits the opportunities for discussing policy issues and exchanging best practice.

Strengthening the role of multilaterals

Where government leadership of donor coordination is not in place or not yet sufficiently strong, multilaterals play a vital role in leading the international response and in building national capacity. The UN often plays this role through the UN Special Representative of the Secretary-General (SRSG) or the Resident/Humanitarian Coordinator, given its mandate under the UN Charter. But while the UN should be providing leadership, it often struggles to do so. It can suffer from internal coordination problems, fragmentation and lack of leadership capacity. In some contexts, national authorities and donors may prefer that the World Bank, a regional organisation or a single donor leads on coordination. At the same time, donors themselves often resist being coordinated by the UN or uniting behind a common strategy.

In order to improve multilateral-led coordination, the UK is pursuing a number of reform efforts. Country offices should be aware of, and inform, these reform initiatives, and can support their implementation and monitoring at country level. DFID's 2009 White Paper expressed the UK's strong commitment to work internationally to build peaceful states and societies (see chapter 4). The UK recognises that no single actor can tackle the challenges and tensions of this agenda on their own. Yet there needs to be a joint understanding among development partners, and the international system needs to be better equipped to deliver effective state-building and peace-building support.

The UK is therefore pursuing an ambitious agenda that seeks to accelerate the international response to conflict and fragility. This involves *inter alia*: pressing the UN, World Bank and EU to agree clear roles and responsibilities in fragile and conflict-affected countries; strengthening the UN's work on post-conflict recovery, including through increased funding to the UN Peacebuilding Fund (PBF) contingent on its performance; pressing the EU for a stronger, more coherent effort in fragile and post-conflict countries; strengthening international peacekeeping efforts; and, last but not least, promoting a shared understanding of the Responsibility to Protect.

Significantly, the UN Secretary-General (SG) published an important report on peace-building in the immediate aftermath of conflict in June 2009.¹¹ The UK has supported the key recommendations of the report and is providing considerable support towards their implementation. The report highlighted a number of critical gaps and deliverables to address them to improve the international system's peace-building efforts. In some of these areas, implementation efforts have already picked up – for example, concerning leadership, coordination and accountability (Resident Coordinator (RC) system and SRSGs); assessments, planning and strategy (e.g. PCNAs, Integrated Strategic Frameworks); and financing (e.g. improving MDTF performance). Two further crucial areas are moving ahead more slowly: clarification of roles and responsibilities in key peace-building sectors, both within the UN and between the UN and the World Bank; and a more effective use of international civilian capacity.

¹¹ United Nations, *Report of the Secretary-General on Peacebuilding in the Immediate Aftermath of Conflict*, New York: UN (11 June 2009), A/63/881–S/2009/304.

The remainder of this section sets out the key reforms that we are supporting in the multilateral institutions. All of them are giving specific attention to adapting their systems to fragile and conflict-affected contexts, reflecting the importance of the challenge and the need to go further.

United Nations

The UN has a unique global legitimacy, credibility and authority stemming from its universal membership. But a variety of factors can undermine its effectiveness. Different agencies have separate governance, management and funding arrangements. There is no overall strategic direction or authority. Administrative and bureaucratic obstacles prevent the different parts of the system from working together. But the fragmented structures through which power and authority are diffused rather than concentrated is no accident. Member states have restrained the freedom of the UN to act independently of them, and prevented power from becoming concentrated in one place. It is convention and consensus rather than control over people and resources that draws the system together.

DFID has been leading and supporting a number of reform efforts to strengthen the capacity of the UN to lead on coordination. The Panel on System-Wide Coherence and more recently the SG's report on peace-building recommended consolidating funding and management of development, conflict and humanitarian assistance under the Resident Coordinator (RC). At the country level, the UN has agreed to new arrangements for the management and accountability of country teams, with more authority for RCs. Eight UN country programmes are now piloting this 'Delivering as One' approach, and others are expected to join.¹² DFID is strongly committed to encouraging the UN system to *unite*: to plan, implement and deliver its development, conflict and humanitarian work as one.

With FCO, DFID has also been pursuing reform of the **peace and security architecture** and supporting system-wide coherence efforts on conflict prevention, peace-building, security-sector reform and rule of law. DFID uses the Conflict Prevention Pool and performance-based funding to strengthen the UN's central capacity on peace and security. Other options for strengthening UN coordination capacity in-country include support for analytical work and facilitating cooperation between the UN, the World Bank and other agencies. Cooperation agreements reached in recent years, such as the UN and World Partnership Framework for Crisis and Post-Crisis Situations, provide a good basis to push this agenda forward.

The UK is also a permanent member of the UN Peacebuilding Commission (PBC), an intergovernmental advisory body which brings together the international community, partner countries and civil society to develop integrated strategies for post-conflict peace-building and recovery and to mobilise funding. It is currently engaged in Burundi, the Central African Republic, Guinea-Bissau and Sierra Leone, with more countries due to come forward. The Peacebuilding Support Office (PBSO) is the secretariat for the PBC, the manager of the PBF set up to fill financing gaps in the early stages of peace-building (i.e. before mainstream donor funding becomes available) and critical gaps thereafter. It is administered by UNDP and can support countries on the PBC's agenda or declared eligible by the UN Secretary-General.

¹² Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Viet Nam.

There is a window for emergency projects under \$1 million. The UK is currently one of the PBF's biggest donors (£30 million over three years) and is coordinating closely with a group of other key donors to the PBF, including Canada, Japan, the Netherlands, Norway, and Sweden.

The UK is also providing support to PBSO to help drive the implementation of the Secretary General's recommendations in his report on peace-building, in particular to provide capacity for work on roles and responsibilities and civilian capacity. We have also provided funding for a senior member of staff to help drive reforms of the PBF. We will consider further funding for the PBF contingent on improved performance.

The UN Peacebuilding Commission in Burundi

Burundi was selected as one of two initial focus countries for the PBC and was allocated US\$35 million from the PBF. After a consultation process of several months, the government presented its Strategic Framework for Peacebuilding in June 2007, setting out the main challenges to peace in Burundi and the different roles of all stakeholders. A consensus emerged on four priority areas: good governance; security sector reform; justice, human rights and reconciliation; and the socio-economic recovery of communities (including land issues), together with cross-cutting themes including gender and regional integration. The Framework analyses challenges and risks, and sets out specific commitments for government and international partners. A Monitoring and Tracking Mechanism was established.

As expected, the PBC has had some teething problems, but it is generally assessed as making a positive contribution to coordination. The main value-added of the Framework has been the generation of a broad consensus on challenges and priorities, linking the political and economic dimensions. Civil society actors have reported a 'quiet but significant' contribution to improving the quality of dialogue around peace-building.

DFID has taken a leading role in pursuing reform of the **UN-led humanitarian system**. Humanitarian agencies tend to focus on their own mandates, principles and values, and not on a unified strategic response, while donors tend to fund agencies they have close ties with rather than those best placed to respond. The UN Office for the Coordination of Humanitarian Affairs (OCHA) leads the UN humanitarian response, but its mandate has not developed to keep pace with the evolving demands of its role in coordination. Humanitarian Coordinators (HCs) at country level often have insufficient humanitarian experience and receive inadequate support from UN headquarters.

To strengthen leadership and coordination, DFID continues to work through our institutional partnership with OCHA to strengthen its ability to lead and coordinate humanitarian response globally. Our aim is to ensure that the UN system deploys strong RCs/HCs to countries affected by or at risk of humanitarian crises. The 'cluster approach' has been introduced to improve coordination in key sectors and improve predictability and accountability by allocating 'lead agencies' for under-serviced sectors such as protection and health. The approach is currently being implemented in over half of all emergencies, and we are pushing for it to be rolled out in all countries with HCs and in all new emergencies.

To improve humanitarian financing, we continue to be a strong supporter of the Central Emergency Response Fund (CERF), which has made more money available from more donors and has been effective in kick-starting emergency responses, especially where UN agencies have a strong humanitarian capacity on the ground. At country level, we support pooled humanitarian funds, which enable the HC to channel funding to agencies best placed to respond to priority needs on the ground.

World Bank

The 2006 evaluation of the World Bank's work in LICUS (Low Income Countries Under Stress) emphasised the Bank's vital role in providing development assistance in fragile situations, and its success in ensuring macroeconomic stability and reconstructing large-scale infrastructure. It also highlighted a number of critical areas where the Bank needs to improve its effectiveness.¹³ These included: improving selectivity and prioritisation; strengthening internal support for work in fragile situations, particularly human resource reforms; internalising political understanding better in country strategies; clarifying its role on state-building and improving its approach to capacity development and governance support.

DFID is working with the Bank at country level and centrally to improve its operations in such situations. During the IDA 15 replenishment negotiations, the World Bank committed to: (i) increasing its decentralisation and the number of skilled staff in fragile and conflict-affected environments; (ii) working more effectively with the UN; (iii) making more use of conflict analysis when developing programmes; and (iv) providing more and longer access to financial assistance for post-conflict and re-engaging countries such as Liberia. The changes in IDA financial assistance will result in US\$1.3 billion of additional funding for fragile and conflict-afflicted states between 2008 and 2011. These commitments were reviewed at the IDA 15 Mid-Term Review in November 2009. It was highlighted that overall the Bank still had a long way to go in improving its operational response. The UK made a strong call for better performance indicators, also in preparation for IDA 16 replenishment negotiations in 2010. The UK also argued for a more fundamental look at allocations to fragile states, and the Bank agreed to look into *more "considered judgements" on eligibility and allocations*, particularly for countries where crisis is protracted and where there are risks of slipping back into conflict. They will revert back at IDA 16.

While much more needs to be done, there has been some good progress to date, albeit from a low base. President Zoellick has given high priority to the issue and has made conflict and fragility one of the World Bank's six strategic themes. A new director has been appointed to the Fragile and Conflict Affected Countries Group to consolidate and lead policy work on this theme. Progress has been made on working more effectively with the UN on post-crisis MDTFs. Further changes include the following:

- A single State and Peace-Building Fund has been established (US\$100 million over three years) to support World Bank activities in fragile and conflict states.

¹³ IEG, *Engaging with Fragile States: An IEG review of World Bank support to low-income countries under stress*, World Bank (2006). Available at: www.worldbank.org/ieg/licus.

- A package of reforms to address financial and non-financial incentives has been agreed, to encourage high-quality staff to apply for posts in fragile situations.
- A staff roster to respond to emergency situations (recently used for an assessment mission to Georgia) has been established.
- Internal procedures have been streamlined, leading to faster project preparation and approval processes.
- Corporate level rapid response committees have been convened for Cote d'Ivoire, DRC and Sudan, leading to improvements in portfolio disbursement (e.g. Sudan increased from US\$80 million to US\$142 million between May 2007 and August 2008).

DFID will continue to monitor progress at the country level and has earmarked ten countries through which we will informally track IDA 15 policy commitments. There are also opportunities to work with the Governance Partnership Facility to support the Bank in undertaking more political analysis of countries and sectors to underpin effective programming choices. We will continue to use the Bank's annual and spring board meetings to press for further change, drawing on evidence of progress from the country level.

Regional Development Banks

African Development Bank (AfDB)

The AfDB established a Fragile States Unit in 2008 and a new Fragile States Facility (FSF) was agreed in the AfDF 11 replenishment, with a budget of US\$665 million. This builds on the Post-Conflict Country Facility, which was set up to help clear arrears. The FSF has three pillars: (i) additional resources to post-conflict/crisis countries (known as top-ups) – this will provide countries emerging from conflict and crisis with additional resources, for example to help rebuild infrastructure and re-establish critical services; (ii) arrears clearance, to open up the possibility of regular programmes and qualifying for debt relief; and (iii) technical assistance, to enable countries to draw on African expertise to help re-establish government more quickly and effectively.

During the AfDF 11 replenishment, donors agreed that 7.5% of the total resources should be set aside for the fragile states facility. They also agreed that top-ups should be based on countries' AfDF 10 allocations, i.e. determined by population size, poverty and performance.

The AfDB has made progress on decentralising in the past few years. The Bank has opened up 24 field offices, some in fragile states. This has helped to improve dialogue with partner governments and harmonisation with other donors and to strengthen portfolio management. However, the decentralisation process has been ad hoc and a clear policy on field office and headquarter responsibilities is lacking. The quality of field offices is uneven, and further progress is required in delegating authority and ensuring quality of staff.

In the past year, the AfDF agreed to untie all its aid. As well as allowing for procurement without restrictions, this also means that AfDF can participate fully in

pooled funding activities. This is critical for improved donor coordination, and the AfDB will be able to play a more prominent role in donor harmonisation in country.

The AfDB has limited capacity on conflict analysis, but it takes part in Post-Conflict or Crisis Needs Assessments with the UN, World Bank and other donors and intends to be more active in Country Assessments of Fragility.

Asian Development Bank (ADB)

ADB's Approach to Engaging with Weakly Performing Countries (WPCs) was approved in May 2007. This new Approach provides a framework for planning and implementing development interventions of the ADB in fragile and conflict-affected situations. ADB committed to Asian Development Fund (ADF) donors to move quickly to implement the Approach and a comprehensive progress report is to be submitted at the ADF X mid-term review in 2010.

ADB's Strategy 2020 also gives special consideration to assistance modalities in fragile situations. A high-level Steering Committee on Fragile Situations has been set up, with a dedicated focal point to coordinate ADB activities. Action taken by ADB to operationalise the Approach includes the following:

- A separate pool of funds for the Pacific (considered a particularly fragile region), set at 4.5% of ADF resources distributed through performance-based allocation.
- Specific support for post-conflict countries. ADB generally follows IDA in this regard, including extension of the phase of support from three to six years.
- A 20% increase in technical assistance resources available to countries considered weakly performing is envisaged in 2008–2010 compared with the 2004–2006 period. In WPCs, including small Pacific islands, technical assistance will be increasingly oriented towards supporting the core functions of the state and restoring country systems.
- Progressive use of flexible engagement modalities within Country Partnership Strategies (CPS) for countries that exhibit serious signs of fragility. For example, alignment with TRFs or joint needs assessments, involvement in new areas of work in contribution to whole-of-government approaches, support to state-building and country systems, innovative community-driven development operations and partnerships with NGOs, or specific programmes to deliver quick benefits to populations at risk.
- Flexibility and (in some cases) relaxation of business process requirements, on a case by case basis and without compromising the application of prudential policies and safeguards.
- Stronger field presence and skills mix in resident missions in fragile and post-conflict settings, to support operations supervision and results monitoring. Resources can be shared with other development partners, and ADB has

established joint representations with the World Bank in several small Pacific countries.

International Monetary Fund (IMF)

In fragile contexts, the IMF supports a more gradual approach to economic reforms. It does not have a list of fragile states but looks at the characteristics of individual countries before deciding how to engage, and takes a view on whether country fragility is likely to persist over time. States exhibiting a mix of institutional and policy implementation weaknesses are seen as fragile if they tend to underperform across all aspects of the World Bank's Country Policy and Institutional Assessment (CPIA) index, such as economic management, structural policies and social policies – especially with regard to weakness in the quality of public sector institutions.

The IMF recently undertook a review of its programmes in fragile contexts. It showed that IMF engagement acted as a clear signal to others about the country's prospects. These countries were often unable to mobilise sufficient external funding. They needed IMF loans, and these were seen as a catalyst for wider engagement. The review also noted that fragile contexts have been weaker at implementing economic programmes and experienced extreme difficulties in achieving structural reforms. They needed more time to stabilise their economies.

Weak administrative capacity and failing economic institutions in fragile contexts requires careful prioritisation of technical assistance. The IMF will now base its programmes on a diagnostic of countries' overall needs and their capacity to use the assistance effectively. The IMF recognises that optimal economic policies may not be feasible until implementation capacity has been sufficiently strengthened. Economic reforms will focus on a few critical areas to avoid overburdening that limited capacity. Some structural measures – even essential ones – may be postponed to a later date.

As the IMF does not provide grant funding, some of the IMF Executive Board directors have felt that their current Staff-Monitored Program¹⁴ and Emergency Post-Conflict Assistance¹⁵ are sufficient to achieve a more systematic and gradual approach to fragile states in the future. The IMF Board discussed a new proposal in March 2008 – the Recovery Assistance Program – which would run in two phases, over a number of years, and provide access to all fragile countries. The first phase would focus on technical assistance and economic policy advice, with semi-annual assessments of the country's performance, while the second phase would involve low-interest finance to help build a track record for eventual debt relief. The proposal was not accepted, but a revised proposal is expected and is likely to retain these two phases.

¹⁴ A Staff-Monitored Program is an informal and flexible instrument agreed between IMF staff and a member country on its economic policies. Under the programme the country policies are discussed and targets agreed and monitored by IMF staff. The programme does not provide any lending and does not need the endorsement of the Executive Board.

¹⁵ Originally, this provided emergency lending against a country's quota for balance of payments problems. In September 1995, it was extended to some post-conflict situations. Lending is limited to 25% of the country quota and is available only after the country agrees the details of the programme, such as policies and targets. In certain post-conflict cases, an additional 25% of the quota can be provided.

European Union (EU)

In November 2007, the EU development ministers adopted Council Conclusions on ‘an EU response to situations of fragility’¹⁶ and launched three processes which are expected to culminate in a Fragility and Conflict Implementation Plan in 2010.

The first of these processes was the compilation of a report on *Donors, Actors, Financial Instruments and Assessment Tools in Situations of Fragility*. This report is a fairly comprehensive mapping of the tools the EC and EU members have to deliver development assistance in situations of fragility.

The second process was to look at the issue of budget support in fragile states. The outcome of this process is discussed in more depth in *Briefing Paper E: Aligning with Local Priorities*. In short, there has been an agreement between the EC, World Bank, IMF and African Development Bank to improve donor coordination in the provision of budget support in fragile states, as well as to improve joint procedures and strengthen risk management. A study on budget support has been undertaken and a *Common Approach Paper on Budget Support in Fragile Situations* will be ready in 2010. Initial evidence suggests that the EC is willing to increase its commitment in this area, seeing budget support as a major tool to enhance stability and state-building in fragile situations.

The third process was to pilot the implementation of the Council Conclusions with the aim of improving ‘whole of EU working’ in a selection of fragile states. The pilot countries chosen were Burundi, East Timor, Guinea Bissau, Haiti, Sierra Leone and Yemen. Despite problems with communication between headquarters and country offices, and doubts about the effectiveness of choosing pilots, some progress has been made, including regular EU-wide meetings on development, joint action plans and the development of joint initiatives to address fragility. For example, in Burundi, heads of EU development agencies now meet on a monthly basis, have helped to create support for a wider government-led coordination structure and have begun to prepare to undertake a joint Strategic Conflict Assessment. It is apparent that by improving coordination across EU members and the EC, better coordination among all donors can be leveraged. These pilots have fed into the development of recommendations in the Fragility and Conflict Implementation Plan.

Key lessons

- **Leadership of aid coordination by the partner government should be our starting point.** DFID has played a key role in many countries in building the capacity of government to lead on coordination and we should maximise our impact in this area.
- **Coordination between diplomatic, development and security actors must not be lost** in the rush to coordinate among donors. Handling volatile and deteriorating governance situations requires diplomatic–development

¹⁶ Available at http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/gena/97177.pdf

cooperation as much as donor coordination, and appropriate mechanisms should be set up to handle this.

- **Joint strategic frameworks need to be simple, tightly prioritised and sequenced to be effective.** Frameworks and their implementation arrangements must have high-level buy-in from partner government wherever this is possible.
- **MDTFs can be effective harmonisation and risk management instruments,** but it is essential to get the management arrangements right, and ‘preferencing’ by donors can undermine agreed spending priorities and ownership.
- **Division of labour can be effective, but must be carefully agreed based on comparative advantage.** Once agreed, arrangements cannot be easily undone. Early attention should be given to high priority sectors to ensure appropriate donor leads.
- Boosting the capacity of multilaterals can be a sound, strategic decision and can facilitate delegated cooperation arrangements, but **we must ensure that incentives for multilaterals to address staffing and capacity issues in conflict-affected and fragile situation are not reduced.**

Further guidance and information

On PCNAs and TRFs

- United Nations Development Group and World Bank, ‘Joint Guidance Note on integrated recovery planning using Post-Conflict Needs Assessments and Transitional Results Frameworks’, working draft, September 2007.

MDTFs

- Nicole Ball, *Financing Mechanisms for Post-Conflict Reconstruction*, Washington, DC: Center for International Policy, 2007.
- Mick Foster, *Aid Instruments in Fragile and Post-Conflict States: A desk review for DFID Nepal*, March 2007.
- Salvatore Schiavo-Campo, ‘Financing and aid management arrangements in post-conflict situations’, CPR Working Paper No. 6, Washington, DC: World Bank, June 2003.
- Scanteam/Norway, *Review of Post-Crisis Multi-Donor Trust Funds: Final Report*, February 2007

Other

- Rahul Chandran, Bruce Jones and Natasha Smith, *Recovering From War: Gaps in early action*, Centre for International Cooperation report for DFID, July 2008.
- OPM, ‘The applicability of the Paris Declaration in fragile and conflict-affected situations’, Thematic Study, August 2008.