

Delivering Effective Aid to Fragile States

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Abstract

In researching this project, I focused on what initiatives successfully improved aid alignment (donor coordination) in fragile states. In 2010, global official development assistance, which includes money provided by the official sector of governments to promote economic development and are comprised of at least 25% grants, was provided at levels over \$120 billion according to the Organisation for Economic Cooperation and Development (OECD). Much of this aid comes from the three largest aid-donating countries: the United States, the United Kingdom, and Germany. This figure proves how large of an investment is made annually around the world, marking how important it is to better understand these flows of money. The aid alignment analysis will be based on the OECD's High Level Fora on Aid Effectiveness and will focus on coordinated improvement stemming from the OECD recommendations. The analysis was conducted on a defined five-step scale for each of three donor countries. I analyzed the policy initiatives taken to increase the alignment of aid in fragile states as compared to the recommendations made and benchmarks set at the different OECD events and showed the level of compliance on four benchmarks. The results data originated from OECD and Center for Global Development studies and compared qualitatively with the benchmarks set at the High Level Fora events. By undertaking this policy analysis, this project will help achieve a greater understanding of what practical, tangible effects the recommendations of the High Level Fora have had on mitigating the challenges inherent in foreign aid such as how to measure success and how to develop efficient partnerships. In addition, the results of this research may provide a benchmark for donor states, partner states, civil society organizations, and other actors to see how far aid to fragile states has come on the issue of alignment since the Rome High Level Forum in 2003.

Keywords: Development, Foreign Aid, Fragile States

1. Overview

This project analyzes reports by the top three individual country donors (the United States, United Kingdom, and Germany respectively) to the Organization for Economic Cooperation and Development (OECD) Center for Global Development studies and their conclusions as compared to the principles and targets outlined in the High Level Fora documents regarding aid effectiveness in fragile states. The research question is: how closely have policy in the top three donor states conformed to OECD recommendations in response to the High Level Fora documents? This question will be answered with respect to the four benchmarks selected from the Fora publications. I found that countries generally move to align with OECD recommendations but often there is a significant lag in time between the publication and when results can be seen.

Over the first decade of the twenty-first century, the OECD has hosted four High Level Fora on Aid Effectiveness. These have resulted in various changes in what is considered "best practices" in various areas of the development field, with particularly salient conclusions regarding the practice of development and aid in fragile states around the world. This process began with the Rome Declaration in early 2003 and being built upon in the Paris Declaration in 2005, the Accra Agenda for Action in 2008, and the Busan Partnership in 2011. This series of meetings and their subsequent publications as outlined above provide a framework as to how best to improve alignment of foreign aid in

fragile states. The alignment of aid refers to coordinating the provision of funds in order to make the associated programs more efficient and less wasteful. Aid alignment includes trying to prevent the duplication of efforts, which causes funds to be wasted, as well as to promote creating the greatest benefit with the available resources.

The Rome Declaration set the tone as to how these events would impact best practices. This declaration does not mention the different challenges faced in using development aid in fragile states than in other places, but does offer general principles in making development aid more effective worldwide. These include ensuring donor programs are in line with partner state priorities, increasing reporting guidelines, and technical cooperation to improve partner country leadership capabilities. Although these principles were not explicitly applied to fragile states in this particular publication, they do have the benefit of being relatively simple and easily understood, which leaves room for different applications based on the needs of the stakeholders. Therefore, the principles in the Rome Declaration are flexible enough to be used in any fragile state situation. From this document, I will focus primarily on the recommendation of ensuring donor programs are in line with partners' priorities. Fragile states are those countries that are low income and have weak government capacity and legitimacy. These characteristics are often correlated with various types of crises including violent conflict, economic instability, weak institutions, and other issues that are not conducive to development. Fragile states include places like Afghanistan, Myanmar, and Zimbabwe. Originally, my project's hypothesis had been that the benchmarks would have been agreed upon but never implemented due to issues like lack of urgency on behalf of the donor and domestic political determinants in the donor countries. However, it was pleasantly surprising to find that this was not the case at all, that donor countries were generally responsive to the benchmarks, even if there remain improvements to be made.

Two years later, the Paris Declaration offered more concrete targets for making aid effective, as well as setting a date for the achievement of these goals by 2010. This document also specifically addresses stick with one tense: present or past the situation of fragile states. The recommendations specific to fragile states included partner countries engaging in institution building, donors avoiding programs that might undermine or go outside local governing and institutional structures as well as ensuring stakeholders avoid duplication of programs. In differentiating the development needs of fragile states and offering specific targets to improve the donor-partner relationship, the Paris Declaration offers the first set of fragile state-specific benchmarks to compare against program reports. In terms of the recommendations from Paris, this project focuses on avoiding programs that risk undermining or avoiding local governance structures as well as avoiding program duplication.

The Accra Agenda for Action furthers the work on aid alignment in fragile states. Most notably, it includes peacebuilding efforts as a part of best practices and discusses the importance of setting overall as well as interim goals in all areas of development, to be set by both the partner and donor countries together. This leads to the benchmarks offered in the Busan Partnership documents, as well as offering a further set of criteria in judging effective aid and evaluating donor policies toward fragile states have succeeded in their alignment initiatives. From these two documents, the project focuses on the importance of interim goal setting.

The work done in this project is relevant to the field of international studies, and development more specifically, due to the large amounts of money and other resources invested into fragile state development worldwide. There has been a global focus on development, and the issues facing fragile states in particular, which is happening on the country level as well as on the intergovernmental level with programs like the UN's Millennium Development Goals and the more recent Sustainable Development Goals. Focusing on what progress has already been made in comparison to OECD standards and recommendations gives a sense of where donor and partner states are. Taking stock of what progress has been made also allows the possibility of identifying what problems there still are, and hopefully continuing to address them over time.

2. Literature Review

For purposes of this project, the existing literature on the topic is divided into two categories: those articles addressing what makes fragile states different in terms of their official development assistance (ODA) needs, and those addressing the results and consequences of ODA in fragile states. These categories are distinct in that the variables in the former category focus on the side of the partner state while the variables in the latter category focus on the donor states. This literature informs the project since this project focuses on some combination of elements from both the partner state side as well as the donor state side.

In the former category, Kedir and Cartier-Bresson both address the principal-agent problem and the particular relevance this has on ODA in fragile states. Because fragile states and donor states can at times have such a stark divergence of interest, Kedir argues for the necessity of coordinating capacity development and the importance of a

shared understanding between the donor and the partner about what it means to be a fragile state.¹ Kedir's analyzes theory-based approaches, key issues in donor coordination, lessons learned regarding when and where particular types of programs work, and emerging issues in fragile state ODA. He concludes that partner countries often are not well served by conditionality of ODA funds, sometimes cannot access funds when most needed due to good governance requirements, and other issues.

In Cartier-Bresson's article, the specific ethics of ODA in a fragile state are discussed, including the different ethical conceptions of the consequential approach as compared with that of deontology.² The consequential approach is a cost-benefit analysis of deciding if a program is desirable based on evaluative criteria of the probable results of the program, including impacts on democracy, growth, social wellbeing.² On the other hand, deontological aid programs are those implemented because of altruistic intentions or the "historical responsibility of rich countries."² Cartier-Bresson uses economic, ethical, and behavior pattern trends in fragile states conclude that the situations in fragile states are often poorly served by typical governance approaches that are supported by ODA and donor stakeholders.

Also in the category of those articles addressing what makes fragile states different is Faust's "Foreign Aid and the Fragile Consensus on State Fragility." Faust focuses on the claim that there are three major challenges in fragile states: the cognitive challenge, the political challenge, and the bureaucratic challenge.³ Interestingly, from this discussion of the challenges facing ODA in fragile states, he questions whether complete aid harmonization is even the correct goal in these situations.³ Faust addresses how fragile states are understood, whose interests are served by these understandings, and the implications of various fragile state strategies. He concludes that there is a noticeable gap between states objectives and functional policies when it comes to fragile state development.

These articles on what makes fragile states different in terms of their ODA needs create questions for this project regarding how stakeholders view the importance of aid alignment and effectiveness as well as identifying specific, empirical cases and ways in which fragile states have different needs than other partner countries, such as Kedir's identification of different engagement routes donors can take with partners and the strengths and weaknesses of each in terms of fragile states in particular. These three articles have in common that they address systemic issues of fragile state development regarding the differences in fragile states that are not present in other partner countries.

On the other hand, Manor and Pospisil address the different implications, results and consequences that ODA (and donor state action in general) has in fragile states as opposed to other partner states. Manor in particular offers two differences in outcomes. First, poor governance and weak implementation of policy cause development programs to struggle in ways that are more serious than in other partner states.⁴ Second, the article notes that when programs are successful, they should be expanded horizontally or vertically in order to replicate success, since these successes are easier to recreate than they are to create fresh in each situation.⁴ Manor uses specific program case studies in places such as Afghanistan and Timor Leste to conclude that the issues in fragile state development are difficult, but possible, to overcome if donors are willing to adjust strategies and expectations.

In Pospisil's article, there is a focus on different outcomes in terms of the danger of settling for short term stability instead of focusing on the process of development.⁵ The concept of resilience is important in this article, and is referred to as the main conceptual building block in ensuring positive outcomes in fragile state development.⁵ Notably, it is mentioned that resilience is a relatively recent discursive strategy in discussing development, but has become central to EU policy and ensuring positive outcomes and avoiding "traps" of the development process. On the whole, these two articles suggest that the issues in fragile states can be resolved. Between the two categories of articles, it suggests various things both donor and partner countries can change or be open to in order to improve effectiveness of ODA in fragile states, but doesn't specifically address the OECD benchmarks that I am using.

3. Methodology

I chose to undertake a descriptive, evaluative policy analysis in order to answer the research question. This project is built on qualitative methods and follows an analytical framework. The first step in this project was identifying the puzzle or problem, identified generally as the issue of making aid more effective in fragile states.

Second was identification of various policies, both on the OECD level as to their recommendations and on the country level in identifying what, if any, steps their aid agencies have taken to meet or work towards the OECD goals. In the rest of the paper, these are broken down by country for comparison purposes both between policies and between overall country strategies, and there is a table comparing all three countries side by side since in the overall conclusions section. This step also included an establishment of criteria with which to evaluate the policy, breaking each analysis down into a five-tiered criteria system, measured against OECD guidelines. These five levels are: benchmark implemented before publication, successful change, mixed progress, little progress, and no progress.

The first category is relatively self-explanatory, that the country in question was already using this policy or set of policies before it was agreed upon at the Fora. A designation of successful change represents a situation in which there are clear examples of policy changes or cases in which that goal was met and it is not cited as an ongoing problem in the OECD Peer Reviews. Mixed progress represents a case in which either the country stated it would be improving in a particular area but there are few tangible results of it, or a case in which progress seems to have been made but that particular area is still cited as one requiring improvement in the OECD Peer Reviews. Little progress is a case in which a given country seems to have stated the improvement as a goal but there are no results of it appearing in the reports. No progress, which did not appear in any of these case studies, would have been a situation in which the country in question made no attempt, either in stated policy or functional action, to meet a benchmark.

Then, the policies of three donor countries were assessed against the OECD recommendations. This assessment shows the priorities placed on certain initiatives over others by different stakeholders, as discussed later. These countries were chosen as they are the three largest individual donors and represent just under half of global ODA.

The reports that are used have some limitations as they are largely from the OECD itself and may not reflect some interim decisions made or policies adopted as donor states changed their strategies over time, but I believe they are generally representative of the progress made and areas of strength and weakness for various donors.

The four benchmarks for analysis were chosen to make the project more specific and more manageable as addressing all of the guidelines in all of the High Level Fora publications would be out of the scope of this type of project. They were chosen as these four were generalizable to all three case studies, indicative of the general ideas of each publication, and represented a proposed solution to a problem frequently mentioned in the existing literature.

4. US Policy Progress

According to the OECD peer reviews, the US is the largest donor to fragile states worldwide, with nearly half of its aid in 2009 going to fragile and post-conflict states.⁶ The US system of aid programs seems to have been changed based on the High Level Fora proceedings and their strategies adjusted accordingly. First, aligning donor projects with partner priorities results in an evaluation of “successful change.” The US has steadily moved toward untying aid as well as promoting the use of grants rather than loans and promoting multilateral debt cancellation, allowing partners more freedom in use of funds for their priorities.⁷

On the other hand, for the benchmark “use of local government structures,” the US seems to have made little progress. Although, as referenced earlier, aid has become increasingly untied, there are major exceptions such as food aid and technical assistance which have legislative provisions for certain amounts being required to originate in the US, be shipped by US companies. These provisions effectively evade local institutions in partner countries, especially fragile states since they often have poor governance structures.⁸

In avoiding program duplication, US efforts have been mixed. On one hand, there are over twenty agencies and departments that play a role in providing ODA, making duplication difficult to avoid.⁹ On the other hand, there are improvements made in the 2008 study, the authors note a US-funded project in Indonesia that has not been as effective as it could be by combining its disaster-relief and civil conflict rebuilding programs in the same province.¹⁰

Benchmark:	US Progress:
Aligning Donor Programs with Partner Priorities (Rome, 2003)	Successful Change
Use of Local Government Structures (Paris, 2005)	Little Progress
Avoiding Program Duplication (Paris, 2005)	Mixed
Interim Goal Setting (Accra, 2008)	In use prior to event (2005)

Figure 1: Results table from analysis of US policy progress based on OECD reports.

By the 2011 peer review, the author makes note of the coordination between USAID, the Department of Defense, and the Department of State on issues of development assistance, which points to the goals of not duplicating efforts as well as making aid more effective on the side of the donor. These coordination measures help ensure that the twenty

six different government agencies that administer ODA are making the most efficient use of their financial and expertise resources to achieve measurable goals with partner countries rather than in each agency recreating what has already been done by other agencies. In addition, USAID’s Strategy for Fragile States from 2005 shows a commitment to the goals of the Paris Declaration, including working to find and fix the sources of fragility. Despite these efforts, it did not rise to the level of “successful change” as it is something that is still cited as an issue in the Peer Reviews.

In terms of interim goal setting, The Fragile States Strategy of 2005 sets goals for both the medium and short terms.¹¹ As a result, this benchmark was in use before the Accra Agenda for Action codified it as a goal of the program. In addition, they also recommend changing the reporting and evaluation structures for programs in fragile states, something that is recommended generally in many of the OECD documents, however it is not a benchmark in this analysis.

5. UK Policy Progress

In terms of aligning donor programs with partner priorities, the UK uses a very high level of budget support, which allows partners to use the funds however they see fit. However, other UK Department for International Development (DID) programs show little progress in specifically aligning priorities. In addition, the programs that are specifically allocated are often tangled in large amounts of red tape and reporting requirements that make it difficult to align them with partner priorities.

The UK gets the best marks in the OECD’s 2015 study for many effective aid metrics including having all of their aid untied.¹² Their budget support is given at eight times the DAC average.¹³ Each of these supports the “successful change” designation for use of local government structures as the partners receive much more budget support from the UK than from other donors as well as fully untied aid in every type of program.

In avoiding program duplication, UK results are mixed. While it is a very transparent partner country, it has a very decentralized decision-making process as well as a large administrative requirement which means that while it is not a huge problem, duplication of effort does happen and makes aid less effective.¹⁴ In addition, the large amounts of staff at UK DID with somewhat overlapping functions contributes to the potential for duplicating efforts.¹⁵ While the exact monetary figures are not readily available, it is quite likely that this duplicated effort also uses financial resources ineffectively, therefore causing less money to flow to partner country initiatives since these funds are paying for UK staff rather than towards the goals set by UK DID and the partner country.

On issues of interim goal setting, the UK made a successful change. It uses a four-level system of indicators, supporting the ability to have wide-view goals while also implementing smaller targets along the way.¹⁶ This four-tier system allows also for flexibility of goals both in terms of temporal relationship to the project as well as based on which stakeholders are most interested in which types of goals. These goals are often linked up to the UN’s Millennium Development Goals or other common indicators known to professionals across the development sector, allowing all stakeholders to be aware of how their goals relate to their projects.

Benchmark:	UK Progress:
Aligning Donor Programs with Partner Priorities (Rome, 2003)	Mixed
Use of Local Government Structures (Paris, 2005)	Successful Change
Avoiding Program Duplication (Paris, 2005)	Mixed
Interim Goal Setting (Accra, 2008)	Successful Change

Figure 2: Results table from analysis of UK policy progress based on OECD reports.

6. German Policy Progress

Germany's development aid program has focused on the more structural aspects of aid effectiveness and alignment of the three cases discussed here, such as promoting partner country ownership. In terms of aligning with partner priorities, Germany has completed a successful change. It implemented a "Plan of Operations" in 2005 to improve aid effectiveness, and reduced its number of partner countries by nearly a third in order to concentrate its resources on partner agendas rather than risking being spread too thinly both financially and administratively.¹⁷ Germany also has provided information about their "rapid response" programs to fragile states, which do not have equivalents highlighted in the other countries' reports and seem to exemplify many of the ideas brought up in the later High Level Fora documents. This applies most notably with regard to aligning programs with partners.

In terms of the use of local government structures, the results are mixed. Germany has, in the past, used many debt relief measures which alleviate financial stress on partner governments, and Germany has a coordination program with civil society organizations, but it still has issues with decentralization and decision-making at lower managerial levels.¹⁸ In addition, the partnerships with civil society organizations and multilateral aid that improve the effectiveness of many German aid efforts have the side effect of further avoiding local government structures.

In avoiding duplicate efforts, the results are also mixed. Though Germany's cooperation with civil society resolves some issues of duplication, there are coordination issues between the BMZ (the aid agency) and the Federal Foreign Office.¹⁹ Due to the sometimes overlapping functions of BMZ and FFO as well as goals and mandates that are not as clearly defined in the differences between the two, it increases the risk of duplication of efforts as well as a lack of cohesive long term strategy with regard to fragile states.

The rapid response program mentioned above in particular offers both medium-term goals to the partner's most concerning problems and then expanding the feedback, reports, and goal setting to longer term programs and structures, meeting the goals of Accra's provision to set interim goals successfully.²⁰ This is a strategy for interim goal setting not seen in either of the other case study donor countries and proves an interesting example of the overlapping value of both aligning programs with partner priorities and interim goal setting and how one program can successfully address both sides of the issue.

Benchmark:	German Progress:
Aligning Donor Programs with Partner Priorities (Rome, 2003)	Successful Change
Use of Local Government Structures (Paris, 2005)	Mixed
Avoiding Program Duplication (Paris, 2005)	Mixed
Interim Goal Setting (Accra, 2008)	Successful Change

Figure 3: Results table from analysis of Germany policy progress based on OECD reports.

7. Conclusions

While each of these three aid-donating states has their own ways of implementing the best practices and benchmarks set at the High Level Fora, these recommendations really did have a noticeable effect on the policies of these three high-volume global donors and have overall improved the effectiveness of aid to fragile states worldwide. Over time, these state programs became more and more in line with the OECD's development priorities, and while there is always room for further improvement it seems that the policy changes have been made more effective, assuming that the OECD's best practices really do work in the way they are intended. Although this is a significant assumption, there was nothing in the research to suggest that this is not the case. Particular attention has been paid by these donors to the tenets of partner country ownership, capacity building, and interim versus long-term goal setting. The overall results were encouraging in terms of progress in meeting the OECD guidelines, in particular those from the Paris Declaration.

The implications from this research include the possibility of further future improvement of ODA to fragile states, especially considering how much progress in policy planning and implementation has been made worldwide in just over a decade. All three cases made progress on all of the benchmarks, with only one out of twelve rated lower than “mixed.” Each country has been shown to have different areas on most and least success, supporting the idea that each of the three largest donors has a different area of strength in terms of aid effectiveness.

In terms of relating to the existing literature, this policy analysis takes the idea that while fragile states have particular needs in terms of ODA that are often difficult to meet, and that donor countries often cause intended and unintended effects in fragile states by way of their policies, that donor states are willing to implement OECD-led strategies to make aid more effective and respond to these Fora publications with real change, implying that the effects of donor action in fragile states as well as the complex cultural, political, and economic climates in fragile states can be shaped toward development with participation in events like the High Level Fora, as the donor states will largely follow the recommendations there.

Benchmark:	US Rating:	UK Rating:	German Rating:
Aligning Donor Programs with Partner Priorities (Rome, 2003)	Successful Change	Mixed	Successful Change
Use of Local Government Structures (Paris, 2005)	Little Progress	Successful Change	Mixed
Avoiding Program Duplication (Paris, 2005)	Mixed	Mixed	Mixed
Interim Goal Setting (Accra, 2008)	In use prior to event (2005)	Successful Change	Successful Change

Figure 4: Table of all case countries’ results together.

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