ISE

ISSUE BRIEF: UPDATE ON RE-EXAMINING THE TERMS OF AID

ISE Project, January 2018 - April 2019

In January 2018, the Institute for State Effectiveness (ISE) launched its project 'Re-examining the Terms of Aid (RTOA)' to look at options to improve the operationalization of internationally-agreed aid effectiveness principles. Over the past twenty years, in agreements and declarations from the 2003 Rome Declaration on Harmonisation to the 2011 New Deal on Engagement in Fragile States and 2015 Sustainable Development Goals 16 and 17, the international community has agreed again and again that traditional development practices are not working. They can create deeper fragmentation, local capacity drainage, and institutional corrosion, and undermine the professed goal to assist countries in achieving lasting peace, growth, and self-reliance. These issues are especially acute in fragile and conflict-affected states where such practices can re-activate root causes of conflict and where there are multiple actors from the development, security, and peace sectors converging.

The problems are well-known and uncontested: incorrect diagnosis and assessment, competing civil services and parallel institutions, projectization of aid, lack of predictable or long-term financing, self-perpetuating technical assistance, overly-burdensome and insufficient monitoring, entrenched siloes, and lack of coordination.

In response, practitioners and stakeholders have over the years devised many potential solutions to alleviate these persistent issues. In addition, through advocacy and dialogue, the language and principles of aid effectiveness have largely been mainstreamed into official policy of traditional development partners. However, while there has been significant piecemeal progress, the general landscape remains the same.

ISE has therefore reviewed a number of useful components of an operational model to effectively implement these commitments. This has included examining what has and has not worked in four country case studies: Rwanda, Colombia, Afghanistan, and Somalia; some of which have seen significant progress, while some remain in conflict. Using the following guiding questions, ISE is working with partners from host governments, donor agencies and governments, civil society, and the security sector to examine what has and has not worked:

- What does work? What does not work? How can we operationalize our response to these challenges?

- Why, despite commitments, has practice fallen short, and more countries are not transitioning out of fragility?

- Rather than working from commitments and extrapolating out to coordination mechanisms - what emerges when we work from country level up, taking ideas from the field to try to close the disconnect/gap with the international system?

- What incentives hold back implementation – on the country side, partner side, and the interactions between them. What rule changes are needed to reform these incentives? If there needs to be an operational framework, what are its key components?

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- Who else needs to be at the table to ensure this works? How do we engage the security sector and in what role?

Drawing on lessons from relationships, initiatives, and policies at the country level, RTOA tracks patterns of practice from a range of countries, including in country-research in Rwanda, Colombia, Afghanistan, and Somalia. Covering the twenty-year history of aid effectiveness commitments, these countries have engaged with aid effectiveness principles at different points and to different effects. In both Colombia and Rwanda which are broadly seen as having transitioned out of fragility, ISE has held consultations with policymakers and officials who have driven efforts to have more coherent, country-led, and institution-strengthening development since the late 1990s and 2000s. The lessons from these more successful countries are considered alongside examples of practice and policy from Afghanistan and Somalia, where security challenges remain, despite reforms progress. These self-declared fragile countries (part of the g7+ Group) are currently leading the discussion to adapt aid effectiveness to today's challenges.

By examining patterns and recurrent drivers of positive and negative practice, ISE is identifying frameworks, sequences, and initiatives that can help shape an effective operational framework.

Emerging findings include:

DRIVERS AND INCENTIVES

- **Common, persistent development issues can and should be disaggregated into symptomatic problems and drivers.** Currently, we attempt to address all at once, but the drivers need to be unlocked first to make progress against symptoms.

- **More investment is needed to pair technical solutions with the appropriate local bureaucratic and political approaches to affect behavior change.** Pilots and reviews have proffered different technical solutions to address the challenges of aid effectiveness. While these work in some instances, they fail to make the necessary systemic change across contexts.

- **The behavior change required to implement the principles and technical approaches of aid effectiveness requires shifting the incentive structures for both government and development partner actors working in country.** And to do so, as the idiom says, "follow the money." More attention needs to be given to alter the questions asked by, and expectations of government oversight bodies, parliamentary and political stakeholders, the media, academia, and the public, who influence budget priorities.

- **A focus on short-term risk distorts incentives.** Currently, bureaucracies, monitoring and evaluation tools, and public perceptions prioritize immediate fiduciary risks of small amounts of misplaced or misused funds rather than the longer-term, wider, and multi-billion-dollar development risks of programs failing to help a country emerge from conflict and fragility. Better tools are needed to measure the real risks of both for different audiences.

OPERATIONAL CONSIDERATIONS

- Government officials and development partners should focus on investments in building internal capacity to fulfill recurrent, nation-wide responsibilities that are the backbone of a functional, resilient state. In fragile contexts, there are competing priorities from different levels of government. There are deficits of major critical infrastructure, a long-term need to build up institutional capacity, and a pressing need to deliver services to the public. With substantive government oversight, some of these functions, however, can be outsourced in the short-term while capacity is built.

- Establishment of security is often the primary need for citizens – and there is an appetite for engagement from the security sector, but they must be at the table to find the appropriate roles and points of entry. The international community is deeply engaged in an effort to better align the activities of different actors in fragile and conflict-affected environments. As set out at the 2016 World Humanitarian Summit, the EU, UN, World Bank, and OECD, as well as individual donors and NGOs, are designing operating rules (such as the EU Council Conclusions on Operationalising the Humanitarian-Development Nexus, published in 2017, and the current OECD-DAC recommendations, being led by the International Network on Conflict and Fragility - INCAF) and implementing programming (such as the joint UN-World Bank Humanitarian-Development-Peace Initiative operating in seven countries) to better cohere activities across humanitarian, development, and peace actors.

However, despite often overwhelming human and financial resources commanded by the security sector, these actors are often absent from these conversations. There is a clear sense by security actors that they cannot sustain current terms of operation in increasingly protracted conflicts. But they need to be invited to the table.

The final report on the first phase of Re-examining the Terms of Aid will be released in Spring 2019 at a series of launches and roundtable discussions. There will also be consultations with practitioners and policy-makers on these findings, both throughout the inquiry process and launch, to put this into practice. As the international development landscape is fast changing, getting this operational reform right is imperative.

RTOA will continue beyond Spring 2019, with a second phase, deepening this research into operational guidelines, and a new series of inquiries into some of these critical areas of change, examining issues such as impacts of migration, emerging donors, new technologies, and innovative financing mechanisms on aid effectiveness.

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