

NEW CHALLENGES, RISKS AND OPPORTUNITIES FOR EFFECTIVE DEVELOPMENT

Re-examining the Terms of Aid

May 2021



Institute for
State Effectiveness

The goal of development in fragile and conflict-affected states is well established: to help forge pathways out of fragility towards self-reliance and to deliver inclusive and sustainable social, economic, and security outcomes for citizens. The way to get there is also clear: build national capacity to fulfill the core functions of the state, markets and the civic sphere. Development partnerships can play a critical role in this process by working with individuals, teams and institutions – both within and outside of government – to support and incentivize efforts to close the sovereignty gap between what citizens expect and what governments can provide.

There is a well-established international consensus on the principles and approaches to development in fragile states. From the 2003 Rome Declaration on Harmonization to the 2011 New Deal for Engagement in Fragile States, and the 2016 Stockholm Declaration on Addressing Fragility and Peacebuilding, and most recently, the United States' Global Fragility Act, support for several central principles has emerged. These include: a focus on results, facilitating country ownership, increasing transparency, strengthening mutual accountability between partners, governments and the public, building inclusive partnerships, and support to country plans. Collectively, these principles and the commitment to put them into practice have come to form the 'aid effectiveness' or 'effective development' agenda. However, despite this consensus, many of these commitments and principles have not translated into development practice, and an implementation gap remains. That is, in many fragile states, there is still a significant gap between the theory and promises of effective development and actual development practice and outcomes.

There is now unprecedented urgency to address the implementation gap in fragile and conflict-affected states. The health and economic impacts of the COVID-19 pandemic have introduced new challenges for fragile states and exacerbated many of their ongoing endemic challenges. In many fragile and conflict-affected states, already heavily constrained and often inchoate healthcare systems have been stretched to the limit

as they struggle to respond to the pandemic. Beyond exposing the capacity gaps in many states' public health systems, the pandemic has also exacerbated countries' existing economic and governance challenges. Worsened social and economic inequalities, mass unemployment, increased levels of poverty, political unrest and rising gender-based violence in the pandemic's aftermath threaten to undermine the social fabrics of many countries.¹ Given the magnitude and timing of these concurrent crises, there is an extraordinary need *and* opportunity for development partnerships to fulfill the promises of the effective development agenda.

The COVID-19 pandemic has also demonstrated the critical importance of effectively addressing state fragility and the implementation gap in an increasingly interconnected and interdependent world. Throughout the pandemic, there have been numerous instances where one country's failure to contain the virus's spread has had severe consequences for neighboring countries. Localized failures to meet citizens' health needs can, therefore, have significant regional and international consequences. The increased level of global interdependence and interconnectivity means that "building back better" after the pandemic to ensure well-functioning governance institutions including health and pandemic preparedness systems must be a shared imperative for fragile states and development partners alike. Failure to do so may result in devastating consequences for both the world's most vulnerable populations and international peace and security more generally.²

While the COVID-19 pandemic undoubtedly introduces a host of new challenges and risks, the prospects of a renewed U.S. commitment to multilateralism also provides new opportunities. From the US and many others around the world, there is increased enthusiasm for renewing, reforming and utilizing multilateral frameworks to address complex global problems. For the effective development agenda, there is now an open opportunity to make the multilateral system deliver effective and compelling development practice. The

1. Organisation for Economic Co-operation and Development, *States of Fragility 2020*, December 2020, 1, https://www.oecd-ilibrary.org/sites/ba7c22e7-en/1/2/1/index.html?itemId=/content/publication/ba7c22e7-en&_csp_=89578a182071559ff79c670c40753038&itemIGO=oecd&itemContentType=book.

2. United States Institute of Peace, *Addressing Fragility in a Global Pandemic: Elements of a Successful US Strategy*, (Washington: USIP, December 2020) <https://www.usip.org/publications/2020/12/addressing-fragility-global-pandemic-elements-successful-us-strategy>.

November 2020 Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) Communiqué emphasizes this point, stating that global challenges - such as the public health and economic impacts of the COVID-19 pandemic - will “require a global response and a strong multilateral system.”³ Major opportunities exist in the months ahead for cooperation, including through the World Bank as the international community proceeds to draw down IDA 19 ahead of time and seek IDA 20 replenishment, as well as through regional development banks and the UN system.

Finally, the rise of alternative conceptions of development has also introduced further risks and opportunities for the effective development agenda. Infrastructure-focused transnational development programs, such as China’s Belt and Road Initiative, currently challenge some of the core principles of the development effectiveness agenda⁴ and raise questions for how countries can advance their own plans and how multilateral cooperation will work in practice. Other new actors including India, South Korea and Brazil are also playing increased roles as development partners, investors and peacekeeping contributors.

International Responses

Over the past year, a series of major publications have explored how these challenges provide both opportunities and risks for the effective development agenda. For instance, the OECD’s *States of Fragility 2020* emphasizes that “as the world tackles the dual public health and economic crisis of the COVID-19 pandemic, a focus on fragility is now more necessary than ever before.”⁵ The report also recognizes that although the landscape of fragility has changed in the wake of the COVID-19 pandemic, there is broad consensus among DAC members that “aid effectiveness, including in fragile states, needs renewed attention.”⁶ Moreover, *States of Fragility 2020* highlights that inclusive governance and reform agendas must be the cornerstone of development partnerships going forward. The report states that “putting people at the center of the fight against fragility should be the starting point” and that any bilateral cooperation “must also involve a diversified, whole-of-society approach.”⁷ Finally, while reiterating the need to put the principles of aid effectiveness into practice, *States of Fragility 2020* also emphasizes the importance of developing human capital, adopting longer-term development partnerships and ensuring that development partners allow for an appropriate degree of flexibility in their programming.

The United States Institute of Peace’s *Addressing Fragility in a Global Pandemic* outlines some of the conceptual and practical issues around the implementation of the *Global Fragility Act*. The report is broadly structured around six key challenges: understanding the changing global environment; promoting local ownership and inclusion; ensuring accountability; aligning humanitarian, diplomatic, development and security programming; coordinating international efforts; and developing tools to define and measure progress. In a similar vein to *States of Fragility 2020*, the report argues that now, more than ever, there is an urgent need to address the drivers of fragility and poor development outcomes, emphasizing the need for “new approaches to reduce conflict’s underlying drivers and increase resiliency to shocks.”⁸ While acknowledging the substantial risks and challenges introduced and exacerbated by the COVID-19 pandemic, the report also highlights that the implementation of the *Global Fragility Act* provides an unprecedented opportunity better align U.S. humanitarian, diplomatic, development and security programming in fragile states.

Finally, the International Dialogue on Peacebuilding and Statebuilding (IDPS) December 2020 report provides a comprehensive assessment of the International Dialogues’ pivotal role in the development, implementation and evolution of the *New Deal*. The report details how the International Dialogue helped develop the parameters and lead the stakeholder negotiations for the landmark agreement. Throughout this process, the International Dialogue engaged a wide range of security, diplomacy, economic and humanitarian actors and distilled insights from the aid effectiveness and the fragility agendas into a “set of inclusive principles for good donorship.”⁹ Looking ahead, the report suggests the International Dialogue is well-positioned as an “agile, nimble, external-facing, politically networked platform” to continue to influence and “better support...peacebuilding and statebuilding amongst political, justice, security, humanitarian, and development actors.”¹⁰ Moreover, “at a time when public appetite for value for money and immediate results is growing ever more acute”, the International Dialogue continues to push for “development goals that are longer-term.”¹¹ Finally, the report underscores that the COVID-19 pandemic “has brought to the fore the need for concerted action to reinforce inclusive leadership and respond to the needs on the ground.”¹²

3. OECD, DAC High Level Meeting Communiqué 2020, November 2020, 1, <https://www.oecd.org/dac/development-assistance-committee/dac-high-level-meeting-communique-2020.htm>.

4. Kristen A. Cordell, “The evolving relationship between the international development architecture and China’s Belt and Road,” Brookings, October 2020, <https://www.brookings.edu/articles/the-evolving-relationship-between-the-international-development-architecture-and-chinas-belt-and-road/>.

5. OECD, *States of Fragility 2020*, 1.

6. Ibid.

7. Ibid.

8. USIP, *Addressing Fragility in a Global Pandemic*, 3.

9. OECD, *The International Dialogue on Peacebuilding and Statebuilding 2008-2020*, 10, https://www.ncg.dk/images/reports/IDPS_report.pdf.

10. Ibid, 7.

11. Ibid, 13.

12. Ibid, 27.

Re-examining the Terms of Aid: Context, Scope and Objectives

Despite widespread international agreement on the goals and principles of effective development in fragile states, an implementation gap remains. And while some countries have emerged from conflict and show signs that they are escaping fragility - most recently Colombia, Liberia, Nepal, Rwanda, Timor-Leste and the Solomon Islands – many others remain trapped. The Institute for State Effectiveness' (ISE's) [Re-examining the Terms of Aid](#) (RTOA) was motivated by the underlying challenges of explaining *why* the implementation gap has persisted and considering *how* development partnerships might help to close the gap.

RTOA posits that the implementation gap is largely a reflection of the failure to address the incentives that drive behavior and outcomes on both sides of the “development handshake.” Put differently, the implementation gap reflects the tendency to focus on the **symptoms** of poor development practice rather

than its underlying **drivers**. Common symptoms often include the fragmentation of development assistance, the substitution of state functions by external actors and development partners' failure to contextualize development programming. However, these symptoms are the results of development delivery shortcomings that occur when principles, knowledge and lessons are not put into practice.

Drawing upon the programming experience of ISE and partners in fragile-state development assistance, RTOA argues that we ought to focus on five key areas where development practice has fallen short. The five key areas are driven by underlying incentive structures that contribute to the implementation gap. If we focus on these five key areas that drive incentives and behavior, then there may be increased opportunities for closing the implementation gap in fragile states and seizing the moment at this crucial juncture in time.

RTOA's Key Areas of Development Practice

- 1 National strategies, plans and policies**
Failure to support clear, coherent national strategies and development programs that will build self-reliance, a foundation for security and opportunity for citizens.
- 2 Development partner incentives**
Failure to prioritize the goal of building core state functions and ensuring development partners are aligned with that goal in their own systems.
- 3 Human capital**
Failure to develop the human capital strategies that allow for the diffusion of reforms throughout government, including extending leadership beyond individuals to cadres of mid-tier and rising reformers who are responsible for implementing reforms.
- 4 Implementation and accountability**
Failure to first implement national strategies and development programs and then test that this is being done well. This issue also includes whether governments build capacity to advance ownership and address threats to development and stability, such as corruption and criminality.
- 5 Whole-of-society approaches**
Failure to build inclusive governance structures and reform agendas, with citizens helping to shape national strategies and progress being communicated back to citizens, and attention to market building, especially in pathways for inclusive growth, revenue self-reliance and jobs for a rising generation of youth.