

## Chapter 4

### Adapting aid delivery modalities and technical assistance

*This chapter discusses how the choice of aid delivery modalities and the delivery of technical assistance impacts statebuilding processes. It invites development partners to align (i) aid modalities and (ii) technical assistance with statebuilding objectives.*

## 1. Align aid modalities with statebuilding objectives

As noted in previous chapters, development partners face difficult choices between supporting key state functions and meeting urgent needs (essential to state legitimacy), and creating sustainable systems and practices to underpin longer-term state capacity (OECD, 2010a). These decisions are reflected in the choices development partners make between different aid and non-aid instruments at their disposal.

**First, understand how aid modalities and other instruments impact (directly or indirectly) on the statebuilding process, and match these modalities to intervention objectives.** The main concern is to assess the impact of aid and other forms of support on political processes, legitimacy and state-society relations that are central to statebuilding. Different approaches to aid delivery in fragile contexts can strengthen the state as a centre of decision making and public financial management, or weaken its authority and capacity in this critical sphere.

For example, aid that explicitly avoids state systems may have an adverse impact on future system-strengthening efforts and on the prevailing perceptions of the legitimacy of development partner engagement. Instruments used in humanitarian assistance need to “do no harm” to longer-term statebuilding initiatives: stand-alone project interventions may help to produce quick results but may not serve longer-term statebuilding objectives, in particular when implemented without appropriate partner country participation and co-ordination. Identifying appropriate modalities and approaches will be made easier if it is possible to generate an approximate time frame and sequencing plan, indicating when it may be necessary to transition from short- to longer-term approaches, and how to embed the foundations for longer-term statebuilding in short- to medium-term projects.

**Second, in states where the government’s legitimacy is in question, or where relations between government and the international community are strained, consider “shadow alignment”.** “Shadow alignment” is the practice of providing aid in such a way as to mirror national systems, to enable rapid conversion to “real” alignment as soon as conditions permit. Even in the most difficult political contexts, some level of technical dialogue and policy alignment may be feasible with national authorities, for example in basic service delivery. And even where assistance is provided through non-state channels, it can still be delivered in ways that support public sector service delivery, and so avoid undermining the relationship between state and citizen. One function of shadow alignment is providing space for the government to maintain a policy-making and supervisory role over non-state service delivery.

There may be political risks associated with shadow alignment, including providing support to a repressive regime, or allowing a crisis situation to continue by solely addressing its symptoms. The decision-making process over where and how to “shadow align” should involve other diplomatic and security partners to ensure that developmental objectives are in line with agreed political goals and all objectives are mutually reinforcing.

**Third, consider the use of jointly managed and pooled funds where appropriate, and adapt them to a changing environment.** Jointly managed and pooled funds provide the basis for more aligned and harmonised delivery of assistance. Multi-Donor Trust Funds (MDTFs) have provided an aligned and harmonised approach to financing, in particular in situations where there is lack of state capacity that may prevent direct budget support. MDTFs can also provide a forum for policy dialogue and a joint decision-making process in which partner countries can exercise increasing ownership and leadership. However, MDTFs can often be overambitious in terms of what they can deliver, and cannot always be

Table 4.1. Opportunities and risks of providing development assistance in fragile contexts

	Opportunities	Risks
<b>General budget support</b>	<p>Major opportunity to link resources to core capacity building and outcome achievement, while providing incentives to further strengthen country systems.</p> <p>Can finance recurrent expenditure that is central to state functioning.</p> <p>Lower transaction costs for partner country.</p> <p>Joined-up resourcing and dialogue with development partners create a more predictable partner country-development partner relationship.</p>	<p>There may not be a centralised budget to work with.</p> <p>Requires high standards of public financial management to mitigate fiduciary risks.</p> <p>Demanding in terms of the level/type of dialogue with development partners; political objectives and constraints may undermine predictability.</p> <p>Can seem “remote” from short-term improvements in service delivery in the early phases.</p>
<b>Sector budget support</b>	<p>Supports state functioning through an owned sector programme or strategy, while providing incentives to strengthen country systems.</p> <p>Focuses resources on a priority sector.</p> <p>Lower transactions costs than pooled or SWAp-type approaches.</p> <p>Joined-up sector dialogue.</p>	<p>Sector institutions may face particular capacity challenges – for example, with respect to PFM systems. Focused engagement on a priority sector may distort engagement in other key priorities, undermining government decision-making and allocative efficiency.</p>
<b>Government-managed pooled funds</b>	<p>Pooling of development partner resources.</p> <p>Aligned with government strategy, but allows narrower earmarking (often to specific activities) than budget support. Can accommodate safeguard measures where PFM systems are weak.</p>	<p>Earmarking may undermine government’s ability to prioritise public investments.</p> <p>Poses management challenges for recipient.</p> <p>Transaction costs may be higher than budget support.</p> <p>Heavy focus on systems and procedures for pooling; decision making can detract from delivering outputs/outcomes.</p> <p>Pooled funds may delay the transition to budget support when conditions allow.</p>
<b>Jointly managed trust funds (development partner-partner country)</b>	<p>Joint governance and management arrangements mitigate fiduciary risk.</p> <p>Opportunity to develop government systems and capacity for management of resources.</p> <p>Can reduce transaction costs for both development partners and partner countries.</p>	<p>Management challenges for both development partners and partner countries.</p> <p>Attention to improving government systems may in early stages slow down delivery of outputs.</p> <p>Use of trust funds may delay the transition to other aid modalities making greater use of country systems when appropriate.</p>
<b>Project support</b>	<p>Can target specific priorities/gaps, through earmarking for specific activities.</p> <p>Project support can use country systems to differing extents,</p> <p>Flexibility in design.</p> <p>Quick wins.</p>	<p>Can privilege short-term impacts over longer-term engagement.</p> <p>Narrow earmarking can undermine government decision-making and allocative efficiency.</p> <p>Can result in a “dual public sector” and undermine incentives to support state capacity where parallel structures and processes are used.</p> <p>Can create sites of patronage and decision making that rival the state or undermine government processes where parallel structures and procedures are used.</p>
<b>Support to and through non-state actors</b>	<p>Can help to meet short-term service delivery needs where state capacities are weak.</p> <p>Can support citizen engagement and effective channels of participation for marginalised groups.</p> <p>Can foster innovation in service delivery. Flexibility in design.</p> <p>Quick wins.</p>	<p>Can undermine strengthening of government systems.</p> <p>Can undermine transparency and domestic accountability.</p> <p>Can raise social expectations beyond state capacity, fuelling frustration.</p> <p>Can happen in an under-regulated environment.</p>

expected to build state capacity and deliver public goods and services in a timely manner simultaneously. Start-up time and costs are often underestimated and most MDTFs have failed to provide adequate management and technical personnel on the ground. Funds can also be pooled in ways that make fuller use of partner countries' systems. Pooled funds can be used to finance narrowly-defined activities or, as in the case of a sector-wide approach (SWAp), a more comprehensive sector programme.

**Fourth, beware of bypassing mainstream government institutions and creating a “dual public sector”** (OECD, 2010a). Establishing parallel systems for aid delivery not only undermines long-term capacity and organisational building; it also challenges the very heart of government accountability (Box 4.1). Transferring political and budgetary authority to the host government as soon as practicable is essential for both ownership and accountability. Building key capacities linked to effective budget management and execution helps to achieve service delivery goals and enhance government legitimacy.

**Fifth, adopt gradual strategies to deliver sector and general budget support and provide early assistance to build required capacities and safeguards.** Sector support approaches have contributed positively to capacity creation within the state and, where done well, have had a positive impact on political processes and state-society relations (OECD, 2010a). Sector-wide approaches (SWAp) provide a context for mixing a range of types of development partner support within a common framework against an agreed set of principles. They can also bring together the work of state and non-state actors, which is vital where capacity is weak or fragmented on the government side (Box 4.2).

Budget support operations, on the other hand, provide an opportunity to consolidate and co-ordinate external partners around a common, government-led programme. This is particularly important during a transition out of conflict, which is often characterised by significant increases in the volume of external assistance, a heavy policy and reconstruction agenda, and limited government capacity to manage external partners effectively. Design of a common budget support programme, backed by a wide range of external partners, can help the government take ownership and assert its leadership of the development agenda, and reduce the risk of policy drift arising from multiple bilateral discussions. It is nevertheless important to be aware of the risks involved and to find ways to mitigate and manage them. Development partners should also establish safeguards to prevent the misuse of funds and to build appropriate capacities to ensure a sustainable and credible management of such programmes.

**Sixth, work with civil society actors and find appropriate instruments to channel resources to them.** Supporting civil society activities, alongside and outside the state, can be an important counterpart to funding through state mechanisms. These should avoid creating parallel systems but could, for example, support goals such as advocacy for transparency and accountability that generally cannot be achieved if all action is through the state. In general, these funding instruments will contribute more to the development of a proper social contract if they can be used to support relatively small-scale activities. To avoid high transactions costs and, at the same time, avoid creating a grant-based unofficial local bureaucracy, development partners are best advised to channel these funds through international NGOs when these can act with the necessary flexibility and conflict sensitivity.

**Seventh, be alert to the timing and predictability of financial flows. Monitor the impact of aid dependency on domestic resource mobilisation.** Early investments in economic recovery may not reap immediate rewards; delaying intensive spending until core economic institutions are established is likely to be more effective. Experience from conflict situations suggests that post-conflict cycles tend to affect absorptive capacity

### Box 4.1. Project implementation units: Choosing between short-term results and longer-term capacity development

All stakeholders, development partners included, agree that parallel project implementation units represent one of the most problematic areas of development partner practice, creating a parallel public administration system where development partners take decisions on appointments and accounting relationships. Although development partners largely agree that PIUs (project implementation units) are necessary in some fragile situations, particularly in the early recovery stage, their use can lead to exclusion of government from its normal functions – such as in Afghanistan, where an international development partner has almost entirely taken over the Ministry of Defence functions. Because they offer few possibilities for civil society or media oversight, they can also have a negative influence on state-society relations. When they provide services, they can also undermine the relationships between central and local authorities. Despite pledges in the Paris Declaration to reduce parallel PIUs, their numbers are actually increasing in some countries, such as the Democratic Republic of Congo (DRC) where the current number of 146 is four times what it was in 2006. Some development partners have suggested endorsing the formation of PIUs within state ministries as an intermediate measure, but there is fear that this could lead to their deeper institutionalisation.

### Box 4.2. SWAps as a positive contribution to statebuilding

The Government of Nepal’s “Education For All” programme began in 2004 and will continue until 2009. It focuses on primary education, and uses a pooled fund to finance and manage around 25% of the programme. Denmark, Finland, Norway, DFID, the World Bank, the Asian Development Bank (ADB) and UNICEF support the EFA programme through a joint funding pool that provides sector budget support, earmarked to the overall EFA expenditure programme. Development partners harmonise around a joint financing arrangement (JFA), which commits pooling development partners to “alignment with the budgetary and accountability systems and legislation of Nepal”. Development partners have adopted a SWAp to support the Local Governance and Community Development Programme (LGCDP). It will adopt a flexible approach in terms of delivery modalities and include mapping of disadvantaged groups, a social mobilisation approach and public hearings.

In Bolivia, development partners are starting to explore a SWAp in the education ministry. In Rwanda, SWAps have been implemented in the health and education sectors, and now the country is designing the first SWAp in an energy sector anywhere in Africa. In the DRC, development partners note that the ministries responsible for health, education and infrastructure have made much faster progress than other sectors in developing draft sectoral strategies and medium-term budget frameworks. Today, these sectors appear to be receiving more aid to help ministries consolidate their policies and take more ownership of the aid agenda. These programmes all tend to reduce transaction costs in dealing with development partners; build capacity within the state for planning, budget management, monitoring and evaluation; and (often) promote new channels of interaction between social groups and the state. They maintain decision-making processes within the state and therefore have neutral or positive impacts on political processes.

*Source:* OECD (2010a).

and aid tends to be most effective two to four years after the end of conflict. By contrast, development partners tend to rush in with aid immediately after a conflict and then to pull back flows in the third and fourth years. Delivering too many resources too soon can overwhelm statebuilding efforts in the short run while starving them of critical resources over the medium to long run. Aid inflows can also reduce local tax effort unless equal attention is given to developing national revenue plans as part of national development strategies. Working towards greater predictability through medium-term aid frameworks can create a more stable platform from which to deliver statebuilding support.

## 2. Align technical assistance with statebuilding objectives

There are many challenges with providing technical assistance (TA), particularly in fragile situations where the very conditions needed to make TA work tend to be weak or absent (*i.e.* reasonable pay levels and working conditions, a modicum of information and management systems, and some processes for the merit-based selection of qualified local personnel). It is also common for TA projects to pepper the entire institutional reform landscape but without much co-ordination and often without much impact. At the same time, if framed and managed properly, technical assistance can not only help restore state functions but also support the development of human resources and contribute positively to the statebuilding process. The following considerations should be taken into account.

**First, see TA personnel as an important “ingredient” in developing country capacity but recognise that it can also negatively impact state legitimacy.** Development partners need to ensure that this perspective is applied systematically throughout the design, implementation and review of interventions. This includes having a long-term vision of where the TA personnel fit into the change agenda, for example by linking it to locally driven processes of institutional and civil service reform, identifying the kinds of knowledge and techniques to be used and the implications of those choices.

**Second, pay more attention to the balance between long-term and short-term technical assistance.** Programmes to build state capacity need to be able to rely on long-term technical assistance in their initial phases. To be effective, consultants need time to learn about local conditions, build relationships with public servants and eventually transfer skills. Frequent missions by short-term experts may do harm to statebuilding by placing high demands on overburdened counterparts (OECD, 2010a). Over time, however, a measure of success of technical assistance is the ability of states to eliminate the need for long-term assistance and increasingly identify their own needs for specific short-term expertise.

**Third, embed technical assistance in national structures as quickly as possible and develop state capacity to manage TA.** When TA personnel are outside of government structures, engagement and ownership by the partner country tend to be low and accountability diffused. Agreeing with national counterparts on the parameters for the delivery of TA may take time. Until then, small, iterative activities are best to give the development partner time to better understand the context and agree with the partner country on where outside assistance can be most useful. Development partners also need to invest more efforts in developing the capacity of state officials to manage technical assistance themselves (OECD, 2010a). This involves creating the capacity to identify the needs for assistance, to consider and choose the consultants to be hired, and to monitor and evaluate their work.

**Fourth, balance the need for immediate capacity with efforts to create capacity within the state.** This means getting right the combination of (on the one hand) emergency



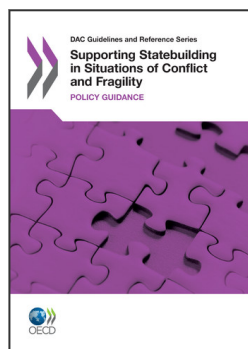
gap-filling actions, which help organisations to respond to political pressures for action, and (on the other) a longer-term focus on transferring skills and developing national capacity such as leadership and management of human resources reforms in government departments. Defining benchmarks to identify the competencies nationals require to take over is helpful as long as these take into account the country context, including the kinds of personnel available (Box 4.3).

#### **Box 4.3. Transition from “doing” to “supporting” in the Auditor General’s office – Solomon Islands**

By 2003, the Office of the Auditor General (OAG) in the Solomon Islands had a staff of three compared to 28 in 1978. Like other accountability institutions it had been starved of funding, and it was critical to restore its authority by sending a clear message that those in public office would be held to account for monies and responsibilities allocated to them. The initial technical assistance supplied by the Regional Assistance Mission to Solomon Islands was focused on direct interventions to clear the backlog of audits and hence send the message. Current TA is more focused on helping Solomon Islands team members to diagnose problems and think through a range of possible solutions. The transition from one to the other was based on an understanding that while the product is important, it is supporting the emergence and consolidation of the process that leads to a product that is likely to hold the key to a resilient and competent OAG.

*Source:* Bailey (2009).

**Fifth, increase the co-ordination of TA** by avoiding fragmentation into small projects of excessively short duration and strengthening existing development partner co-ordination mechanisms for TA activities. The latter can be done by establishing groups of “concerned development partners” in charge of facilitating TA co-ordination in specific sectors or organisations, and providing funding with a medium-term perspective and, where appropriate, through pooled funding mechanisms (Michailof, 2007). Finally, co-ordination of TA will improve by transferring task management responsibilities for TA (including monitoring) to the field.



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