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Contents

Chapter 1 Beyond the continuum: an overview of the changing role of aid policy in protracted crises 1
Joanna Macrae and Adele Harmer
1.1 Overview and introduction 1
1.2 Linking relief and development: the first generation of debate 2
1.3 Aid in protracted crises: the second generation of debate 4
1.3.1 Linking relief, development … and security 4
1.3.2 Security, selectivity and 'poorly performing' countries 5
1.3.3 Development beyond the state: testing the limits of sovereignty 6
1.4 Engaging in crisis: trends in development aid spending in protracted crises 8
1.5 Old wine, new bottles? 9
1.6 Conclusions and implications 10

Chapter 2 The changing role of UN political and development actors in situations of protracted crisis 14
Bruce D. Jones
2.1 Background 14
2.1.1 Protracted crisis: a separate category? 14
2.1.2 How does the UN make policy? 15
2.2 UN policy and practice in 'transitions' and protracted crises 16
2.2.1 A first flush of success 16
2.2.2 The policy effects of failure 17
2.2.3 Carrying on, and renewed development interest 17
2.3 The coordination debate 18
2.3.1 Development–humanitarian coordination 19
2.3.2 Strategic coordination: political–humanitarian–development linkages 20
2.3.3 New roles for new actors: strategic coordination with the World Bank 21
2.3.4 Conclusion: transitions debates revisited 22
2.4 Unresolved policy issues 23
2.5 Developments since 9/11: crisis mitigation in a unipolar world 24
2.5.1 Changing US security approaches 24
2.5.2 Staff security 25
2.5.3 Humanitarian independence 26
2.5.4 Nation-building redux 26
2.6 Conclusion 27

Chapter 3 Bridging the gap? The international financial institutions and their engagement in situations of protracted crisis 28
Adele Harmer
3.1 Introduction 28
3.2 Mandates, financing, governance and constitutional issues 28
3.2.1 Mandates 28
3.2.2 Financing 29
3.2.3 Governance 29
3.3 Policy processes and agenda-setting 30
3.3.1 External and internal pressures 30
3.3.2 Policy-led or operationally driven? 31
3.4 The evolution of policy towards protracted crises 31
3.4.1 The beginnings: natural disasters and exogenous shocks 31
3.4.2 The challenge of engaging in failed states 32
3.4.3 The shift towards the economics of conflict resolution 32
3.4.4 Evaluating policy and operational responses 33
3.4.5 Deepening engagement: a conflict-prevention role for the Bank 34
3.4.6 Engaging for the duration: Low Income Countries Under Stress 34

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3.4.7 LICUS and conflict countries: an arranged marriage? 35
3.4.8 The Fund and the challenges of engaging in LICUS 35
3.5 New instruments and flexible modes of engagement 36
3.5.1 Investing in knowledge products 37
3.5.2 Strategic engagement 37
3.5.3 Lending and grant facilities: the reliance on Trust Funds 37
3.5.4 Planning and needs assessment 39
3.5.5 Service delivery and social protection 39
3.5.6 Coordination 40
3.6 Challenges and issues ahead 41

Chapter 4 The changing role of US aid policy in protracted crises **42**
Carol Lancaster and Susan Martin
4.1 Introduction 42
4.2 The recent history of US aid 42
4.3 The architecture of US foreign aid 42
4.3.1 The architecture of humanitarian assistance 44
4.3.2 Relief and development in USAID 45
4.4 Humanitarian assistance in protracted emergencies 45
4.4.1 Developmental relief 45
4.4.2 Solutions to displacement in protracted humanitarian crises 47
4.5 US development policy 48
4.5.1 Changes in development aid and its funding 48
4.5.2 Aid, development and US foreign policy in the Bush administration 50
4.6 The sources of change 51
4.7 Future directions 52
4.8 Implications for humanitarian responses to protracted emergencies 52

Chapter 5 Financing countries in protracted humanitarian crisis: an overview of new instruments and existing aid flows **54**
Judith Randel with Maya Cordeiro and Tasneem Mowjee
5.1 Introduction 54
5.2 New instruments 55
5.2.1 The rationale for new instruments 55
5.3 Financing patterns to countries in protracted crisis 59
5.3.1 Caveats to the data 59
5.3.2 Total aid flows to selected countries in protracted crisis 60
5.3.3 Regional trends 61
5.3.4 Aid per capita 61
5.3.5 Types of aid to countries in protracted crisis 62
5.3.6 Which are the main donors to countries in protracted crisis? 65
5.3.7 Channels and sectors 66
5.4 Conclusions 69

References **71**

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Chapter 1
Beyond the continuum: an overview of the changing role of aid policy in protracted crises

Joanna Macrae and Adele Harmer

1.1 Overview and introduction

This report is the third in an annual series produced by the Humanitarian Policy Group that has sought to analyse key trends in the humanitarian sector. Previous years' reports have focused on the changing relationship between humanitarian action and political responses to conflict-related crises, and on the implications of the global war on terrorism for humanitarian action.[1] This year's review of trends examines how the international development aid system is becoming increasingly engaged in situations which, for many years, have been seen as largely the preserve of the humanitarian community. It reviews the changing relationship between the ideas, instruments and financing of the humanitarian system and of mainstream development cooperation in situations of protracted crisis.

There is no universally agreed definition of 'protracted crisis'. Associated initially with long-duration armed conflict in countries such as Sudan, Somalia and Afghanistan, the term has also been applied to situations of diplomatic and political crisis, such as the Israeli–Palestinian conflict. This paper defines protracted crises to mean those environments in which a significant proportion of the population is acutely vulnerable to death, disease and disruption of their livelihoods over a prolonged period of time. The governance of these environments is usually very weak, with the state having a limited capacity or willingness to respond to or mitigate the threats to the population, or provide adequate levels of protection.

In the past, the lack of trust between the government and international assistance actors has created difficult environments for the delivery of traditional development assistance. However, there is a growing consensus within the international community, and the development aid community in particular, that disengagement from protracted crises, including conflict-affected and 'failed' states, is no longer an option (OECD-DAC, 2002; World Bank, 2002a). Rather than relying upon humanitarian aid as the primary instrument for international aid engagement, development aid actors are expanding their capacity to mobilise, coordinate and disburse resources, as well as set the policy framework for interventions in protracted crises. This report aims to document and analyse the implications of this trend.

This chapter introduces and synthesises the findings of the background papers commissioned by the study, and reproduced as chapters in the report. In Chapter 2, Bruce Jones examines the evolution of the UN's capacity to respond to situations of protracted crisis. The evolving role of the international financial institutions (IFIs), the World Bank and International Monetary Fund (IMF), is reviewed by Adele Harmer in Chapter 3. Chapter 4, written by Carol Lancaster and Susan Martin, examines the role of the US as the major donor and dominant geopolitical actor in situations of political crisis. In Chapter 5, Judith Randel reviews available data regarding trends in financing aid responses to situations of protracted crisis, and provides an overview of some of the instruments that have been developed by aid administrations to enhance their engagement in these environments. Additional research reviewed European Union (EU) policy, and this is available in electronic form (Mowjee, 2004). This chapter draws on these contributions, and places them within a wider review of the literature concerning the evolving debates around linking relief and development.

The remainder of this chapter comprises five parts.

Section 1.2 provides a brief background to the 'first generation' of discussion on aid in protracted crises during the 1990s. Concerned with the idea of 'linking' relief and development, this period was important in rehearsing some of the main dilemmas and in generating new aid instrumentation. Despite some innovation, it proved unable to respond fully to the rapidly changing context in which aid policy-makers found themselves in the latter half of the decade.

Section 1.3 describes the emergence of 'second generation' thinking on aid in protracted crises. While there remain many important elements of continuity between the debates of the 1990s and more recent approaches, there have also been important innovations. These are resulting in a significant increase in the capacity of development aid agencies to mobilise, disburse and coordinate aid spending

1 The reports are: Macrae, J. (ed.) (2002) *The New Humanitarianisms: A Review of Trends in Global Humanitarian Action*, HPG Report 11. London: ODI; and Macrae, J. and A. Harmer (eds) (2003) *Humanitarian Action and the Global War Terror: A Review of Trends and Issues*, HPG Report 14. London: ODI.

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and set the policy framework in some of these difficult environments. This section examines the extent to which these second generation responses overcome the obstacles that were encountered a decade earlier, and so provide a more convincing shared framework for dialogue and closer working relations between the humanitarian and development community.

Section 1.4 reviews the evidence that the scale of development aid financing is expanding in situations of protracted crisis, and attempts to determine the nature and scope of this spend and the geographic and sectoral priorities. It examines the potential for a significant expansion in aid flows to countries experiencing protracted crises. It cautions, however, that it will be important to ensure that increases in global aid funds benefit countries experiencing protracted crisis proportionately, according to assessed levels of need. It will also be important to develop enhanced reporting procedures, so that it is clear how the international community is engaging in these environments, and where aid funds are prioritised.

Section 1.5 examines the tactical and strategic differences that remain between the development and humanitarian communities, and asks how far these are fundamental and structural, and how far they merely reflect a strained and antiquated aid architecture.

Section 1.6 concludes the chapter. It summarises the key innovations in international aid policy in protracted crises in recent years, and ends with a brief discussion of the implications of the analysis for both humanitarian and developmental practitioners.

1.2 Linking relief and development: the first generation of debate

During the 1990s, aid actors became increasingly interested in the ways in which relief and development approaches could be better linked. Much of the discussion stemmed from experiences in natural disasters. While the early academic literature primarily focused on the challenges of linking relief and development strategies *per se*, it became coined a relief–development 'continuum'. The approach sought to identify complementary objectives and strategies in relief and development aid. Part of the rationale behind the debates was that good development aid would help to reduce communities' vulnerability to the effects of natural hazards, providing investment, for example, for water conservation or flood control measures. It would also enable populations to build up assets on which they could draw in the event of crisis. Equally, used sensibly, relief aid could protect assets and provide the basis for future development work. For example, food for work could be used to generate employment, releasing resources for food purchase, and also enabling investment in infrastructure, such as roads, which could yield long-term development gains. Implicit in the 'continuum' idea was that relief should be seen not just as a palliative but also as a springboard for recovery, and the development of more resilient and more profitable livelihoods. In this sense, the continuum embodied the 'progressive' ethos of development.

While framed initially with regard to aid programming in response to natural disasters, in particular drought and floods, these ideas were steadily adapted to respond to the demands of conflict-related crises, often described as complex political emergencies (Duffield, 1994). This shift was premised on some of the same goals as that of natural disasters: that relief actors should adopt developmental approaches in long-duration conflicts. However, the process of adaptation also relied on another set of ideas, which had a long history within development aid.

First, the origins of conflict could be located in part in underdevelopment. The reframing of the relief–development discourse assumed that aid (particularly development aid) could be used to *prevent* conflict, by addressing grievances and reducing economic instability. This idea had guided the founding of the main pillars of the development community and the UN after the Second World War. During the 1990s, the potential influence (positive and negative) of relief on conflict was also recognised, and there has been growing interest in the role of humanitarian aid in peacebuilding (Lange and Quinn, 2003; Keen and Wilson, 1994; Anderson, 1996).

The second key premise upon which the 1990s 'continuum' model was based was that crises, particularly conflict-related ones, were essentially transitory phenomena, short interruptions to an otherwise progressive, state-led process of development (Duffield, 1994; Macrae, 2001). While this was not a shared view – and some approaches to linking relief and development critically addressed the issues of 'emergency as norm' (Buchanan-Smith and Maxwell, 1994) – it did influence much of the policy formulation. Historically, the development (and relief) architecture had been designed to enable war-affected countries to restore their capacities to function as states. The mechanisms for doing this were various, including regenerating the economy and rebuilding public institutions.

This resonated well in the early 1990s, with the end of the Cold War and efforts to resolve proxy wars in Central America, Africa and Asia. Experiences of 'post-conflict rehabilitation' were pivotal in debates regarding how to better link relief-rehabilitation and development aid efforts. Drawing on these experiences, the mid-to-late 1990s saw a range of initiatives within the aid community designed to enhance the quality of the

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response to protracted crises, particularly in conflict-affected environments (Brookings, 1998; UN, 1998). The challenge for aid was seen in this period as primarily managerial.

There was also a concern to ensure that the instruments of international engagement avoided creating dependency, particularly on food aid, and contributed to revitalising and protecting people's livelihoods (see Hammock and Lautze, 1996): in other words, exploring how relief might be more developmental and sustainable in its impact. Responding to significant critiques regarding the way in which relief was being delivered, and issues such as the marginalising of national and local capacity, techniques were adopted from development practice, including community participatory approaches, empowerment strategies, capacity-building and vulnerability analysis.

Much of this work, and the discourse around bringing developmental approaches into relief, was driven by multi-mandated UN agencies and NGOs. Other development aid actors were largely absent from conflict-affected environments. Procedures, sanctions and conditionalities inhibited the rapid resumption of significant loan and grant facilities (see Chapter 3). Humanitarian budget lines were uncomfortably stretched to encompass more developmental approaches in situations where donor governments, for political reasons, restricted funding to 'lifesaving' response.

Despite extensive discussion, innumerable committees and a proliferation of research and policy papers in aid departments and organisations, substantive changes in aid responses in protracted crises were limited (see Chapter 2; Mowjee, 2004). Small advances were made, including new types of programmatic work and new approaches to engaging with local authorities, and participation and capacity-building were developed and documented in codes of conduct. Ultimately, however, even in the programmatic realm little progress was made. There were a number of reasons for this.

First, this debate was driven largely by humanitarian policy actors, who remained relatively marginal on the international aid stage, both in terms of the volume of their spending and in their capacity to shape mainstream aid discourse. The debate was also acutely constrained by the bifurcated architecture of the aid system. Unable to overcome the structural limitations of existing assistance mechanisms, and the political distinctions and sensitivities of the relief–development dichotomy, there was little appetite for radical organisational change within the bilateral or multilateral aid communities. Although these cultural and institutional obstacles were subject to important research (Buchanan-Smith, 1994), these issues were not substantially addressed in practice. Rather, incremental and *ad hoc* arrangements provided for moderate adjustments of existing aid instruments (for example, lengthening the project cycles for relief-type instruments; developing trust funds; and increasing the reliance on grant aid), and coordination mechanisms were formed for relief–development policy at country and headquarters levels (see Chapters 4 and 5; Mowjee, 2004).

Perhaps a second reason why the 'linking' debates had little substantive impact was because they had not kept pace with changes in the levels and types of vulnerability in protracted crises. There were shifts in the political economy of conflict, in particular the capacity of states to manage conflict, as well as increasing evidence of a series of chronic and intense threats to development opportunities, stemming from economic pressure, political instability and chronic disease, such as the HIV/AIDS pandemic (Duffield, 2001; Hoogvelt, 2002; de Waal, 2002–2004). In some areas of the world, these trends were reversing gains in life expectancy and other core indicators of human development.

A third potential explanation for the stagnation of this debate was that, despite an apparent increase in emergency aid budgets, the volume of aid actually delivered in these environments remained relatively low.[2] Evidence presented by Randel (Chapter 5) suggests that aid receipts in protracted crises tend to be lower than regional averages. This is because of the combined effect of conditionality or sanctions (resulting in the withholding of development aid), perceptions of high risk and low absorptive capacity, low levels of trust and low strategic interest. Harmer (Chapter 3) reports on a World Bank study on aid allocation to 'poorly performing countries'.[3] The findings reveal that the gap in aggregate flows between low income countries (LICs) and poor performers has increased over the last ten years. In comparison to LICs, 'poor performers' received lower per capita aid. Post-conflict countries in the same category received more aid per capita than non-post-conflict countries. Overall, aid flows to 'poor performers' varied more widely over time than with middle-income and low-income countries (World Bank, 2004b).

Finally, the distinction between relief and development aid was not managerial, but political. Relief aid was deployed in many protracted crises because donor governments wished to avoid engaging with states that were perceived to be repressive or undemocratic, that were belligerents in active conflicts, or that were subject to massive corruption. While development aid was designed to be state-enhancing and to

2 The rate of increase in funds available for operational relief work was much slower than aggregate figures suggest because of the growing level of spending on supporting refugees in donor government countries.

3 Poor performers in this study were defined as low-income and two bottom quintiles of overall CPIA (see World Bank, 2004b).

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buttress national sovereignty, relief aid was premised on state failure (Macrae, 2001; Macrae et al., 2004).

1.3 Aid in protracted crises: the second generation of debate

From the late 1990s, a number of new factors emerged to shape the aid agenda in situations of protracted crisis, and to inform a number of important innovations in the design of policy and programmes. These included:

- a changing focus from linking relief and development to linking aid and security (particularly since 11 September 2001);
- a concern among development aid actors to re-engage in countries potentially excluded from aid. This stemmed from concerns regarding performance, and corresponding pressure from the establishment of the Millennium Development Goal (MDG) benchmarks;
- a steady internationalisation of responsibility for human security and welfare, if necessary conducted outside the framework of the recipient state; and
- a growing convergence between the conceptual frameworks of the development and humanitarian arenas.

1.3.1 Linking relief, development ... and security

The events of 9/11 reinforced the links between aid and security policy. The policy statements of the EU (EC, 2001); the increased pressure on the World Bank to provide assistance in 'failed states' (World Bank, 2002a); the initiative of the Development Assistance Committee of the OECD on 'difficult partnerships' (2002); and the US National Security Strategy (2002) and USAID's White Paper on US foreign aid (2004) all highlight the way in which aid is now expected to contribute to counter-terrorism efforts. While the language of counter-terrorism is largely new, and the specific geographical foci may have shifted to embrace the Islamic world more explicitly, many of the precepts on which such engagement is premised draw squarely on first generation thinking regarding the links between aid and conflict. As underdevelopment, poor governance and economic inequality were highlighted in the causation of conflict a decade ago (see, for example, OECD, 1996), so they are now identified with the origins and causes of terrorism.

The continuity of approach is significant, not least because it enables the 'war on terror' to be framed within a wider agenda of human security (Macrae and Harmer, 2003). This has become more deeply embedded within certain donor governments, and also provides a more neutral framework within which the UN, for example, can approach the aid–security linkage. The human security agenda is exerting a greater influence on the organisation and objectives of international policy in these difficult environments than was the case with the earlier generation of the debate.

Duffield (2004) identifies three core elements of the human security agenda. The first is its concern with the security of people, rather than states, as they confront problems of economic inequality, environmental change and social collapse. Second, the achievement of human security requires an international and multi-disciplinary effort. Third, the state remains the predominant vehicle for ensuring human security, but respect for sovereignty is conditional, not absolute.

The adoption of the human security paradigm by some donor governments, and an explicit move towards more coherent governmental responses, has led to organisational change. This has direct effects on the management of aid in situations of protracted crisis. In Canada, where the human security agenda has been active for over a decade, there have been moves to bring together diplomacy, defence and development policy. In the Netherlands, a Stability Fund promotes an integrated policy-driven approach to situations emerging from, or at risk of sliding into, armed conflict. The Fund implies a shift in objective, from poverty reduction to conflict reduction. In the UK, Conflict Prevention Pools have sought to develop common strategies across government in relation to key conflicts, drawing on a common pool of funds and a diverse range of instruments (see Chapter 5). The Australian-led intervention in the Solomons in 2003 drew on various arms of the Australian government to deliver assistance, including departments less familiar with international responses to crises, such as Finance and Treasury. In the US, a taskforce has been established to examine a more coherent approach to the US' post-conflict capabilities (Council on Foreign Relations, 2004). The integration of the Office of Food for Peace into the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) has brought about significant change, including the decision that fragile, failing and failed states should be the organising principle for the Bureau. In a radical departure from earlier approaches, the distinction between development and emergency food assistance in these environments will no longer be observed (Office of Food for Peace, 2004). In other words, a range of donor governments have recognised, organisationally at least, that poverty reduction alone will not deliver conflict reduction, and that there is a need for the more systematic linkage of investment in 'soft' and 'hard' security approaches (Kaldor, 2002; Duffield, 2003).

Alongside this, an appeal to the potential links between migration, refugees and security has seen increasingly restrictive international refugee policy, and the containment of large refugee movements (Macrae and Harmer (eds), 2003). High-level discussions within the EU regarding the establishment of asylum camps in West Africa, a joint initiative between Australia's aid agency and

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the Immigration department to combat illegal migration as part of counter-terrorism assistance and a Danish aid initiative to respond to 'domestically inspired priorities', which includes immigration, are all suggestive of a trend to ensure more coherent governmental approaches to national and international security (Heldgaard and Anderskouv, 2004).

In the aid arena more specifically, the *objectives* of aid have been focused on security.[4] In brief, the agenda is no longer only or primarily how to 'link relief and development', but how to integrate aid and security. The OECD DAC has adopted a policy statement on security system reform, which identifies violent conflict and widespread public insecurity and fear as one of the primary causes of poverty (OECD DAC, 2004). The policy calls for a whole-of-government approach, both in the partner country and on the donor side, engaging civilian departments, the police and the armed forces. This aims to treat security systems in a coherent manner, including the functioning of police and justice systems, civilian control of the armed forces and the protection of human rights. The statement signals changes in Official Development Assistance (ODA) definitions that expand its range of activities into the security domain (OECD, 2004).

The securitisation of the aid agenda could have significant and potentially positive implications for populations living in situations of protracted crisis. Renewed attention is being given to countries such as Afghanistan, which had slipped off the international agenda, including the aid agenda. However, the allocation of such resources will be in line with the strategic priorities of donor countries, and these do not necessarily correlate with relative levels of need. In other words, the well-observed concentration of aid resources (developmental and humanitarian) on selected, high-profile crises is likely to continue, and perhaps to deepen, as the security agenda becomes more pressing and entrenched in aid decision-making (see Chapter 5; Randel and German, 2003).

1.3.2 Security, selectivity and 'poorly performing' countries

During the 1990s, consensus grew within the official development community that aid worked best in countries where the government embraced liberal economic policies (Dollar and Burnside, 1997). Reinforced by a generation of activists who had been critical of aid allocations to governments that had poor records on human rights (Clapham, 1996), the idea of concentrating aid on countries that were performing 'well' was seen as a means of enhancing aid effectiveness. Subsequent work (Hanson and Tarp, 2000; Easterly, 2003) has suggested that aid achieves worthwhile benefits even where the policy and institutional context is less favourable.

In the wake of the international conference on Financing for Development in Monterrey, Mexico, in March 2002, donors committed to a substantial increase in ODA. Some pledges have been translated into programmes. Lancaster and Martin (Chapter 4) discuss the US government's Millennium Challenge Account (MCA), which is to disburse an additional $5 billion in new grants annually. MCA funds will be allocated to countries that perform best across 16 criteria, including progress on good governance, health and education and the possession of liberal economic and market policies (Millennium Challenge Account, 2004). Within the EU, the Cotonou Agreement, which governs EU aid allocations to African, Caribbean and Pacific countries, has for the first time allowed aid provisions to be linked to countries' performance.[5]

These types of initiative are designed to encourage governments to deepen their commitment to pro-poor development and human rights, and to tackle corruption in the management of public funds (including aid funds). As such, they reflect a concern to maximise the effectiveness of aid by concentrating spending where it is most likely to produce returns. However, this strategy is problematic in that, almost by definition, it risks excluding those populations who are most vulnerable and in greatest need of support. Thus, while selectivity might deliver on requirements to maximise aid effectiveness, it may run counter to other policy objectives, including contributing to security and ensuring that the very poorest can benefit from development assistance. These risks have been recognised in recent years.

Within the development aid community, there has been growing consensus that disengaging from those countries that fall outside of these selectivity strategies is not an option. Pressure has increased on mainstream development actors to engage more and earlier in these 'difficult' environments (Macrae et al., 2004). This has been driven partly by security concerns, and partly by the benchmarking of the MDGs.

In the case of the international financial institutions (see Chapter 3), there was also a recognition that excluding 'poorly performing' and conflict-affected countries from partnerships with the World Bank was not always in the best interests of business: the evidence that a third to a half of the Bank's borrowers were in conflict-affected countries was influential in decision-making. If the Bank was to 'wait until the war was over', it might have to radically rethink the prospects for assisting nearly half of its borrowing clientele. Equally, crisis-affected countries were often

4 See Randel (Chapter 5) regarding Dutch aid to Rwanda, for example.

5 The programme is being reviewed in 2004.

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highly indebted. Donor governments have sought to maintain IFI engagement in these environments, and have settled the arrears of some poor performers in order to secure this.

As Chapter 3 explains, the World Bank has been at the forefront of efforts to find ways of delivering effective aid in difficult environments (World Bank, 2002a). While the Bank has exerted perhaps the strongest and earliest leadership in this area, investing particularly in establishing a conceptual and empirical basis for its work, other major development aid actors have also demonstrated a growing interest in how to work more effectively in 'poorly performing' countries. The DAC published a paper on 'Difficult Partnerships' in 2002, and has been working with the World Bank on aid coordination in these environments. Within the bilateral aid community, the US, the UK, Australia and Canada have all been active in attempts to identify new approaches to engagement. Rather than disengage or circumvent the state in these difficult environments, Australia's response has been to perform the functions of the state itself. So, for example, in the Solomons and Papua New Guinea Australian bureaucrats have been placed in management positions in key central agencies (AusAID, 2004). For the US, as Chapter 4 describes, this issue has become particularly important in the light of the strong linkages being made between aid and security in the country's National Security Strategy (White House, 2002). Thus, while the MCA will focus on 'good performers', USAID will be left to respond to the large caseload of 'poor performers', as well as humanitarian crises and transition in protracted crisis countries.

It is possible to discern the beginnings of what is likely to be a broader trend towards increasing diversity and differentiation of development aid strategies in protracted crises. On the one hand, there are the familiar instruments and budgets accessible to countries that are performing well. On the other, there are new tools and forms of engagement in countries whose governments are seen as unlikely to prove effective and legitimate partners. In some circumstances, this represents an expanded version of an old reality, whereby humanitarian aid constitutes a primary resource in 'poorly performing' countries. There are some important differences, however, which relate to the changing dimensions of second generation aid debates.

First, in contrast to traditional relief modalities, the instruments being designed by developmental actors to engage in 'poorly performing' countries seek to provide more than a palliative. They are concerned with promoting political transformation (see Chapters 2 and 3). This rationale is underpinned by the belief that positive political change, characterised by respect for human rights, good governance and economic liberalisation, will promote development.

Second, in contrast to some of the iterations of the relief–development 'continuum', the 'poorly performing' countries agenda is not premised on the rapid resumption of a 'normal' development trajectory. Rather, what is at issue is how to sustain engagement in difficult environments, possibly over long periods of time. Debates regarding 'poorly performing' countries signify an acknowledgement within the development community of the *durability* of disorder and crisis, and the high risk associated with aid engagement in these environments.

Third, there is increasing recognition that, for development aid actors, the problem of 'poorly performing' countries is largely one of state formation and functioning. Almost by definition, the majority of very poor developing countries perform badly in terms of development outcomes, such as poverty, health and education. What differentiates Tanzania, Mozambique and Ghana from Zimbabwe and Somalia is not their poor development outcomes, but the behaviour and quality of their state institutions (or lack thereof). This is problematic for much of the development aid community because it relies upon the presence of a legitimate and functioning state and institutions of government (Macrae et al., 2004). For international NGOs, with both development and relief mandates, engagement may not necessarily have been state-reliant, but it was dependent on donor government support, and thus partner agencies developed responses that involved 'stretching' humanitarian resources into more developmental strategies. Perhaps one of the most significant shifts emerging from current debates regarding the role of development aid financiers (donor governments and the IFIs) in situations of protracted crisis is the increased interest in engaging with *populations*, if need be circumventing the state to deliver assistance.

1.3.3 Development beyond the state: testing the limits of sovereignty

One of the primary challenges facing both generations of thinking regarding 'the links between relief and development' is the thorny issue of how to shift from strategies that are state-avoiding (relief) towards more developmental strategies that rely on the state as a partner. The aid transition requires a shift in judgement on behalf of both donor and operational agencies regarding the legitimacy of the incumbent authorities. Jones (Chapter 2) states the problem succinctly: given that traditional development policy at the UN was also about governments, about partnerships with them, aid to them and coordination by them, the idea of doing development in a context of authority crisis is inherently contradictory.

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The mid-to-late 1990s saw a significant shift in approach by the development community to the problem of dealing with states perceived to be corrupt or repressive. Attempts to influence the behaviour of governments by threatening to withdraw aid were seen not to have been particularly effective. This prompted a change in tactics away from a heavy reliance on conditionality towards increasing emphasis on *partnership* (World Bank, 1997; Booth (ed.), 2004). In terms of aid instrumentation, this meant an increasing reliance on budget support and sector-wide approaches. Poverty Reduction Strategy Papers (PRSPs) have become the primary vehicle through which recipient governments, in consultation with civil society, can demonstrate their concern for pro-poor development, and so access resources in support of the national budget. Typically, based on wide-ranging analytical material regarding the nature and scope of poverty, consultation with civil society and negotiation with donors, PRSPs constitute the policy framework against which the majority of the large development donors now seek to provide support for public expenditure through the national budget.

These state-focused mechanisms make a sharp distinction between countries where a high degree of trust prevails, and countries where it does not. Where trust does not prevail, potential routes are to adapt existing processes such as PRSPs, by building in additional checks and balances or by adopting an incremental or partial approach to their establishment (Hilker-McLean et al., 2002). There have also been important innovations to enable countries that have been excluded from conventional aid partnerships to normalise their development aid relations, and new mechanisms have been found to enable lending to resume quickly to states that are in arrears to the IFIs, as is the case in some conflict-affected countries. Trust funds have emerged as an attractive option for donors in assisting countries in arrears.

The increasing capacity of the major financial institutions and international donors to normalise assistance in crisis-affected territories and countries is an important and positive step forward in terms of aid engagement. It has the potential to contribute to the capacity of national institutions to resume or assume responsibility for the provision of basic public services, and to provide for basic welfare safety nets. These are very much humanitarian concerns. However, the extent to which the rapid resumption of assistance does in fact translate into improved access to basic goods and services is, of course, an open question. The resumption of conventional forms of development aid relations also raises familiar questions regarding the way in which aid actors manage the potential tensions between being both partners and critics of governments. If governments are still engaged in major hostilities and/or accused of major violations of human rights, how should development actors position themselves? At present, the PRSP framework has little space for such considerations, and there has been little thinking regarding whether and how it is appropriate to apply interim or full PRSPs in situations of active conflict (Hilker-McLean et al., 2002). The World Bank has begun to conduct some analysis in this area, and the experience of the humanitarian community in developing principles and rules of engagement may offer useful lessons.

International development agencies and donors are also examining the potential for non-state actors to disburse funds where the state is considered an unsuitable partner. The World Bank has given grants to a diverse range of organisations, such as the Red Cross and the Red Crescent, the ICRC, international multi-mandated NGOs and small, local community-based organisations. The World Bank is also piloting options for 'Independent Service Authorities'. This seeks to provide a means of sustaining support for public services, such as health and education, where the capacity of the state to finance and organise these functions is critically compromised. The concept involves the creation of a pool of international funds which would be managed by an international body, such as the World Bank, which would then sub-contract a range of non-state actors, including district authorities, NGOs and private contractors (World Bank, 2002a). This idea has proved controversial, and sub-contracting health services in East Timor and Afghanistan has raised questions about sustainability and delivery capacity. Jones (Chapter 2) describes how similar attempts by the UN, specifically UNDP, to work around the state, in particular through community-based and local government bodies, have faced fierce resistance from G-77 countries for fear that they undermine respect for sovereignty.

There is a genuine dilemma here. On what basis, according to what principles and under whose authority, are decisions made about the prioritisation of need and the allocation of resources? To whom are international decision-makers accountable? This governance gap has long been familiar in relation to humanitarian assistance. Alex de Waal (1996; 1997) has argued, for example, that by circumventing national political processes, international humanitarian actors undermine the ability of national authorities and non-state actors to take responsibility for the welfare of the people living under their control. De Waal argues that humanitarian actors take on roles that they have neither the legitimacy nor the capacity to fulfil. The agenda concerning aid in 'poorly performing' countries is increasingly concerned with how the provision of basic social services can be used to reinforce state–society relations, and to promote trust and legitimacy (World Development Report, 2004; Goetz, 2004). Much more problematic is how to decide when it is appropriate to start to invest in that relationship, and

CCRDA

what to do when state authorities show little desire to invest in the social contract.

1.4 Engaging in crisis: trends in development aid spending in protracted crises

As Randel (Chapter 5) makes clear, measuring the levels and types of spending in protracted crises is a difficult business. Leaving aside the question of defining such contexts, there remain real difficulties in accounting for aid in protracted crises. There are inconsistencies between donors and within donor administrations over whether official aid is counted as emergency or development aid. The familiar difficulties also persist in trying to examine the channels through which aid is disbursed, making it hard, for example, to understand globally and empirically the most significant channels for the disbursement of assistance in these environments. There are also difficulties in identifying what official aid is being spent on. Is it spent largely on meeting basic needs? Or are there shifts emerging in favour of governance, peace support and security sector reform? Enhanced statistical reporting would provide a more robust basis for monitoring policy in this area.

Despite the weaknesses of the data, it is possible to discern some broad trends in relation to aid flows and disbursements. There is evidence to suggest that the shifts in the policy environment described above – an increased concern for security, a desire to maintain engagement in 'poorly performing' countries – are resulting in increased spending and activity by development aid actors.

Perhaps the most significant point to emerge from a review of financial trends in this area is the sheer size of development aid funding in situations of protracted crisis, relative to humanitarian aid budgets. According to preliminary data, total DAC ODA in 2003 reached $68.5bn, the highest level ever, both in nominal and real terms (though one of the major factors behind the real-terms rise was the start of reconstruction aid to Iraq).[6] In late 2003, the World Bank had over 80 projects totalling $5.5bn in 13 conflict-affected countries. This on its own is nearly equivalent to the entire official humanitarian aid budget for 2001 ($6bn). The EU has spent surprisingly high levels of development funds over the past decade in countries such as Afghanistan, Angola and Somalia.

The commitments made at Monterrey, together with other programmes such as the US Emergency Plan for Aids Relief, the UK government's proposal for global bonds and the Global Fund for AIDS, TB and Malaria, mean that there is the potential for global development aid budgets to grow significantly in these environments in the future. If the promises from Monterrey are fulfilled, ODA would rise by $16bn or 31% in real terms by 2006 (World Bank and IMF, 2003).[7] While selectivity will persist and strategic interest will remain a priority, the volume of development aid spending in countries that are the primary concern of the humanitarian community is likely to increase. This is significant because, on the whole, countries experiencing protracted crises have historically received less aid per capita than their regional average. As noted earlier, World Bank data reveals that the gap in aggregate flows between low-income countries and 'poor performers' has increased over the last ten years; overall, 'poor performers' (non-post-conflict) received 14% less per capita aid than post-conflict countries (World Bank, 2004b). Moreover, as with development and humanitarian aid flows generally, a small number of countries receive the bulk of aid spending. In the group of protracted crisis countries this report examined, Afghanistan, Ethiopia and the DRC dominated developmental spending.[8] This implies that optimism concerning potential increases in spending to countries in protracted crisis should be tempered by the caveat that these resources might be concentrated on a selected subset of these countries.

To a large extent, development assistance actors have relied upon existing instruments and budget lines to engage in these environments. Budget support has been provided to some countries suffering from protracted crises (Hilker-McLean et al., 2002). There remains a heavy reliance on multilateral channels, including the UN and the World Bank, although the precise scale of this dependence remains difficult to measure. As noted above, there has also been a significant increase in the use of trust funds. Over the last decade, the IFIs have increased their capacity to administer trust funds on behalf of other multilateral agencies and bilateral donor governments. In the period 2002–2003, funds held in trust at the World Bank rose from $5.33bn to $6.89bn, a 30% increase. The contributions to this report make clear that there have also been important bilateral donor innovations in terms of aid instruments in these environments, such as the EU's 'humanitarian plus' modalities, the UK's Conflict pools and the Dutch Stability Fund (see Chapter 5).

The release of new aid funds is often linked with peace processes; indeed, provision for the management of rehabilitation aid is increasingly a feature of contemporary peace agreements.[9] So, for example, in the DRC significant

6 See www.oecd.org. IFI estimates indicate that the increasing ODA remains well short of the amounts required to finance the MDGs.

7 See World Bank/IMF, 2003. The study focuses mainly on a sample of 18 well-performing low-income countries. Extrapolating from these countries and taking account of absorptive capacities in Low-Income Countries Under Stress (LICUS) and the effect of aid in middle-income countries, it estimated an incremental amount of $30 billion annually as a conservative estimate of additional aid requirements.

8 These countries were selected not to be scientifically representative, but rather as indicative of at least some of the trends in aid policy in this area.

CCRDA

levels of assistance were promised by international donors if the various rebel forces formed a government. In Sudan, similar peace dividends were made contingent on the success of the Naivasha peace process. As the experience of Afghanistan shows, the increase in the volume of aid can be significant, relative to the size of the public budget, if not to the total economy. As such, it can have a potentially significant impact on the political economies of these countries, and on the relative power of different political groups and authorities. What is less clear is the degree to which significant shifts in aid flows are linked to real changes in security or in the political behaviour and credentials of the incumbent authorities. Security in Afghanistan, for example, has arguably remained very poor while aid flows have increased; it is notable that the promised peace dividend in Sudan remains linked only to peace in the south, not to respect for international humanitarian and human rights law in the country as a whole.

Harmer (Chapter 3) notes that the capacity to rapidly disburse funds in these environments has increased significantly. This improved responsiveness has been contingent not only upon a willingness to contract with non-state actors, and procurement capacity to support this, but also a greater investment in knowledge and networks even while conflict persists. Whether the agencies concerned can fulfil the service delivery function, and the degree to which these approaches are sustainable in the long term, are, of course, other questions.

1.5 Old wine, new bottles?

A constant feature of debates regarding the relationship between developmental and humanitarian action has been an emphasis on the need to find ways of overcoming the conceptual, managerial and organisational divisions that exist between them. Much less attention has been given to the fact that there are some important structural differences between relief and development aid and a set of guiding principles for humanitarian aid which is not replicated in the development sphere.

There has been a significant effort in cross-disciplinary working in these difficult environments, both across the relief–development divide, and also increasingly across the aid–politics–security divide. The chapters on the UN and the US, and background research on the EU, report on an array of committees designed to promote cross-departmental working, and greater efforts to coordinate resource mobilisation and allocation processes. However, as many of these authors also note, problems persist in regard to coordination; indeed, Jones (Chapter 2) argues that, within the UN, debates regarding aid responses in protracted crises are invariably reduced to issues of coordination. In part, this preoccupation with coordination can be seen as agencies jockeying for position. At another level, however, it is symptomatic of a conflict between different interpretations of very complex environments, and different visions of how things might progress. Jones uses the case of Angola in 1998 as a vivid example of the way institutional affiliation can determine how environments are understood. There, UNDP sought to promote development perspectives and fund-raising mechanisms, while OCHA remained convinced that the situation in the country remained a solely humanitarian concern.

Differences such as these are underpinned by deeper differences about the terms of aid engagement. This question has gained increased significance in particular since the attacks on the UN and the ICRC in Baghdad in August and October 2003, and the deteriorating security situation in Afghanistan. These two environments have come to be seen as exemplifying the risks of associating humanitarian action with state-building (and counter-terrorism) measures, of which reconstruction, rehabilitation and developmentalism are all part. In other words, they have highlighted the high politics of the otherwise technical agenda of 'linking relief and development'. Thus, while the development community is demonstrating most actively its concern to engage in situations of protracted crisis, and is seeking ways to better dove-tail its efforts with those of the humanitarian community, the latter is often seeking to distinguish itself from at least some aspects of the developmental enterprise. Within the humanitarian community there is much more talk around how to 'brand' humanitarianism's distinctive principles of impartiality, independence and neutrality (see, for example, Gnaedinger, 2004; McNamara, 2003; Donini et al., 2004). The EU's draft Constitution has distinct chapters on its development and humanitarian assistance, with the latter reaffirming a commitment to principles of impartiality and neutrality. The Good Humanitarian Donorship initiative (Stockholm, 2003) also recognises the distinctive purpose, principles and operating conditions of humanitarian aid as distinct from development aid. There have also been efforts to translate humanitarian principles into operating procedures: the Sphere project, for example, maps out minimum standards for humanitarian response in relation to basic needs. Again, these could be seen as demarcating a very separate endeavour with a distinctive set of professional standards.

What remains weakly debated and understood is the extent to which the objectives, principles and standards of humanitarian action are *necessarily* distinct from those of development, and if so whether there should be an equivalent set of guiding principles for development work

9 See Jones (Chapter 2) for an account of the increased cooperation between the departments of Political Affairs and Peacekeeping and the World Bank.

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in protracted crises. Recent thinking within the development and humanitarian communities has shown increasing signs of convergence around the concepts of social protection and welfare safety nets, for example, and there is no reason why, in this area, many of the objectives and principles of humanitarian action might not apply equally with regard to development aid. These issues attracted particular attention in the southern Africa crisis in 2002/2003, where the role of HIV/AIDS, alongside a history of chronic political and economic decline in large parts of the region, highlighted that what was required was not only or primarily short-term relief, but also long-term investment in social welfare and health systems (see, for example, Harvey, 2004; Darcy et al., 2003). It also highlighted the inadequacy of national and international efforts to provide such support, and therefore the continued role and responsibilities of humanitarian actors until such mechanisms are put in place (Saulnier, 2003). In addition, the livelihoods framework is increasingly providing a shared tool across the humanitarian–development divide that can be used to 'diagnose' the origins of vulnerability, and in particular to disaggregate the multiple factors that can jeopardise people's ability to maintain their means of survival.[10] In Somalia, OCHA and the Food Security Assessment Unit have put forward the idea of distinguishing a humanitarian crisis from a 'livelihoods' one. Both require urgent intervention, but the type of intervention differs depending on the level of malnutrition, outbreaks of disease and coping strategies (FSAU, 2004). Further areas of potential convergence, regarding issues of institutional development, capacity-building and ownership, even at a local level, remain controversial.

Economic growth and poverty eradication remain at the centre of the development agenda, particularly within the IFIs and bilateral donor governments. These goals are not, of course, central to humanitarian action, which typically takes as its starting point the desire to avoid and reduce excess morbidity and mortality. Nonetheless, there is arguably very considerable scope for exploring common ground between the two traditions. Progress in identifying the causes of protracted crises and vulnerability, a concern to identify and invest in human development and an increased focus on social protection could provide the basis for a much more consistent and mutually intelligible dialogue between the humanitarian and development communities. In exploring this common ground, both sets of actors will need to decide how they position themselves politically in relation to national and international actors, and specifically to what degree their respective actions are targeted at the protection and development of individuals, as opposed to the state (Saulnier, 2004; Pacic and Weiss, 2002; Macrae, 2001). It is striking that, despite the proliferation of documentation and policy reviews over the past decade, relatively little work has been done in this area.

There is a risk that such a debate could become largely 'theological' and disconnected from operational reality. There are signs that this has indeed been the case with regard to the debates around 'linking relief, rehabilitation and development' (ALNAP, 2003). Christopolos et al. (2004) note, for example, the marked inability of the aid community to move significantly beyond a 'seeds and tools' approach to agricultural rehabilitation. Harmer (Chapter 3) reports a continued reliance on infrastructure repair as a major plank of the World Bank's education investment in post-conflict situations. There is a risk, therefore, that the flurry of new organisational arrangements and funding instruments, and the new conceptual sophistication, constitute little more than new bottles in which old wine will continue to be served.

1.6 Conclusions and implications

The analysis presented here and in subsequent chapters suggests that there have been important innovations in international thinking regarding aid in situations of protracted crisis. Table 1.1 summarises how 'second generation' thinking compares to the first generation 'continuum' debate, and outlines where significant tactical, strategic and managerial problems persist.

While acknowledging along with Jones that there is little in the way of formally articulated policy, let alone consistently implemented approaches, it is possible to identify some important implications arising out of global trends in international aid in these environments.

First, countries around the world are experiencing very diverse forms of protracted crisis. In part because of this, and in part because of the politics of aid decision-making, it is unsurprising that aid responses in these environments differ significantly between countries and over time. The primary focus of policy innovation in the past decade has been in relation to a specific sub-set of countries experiencing protracted crises, namely those going through a process of political transition from war to relative peace. The emergence of debates regarding aid to 'poorly performing' countries has the potential to influence significantly how aid resources are managed in situations of active conflict, persistent crises of governance and economic decline. However, these debates remain at an early stage.

There is scope for much greater understanding across the humanitarian and development communities regarding the determinants and dynamics of crisis, and how these impact on populations and societies. For example, within both communities there is now greater recognition of the

10 See, for example, Collinson (2003); Harvey (2004); Longley et al. (2003); and Devereux (2003).

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Table 1.1: The first and second generation debates

First generation	Second generation
Driven primarily by humanitarian operational agencies and multi-mandated organisations.	Led by development actors, and increasingly political and security actors; many humanitarians are now more cautious regarding linkages between humanitarian aid and other forms of assistance.
In conflict environments, the debates on 'linking' relief and development did not keep pace with the complex and changing reality on ground. They presumed a neat transition, and that crises were temporary.	Some rethinking and acknowledgement of the permanence of crisis (differing forms of vulnerability, the need for social protection), but still predominantly focused on post-conflict/transitional administrative environments.
There was minimal acknowledgement of the important distinctions between humanitarian and development aid, in terms of neutrality and political independence.	The distinctiveness of humanitarian aid is increasingly acknowledged. Emergency aid remains an important instrument in engaging with 'rogue' regimes. However, the political distinctiveness of relief is eroded where it becomes tightly linked to military intervention and foreign policy.
There was limited conceptual thinking; linkages were assumed not proven.	There is increasing scope for linking humanitarian and developmental programming objectives conceptually – human security, MDGs, social protection, rights-based approaches. However, the principles of humanitarian action remain weakly understood by the development community.
There was a bifurcated aid architecture.	There are increasing efforts to integrate relief and development management in some donors and agencies. In others, distinctiveness of mandate is reinforced.
Development aid funding and resources to address the 'linkages' were limited.	The resource base might increase significantly, particularly in countries of strategic significance.
Security issues were rarely discussed.	Security is likely to remain major constraint to operationality, increasing the willingness to use aid funds to support security interventions and to use force to protect aid investments.

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need to analyse the political economy of conflict and how aid can influence this. Equally, the use of livelihoods approaches to analyse the nature of vulnerability is an increasingly common tool across the two communities. However, these analytical tools have as yet not been fully translated into new programming approaches, and there remains weak understanding between the two communities with regard to their respective goals and operating principles.

Perhaps part of the explanation why both conceptual and programmatic innovation has been relatively slow in this area lies in the lack of incentives for staff to work in these difficult environments. A World Bank report (2002a) noted, for example, that career prospects within the organisation tended to be better for staff working in country offices where there were high rates of disbursement; these were often not the most difficult environments. Equally, there are issues regarding the appropriate skills required to work in these environments, and in particular the need for political analysts able to work alongside the more traditional disciplines of economics and nutrition, for example, to inform programme design. Reviewing both the incentives, career structure and skills mix required in these environments would appear to be a common priority for both the relief and development community.

Alongside diversity of context, language and operating environments, policymakers in this area are working within complex, fluid political frameworks. This makes formalisation of policy extremely difficult, and thus reduces the predictability of response. The highly differentiated levels of financing, coordination modalities and arrangements for integration with politico-military actors reflect the high politics that lies behind the more technical process of better 'linking' humanitarian and developmental action. It is also difficult to trace accurately trends in funding flows, both in terms of quantity and to determine what the money is spent on. In this regard, it

will be important to analyse carefully trends in the use of development aid funds to support the costs of peacekeeping and security operations, either directly or indirectly. While investment in security clearly can yield humanitarian and developmental benefits, the degree to which it is appropriate to finance these directly through ODA remains a controversial question.

Second, this analysis suggests that the current trend towards deeper engagement by the development community in situations of protracted crisis is likely to continue. The increase in the volume of spending in these environments is likely to depend on a number of factors. These include how debates regarding the importance of linking aid flows with development performance evolve; and the extent to which security concerns limit aid flows (particularly where there is a reluctance to bear the high costs of providing military or private security support). It will also hinge on how the international security agenda unfolds, in particular the extent to which it exerts an influence on aid allocations globally and in relation to specific countries.

Third, while there has been some progress in the instrumentation to disburse funds to organisations working in situations of post-conflict transition, there remain real obstacles to engagement in situations of on-going conflict and chronic political/economic crisis, and there has been little by way of programmatic innovation. Arguably, attention has focused largely on addressing old problems, rather than anticipating new ones. Much of the design of new instrumentation has sought to bridge the gap between relief and development spending. While attention is now focusing more on how to maintain engagement while institutional and political instability persists, thinking around this remains at an early stage. To take this thinking forward, it will be important to address the problem of how/whether to engage with national institutions. It will also be important to overcome the lack of innovation in programming. In particular, strategies to support livelihoods and provide basic services, let alone to influence macro-economic development, remain severely constrained, particularly in environments where state capacity is extremely limited and/or where incumbent regimes are ostracised internationally. A variety of non-state actors, including national and international NGOs, private contractors and local authorities, has emerged. While these have enabled significant increases in the capacity of the international community to disburse funds quickly, major questions remain regarding how and whether these mechanisms will link to efforts to re-establish state capacity for the financing and management of public services. Despite the increasing prevalence of weak state capacity and legitimacy, there remains significant resistance to addressing these problems strategically and systematically. On the one hand, this is because of sensitivities within the G-77 regarding sovereignty, and on the other the selective interpretation of the legitimacy or otherwise of sovereign governments by the Permanent Members of the UN Security Council and major Western donors.

It is likely that, in situations of protracted crisis other than those where there is a process of 'post'-conflict transition, the predominant form of aid is likely to remain grants, rather than loans; issues of public debt will remain difficult to manage and aid will remain highly projectised, rather than programmatic, in form. In other words, aid engagement will remain 'relief-like'. However, there is the potential for new actors, in particular the World Bank, to play an increasingly assertive role in the coordination of this aid, and in effect to serve a quasi-sovereign role in 'governing' resource mobilisation and disbursement and prioritising service delivery for welfare provision.

Fourth, there is considerable variation in what is feasible. The parameters of aid engagement are influenced by a range of bureaucratic and procedural issues, as well as by 'higher' politics. Within the aid community itself, particularly within the development aid literature, there has been relatively little consideration of how security issues, and international responses to insecurity, are likely to shape aid. To date, a relatively pragmatic position appears to have been taken by the official development community with regard to the securitisation and militarisation of aid, both in specific contexts and in the negotiation of global policy frameworks, such as the EU Constitution and the European Common Foreign and Security Policy. In the US, development and humanitarian actors remain firmly outside the policy frameworks for security, although they are entirely caught up in the implications. How humanitarian actors seek to engage with their developmental colleagues in responding both to the securitisation of aid, and in providing aid in high-risk environments, will be important.

The expansion of interest by developmental actors in these environments represents both opportunities and challenges for humanitarian action.

The opportunities are multiple. The emerging consensus within the development community that disengagement is not an option is welcome. There is a possibility that greater attention will be paid to supporting the basic welfare needs of populations living in these difficult environments, who have historically not received a proportionate level of aid resources. There is considerable scope for such populations to benefit, even indirectly, from the new wave of development finance, the scale of which is likely to be large relative to humanitarian aid, and might be more secure over time. It is striking that the differing experiences of humanitarian and development policy and programming have not yet been systematically shared in these environments. Development strategies could be informed by the significant work that has been done in the

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humanitarian sector on assessing and prioritising needs, and in risk-management in highly insecure environments. At the same time, the programming strategies for food security and broader issues of service delivery could benefit from combined analysis of both developmental and humanitarian perspectives.

The challenges are also considerable. The deepening of engagement by developmental actors in situations of protracted crisis is coinciding with, if not being driven by, the increasing securitisation of the aid agenda. The nature of the development enterprise has always implied buttressing the sovereignty of the recipient regime, as well as reflecting the strategic priorities of donor governments. This is in contrast to classical humanitarianism, which has sought to maintain a position of neutrality with regard to the legitimacy or otherwise of all parties (including the regime), and with regard to geopolitics. Whether humanitarian actors position themselves formally within the developmental and state-building enterprise, by virtue of their funding or participation in coordination or security mechanisms, in increasingly crowded landscapes it will be hard (particularly for belligerents) to distinguish between the different varieties of aid and security being offered by the international community. At a minimum, this implies that humanitarian actors will have to become much more vocal in communicating, not only to belligerents but also to their development colleagues, the rationale for critical engagement across the relief–development divide. Given that many organisations undertaking humanitarian work also undertake development work, reaching a common position within and between organisations responding to crisis situations will also be crucial. In this dialogue, it will be particularly important to develop a shared understanding of protection, and the roles and responsibilities of international aid actors under international humanitarian law.

The findings of this report highlight that there has been a major shift in the 'linking relief and development' debate. No longer cast only or primarily in terms of aid instrumentation, policy approaches have shifted to areas of shared responsibility in certain contexts. However, much of the debate remains informed by the classic paradigm of 'post'-conflict transition, which is of questionable relevance to the complex challenges posed by protracted crises. Humanitarian actors can ill-afford to ignore the major changes going on in the development community, changes which are likely to bring into play significant new resources and players. In particular, they need to communicate more clearly and fully the distinctiveness of their modus operandi and experience in these environments, and work with development actors to explore common ground.

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Chapter 2
The changing role of UN political and development actors in situations of protracted crisis

Bruce D. Jones[1]

In the period between the Gulf War in 1991 and 11 September 2001, no issue commanded as much attention at the UN as the challenge of responding more effectively to civil wars. Whether in the realm of humanitarian operations, political negotiations or peacekeeping, whether in southern Europe or Central Africa, responses to civil wars defined much of what mattered at the UN during that decade-long period. This was true not only of those parts of the UN system tasked with mounting operational responses, but also of the Security Council, which devoted the bulk of its attention to internal wars and crises, especially in Africa (Scott, 2004).

As the business of ending civil wars progressed, the challenge of maintaining stability and generating economic development in post-conflict environments rose up the UN's agenda. Some wars that ended later relapsed into conflict, concentrating attention on the question of how humanitarian, peacekeeping, political and development actors could best contribute to more effective 'transitions' – a concept that covered the twin issues of moving from war to peace, and from poverty to development. The concept of post-conflict peacebuilding became central to the UN's operations.

A sub-theme of this discussion was the question of how the UN should respond to situations of *protracted crisis*. This specific issue was rarely central. This was both because the UN's first post-Cold War experiences in protracted crises were in *ending* them, meaning that the initial concentration was on post-conflict responses, and because the category 'protracted crisis' is broad and encompasses many conflicts that share important characteristics of post-conflict situations – also an imperfect category.

This chapter elucidates how the UN responded to protracted crises, and how those responses evolved over the course of the decade between 1991 and 2001. Given the absence of specific UN policy on protracted crises *per se*, this is done inductively. The first part of the chapter discusses the nature of protracted crises themselves, asking whether this is perceived in the UN as a specific category of war or crisis, and explores the process by which the UN makes policy. These initial discussions set the scene for the second section, which reviews various organisational initiatives, response models and actual operations through which the UN has engaged in protracted crises during the past decade. Third, the chapter explores emerging issues: changing factors in the political environment that shape UN action, and changes at the UN itself.

Together, this analysis suggests a continuous evolution in UN engagement in protracted crises. First, on the part of UN development actors, the decade witnessed a gradual evolution from non-engagement through a brief and largely unsuccessful experiment with engagement *during* crises to a more recent accent on the immediate post-conflict phase – a phase identified as being critical to overall success, and simultaneously as institutionally rewarding for the UN. The evidence suggests that this process was driven less by changes in development theory – which influences actual policy only partially – and more by the necessities of institutional bargaining within the UN and between the UN and its competitors. Second, the decade saw a progressive expansion both in the number of protracted crisis situations in which the UN engaged politically, and the scope of action and authority given to UN political actors to help resolve those crises. However, at no point, including the present, has the overall UN response to protracted crises been influenced by a coherent policy framework specific to this variant of conflict.

2.1 Background

2.1.1 Protracted crisis: a separate category?

The wars in which the UN has engaged during the post-Cold War era have varied considerably in their duration. Some were very short, such as the clash between Ethiopia and Eritrea (May 1998–December 2000) or the NATO bombing campaign in Kosovo (March–June 1999). Others, such as the wars in Mozambique, Guatemala and Angola, ran unbroken for more than three decades. The latter, without doubt, are protracted crises. Wars that have lasted for a decade or more – the civil war in Burundi, the

1 This article is the personal work of Bruce Jones, and does not necessarily reflect the views of New York University or the UN. The author would like to thank reviewers from the UN Secretariat and the UN Development Programme for their comments on an earlier draft of this paper.

CCRDA

crisis in Somalia, the multi-faceted crisis in Afghanistan – surely also constitute protracted crises. Sudan has been at war for the two decades since a period of negotiated peace in the early 1980s.[2]

Other conflicts are more complex. Liberia had a peace agreement and even elections in the late 1990s, after several years of war, but never really escaped from crisis conditions before relapsing back into open war at the beginning of this decade. The Democratic Republic of Congo (DRC) has seen brief episodes of formal peace since the start of outright war in 1996, but both during those episodes and before full hostilities started the country was characterised by conditions closer to crisis than stability. Haiti has had bouts of formal peace, elections and an international presence between longer episodes of turmoil. Sri Lanka has experienced war almost continuously since 1981, though crisis has characterised only parts of the country only part of the time. These and similar contexts should certainly be included in discussions of protracted crisis, but with the proviso that, at various points, they were in a 'post'-conflict stage, or that various parts of the country remained under 'normal' or quasi-normal conditions.

Other places have witnessed protracted engagement by the UN but little crisis, such as Cyprus or the Israel–Syria border. These would probably not fall into the category of protracted crises. The Israeli–Palestinian conflict has long been considered a diplomatic and political crisis, but for much of its life social, economic and humanitarian conditions could not be described as constituting a 'crisis', even though a significant portion of the population lived under conditions similar to more traditional crises, such as long-term refugee status. The conflict went through a long period of relative peace, from 1993 to 2000; only since the start of the second *intifada* in late 2000 has the situation descended into more standard 'crisis' conditions.

Perhaps most difficult to characterise are wars that change their state (for better or worse), but retain characteristics of crisis. Rwanda experienced a relatively short civil war (three and a half years), a genocide and then a complicated post-conflict phase, during which parts of the country or segments of the population have remained in crises ranging from mild to acute. Indonesian-occupied East Timor was under conditions of mild crisis to relative stability before experiencing an acute crisis in 1999, followed by an unstable post-conflict period. Many other conflicts exhibit similar fluctuations.

Thus, from a definitional or categorical stand-point, it is possible roughly to delineate the set of conflicts that should fall under the rubric 'protracted crisis'. These are countries where political instability, interspersed by military conflict of greater or lesser frequency and intensity, is combined with socio-economic conditions that imperil the lives and livelihoods of a significant portion of the population – and where all these conditions are sustained over long periods of time, at least several years. There is no value in debating precisely how many years a conflict must run to qualify for protracted status, nor what percentage of the population must be threatened for a situation to be considered a crisis – it is enough to recognise that the category encompasses a range of cases of differing intensity and duration.

Developing a definition of 'protracted crisis' in policy terms is more difficult. This can be seen in the UN's response to these cases during the 1990s. This shifted in part through the changes of state experienced by several of the conflicts in question, and in part because the degree to which a conflict is protracted is evident only in hindsight. If at the outset of the Burundian conflict in 1993 international actors had known that there would be no resolution a decade later, a different approach to meeting immediate humanitarian needs would have been warranted; but at the onset of the current crisis, how would one have known? In reviewing UN policy and operations in protracted crises, the difficulty of responding to a set of conflicts whose characteristics are more evident in hindsight, and whose variation is considerable, must be borne in mind.

This question is further complicated by the way the UN makes policy. Thus, before considering the specifics of its policy on protracted crisis, it is worth examining the more general practice of policy development and decision-making at the UN.

2.1.2 How does the UN make policy?

The UN makes policy through a complex, inductive, negotiated process, defined more by the politics of member states' attitudes to and involvement in the conflict than by the conflict itself. The process is also conditioned by bureaucratic factors to do with division of labour and the competition for primacy. It evolves through complex inter-departmental and inter-agency negotiations, code-named 'coordination'. It is informed – though only partially, and in a non-strategic manner – by lessons learned from previous operations. It is influenced by concepts that work their way through the policy machinery in complex and unpredictable ways. It eventually results in a model of operations for a given context, sometimes but by no means always linked to a set of defined strategic objectives. This headquarters process in turn shapes, though it does not define, a similarly complex set of interactions at field level. At both headquarters and in the field, experience drives policy-making, rather than

2 In May 2004, a peace agreement between the government of Sudan and the Sudan People's Liberation Movement was signed, potentially signalling an end to the war.

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the other way around. Negotiation and coordination – as much between the field and headquarters as within each layer – routinely trump deliberative analysis and strategic policy-making.

This is so for multiple reasons. The UN bureaucracy has no defined set of 'national' interests in a given country, which means that it is difficult to establish strategic goals for that country – nor, usually, is it the UN's job to do so. The states that shape policy operate simultaneously in multiple negotiating fora within the UN, which reach different compromises and send conflicting signals to the UN bureaucracy. The UN bureaucracy – like that of most national governments – is not one but several, split into departments and agencies that have distinct governance arrangements, career paths and incentives, and institutional cultures. The members of these various bureaucracies have their own attitudes, ethics and ideologies, fashioned by their different experiences. Thus, to say that the UN has a policy on protracted crises is at best an exaggeration. The evolving nature of UN political, humanitarian and developmental engagement in transitional contexts is itself constantly in transition. Various elements of the UN – the Security Council, the political and humanitarian departments of the Secretariat, the humanitarian agencies, the development agencies, key governments, the Economic and Social Council – all have their own policy frameworks or approaches to transitional contexts, which interact to influence how the UN operates in a given country. 'Policy' – a fluid and evolving concept at best – is the outcome of the complex interaction between these actors' own evolving concepts, and their concrete experiences in the field.

2.2 UN policy and practice in 'transitions' and protracted crises

This interaction between action and alternative policy concepts framed the UN's changing responses to protracted crisis situations during the period under consideration. The concept of 'protracted crisis' rarely took centre-stage in UN policy debates. Rather, UN approaches to dealing with different protracted crises can be identified from a broader analysis of the evolution of policy debates surrounding its role in 'transitional' contexts.

2.2.1 A first flush of success

The UN's first post-Cold War experience with protracted crises was helping to end them. In Namibia, Mozambique, Cambodia, El Salvador and Guatemala, the UN began its decade-long experiment with negotiating endings to civil wars, keeping the peace in the aftermath and managing a transition from humanitarian aid to renewed development efforts. Because the post-conflict phase was the entry point into protracted crises for UN political and developmental actors, the two concepts have been entwined ever since. And because in these early cases the movement from war/crisis to peace/development was comparatively smooth, the concept of the relief-to-development 'transition' took hold.

The first effort to establish a policy framework for post-conflict operations was Secretary-General Boutros Boutros-Ghali's *Agenda for Peace* (UN, 1992). By setting out different, inter-related phases of conflict and response, *Agenda for Peace* set the tone for efforts to organise distinct responses to the pre-conflict, conflict and post-conflict phases. *Agenda for Peace* reflected an optimism born of the fact that UN negotiators had helped end the decades-long civil wars in El Salvador and Guatemala; UN peacekeepers were helping to keep Mozambique stable and united for the first time since independence in 1975; and UN transitional administrators were helping Cambodia move towards recovery after years of mass killing and war. Although this optimism would soon be tempered by failure, the ambition of *Agenda for Peace* remained embedded in UN concepts and policy debates: much of the subsequent policy debate traces at least part of its conceptual lineage, and its bureaucratic divisions, to *Agenda for Peace*.

The growing realisation that the end of the Cold War gave the UN important new scope was also reflected in another major UN document of the period, *Agenda for Development* (UN, 1994). This launched what would be a major intellectual and political struggle for the UN in the 1990s, namely the effort to push back prevailing concepts of development aid: on the one hand, its strategic use by the superpowers to solidify spheres of influence; and on the other its use as a tool for policy control grounded in liberal concepts of the relationship between states and markets in generating economic growth (Carman, 1989). Informed by intellectual developments in the late 1970s and 1980s, particularly the concept of sustainable development, the UN sought to place greater emphasis on human development, or social development – ideas that focused on the role played by communities, civil society and political institutions in fostering economic growth and improved livelihoods and opportunities for people. (This is often also referred to as 'people-centered development'.) The launch of the UN Development Programme (UNDP)'s annual *Human Development Report* in 1990 institutionalised this tradition, and gave the UN important data indicators to bolster its arguments.[3]

In practice, *Agenda for Peace* proved far more influential than *Agenda for Development* in shaping UN responses to protracted crises. This was for two reasons. First, and most important, development practice at the UN changed less than development policy. As noted by Susan Woodward, a leading scholar of the topic, 'It cannot be said … that this

3 For a concise history, see UNDP Fact Sheet, *Human Development Reports: Measuring Development and Influencing Policy*, www.undp.org/hdro.

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substantial increase in attention to issues of "post-conflict" countries had much effect on the substance of aid programs and strategy' (Woodward, 2003). UN development practice remained grounded in close relations with the governments that comprise the UN development agencies' governing boards, and therefore in the policies and practices of those governments – whose degree of concern for their populations' lives and livelihoods varies. Second, because most development practice relies on partnership with governments, there is an inherent tension in doing development during internal crisis – the defining characteristic of which is a challenge to the legitimacy and authority of the government. (These issues are elaborated below.)

2.2.2 The policy effects of failure

Shortly after *Agenda for Peace* was published, a string of failures had a major impact on learning and policy development within the UN. In Somalia, the complex failure of the intervention in 1992–93 deterred the US from further engagement in UN peacekeeping. In Angola, UNITA leader Jonas Savimbi's rejection of the results of UN-managed elections in 1993 and his return to war saw the collapse of the UN peacekeeping mission to the country (Ohlson et al., 1994). In Rwanda in 1994, extremist factions of the country's ruling party planned and organised a genocide in the presence of the UN Assistance Mission (UNAMIR). Attacks on UNAMIR led to its virtually complete withdrawal, while between 750,000 and 1,000,000 Rwandans were killed (JEEAR, 1994; OAU, 2000; UN, 1999). Following their defeat, *genocidaires* established a predatory presence in the refugee camps in Eastern Zaire. The experience deeply influenced policy debate and development within the humanitarian community, including at the UN. Among the issues raised by the episode were those of 'strategic coordination': the interaction between security/political and humanitarian actors in collective response to crises. Humanitarian engagement in the political aspects of conflict management subsequently increased, and this became a major feature of crisis response in the late 1990s. Although not as acute in human terms as the genocide in Rwanda, the UN's experiences in Bosnia were just as important in changing international expectations of the organisation, and the UN's own sense of its capacity and role (Woodward, 1993). The decision to establish 'safe areas' that were anything but, and the disaster that subsequently befell the UN Protection Force (UNPROFOR), profoundly influenced European governments' perceptions of the UN's capacity, while the alphabet soup of international and regional organisations assembled to 'manage' the post-peace agreement reconstruction process attracted further attention to the 'strategic coordination' question.

By the mid-1990s, the UN was reeling from the effects of these multiple failures. This was not an atmosphere conducive to ambitious new efforts to tackle protracted crises, and opportunities for new political or peacekeeping engagements in protracted crises were often passed over. The most significant of these was in Burundi, where conflict had broken out in 1993. When options for a peacekeeping presence were mooted in early 1995, opposition from Burundian militias was sufficient to deter the Security Council and potential contributors. Discussions of a possible peacekeeping deployment to Eastern Zaire, to defuse the growing crisis around the Rwandan refugee camps, were abandoned for lack of troop contributors. Thus, two of the more deadly protracted crises, with us still in abated form, were allowed to develop by the unwillingness of the UN to mount crisis containment operations in the 'shadow of Somalia'.

Other protracted crises also received no attention from the UN, but for different regions. Algeria, mired in a bloody crisis that claimed over 80,000 lives, was never on the Security Council's agenda, never the subject of a special political mission and never a focus of the UN's work. The conflict in Chechnya was kept off the Security Council agenda, and was peripheral to the Secretariat's workload. (UNHCR and other UN agencies did work in Chechnya, despite very dangerous conditions.) In both cases permanent members of the Security Council (France and Russia) had a direct interest, and both sought to keep these conflicts off the agenda of the Security Council.

2.2.3 Carrying on, and renewed development interest

In other parts of the world, the UN continued to engage through its political and peacekeeping arms. Even when no peacekeeping operation or significant political mission was mounted, the UN's humanitarian agencies were often involved in extensive responses (as they were in Burundi and Eastern Zaire). Large-scale relief operations, especially when they ran for many years, produced their own policy impact in the UN. Most importantly, development actors within the UN began to perceive that, in many of these long-running crises, there would be periods of relative calm or pockets of relative stability in which, it could be argued, more traditional social or community development could take place. This evolution within the UN occurred against a backdrop of further shifts in development thinking, particularly the growing attention paid to such concepts as 'human security', which attempted to synthesise human development approaches, with their focus on institutions and social capital, with conflict resolution approaches, which stressed the role of underdevelopment in causing conflict.

This thinking contributed to a slow push by the UN's development actors to increase their engagement in protracted crises, led by a new unit, the UN Development Group Office (UNDGO), which serviced a committee comprising UN development agencies – the UN Development Group (UNDG). This was true in Burundi,

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for example, precisely at the moment when the Security Council's attention to the conflict was at its lowest ebb. In 1997, the UNDP, in quiet collaboration with the Department of Political Affairs, began to develop a programme to reorient much of the UN's development and relief assistance towards community development, social rehabilitation, reconciliation and dialogue. No comprehensive study of this effort has been undertaken, so its political and developmental implications are difficult to assess, and in any case the experiment was interrupted by a deteriorating security situation that at one point brought the UN Resident Representative, who was leading the effort, into direct physical jeopardy. Even if it had not been interrupted, it is unlikely that this programme would have altered the situation in Burundi in the continued absence of serious political attention to the conflict. Nevertheless, the experiment marked an initial step towards a broader developmental engagement in protracted crises.

Traditional development policy at the UN was all about governments – partnership with them, aid to them, and coordination by them. This explains in part the UN development agencies' non-engagement (or substantial non-engagement) in internal wars during the early part of the 1990s. The search for opportunities to engage, coupled with a broader intellectual focus on the question of government policy as a determinant of the effectiveness of aid, driven initially by the World Bank, pushed UN development agencies towards community development, supporting local institutions and civil society, as distinct from central government structures. Because local institutions are precisely that – *local* – support to them is less dependent on country-wide stability than traditional UN development aid. This shift was assisted by the fact that many of the agencies involved, such as UNICEF and the World Food Programme (WFP), were present in protracted crises with their humanitarian programmes. Thus, no new institutional presence was needed to engage in limited development work in these environments. What were required were new programmes and – critically – new funding streams. The huge flow of funds to humanitarian operations doubtless influenced these agencies' search for new roles.

Even in these contexts, the instinct of the UN development agencies was to move rapidly back towards a normal development framework. In 1998, at the peak of the Angolan civil war, the UNDGO proposed that Angola should be transferred out of the humanitarian fundraising and planning systems, and into development programming systems. The argument was simple: the crisis had been running for a long period of time, basic systems had deeply eroded, and so it must be appropriate to begin some limited development in the country.[4] This was rejected as simplistic by the humanitarian community at the UN, which noted that huge numbers of Angolans remained displaced and continued to live in acute insecurity, thus requiring continued emergency assistance. The example neatly reflected the different attitudes of the two communities within the UN: humanitarians focused primarily on tackling the immediate problems associated with the displacement and suffering stemming from conflict; the development actors focused on addressing underlying causes and manifestations of conflict.

The UNDG's push towards greater engagement in protracted crises was also constrained by other developments within the UN. The elaboration of human security concepts, twinned with the lessons being learnt from the failure to intervene adequately in Bosnia and Rwanda, contributed at the UN to a debate around Secretary-General Kofi Annan's concept of humanitarian intervention – specifically, the use of force against governments engaged in killing their own citizens in large numbers. Annan's initiative in favour of intervention in the internal affairs of states met with considerable opposition from within the General Assembly. This debate also affected the UN's political and developmental evolution. On the development side, it coincided with an effort within UNDP to gain support from within its governing board for a greater role in conflict. This was a tortuous enterprise, complicated by disputes between what was then called the Emergency Response Division and the regional bureaux. These disagreements centered on (a) how extensive UNDP's role should be in crisis contexts; and (b) where post-conflict resources should be located institutionally. In 1999, UNDP presented to its governing board a policy paper outlining a more significant role for UNDP in 'countries in special development circumstances' – i.e., in conflict and post-conflict environments. However, this proposal ran up against the broader political tensions at the UN over the question of 'humanitarian intervention'. The governing board's Southern members, who made up the majority, viewed the proposal as a further challenge to state sovereignty. The paper was rejected.

2.3 The coordination debate

While UN policy development in the 1990s was largely driven by experiences on the ground, by the late 1990s a more deliberative effort to shape UN responses to crises had begun to take shape. Much of this effort took the form of a multi-pronged debate over 'coordination' – indeed, debates over coordination, with their inherent dimension of institutional competition, tended to drive out actual strategy or policy. Nevertheless, to understand the evolution of the UN's functions in crises (not specifically protracted crises, but encompassing them to a certain extent), it is necessary to review this coordination debate as it unfolded in the late 1990s and into the current decade.

4 Author notes, headquarters negotiations, OCHA and UNDGO, 1998.

CCRDA

2.3.1 Development–humanitarian coordination

A major plank of the coordination debate was formed by efforts within the humanitarian and development communities to tackle the challenges of working side by side in conditions of crisis or in countries emerging from crisis. At first, efforts to improve coordination between humanitarian and development actors in protracted crises focused on building links between the planning/fundraising frameworks for humanitarian and development assistance – respectively the UN Consolidated Appeals Process (CAP) and the UN Development Assistance Framework (UNDAF). The two agencies that support these frameworks (OCHA and the UNDGO) held a series of negotiations in 1997–98 aimed at establishing how both tools could be used simultaneously to raise appropriate funding for simultaneous, parallel development and humanitarian activity. The search for CAP–UNDAF linkages coincided with a movement towards the merging of the functions and offices of the Resident Coordinator (RC) and the Humanitarian Coordinator (HC) – a policy move influenced both by bad experiences with parallel coordination mechanisms in the field, and by the emerging view that limited development activity could be undertaken even in circumstances that called for humanitarian coordination (Reindorp, 2002). Thus, the main humanitarian and development coordination offices at the UN were exploring linkages and even integration in their principal funding and management mechanisms.

Negotiations over the CAP–UNDAF link were not restricted to protracted crisis settings. Indeed, more stress was placed on so-called 'early post-conflict efforts', perceived as a 'gap zone' between mainstream humanitarian efforts on the one hand, and mainstream development efforts on the other. The former tended to drop off shortly after the end of outright hostilities, while normal development activities took many more months to come on stream, leaving a gap in financing for activities in the critical first months after the end of a conflict – an issue tackled by the 'Brookings process' on post-conflict financing (Forman and Salomons, 2000).

The question of funding and financing mechanisms proved to be a major part of the discussion of the response to crises, and ultimately a major restriction on the UN development agencies' efforts to expand their activities in protracted crises. Several different forms of financing were explored. These included:

- UNDP and the other development agencies putting programme appeals in the regular CAP;
- the use of a so-called Extended CAP to 'stretch' humanitarian financing into early development programming;
- the use of specific UNDP Trust Funds to provide separate funds for development activities in crises;
- the use of UNDAFs and normal development fundraising mechanisms in parallel with CAPS; and
- the World Bank providing funding to both UNHCR and UNDP to help them 'bridge the gap' between humanitarian exit and development entry.

None of these mechanisms succeeded in overcoming two core difficulties. The first concerned donor restrictions on development and humanitarian aid. Efforts to use development funds in crises ran afoul of donors' tendency to base their development aid in substantial part on their relations with the government of the country in question, creating built-in restrictions on the use of these funds in contexts of contested authority. Efforts to use humanitarian funds for development activities ran into restrictions requiring the programming of these funds through international agencies, requirements for quick disbursement and other obstacles. The second obstacle concerned donors' concerns about the UN development agencies themselves. Agencies were constrained by a gradual erosion of donor confidence in the quality of their personnel in the field; in their willingness to actively participate in coordinated responses; and in the coherence of the intellectual argument they were making for development action in crises. Donors pointed to the weakness of the agencies as an argument for why they could not finance transitional contexts, and agencies pointed to the lack of donor funding to explain why their response was weak.

Thus, efforts turned again to the political level. In the late 1990s and into the first part of the new century, the UNDP experimented further with development policy towards crises, this time with greater success. UNDP was helped by broader shifts in the politics of overall conflict management and intervention. Here, the unlikely agent for change at the UN was efforts by the political sections to generate political support for conflict prevention. As a growing body of research suggested that underdevelopment was a contributor to conflict, and as more African countries experienced civil conflict during the 1990s, opposition to an expanded role for UN development actors in dealing with conflict began to lessen. In successive reports to the General Assembly, Secretary-General Annan laid a foundation for a conflict prevention agenda that focused – at least in its presentation – on the long-term causes of conflict, and thus on what the Carnegie Corporation termed 'structural prevention' – i.e. efforts to remove the presumptive 'root causes' of conflict (Carnegie Commission, 1997). The focus on structural prevention gained support among the G-77 states and the Non-Aligned Movement at the UN, given its emphasis on enhanced development assistance to countries at risk of conflict, and on governance – i.e. on building up the capacity of governments to prevent conflict. The Canadian-sponsored International Commission on State Sovereignty

ODI

aided this policy evolution with its work on state responsibility (the 'responsibility to protect').

UNDP again sought the support of its Governing Board for a revised policy framework – this time emphasising first governance, and then explicitly *democratic* governance. The shift in the broader politics of the UN eased the way for UNDP, which ultimately garnered its Board's support for a new engagement in conflict countries. Institutionally, this was expressed by the upgrading of the Emergency Response Division into a Bureau for Conflict Prevention and Recovery (BCPR) – an important bureaucratic upgrade. In practice, however, BCPR's experiments with programming during crises encountered many of the same obstacles as earlier efforts. Within a short period, its focus began to shift away from local engagement within protracted crises towards integrating conflict prevention into regular development programming, and on early post-conflict recovery.

2.3.2 Strategic coordination: political–humanitarian–development linkages

Change in development actors' approaches, and new coordination mechanisms to link development and humanitarian action, were not evolving in isolation; rather, they were one part of a broader evolution in strategic coordination at the UN – i.e. in linkages between the political, development and humanitarian parts of the UN's overall crisis management capacity.

This broader effort was clearly driven by the major 'lessons learned' to emerge from Rwanda, Bosnia and elsewhere – specifically, that UN action had been undermined by a lack of coherence between the political, peacekeeping and humanitarian aspects of the response. Moreover, the sight of states ostensibly past their acute crises falling back into major conflict resulted within the UN in far greater emphasis on the fundamentally political character of crises. This in turn led to an extension of UN political activity in crisis settings. Although not yet fully institutionalised, this has significant implications.

In the aftermath of Rwanda and Burundi, an effort was launched to tackle the issue of coordination, in the form of what was then called the framework for coordination, a process designed to generate more routine interaction between the Department of Political Affairs (DPA), the Department of Peacekeeping Operations (DPKO) and the Office for the Coordination of Humanitarian Affairs (OCHA) in policy-making within the Secretariat, and in the Secretary-General's reports to the Security Council. This was subsequently broadened with the creation of four 'cabinet committees'. Three were involved in making crisis response policy: the Executive Committees on Peace and Security (chaired by DPA and encompassing DPKO, OCHA, the Office of Legal Affairs, the Department of Disarmament Affairs and a few others); the Executive Committee on Humanitarian Affairs (ECHA, chaired by OCHA and encompassing DPA, DPKO, UNDP and most of the UN's humanitarian agencies); and the UN Development Group (already discussed). Between them, ECPS, ECHA and the UNDG were responsible for developing policy, ensuring coordination and more effective linkage between the component parts of the UN, and steering country-specific strategy, including with respect to crises.

Traditionally, the UN's only direct political involvement in crisis settings had been (a) negotiating ends to them; and (b) in the deployment of peacekeeping missions to implement peace agreements. At around the same time as the back-to-back debacles of Somalia and Rwanda, however, the UN began to experiment with alternative forms of political engagement. The most significant in this respect was Afghanistan, where the UN Special Mission in Afghanistan (UNSMA) was established in late 1993. This created a political mission on the ground at a time when there were no official peace talks and no negotiations. Rather, UNSMA served both as an in-field extension of the Secretary-General's personal diplomacy, and as a *de facto* political monitoring body. The creation of UNSMA was directly connected to a second innovation, undertaken in the mid-1990s, namely the 'Strategic Framework for Afghanistan'. This was conceived as an effort to link the UN's political, humanitarian and development actors in Afghanistan into a single, coherent strategy incorporating conflict resolution and aid. It involved substantive negotiations between UNDP, OCHA and DPA, representing the three dimensions of the strategy, as well as with the major donor body for Afghanistan, the Afghanistan Support Group (ASG). The idea was to link the aid strategies of the major donors with the political strategy of the UN. This built directly on the negative lessons learned from Rwanda and Bosnia.

The experiment was not confined to Afghanistan, but influenced overall policy development at the UN. In 1997, the UN Deputy-Secretary-General, Louise Frechette, who had been tasked by Annan with leading internal reform, launched an effort to develop 'generic guidelines for the strategic framework' – i.e. to create a planning framework through which the humanitarian, developmental and political arms of the UN could respond collectively to crises. Efforts to draft generic guidelines proceeded in parallel to the 'linkages' question. Multi-agency negotiations on the generic guidelines produced a draft framework by 1998, which was taken to the UN's formal coordination mechanism, then known as the Administrative Committee on Coordination (ACC), which endorsed a modified version.

In parallel, the DPKO was experimenting with yet another mode of coordination, this time for post-crisis settings. These so-called multi-dimensional peacekeeping

CCRDA

operations incorporated civilian functions such as human rights monitoring, election planning and justice. Such missions had been used in Cambodia and Mozambique during these countries' transitions out of war. When a peace agreement was reached in Sierra Leone in 1999, the Security Council decided to use this multi-dimensional model of peacekeeping there. The UN Assistance Mission in Sierra Leone (UNAMSIL) established what would prove to be an influential model by integrating the various components of the UN's normal in-country presence into a single management (Center for Humanitarian Dialogue, 2003). By making the UN Resident Coordinator the deputy to the Special Representative of the Secretary-General (the head of the peacekeeping mission and the lead political actor), UNAMSIL established an 'integrated mission' as a management structure through which to achieve the objectives of the Strategic Framework.

This innovation built on negotiations between DPA/DPKO, OCHA and UNDP (representing, respectively, the Executive Committee for Peace and Security, ECHA and UNDG), over the relationships between Special Representatives (SRSGs), Resident Coordinators (RCs) and Humanitarian Coordinators (HCs.) At stake was the question of who would lead the UN's efforts, or aspects of the UN's efforts – DPA/DPKO, which supports SRSGs; OCHA, which backstops HCs; or UNDP, which backstops RCs. A 'Note of Guidance' on the subject was approved in 2000. This established the rule that, in conflict environments, SRSGs and RC/HCs would normally be established in separate offices. In post-conflict contexts, they would usually be integrated, with the RC/HC serving as deputy to the SRSG (UN Secretary-General, 2000).

The integration of these posts/functions rapidly became the norm, with integrated missions being established in East Timor (UNTAET), the Middle East (UNSCO), the DRC (MONUC), Afghanistan post-9/11 (UNAMA), Liberia (UNMIL) and Iraq (UNAMI) (Dahrendorf et al., 2000). The fact that some of these were still in conflict (and hence according to the 'Note of Guidance' should have separate, not integrated, structures) was largely overlooked in the creation of these missions – a function of the general triumph of institutional jockeying over deliberative policy-making in the formation of UN missions. Only in Kosovo in 1999, where the UN was explicitly operating in a post-conflict context and where its presence was integrated with other international and regional organisations, did UNDGO refuse to integrate the Resident Coordinator function into the SRSG-led structure of the UN mission (UNMIK).

These developments were encapsulated, and pushed further, in the influential 'Brahimi Report' – technically, the *Secretary-General's Report on Peace Operations* of 2000 (UN, October 2000). The report called for still further changes in both policy and capacity. On the policy side, it argued for a strengthened role for the Secretariat *vis-à-vis* the Security Council in providing realistic estimates of the capacities needed to perform effectively in peace operations. It also called for a 'speak truth to power' approach, whereby the Secretariat would refuse to accept mandates if adequate resources were not provided. In capacity terms, the report called for improvements to the management capacity of DPKO, and for the establishment of an integrated Secretariat policy planning capacity, the so-called Inter-Agency Strategic Information Secretariat (IASIS). As with the UNDP's report to its governing board, a significant part of the Brahimi Report got entangled in debates about interventionism, and efforts to gain acceptance from the General Assembly for an increase in the Secretariat's capacity to manage conflict-related information and planning missions failed. Some elements of Brahimi, especially the strengthening of DPKO's management capacity, did gain acceptance, and are being implemented (Durch et al., 2003).

Moreover, within the Security Council, and with support from some major donors, there were efforts in the post-Brahimi era to expand the capacity of the organisation's political and peacekeeping actors to manage some civilian and economic aspects of post-conflict transitions. In Liberia in 2003, the Security Council began to experiment with broadening the funding base of peacekeeping operations to incorporate key transitional activities, such as the reintegration of demobilised fighters. DPKO has begun to expand its capacity to manage the civilian aspects of peacekeeping operations, with the establishment of a focal point for the issue in the Office of Operations – though this aspect of DPKO's capacity is less well developed than its military and police planning capacities.

2.3.3 New roles for new actors: strategic coordination with the World Bank

Complex as the coordination issues were within the UN, they too proceeded in a broader context – namely that of efforts to more effectively link the actions of the UN with those of other major actors in post-conflict contexts, especially the World Bank.

The issue of coordination with the World Bank evolved through the post-Cold War period just as policy within the UN developed. From its emphasis on structural adjustment in the 1980s, including through such early post-Cold War peace processes as Guatemala and El Salvador, the Bank gradually shifted its policies towards a more conflict-oriented stance. As Woodward has noted:

> *Discovering in the course of the 1990s that a majority of countries in arrears to the Bank were countries in conflict, and under mounting external criticism for what appeared to be a connection between state failure and violent conflict, on the*

CCRDA

> one hand, and development assistance and economic reform packages from the IFIs, on the other, the Bank began its own adjustments (Woodward, undated).

The Bank's growing role in transitions was met with mixed reactions at the UN. In some quarters, it was viewed favourably as an evolution in the Bank's thinking and policy towards the intellectual position staked out by the UN in *Agenda for Development* and through its Human Development Reports. However, winning the intellectual battle was viewed by others within the UN as a consolation prize for losing a broader political contest, namely the perceived displacement of the UN's development actors by the international financial institutions. In a context in which policy differences narrowed, the case for the existence of two development institutions both playing similar-sounding roles in similar situations was hard to make to some Western finance ministries. For this and other reasons, largely to do with stalled internal reform, UNDP's finances came under strain in the late 1990s. Of course, specialists were aware of important differences in UNDP and World Bank policy, with the former still placing more emphasis on employment, institutions and governance. But the further Bank policy evolved, and given the significant gap in real terms between UNDP's policy and its capacity to influence development action in the field, the balance of power between UNDP and the Bank seemed to be increasingly tilting towards the Bank.

Efforts to link the Bank's work to that of the UN played out in two very different ways. Within the political departments of the UN, and particularly in DPKO, an effort was made to link to the Bank as a strategic partner. In the early stages of managing the peacekeeping mission in Kosovo, of which the Bank was an integral element, and in the early stages of planning the mission in East Timor, a deliberate effort was made by parts of DPKO to involve the Bank early on in joint assessments and mission design, and to embed it in overarching strategic coordination frameworks. But this ran up against the second effort to link to the Bank: as a funder, specifically as a funder of UN developmental activity in the transition process.

In 1999–2000, however, UNDP shifted strategies in an important way, and led efforts within the UN Development Group to have the UN's operational actors adopt the Bank's main in-country planning tool, its Poverty Reduction Strategy Papers (PRSPs), as the UN's own planning framework for in-country development. Resisted within the UN then, and still controversial, UNDP's move signified an important closing of ranks, at least in policy terms, between the UN and the World Bank. Tensions remained, however, in terms of roles in protracted crises and post-conflict contexts, where the UN saw and sought to maximise comparative advantages over the Bank.

2.3.4 Conclusion: transitions debates revisited

Many of these trends have been encapsulated in a recent attempt within the UN to further clarify the links between development, humanitarian and political action in crises – specifically the UNDG/ECHA Working Group on Transitions.[5] The final report of this group, released in late 2003, focused squarely on engagement in the immediate post-conflict environment. This was identified as an area of considerable need, and as an important niche for the UN's development actors – where the situation was more fluid than during full-scale crises and where humanitarian actors were likely to dominate, and yet still so uncertain and contested as to play against the strengths of the World Bank (see Chapter 3).

The Transitions report does a number of important things. It recognises important strengths of the UN (flexibility, multi-faceted programming, a field presence throughout all stages of conflict) and – unusually for a UN document – its weaknesses (inadequate strategic planning, unreliable financing, inadequate coordination between the UN's political, development and humanitarian actors at headquarters). It sets out a series of clear policy priorities, including early strengthening of the capacity of nascent and fragile governments to manage their own recovery – conventional wisdom by the standard of post-conflict scholarship, but an important and useful shift on the part of the UN humanitarian community.

The report also glosses over some remaining difficulties. Three points are striking in this regard. First, despite the extraordinary number of existing coordination mechanisms, the report calls for the establishment of yet another one – a mechanism to link the senior managers involved in ECPS, ECHA and UNDG into strategic planning mechanisms for post-conflict environments. This idea has underwritten much of the debate and work around coordination, but as much as anything else reflects the continued inability within the UN to designate an acceptable lead from among the myriad actors. The memberships of UNDG, ECHA and ECPS now overlap to the extent that it would in principle be easier simply to designate one of these as constituting the proposed new mechanism, even if three or four additional agencies had to sit in on its post-conflict planning mechanisms on an ad hoc basis. But this is unlikely given the realities of policy-making at the UN.

Second, the report glosses over continuing difficulties between the UN and the World Bank. Although it accurately reflects important progress in reconciliation between the two entities (occasioned in part by collaboration in the lead-up to the Monterrey process on financing for development in March 2002), and some

5 See www.undg.org.

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important examples of joint action in the field, it elides continuing tensions around their respective roles. For example, the report cites as a success in institutional collaboration the World Bank's participation in the UN's needs assessment and planning process for Iraq – omitting the fact that this participation was agreed only after argument within the UN and after the personal intervention of the Special Representative for Iraq, the late Sergio Vieira de Mello (who had worked with the Bank in Kosovo and East Timor, and was well aware of both the limitations of the Bank, and the political importance of collaborating with it).[6]

Third, the report outlines, but does not resolve, a series of important policy issues related to protracted crises. These warrant further discussion.

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2.4 Unresolved policy issues

The debate over coordination left open several major policy issues related to protracted crises: the nature of political authority in crisis contexts; the nature of combatant–civilian relations in war; and the economic aspects of war (Chesterman, 2001). Some of these concepts have been well developed in academic and policy literature, others less so. These issues were debated, at times vigorously, at times effectively. But in the UN's overall policy development with respect to crises, they were largely subordinated to questions of coordination and leadership. Nevertheless, they are worth elucidating, less to explain the evolution of UN approaches in the past than to lay out some of the challenges that still remain in developing a more effective response.

In humanitarian terms, the question of the civilian experience of war and crisis was a dominant theme of policy development, especially during the second half of the 1990s – that is, after Somalia, Bosnia and Rwanda. The protection of civilians became a central concept in humanitarian policy development. In its first iteration, it focused largely on political actors, especially the Security Council: building on the lessons of Bosnia and Rwanda, the central argument was that major humanitarian crises could not be forestalled by humanitarian action alone, but required deliberate, sometimes forceful, political engagement. By the end of the 1990s, a greater focus had emerged on the protection capacities of humanitarian agencies themselves. However, the influence of this policy discourse on in-country strategies was, and remains, limited.

The protection of civilians was one aspect of a wider question to do with the nature of authority in war. At the political level, this question was at no point a focus of explicit policy discussion at the UN, even if analysis of it (however rough and implicit) was at the heart of country-specific negotiating strategies in which the UN had a role. At the level of policy, the UN is in an awkward position on the question of authority given that its principal bodies are composed of states with widely varying authority types, ranging from the liberal democratic to the authoritarian oppressive. For the Secretary-General or the Secretariat to take generic policy positions on the question of authority types, and the implications for UN engagement, is usually seen within the Secretariat as being an issue for member states, not for the negotiating arm of the UN. At times, of course, the Security Council in particular has taken specific policy stances versus certain governments, such as the *Taliban* or Saddam Hussein's regime in Iraq. But while these have been stated in policy terms (primarily through reference to such things as human rights violations, engagement in terrorism, threatening regional stability or the possession of weapons of mass destruction) these terms have neither been widely nor consistently expressed or implemented, meaning that the policy quotient is widely perceived to be less than the political quotient. The Security Council has not, for example, taken an explicit policy stance on such issues as succession; on the non-recognition of coups and rebellions (though the Secretary-General has occasionally spoken out against coups); or on occupation.[7] Political engagement in crisis contexts is based largely on a 'conflict resolution' stance: on the view that a negotiated peace is preferable to ongoing war, rather than on picking sides between authorities and challengers.

At times, this brings political and humanitarian strategies into conflict or competition. In Afghanistan under the *Taliban*, or Angola during the civil war, the Security Council took an explicit position against one of the two main warring parties (imposing sanctions against the *Taliban* and against Savimbi's UNITA movement), while the UN's humanitarian agencies maintained a stance of neutrality and impartiality. It is an oddity of history, and one that says much about the triumph of process over content that characterises much UN policy deliberation, that the place where humanitarian and political strategies were most clearly in contradiction was precisely the place – Afghanistan, during the period of Security Council sanctions against the *Taliban* – where the UN's central coordination principles were first tested. It was not at all uncommon in the mid-1990s to find the UN taking three different positions *vis-à-vis* central political authorities with

6 Author notes, UN headquarters, June 2002.

7 The Security Council has, albeit in a nuanced way, opposed occupation in the Israeli-Palestinian context, and has objected to the acquisition of territory by war. The Security Council authorised the US occupation of Iraq after the defeat of Saddam Hussein's government. East Timor's occupation by Indonesia was never recognised by the UN, and competing claims to sovereignty over Western Sahara are under negotiation by the UN. The Pakistani view that India occupies part of Kashmir has never been considered by the Security Council. Syria's troop presence in Lebanon has never been reviewed by the UN.

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its political, humanitarian and developmental arms. It was of course precisely this kind of experience that gave impetus to coordination debates such as those around the Strategic Framework exercise. But in those debates, the question of the UN's in-country relationship to government and to other institutions of authority was rarely discussed as such, nor did the policy results directly address the question.

A lack of clear policy frameworks surrounding the nature of authority has also informed the UN's exit strategies from protracted crises. Famously, Boutros-Ghali proclaimed 'elections, then out' in Cambodia, and this attitude has shaped UN political engagement ever since. In Afghanistan, the UN adopted early on the goal of negotiating an agreement to a 'broad-based transitional government'; this goal was written into the generic guidelines for the strategic framework – as if the establishment of a broad-based government was a likely or reasonable policy goal at the end of all wars and crises. Only recently has the UN recognised (at least implicitly) that a swift move to elections to establish a transitional government, often followed by a swift end to peacekeeping missions, is sometimes a recipe for a relapse into conflict.[8]

Other questions that should in principle influence humanitarian, development and political policy in protracted crisis also went under-addressed. These include the question of economic agendas in war, or the so-called 'greed and grievance' debate. This debate, led intellectually by research from the World Bank as well as by think-tanks such as the International Peace Academy, investigated the causal relationship between economic factors and war, and traced the role that economic factors played in perpetuating war. While research including from the World Bank ultimately suggested that the role of economic factors in causing war was at best partial, it was clearly established that, in certain countries, certain economic factors increased a predisposition to war and significantly contributed to the continuation of warfare (Collier et al., 2003). Yet the UN was inactive in this debate, and largely silent on its implications. Again, at country level economic factors were clearly taken into account in negotiations – often by the device of negotiating peace treaties that divvied up the spoils between former combatants (as, for example, in Sierra Leone). A limited amount of attention was paid by UN humanitarian agencies to mounting evidence that the provision of humanitarian supplies, especially food stocks and cash grants, could in some circumstances reinforce war economies. Development policy at the UN shows some evidence of having incorporated the findings of the economic agendas debate, though to what extent remains unknown.

8 UNDP Administrator Mark Malloch Brown made this point in a speech to the Security Council on 26 January 2004; see Brown (2004).

2.5 Developments since 9/11: crisis mitigation in a unipolar world

This chapter began with the statement that responses to civil wars and protracted crises dominated the period between the late 1980s and 11 September 2001. The implicit point – that much has changed since 9/11 – must be made explicit and clear: much has changed, largely because the nature of US engagement in international security has changed. The implications for the UN are complex.

2.5.1 Changing US security approaches

It goes without saying that much has changed in the United States' approach to international security. A more complex question concerns precisely *what* has changed. The standard caricature – that US security policy is driven by a combination of unilateralism and neo-conservative ideology – obscures as much as it reveals. Within the US administration, there are sharp differences of approach, especially between neo-conservatives, who take an expansive view of the transformative role of American power, and traditional conservatives, who take a constrained, realist view of America's role in the world. Most of the major foreign policy initiatives since 9/11 represent either consensus (Afghanistan) or compromise (North Korea) (Vaccaro, 2004). Few initiatives other than Iraq represent outright policy victories for one camp over another, and even Iraq – which in the war phase probably more clearly represents a policy victory for the neo-conservative voices – was subject to fierce policy debate, especially relating to the post-war phase. The charge of unilateralism is also overstated. US direct engagement with some international organisations – Interpol, the International Atomic Energy Agency (IAEA), the UN Office for Drugs and Crime (UNODC) and NATO – has actually increased.[9] Moreover, in regions such as the Middle East, the Bush administration has formed substantive international partnerships that create a broader, quasi-multilateral framework that exceeds in its inclusiveness the approach of the Clinton administration.

Nevertheless, two changes in particular – one of substance, one of form – appear to be having a significant impact on UN approaches to protracted crises, albeit one which varies greatly from context to context. First, counter-terrorism has become the defining framework of US security policy. The start of what is officially described by the US as a global war on terrorism ('GWOT', in Washington parlance) has led to a redefinition of US relationships with parties to a range of conflicts in the Middle East, Asia, Latin America and Africa. Second, US international security policy has become far more

9 The US has led efforts to increase IAEA funding from $90 million to $135m, and has become the largest voluntary donor to UNODC. Although parts of the US Department of Defense consider NATO to be of marginal relevance, the period since 9/11 has seen a substantial expansion of Alliance activities with US support. See Vaccaro (2004).

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assertive. This is best captured by the emphatic phrase with which President George W. Bush launched the GWOT: 'You're either with us, or against us'. It has been evident in demands on allies to adopt the US position on counter-terrorism even when there are substantive differences; the European Union (EU), for example, capitulated to intense US pressure to define *Hizbollah* as a global terrorist organisation despite the fact that few European decision-makers believe that this is an accurate characterisation. Many states and international organisations – the UN Security Council, the Organisation of American States (OAS), the Association of South-East Asian Nations (ASEAN) – have redefined their agendas to encompass important anti-terrorism platforms, to strengthen their alliance with the US or to fend off potential US criticism and pressure. The US has also sharply increased its bilateral engagement on counter-terrorism, in part through deploying troops, trainers, military advisors or other forms of support to governments for counter-terrorism operations. As of April 2004, the US had a military presence in 170 of the UN's 193 member states, with new or significantly expanded counter-terrorism operations or military bases in the Philippines, Colombia, Afghanistan, Djibouti and Kazakhstan, to name but a few (Cherif, May 2003).

The impact of these changes was immediately felt in Afghanistan, where the US launched its first and most direct battle in the GWOT. The rapid fall of the *Taliban* from power provided a compelling demonstration both of US resolve and of the reach of US power. It also led, of course, to a basic change in the framework for engagement in one of the world's longest-running crises. In a wide range of conflicts, a basic truth of UN action – that American policy and action hugely influence the available options – was powerfully reinforced. This has had both positive and negative aspects. Conflicts such as that in Colombia, which had been treated within the UN as civil wars or insurgency wars, were now set in a context where the US officially and actually treats the conflict as a counter-terrorism operation. Significant support to the government of President Alvaro Aribe, both political and in the form of a major US military re-engagement (Plan Colombia), has altered the balance of power between the parties, and constrained external negotiators (including the UN) in their relationship with the FARC – a rebel group now also listed by the US as 'global terrorists'. In Israel-Palestine, the designation of various Palestinian groups as global terrorist organisations and America's strong stance against President Yasser Arafat have altered the terms of engagement for all concerned, including the UN. In Sudan, a new US engagement was made possible by Sudan's decision to support the US in its campaign against Al-Qaeda, which has created the possibility of a sustainable peace agreement for the first time in almost four decades.

The relationship between the US and the UN has been most directly affected by the US war in Iraq. There is little doubt that the experience of Iraq will influence UN approaches to protracted crises in the future. Three aspects are likely to have a particular impact: the question of staff security; the issue of humanitarian independence; and renewed attention to 'nation-building'.

2.5.2 Staff security

The UN in Iraq faces fundamental questions of security, exemplified by the suicide bomb attack at the UN's Baghdad headquarters on 19 August 2003. The attack killed 20 people and injured around 100 more. In its aftermath, the UN confronted new challenges in terms of staff security.

Given Al-Qaeda's rhetorical attacks on the UN as an instrument of a US-led Judeo-Christian crusade against Islam, there was broad concern within the UN that Al-Qaeda-affiliated groups in the Middle East and beyond would attack UN targets that had previously been thought to enjoy the support and protection of host communities. Related to this, the UN sought to tighten its staff security procedures. Although this may seem tangential to the question of UN responses to protracted crises, it is in fact central. UN staff security rules govern (at least in theory) the deployment of UN personnel to crisis contexts, and their movement within them. They cover UN Secretariat staff and the personnel of the UN's operational agencies. In the aftermath of the Baghdad bombing, an independent commission led by Martti Ahtisaari found multiple weaknesses within the UN's security system. In its recommendations, the commission emphasised strict adherence to the rules set out by the UN Security Coordinator (UNSECCORD). Many within the UN believe that the Ahtisaari report missed the central issue of UN security, namely the inadequacy of the UNSECCORD rules and systems – UNSECCORD's limited access to real-time intelligence, limitations in the quality of its field personnel, and inconsistency of application in the field.[10] Nevertheless, in the post-Baghdad environment, senior managers were required to enforce strict compliance with UNSECCORD's rules. The operational impact was quickly felt, with the movements of staff in crisis contexts sharply restricted. This in turn had direct implications for the ability of UN agencies to deliver services, provide protection, even coordinate the activities of non-governmental agencies, many of whom operate under less stringent security systems and were freely working in places – such as northern Liberia – which were off-limits to the UN. Within the humanitarian community, especially the operational agencies, many argued that their ability to perform their mandated functions and their relevance were being undermined.

10 Interviews with staff members, UNDPA, UNDPKO, UNOCHA, UNDP, September 2003.

CCRDA

2.5.3 Humanitarian independence

Restrictions on the movement of humanitarian personnel (usually implemented in the field either by SRSGs or RCs) reinforced concerns within the humanitarian community about a broader issue: that of the relative independence of the UN's humanitarian actors from the organisation's broader political and development functions. This is not in itself a new question. As discussed above, the 1990s witnessed the progressive integration of the UN's humanitarian, political and development agencies, in terms of a convergence of goals and of management structure. What seems to have changed in the wake of 9/11 is the *nature* of the political consensus (or its absence) that undergirds UN involvement.

By the end of the 1990s, the UN humanitarian agencies and coordination mechanisms had by and large accepted the integration model – and certainly donors had embraced it. Underlying this consensus was the fact that, in the absence of superpower rivalry at the UN, the organisation's own political engagement in conflicts was largely neutral in its orientation. In other words, in the conflicts of the 1990s, UN peacekeepers and political units were not deployed to back one side or another, but to help the parties reach and implement peace agreements. This neutral stance *vis-à-vis* the parties (most of the time, in most cases) was similar in nature to the neutrality sought by humanitarian actors. This implied a diminished operational need for independence from political actors. This consensus has been eroded by developments since 9/11, and some that preceded 9/11, particularly in Afghanistan and Iraq. Although there are many dimensions to this, the core issue is that, in the context of assertive US action in a global war on terrorism, and given the weight of the US in the UN, many within the humanitarian community believe that the UN's political engagement in conflicts in the post-9/11 period could be seen as part of the US counter-terrorism agenda.

This concern was given a sharp boost by the Baghdad bombing. Although neither the identity of the UN's attacker nor their motivations are known, many within the humanitarian community believe that the UN was attacked because it was seen as too close to the US Coalition Provisional Authority (the Security Council-sanctioned occupation presence in Iraq), and that the necessary neutrality of humanitarian action would be compromised by continued integration with the UN's political presence. There was strong counter-evidence: two months later (on 27 October), the Baghdad headquarters of the ICRC, which was clearly not close to the US presence, was also attacked, leaving several people dead and prompting the ICRC to withdraw its international personnel. But whatever the facts of the case, the episode has clearly rekindled within the humanitarian community a desire for greater independence from the UN's political arm (Donini et al., 2004).

2.5.4 Nation-building redux

The issue which will have the longest-term impact on the UN, in the aftermath of the Iraq episode, is perhaps the question of rejuvenated international support for a robust UN role in conflict management, particularly in post-conflict operations. US scars from the experiment with 'nation-building' in Somalia meant that the issue received little or no attention in US policy debates in the 1990s. President Bill Clinton's involvement in post-conflict efforts in Bosnia – which in the international community's view were late and partial – were derided by Bush during his presidential campaign in 2000; Bush explicitly foreswore a US role in nation-building.

After the terrorist attacks of 9/11, this changed radically. In his 2002 National Security Strategy (White House, 2002), Bush noted that failed states (such as Afghanistan) could give rise to terrorist movements and to opportunities for proliferation. Thus, effective nation-building after wars was essential to the US interest. US engagement in post-war Afghanistan and Iraq has translated this major policy shift into major operational realities. The difficulties of post-conflict stabilisation and nation-building in Iraq, however, have led many in the US administration to voice concerns about the limitations of unilateral (or quasi-unilateral) American actions in this realm, and to calls for greater UN involvement both for the legitimacy the institution provides, and for its greater experience in post-conflict transitions.

This new US emphasis on nation-building has been echoed in Europe. The new EU Strategy Statement (commonly known as the Solana strategy paper) articulates the clear European interest in preventing failed states and thus in effective post-conflict reconstruction (European Council, 2003). EU members of course have their own important capacities to contribute to such efforts, and the EU as an institution is committed to developing further capacities; but none of this negates the fact that, within the Solana strategy paper, there is a clear recognition of the importance of a UN role.

Thus, by 2003–2004 there was a growing international momentum to expand the UN's role in post-conflict operations and perhaps also to improve its capacity through a variety of reforms. Specifically in Iraq, as US troubles deepened in the spring of 2004, there was a growing international and US chorus for the UN to take on an important role in political transition. An Arab League resolution on 23 May called for a UN role; the major European donors had been consistent in this call; and US officials including Bush were stressing the importance of UN Special Envoy Lakhdar Brahimi's role in organising the transition from occupation to elections.

There is reason to believe that growing international support for a UN role in transitions, including in Iraq, is not being

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matched by the institutions' own appetite for these roles. Rather, the concerns noted above – especially *vis-à-vis* staff security and the political independence of the UN from US power – were encouraging a more conservative attitude in the UN towards nation-building, reminiscent of US hesitation after the debacle in Somalia. Whether these tensions would be resolved, or lead to a major clash between the UN and the US, remains to be seen.

2.6 Conclusion

Following 9/11 and the Iraq invasion, the UN is confronted by two contradictory realities. On the one hand, there is growing momentum for a new push towards increased capacity and coherence in the UN's tools for responding to protracted crisis and post-conflict operations. At the same time, the basic framework of inter-state consensus on which the experiments of the 1990s rested has been eroding. The interaction between these two trends is likely to shape the UN in important and unpredictable ways. It will certainly influence the UN's policy and operational evolution *vis-à-vis* humanitarian operations, conflict management operations and post-conflict operations. Given that protracted crises have, throughout the 1990s, been treated as a sub-set of these operations, they too will be affected by this ongoing debate.

Looking back on the 1990s, several themes in the UN's approach to protracted crises emerge.

First, the response agenda has been driven by the complex interaction between evolving concepts (human development, human security), the interest-based politics of member states, and the bureaucratic politics of UN departments and agencies. Often, process has triumphed over content, and only rarely have broad policy concepts been coherently or systematically translated into operational tools or approaches. Second, a significant effort has gone into trying to resolve the coordination issue, but the result has been a proliferation of mechanisms, units and tools that have not led to a capacity to overcome the limitations of an architecture not designed either for conflict response, or for managing divisions between components of the system over objectives and strategy. Third, a significant degree of innovation during the decade went into operational models for post-conflict environments, and despite the inefficiencies of the UN's approaches some important successes were recorded. Fourth, as the World Bank has increasingly eclipsed the UN in development and reconstruction, the UN has begun to identify the immediate post-conflict phase as an important niche, but has only just started to develop (or spur the development of) effective coordination and financial instruments for operations in this phase.

Throughout the decade, policy and institutional innovation for post-conflict operations has overshadowed the development of appropriate frameworks for engagement in protracted crises. At no stage was there an explicit policy framework for dealing with this specific category of conflict – in part because the UN's strategic coordination mechanisms, such as they are, are too blunt to devise category-specific responses. Moreover, despite some experiments, notably by the UN Development Group and the Department of Political Affairs, the UN did not during this period devise an adequate response to the core policy problem of protracted crises – the challenge of financing and operationalising development strategies in situations of contested authority. Amid the US-led global war on terrorism, where authorities under challenge may increasingly seek to label their opposition as 'terrorists', the challenges of deeper development and political engagement in protracted crises are likely to grow, rather than recede.

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Chapter 3
Bridging the gap? The international financial institutions and their engagement in situations of protracted crisis

Adele Harmer[1]

3.1 Introduction

Traditionally, the international financial institutions (IFIs) have been concerned with the macro-economic underpinnings of growth in a wide range of countries. Over the past decade, both the World Bank and the International Monetary Fund (Fund) have attempted to narrow the focus of their engagement towards addressing the challenges of poverty reduction and economic growth in low-income countries. Within this category, the IFIs have sought to address the challenges of countries suffering from conflict, weak governance and deteriorating human development.

This engagement in conflict and other crisis situations goes against the familiar and established norms by which the IFIs were established, and under which they have operated over many decades. Although cautious, the approach is not *ad hoc*: it reflects over a decade of increased investment and policy engagement in addressing the challenges these countries pose. From emergency water provision in the Palestinian Authority, community-managed health services for villages in Somalia and community education support projects in Nepal, the World Bank in particular is investing in a diverse range of crises situations and responding to a wide-ranging set of needs. Many of these countries are ones in which the humanitarian community has for many years maintained a responsibility for welfare provision. Whilst neither the World Bank nor the Fund is attempting to extend its mandate into the humanitarian realm, their absence from these environments can no longer be assumed. In particular, the Bank now highlights its comparative advantage in 'bridging the gap' between relief and development interventions.

This chapter seeks to compare and contrast the policy and practice of the Bank and the Fund in conflict-affected and protracted crisis environments. It argues that the Bank has progressed further than the Fund in engaging in these situations, and has a more flexible and responsive policy approach. In comparison, the Fund's role has remained narrower in scope. This is evident in the financing each has allocated in this area. Conflict-related financing amounts to about one-fifth of the World Bank's lending. In late 2003, the World Bank had over 80 projects in 13 conflict-affected countries, totalling $5.5 billion. Since 1962, the Fund's emergency assistance for recovery from natural disasters and armed conflict has amounted to less than $2.5bn.

The chapter is structured into three sections. The first section is a comparative analysis of the differing mandates, financing arrangements and governance of the two institutions. This section also explores the nature of policy-making and agenda-setting. The second section looks at the evolution of policy approaches to differing types of crises.[2] This includes analysis of the focus on natural disasters and exogenous shocks in the early years of the IFIs' history; the shift in the 1990s towards post-conflict reconstruction and transitional administration; and more recent policies for engaging directly in conflict-affected countries, including addressing the challenge of 'Low Income Countries Under Stress' (LICUS). The third section examines the evolution of aid instrumentation, financial mobilisation, approaches to coordination and needs assessment processes; it also examines the innovations in service delivery and social protection strategies. The final section examines the potential difference the IFIs' engagement is making to the nature of assistance in these environments, as well as the responsibilities of these institutions in terms of upholding international humanitarian law and respecting the distinctiveness of humanitarian action. Finally, the chapter explores the operational and policy implications for humanitarian actors.

3.2 Mandates, financing, governance and constitutional issues

3.2.1 Mandates

In many ways, the Bank and the Fund are institutionally alike. Born at the same time and place, and located across the street from one another in Washington DC, they are the offspring of the same parent countries (Polak, 1997). Created with the same intention, the two institutions were

1 The author would like to thank interviewees at the World Bank and the International Monetary Fund for their time and observations. This paper does not necessarily reflect their views.

2 This chapter focuses on humanitarian crises, as opposed to financial crises (the core work of the Fund).

CCRDA

designed to place the international economy on a sound footing after the Second World War, and to create a global economic framework that would minimise the likelihood of a repeat of the pre-war economic conflict among states. The Bank's Articles of Agreement contain a direct link between the two institutions: in order for a country to be a member of the Bank, it must be a member of the Fund.

Even at birth, however, critics noted that the institutions were very dissimilar (Polak, 1997). Their initial fields of operation were distinct. The Fund was established to be at the centre of the post-war international monetary system. Its primary purpose was to promote monetary cooperation, assist in the establishment of a multilateral system of payments for transactions and promote orderly and stable exchange rates. The Bank was tasked with assisting in the post-war reconstruction and development of member states. Initially, the Bank focused on European reconstruction. Many of those who defend the World Bank's engagement in crisis environments today point to the reconstruction pursued by the Bank in its beginnings (Ragazzi, 2002). The first loans were extended as reconstruction loans to assist France, the Netherlands, Denmark and Luxembourg.

3.2.2 Financing

Both institutions lend money, but their sources of financing and clients are different. The Bank lends only to developing or transition countries. In contrast, the Fund's operations are governed by the principle of universality, according to which all member states, rich or poor, can call upon its services and resources.

The Bank makes loans for policy reforms and projects, and its core work consists of designing and supervising the implementation of long-gestation projects. In contrast, the Fund concerns itself with policies alone, and assistance is intended to be short-term.

The World Bank Group is composed of five organisations: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), which finances private-sector investment, the Multilateral Investment Guarantee Agency (MIGA), which provides guarantees to foreign investors against losses caused by non-commercial risk, and the International Centre for Settlement of Investment Disputes. Although both the IFC and MIGA are also active in conflict environments, this chapter focuses on the IBRD and the IDA.

The distinction between the IBRD and the IDA is financial, not organisational. It relates to the source of the money and the terms of lending (Wade, 1997). The IBRD is the main lender. IBRD funds come from Bank borrowing on world capital markets, plus borrowing governments' repayments, plus income accrued on the Bank's investments in securities. IBRD loans are on terms better than, but close to, commercial rates. IDA, established in 1960, is the Bank's soft-loan affiliate. It receives grant money from its industrialised member governments, and lends this money to the poorest low-income countries at highly concessional rates.[3] IDA credits account for about a quarter of the Bank's total loan commitments every year. Since 2003, the Bank has also provided IDA financing in the form of grants.[4] In addition, the Bank also administers Trust Funds on behalf of multilateral agencies, bilateral donor governments and through transfers of surplus Bank funds.[5] The Bank's programmes in post-conflict and protracted crises have increasingly been financed by the Trust Funds of interested states.

The Fund's financial base is quite different from the Bank's. Unlike the IBRD, the Fund does not borrow on capital markets. It is essentially a rotating credit fund, underwritten by government subscriptions. Member countries contribute an equal amount to their quota, partly in special drawing rights, but predominantly in their own currency. In contrast to the Bank, where there is no connection between a country's shareholding and the amount of credit it can receive from the Bank, the Fund's quotas determine not only voting rights but also the amount of access to Fund credit. The Fund provides two types of loan to low-income countries: low-interest loans under the Poverty Reduction and Growth Facility (PRGF), and debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. These resources come from member contributions and the Fund itself, rather than from quota subscriptions. They are administered under the PRGF and PRGF-HIPC Trusts, for which the Fund acts as trustee.

3.2.3 Governance

The IFIs function as cooperatives of member states; the members form a governing body of state representatives, a 'Board of Governors', which sets rules and policies and approves programmes and the use of revenue. The Boards comprise the finance ministers or development ministers of member states. Respective Board members delegate authority to a Board of Executive Directors (EDs) for each institution. The EDs are generally drawn from finance departments. There are currently 24 in each institution, representing individual member countries (in the case of large and powerful ones) or clusters of countries.[6] The

3 IDA grants also include repayments, plus transfers from IBRD net income. The rate of interest is close to zero (0.75%), with a long repayment period – a ten-year grace period, and 30–40 years' repayment.

4 In 2003, about 17% of total operational financing came in the form of grants.

5 In FY2003, the contributions received from donors for trust fund programmes totalled $4.44 billion, an increase of 70% over 2002. Funds held in trust rose from $5.33bn to $6.89bn (a 30% increase).

6 In the case of the Bank, seven EDs represent single countries – the G5 (US, Japan, Germany, France, Britain), plus China and Saudi Arabia. The other EDs represent more than one country; some represent both a Part I and several Part II countries. In the case of the Fund, the G5 is represented singly, and the rest are grouped.

CCRDA

Boards have significant capacity to scrutinise institutional activity. In the case of the Bank, the Board approved virtually every loan until the 1990s, but did not discuss overall strategy for specific countries. Since about 1990, the Board has given less attention to individual projects and more attention to the strategy for each country, and to corporate policy.

Voting in the IFIs is weighted by countries' capital subscriptions. The IFIs were designed to operate on the basic governance principle that those who have power should pay for the privilege; in other words, the larger the contribution to the capital and revenue base, the larger the share of the vote (Wade, 1997). This is in contrast to the 'one country, one vote' of the UN's General Assembly. In the Bank, member states are divided into two blocs: industrialised countries (Part I countries), which do not borrow; and developing countries (Part II countries), which do. Member states often have strongly divergent preferences about the policies and activities of the Bank. These divergences are often structured between Part I and Part II countries. However, this distinction is not always observed when discussing policy approaches for engaging in conflict-affected or protracted crisis countries.

In both institutions, the most powerful member is the US.[7] The US has the largest single share of votes in the Boards of Directors.[8] But this does not imply that the US can dictate decision-making. Wade (2002) highlights a number of reasons for this: the Bank, unlike other multilateral organisations, is not entirely dependent on shareholder agreement. Due to the fact that it borrows on world capital markets, it wields substantial resources on its own behalf, and depends as much on maintaining a positive position with bond rating agencies and investment houses as it does on its relationship with its Board. Second, both Boards generally work on consensus, and vote only on contentious issues. This gives the Part II members more potential power than their share of votes would suggest. Nor is the US government a single-minded entity; views can differ between the US Treasury, Congress, the State Department and USAID, even if the Treasury and, indirectly, Congress have significantly more influence on the IFIs than other departments. Finally, the IFIs are surrounded by a hinterland of international NGOs, mostly based in the Part I countries and often in the US, most of whom have developed influential ways to challenge both institutions' legitimacy and revenue streams (Gwin, 1997; Wade, 2002).

3.3 Policy processes and agenda-setting

In documenting and comparing any major policy shift in the IFIs, analysis needs to take account of both internal and external drivers, as well as the nature of the policy-making process and how issues come onto the agenda of both institutions. For both institutions there have been a number of broad macro-level shifts which have placed the challenges of conflict and protracted crises in low-income countries in the domain of IFI responsibility. Analysis of the policy-making process gives some indication as to why the Bank has progressed further than the Fund in engaging in conflict-affected and protracted crisis situations.

3.3.1 External and internal pressures

Both institutions have been forced to change direction due to external influences. The Fund suffered one monumental shift in 1971, when fixed exchange rates were abolished. Reorienting itself to the role of quasi-lender of last resort to debt-laden countries in need of hard currency, the Fund developed a more proactive role towards developing countries (Stevenson, 2000). The Bank has not been beset by a comparable single identity crisis. Rather, the institution has experienced incremental shifts in emphasis and approach. Changes in the political economy of borrowing countries, changes in the international financial and development architecture, and the changing whims of shareholder interest have resulted in significant shifts in direction. In particular, in the 1990s, the Bank moved away from the idea that economic growth alone reduces poverty, and focused more attention on political agendas in determining economic outcomes. 'Good governance', corruption, participation and commitment to reform in developing countries, alongside environmental protection, social development and human development, became the next areas of fast growth in Bank lending. Human development became the most prominent theme of the IDA resource commitment.[9] In line with changes in thinking and approach towards political concerns, social stability and human security came to be understood as preconditions for development.

An explicit IFI focus on engaging strategically in low-income countries came in response to the findings of the International Financial Institutions Advisory Commission (the Meltzer Commission), an advisory commission to the US Congress. The Commission declared the Bank irrelevant to its poverty reduction mission and accused both institutions of lending to countries that did not need subsidised loans, rather than lending to low-income

7 The US makes the biggest single financial contribution to the capital base of both institutions and, in the case of the Bank, to the replenishment of the soft-loan fund.

8 In the Bank, the US has the right to exercise a veto on certain constitutional issues, the only member state able to do so. Although the largest shareholder, its share has fallen over the years, from 26.3 % in 1965 to 16.5 % in 2001. Japan is the second-largest shareholder, with 7.9% of the vote in 2001. Germany, France and the UK are next in order of voting shares, each with around 4.5%. The 45 member countries of Sub-Saharan Africa have a total voting share of 4%. China, India and Brazil have around 2%. In the Fund, the US share is 17.4% of the vote. Japan is second, with 6.5% of the vote.

9 Spending on human development accounted for 21% of IDA commitments in 2003.

CCRDA

countries. The Commission recommended restricting the Fund to short-term crisis assistance, and recommended that the Bank should move away from assisting middle-income countries altogether, and operate on grant terms in low-income countries.[10]

Shifting policy priorities were also fed by internal influences. In particular, the IFIs' internal research capacity is significant in influencing policy change. Both institutions have made a significant investment in their in-house research capacity. It is here that some of the major scripts that describe the kinds of economic and (increasingly) political models for developing countries are formulated (Wade, 1997). As this chapter details, this was particularly the case for the Bank in setting the policy framework for engaging in conflict-affected countries.

3.3.2 Policy-led or operationally driven?

The two institutions develop policy in very different ways. The Bank is operationally-driven: its geographic regions and country teams have considerable influence over the shape and nature of engagement in client countries. The geographic regions control the Bank's lending resources, and 'buy in' policy advice to assist with the design of programmes. The Bank's central incentive system, based upon lending targets, has resulted in operational staff having little inducement to incorporate new policy initiatives that might limit or restrict lending volumes. A process of decentralisation in 1997, which resulted in a substantial number of Bank staff being transferred to offices in borrowing countries, has reinforced an operationally-driven culture.

In contrast, the Fund remains heavily centralised and policy-driven. A set of operating principles guides the Fund's work, and these have a particular impact on policy-making processes (Guitian, 2001). The first, the principle of universality, aims to ensure that distinctions are not made among or between member countries. Second, the principle of uniformity of treatment requires the Fund to act without discrimination between members: treatment must remain equal and comparable, not allowing for preferences in favour of any country or group of countries. The third basic principle, neutrality, seeks to maintain an appropriate balance between the interests of individual members and those of the membership as a whole. The application of these principles is challenging, particularly in the poorest countries. The necessary judgment and interpretation of Fund policy requires flexibility and a spirit of risk-taking, neither of which is particularly encouraged in Fund culture.

The primacy and uniformity of policy in the Fund versus the responsiveness to changes in client needs in the Bank distinguishes the two organisations. Once policy has been set in the Fund, it tends to be treated as dogma. In contrast, policy-making in the Bank is an iterative, shifting and context-specific process. While both institutions are accused of remoteness and blueprint approaches, such a charge against the Bank is increasingly less justifiable. If anything, as this chapter documents, the challenge for the Bank stems from the absence of policy frameworks to guide decision-making and resource allocation. For the Fund, the challenge is quite the opposite: how to make policy more responsive and adaptable to the complex and differing needs of member countries.

3.4 The evolution of policy towards protracted crises

3.4.1 The beginnings: natural disasters and exogenous shocks

Both institutions developed policies to assist countries suffering exogenous shocks or natural disasters long before they focused on countries in conflict or protracted crises. Assistance was designed to make up for lost assets, balance of payment needs, and reconstructing public infrastructure. In this way, it was intended to yield development gains and to contribute directly to productivity, not to be primarily palliative.

The Fund led on the development of these provisions, as part of its mandated role in responding to short-term balance of payments needs. An Emergency Assistance policy was established in 1962 in response to a request from the government of Egypt following a major crop failure. By 2003, 24 member countries afflicted by natural disasters had received financial assistance. Between 1995 and 2003, total funding amounted to $811 million. In comparison to the levels of assistance provided by other development and humanitarian actors in response to natural disasters, the Fund's facility is limited in nature and scope. This reflects the fact that there are significant conditionalities attached to the assistance provisions, placing the loans out of reach for many poor countries.[11]

In the case of the Bank, increased emergency recovery activity in the 1970s and 1980s, particularly in response to natural disasters, prompted it to adopt Reconstruction Guidelines in 1984. These encouraged natural disaster prevention and mitigation in post-disaster activities.[12] In October 1988, the Board approved 'Lending by the Bank for Emergencies', a policy paper based on the 1984 guidelines. The guidelines were then transformed in 1989 into Operational Directive (OD) 8.50, 'Emergency Recovery Assistance'. In August 1995, when the Bank shifted from Operational 'Directives' to Operational 'Policies', OD 8.50 became Operational Policy 8.5 (OP

10 The Meltzer Commission report can be found at www.house.gov/jec/imf/meltzer.htm.

11 The Emergency Assistance loan, to be repaid within three to five years, is subject to the Fund's standard rate of charge, and strict exchange and trade policy conditionalities are applied.

12 See Operational Note 10.07.

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8.5) without any major conceptual changes. The main objectives of emergency recovery assistance were facilitating economic recovery, including restoring assets and production levels.[13]

3.4.2 The challenge of engaging in failed states

While the notion of short-term assistance to countries recovering from natural disasters was well-established in the IFIs by the 1990s, engaging with countries in political and institutional crises was a troubling agenda. The reasons for this are primarily to do with the constitutional and political constraints imposed on the two institutions. The IFIs' constitutions require them to make decisions on the basis of technical and apolitical considerations, without regard to the political character of the potential beneficiary.[14] The constitutions state that they are only able to lend to governments, or with a government guarantee, and that their resources and facilities may only be used for the 'benefit' of member states. Nor can the institutions operate in the territory of a member without that member's approval. Constitutionally, neither institution is mandated to extend loans or have any active engagement in members facing arrears. In addition, in the early years, the institutions had no means of consulting with non-state actors. To accept them as 'legitimate interlocutors' seemed to contradict another constitutional principle, by which the IFIs were designed to deal with citizens and legislators of member governments only through the designated representatives of those governments: the Board members. Initially, therefore, the IFIs had no official means of holding dialogue with external actors, no capacity to lend to non-members or stateless authorities and no capacity to lend to countries in arrears, and they were required to determine their engagement in a country on the basis of apolitical considerations. In practice, however, these institutions were forced to examine the limitations of their constitutions.

In 1995, an influential paper produced for the Bank's Taskforce on Failed States argued that the Bank and other external agencies needed to understand the varying histories and nature of 'failure' processes in countries in political and institutional crisis (Muscat, 1995). Through such a process, it was suggested, the Bank might be able to draw lessons applicable to situations where the preconditions for state failure existed, but where preventive policies were still possible. The paper identified five categories of socio-political emergencies:

1. Stable states with disorderly transfers of power, but with bureaucratic/governance continuity (e.g. Thailand in 1932–92).
2. Peaceful dissolution into successor states (e.g. Malaysia/Singapore, 1964).
3. State failure due to predatory or ineffectual governance (e.g. Haiti, Liberia, Sierra Leone, Somalia, Uganda, Zaire).
4. State erosion or failure due to ethnic or regional conflict (e.g. Afghanistan, Azerbaijan, Burma, Congo, Eritrea, Ethiopia, Georgia, Lebanon, Rwanda, Sri Lanka, Sudan, Tajikistan, the former Yugoslavia).
5. State failure due to ideological conflict (e.g. Angola, Cambodia, El Salvador, Mozambique).

The taskforce noted four factors determining the scope for continuing or resuming Bank operations in countries emerging from conflict. These were:

- the relative absence of internal conflict;
- a legitimate and effective civil authority;
- freedom from large debt; and
- sufficient international interest in conflict resolution.

3.4.3 The shift towards the economics of conflict resolution

Two events in particular brought about a significant change in the Bank and the Fund's approach to conflict-related crises (World Bank, 2004a). The first came in 1994, when the Bank was asked to administer the multidonor Holst Trust Fund for the West Bank and Gaza. The second was the crisis in Yugoslavia. The Bank took the lead operationally, with the European Commission, in planning and coordinating international assistance for post-conflict recovery in Bosnia-Herzegovina. It was present at the Dayton negotiations, and played a role in designing the economic aspects of the final peace accords – setting a precedent for a Bank role in the economics of conflict resolution. A trust fund was established, followed by emergency lending, which was mobilised more rapidly and across a wider range of activities than previously.

The IMF led the policy-setting phase of engaging in conflict-affected countries. In 1995, it expanded its policy on emergency assistance for natural disasters to cover countries in post-conflict situations. Entitled Emergency Post-Conflict Assistance (EPCA), the first loan (of $45m) was provided to Bosnia in 1995. This facility requires a country's administrative capacity to have been damaged by conflict to the extent that the country cannot implement a regular fund arrangement. The emphasis is on rebuilding capacity through technical assistance. The conditionality applied to the loan is similar to that of the Fund's loans for disaster assistance; the rate of charge applied to the loan can lead to a quick increase in indebtedness to the Fund even before the member's repayment capacity has been ascertained.

13 Bank assistance takes the form of immediate support in assessing the emergency's impact, and developing a recovery strategy; restructuring the Bank's existing portfolio for the country, to support recovery activities; redesigning projects not yet approved, to include recovery activities; and providing an emergency recovery loan.

14 For example, Article IV, Section 10 of the World Bank's charter states that the Bank and its officers 'shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned'.

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The Bank did not establish an Operational Policy for its activities until 2001. In 1997 a guidance tool, entitled 'Framework for World Bank Involvement in Post-Conflict Countries', was developed. The Framework identified a 'conflict country' as one that had recently experienced widespread violence, or where a main preoccupation of the state was armed warfare, where the state had failed, or where a significant part of the population was engaged in armed struggle with the state (World Bank, 1997). The Framework outlined a five-stage process for Bank involvement:

1. Preparation of a Watching Brief in countries in conflict where the Bank had no active portfolio.
2. Preparation of a Transitional Support Strategy as soon as resolution was 'in sight'.
3. Early reconstruction activities, starting as soon as field conditions 'allow', involving small-scale operations such as repairing vital infrastructure.
4. Post-conflict reconstruction under emergency procedures, involving larger-scale operations such as economic recovery, institution-building and social reintegration.
5. A return to normal operations.

The Framework led to the establishment, in the same year, of a Post-Conflict Unit within the Social Development Department. This was designed to consolidate the Bank's learning on reconstruction activities, and act as a focal point for partnership with other members of the international community. It also led to the establishment of a Post-Conflict Trust Fund, enabling small-scale Bank-supported activities to begin in countries in conflict, and emerging from it (World Bank, 2004a).

Intense Board discussions took place at the time of the Framework's approval (World Bank, 1998). The Board focused on five core areas of concern: relief versus reconstruction; the Bank's capacity for flexibility and responsiveness; the risks and rate of return in terms of Bank assets; the timing of the Bank's re-entry; and the Bank's comparative advantage.

Board views varied regarding the most appropriate timing for the Bank to start operations. Generally, there was agreement that the Bank should not start operations until hostilities and related political tensions (such as border closures) had completely ceased or been resolved. On the issue of relief versus reconstruction, the Board was clear. It was not in the Bank's mandate to provide relief assistance.[15] However, the Board recognised the difficulty of drawing a clear line between the two. While some Board members believed that the Framework justified relief, others suggested that such activities helped to close the gap between relief and reconstruction. Board discussions noted that the lending programme needed to be flexible to respond quickly to situations that were often complex and in flux. It also noted that the risks and rate of return in post-conflict countries were volatile, and a return of hostilities could wipe out Bank assets overnight. Some Board members were concerned whether the Bank had a comparative advantage in new areas such as demining, demobilisation and reintegration, and dealing with displaced populations.

3.4.4 Evaluating policy and operational responses

Between 1980 and 1998, the volume of Bank lending to post-conflict countries had increased by over 800%, to $6.2bn (World Bank, 1998). This amounted to 16% of the Bank's lending resources being tied up in conflict/post-conflict settings. The institution was investing deeply in environments in which its comparative advantage was virtually untested. Mindful that this new direction was potentially troubling, the Bank's evaluation arm, the Operations Evaluation Department (OED), examined the institution's post-conflict performance (World Bank, 1998).[16]

The OED found that the Bank had a critical role to play in the early stages of post-conflict reconstruction. It had two main concerns. The first was that the particular problems posed by conflict should be addressed in a policy-based way, not in the *ad hoc* way in which the Bank had thus far been engaging. It concluded that the Bank should develop a clear Operational Policy on post-conflict reconstruction assistance. The evaluation also noted that Bank activities in post-conflict reconstruction encompassed a much wider range of activities than was the case in the post-Second World War years, or for recovery from natural disasters. It highlighted the difference between post-*disaster* and post-*conflict* reconstruction, and noted that the latter often operated amid significant tensions between key actors within the country. Drawing a line between conflict and post-conflict, the evaluation found, was not simple. The apparent 'closure points' to conflict, such as peace agreements or elections, rarely signalled the beginning of a definable post-conflict reconstruction period. It noted that, even among the countries with identified Bank-financed post-conflict reconstruction operations, about half were experiencing ongoing conflict (World Bank, 1998).

The evaluation found that the Bank's greatest strengths were in supporting macroeconomic stabilisation, rebuilding physical infrastructure, mobilising resources and coordinating external aid. It signalled a number of future policy challenges and trends. In particular, it noted that the traditional approach of applying policy

15 The articles of agreement state that the purpose of the Bank is to 'assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes'.

16 Until this time, policy guidance had been drawn from OP 8.5, which was developed for reconstruction following natural disasters. OP 8.5 was then revised to apply only to natural disasters.

CCRDA

conditionality was often not appropriate given implementation capacity and the often highly contested political environment of conflict situations. It highlighted that the Bank's attempts to restore human and social capital in conflict situations had had little impact, noting that many programmes had produced unsatisfactory or modest results. It signalled that partnership with NGOs that have solid records in the restoration of human and social capital should be promoted. Recognising that standard Bank procurement and disbursement processes had often created stumbling blocks to rapid post-conflict recovery activities, it noted the need for greater use of preparation and piloting funds (World Bank, 1998).

3.4.5 Deepening engagement: a conflict-prevention role for the Bank

In 1999, the Bank's Development Economics Research Group (DECRG) began a major research effort to study the economics of conflict and violence. This research exerted a powerful influence on the Bank, which began to espouse the potential role of development assistance in *preventing* conflict (World Bank, 2003a). The Bank sought to redefine its reconstruction role more broadly in the context of a more comprehensive approach to development: from an approach focused on rebuilding infrastructure to one that sought to understand the root causes of conflict, to integrate a conflict lens into all Bank activities and to promote assistance that minimised the potential causes of conflict.

In January 2001, in line with the research work and in response to the findings of the OED evaluation, the Bank adopted an Operational Policy which legitimised its work in countries before conflicts ended. This was OP 2.30: 'Development Cooperation and Conflict' (World Bank, 2001). The Post-Conflict Unit was renamed the Conflict Prevention and Reconstruction (CPR) Unit, and set about the task of developing policy guidance for the Bank's operations. OP 2.30 states that, in 'countries vulnerable to conflict', the Bank would use its usual instruments to promote growth and poverty reduction. In 'countries in conflict', the Bank would continue its efforts towards poverty reduction, would 'maintain socio-economic assets' where possible, and would provide partners with information on the socio-economic impacts of emergency assistance. It would also analyse the impact of conflict on economic and social development, and prepare for Bank assistance as opportunities arose. In 'countries in transition from conflict', the Bank would support recovery and development through investment and development policy advice, with particular attention to the needs of vulnerable war-affected groups.

The shifts in policy that culminated in OP 2.30 signalled a significant reinterpretation of the Bank's reconstruction and development mandate, from an institution waiting for conflict to end – the reconstruction mandate – to an institution aiming to prevent conflict, engage where possible during conflict and assist vulnerable groups in the transition from conflict – the development mandate. The policy was deeply troubling for members of the Bank's Board. However, the divisions were not, as was traditionally the case, between Part I and II members; indeed, the possibility of opening up aid flows to conflict countries ensured a positive response from some Part II states. Significant Part I shareholders, particularly the US, expressed concern. Whilst the US post-Cold War rationale was that it was in the best interests of the US to have stable partnerships in the world, and that conflict was a disruptive force in potential markets, the general US Treasury position was not to encourage Bank involvement in high-risk activities, such as those in countries suffering from civil conflict. In contrast, the State Department and USAID's position was that the Bank's extensive resources meant that it should be encouraged to get involved as early as possible.

Internally, tensions were also evident. Overall responsibility for Bank work in conflict-affected countries lies with the Bank's geographic region and country teams. Loss of assets and evaluations of projects deemed to have 'failed' due to the disruptive forces of conflict were deeply troubling for operations and field staff. The OED, in particular, was sceptical of a policy which ostensibly required Bank staff to conduct poverty reduction work during times of conflict. The OED argued that the distinctions the Bank's policy was assuming between conflict and peace were unclear; that the Bank's assets were at risk; that the modus operandi for staff engaging in these environments was weakly explored; and that international law and the laws of war – upon which Bank staff relied – were no longer being respected by parties to conflicts.

Despite the critics, the Bank's management faced a difficult corporate challenge. The evidence that a third to a half of the Bank's borrowers were in conflict-affected countries was influential in decision-making. If the Bank was to 'wait until the war was over', it might have to radically rethink the possibility of assisting nearly half of its borrowing clientele.

3.4.6 Engaging for the duration: Low Income Countries Under Stress

In June 2002, a Taskforce on 'Low Income Countries Under Stress' (LICUS) reported to the Bank's Board on the challenges facing the Bank and other donors in supporting countries with very poor economic and human development records (World Bank, 2002a). The study identified a continuum of countries, from the upper end of policy performance ranges to countries where the basic functions of the state were no longer performed. Some of these countries were conflict-affected, others were protracted crisis situations where there was evidence of very weak governance, weak policies and institutions and

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deteriorating economic and social indicators. The work of the Taskforce signalled a shift in policy towards a broader sensitivity to the diversity of problems in the poorest countries, not only conflict-affected situations.

The move towards LICUS served to highlight the difficulties traditional aid programmes have in these environments, and bring attention to the long, and questionable, practice of donor disengagement (Macrae et al., 2004). Total disengagement, the Taskforce argued, perpetuated poverty and failed to prevent cross-border spillovers of conflict, organised crime and epidemic disease, with adverse regional and global consequences. Engagement, although difficult, was critical to progress on the Millennium Development Goals (World Bank, 2002a).

This shift in focus coincided with renewed interest in aid and security in response to 9/11. For some, the message of 9/11 was simple: that there was a need to increase foreign aid to countries that were 'breeding grounds' for terrorism: since aid helps to reduce poverty, it thereby reduces the incentives for engaging in terrorism. This approach was, in some ways, little different to previous assumptions about the role of aid in reducing and preventing conflict. Preventive as well as remedial action was required to check 'the proclivity of LICUS to become failed states and terrorist havens ... causing instability throughout their respective regions'.[17] Whilst most rejected the narrow linkage between poverty and terrorism, and the role of aid in this process, the Bank's management were conscious that they might be criticised for not significantly engaging with countries in the lowest income bracket, and which were, post-9/11, perceived as posing a security threat. Re-engagement with these countries thus appealed to the new security concerns. A corresponding relaxation of pressure from the US Treasury and Congress enabled the Bank to focus more closely on the LICUS approach to countries with less of the traditional resistance to its work in high-risk environments.

The other influential factor giving weight to re-engagement was the significant investment the Bank had made in researching aid effectiveness (Burnside and Dollar, 2000). For the Bank, the challenge of aid effectiveness in LICUS is to maintain engagement, but in a different way. The LICUS approach proposed anchoring strategies in stronger political and economic analysis, promoting domestic demand and capacity for positive change, supporting simple and feasible entry-level reforms, and exploring innovative mechanisms for social service delivery (World Bank, 2003b). At the institutional level, the Task Force highlighted the need for greater resources for analytical and capacity-building work, the deployment of more experienced staff, investment in staff with socio-political skills, and a review of operational polices and procedures to assess their applicability in particularly low-capacity environments. It encouraged close donor coordination due to resources in such countries being typically meagre and technical capacity low. A unit to coordinate LICUS implementation was established in the Operations Policy and Country Services (OPCS) Vice-Presidency in October 2002. Thirteen country teams volunteered as LICUS focus countries in the fiscal years 2003 and 2004.[18] New strategies for five of these countries have been discussed by the Board.[19] A LICUS Trust Fund of an initial $25m was established.

3.4.7 LICUS and conflict countries: an arranged marriage?

While the overlap between conflict-affected countries and LICUS is clear, the distinctions are perhaps less so (World Bank, 2003b). In general terms, all LICUS are considered conflict-prone, although not all conflict-affected countries are LICUS.[20] The Bank maintains that governance and institutional weaknesses markedly increase the risk that violent conflict will reignite. Given these risk factors, it is assumed that the combined LICUS and CPR perspectives will enrich the Bank's approach to conflict prevention and sustainable post-conflict reconstruction (World Bank, 2003b). Despite all the 'natural' convergences, some staff consider the relationship to be a forced one. While some of the countries are the same, the issues are being examined through very different lenses. This approach also seems managerially neat, since the Post-Conflict Trust Fund and the LICUS Trust Fund can now be managed by the same administrators.

3.4.8 The Fund: the challenges of engaging in LICUS

The Fund has been less precise about its engagement in countries 'under stress'. This is in contrast to its clearly articulated policies on emergency assistance for conflict and natural disasters. In response to the Bank's LICUS initiative, the Fund identified as an area of focus 'extremely weak governmental institutions' – both political and economic – which include, but are not limited to, post-conflict countries (IMF, 2003b). In such countries, the Fund acknowledged that the minimal institutional capacity needed to execute a Fund-supported programme is rarely evident, but at the same time humanitarian and balance of payments needs are great.

17 Speech by James Adams, Vice-President, World Bank, 2003.

18 The FY2003 LICUS 'pilot' countries are Angola, the Central African Republic, Haiti, Papua New Guinea, Somalia, Sudan and Tajikistan. FY2004 LICUS focus countries are Burundi, Comoros, Guinea Bissau, Liberia, Togo and Zimbabwe (World Bank, 2003b).

19 Haiti (informal brief), Tajikistan (CAS), Angola (TSS); Somalia (country reengagement note) and Sudan (country reengagement note) (World Bank, 2003c).

20 The Bank has identified the following similarities: lack of confidence by economic actors; weak state capacity, especially in judicial, financial, fiscal, administrative and regulatory functions; a large informal economy and parallel markets; poor economic policies; widespread unemployment, especially among the young; lack of skilled labour and low secondary school enrolment; and damaged or obsolete physical capital (World Bank, 2003b).

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Overall, the Fund remains primarily concerned with the macro-economic underpinnings of growth. Policy statements stress the importance of determining the appropriate budget envelope, improving the effectiveness of the tax system and ensuring adequate budgetary management mechanisms. It acknowledges, however, that such activities will not directly contribute to improving the efficiency of government spending in general, or specific types of public sector investment in particular, and any impact on a country's human and physical capital will be indirect (2003b).

EPCA is the only mechanism Fund members have available for engaging in conflict or LICUS situations. This can provide resources for immediate balance of payment needs, but does not sufficiently 'bridge the gap' to an environment where a concessional lending programme could be established. Alternatives to EPCA are currently under discussion (IMF, 2004a). One option is to move to a Staff Monitored Program to establish a 'track record' for a Poverty Reduction and Growth Facility (PRGF) (the PRGF is the low-interest lending programme for low-income countries). However, such a move requires a willing donor community to provide the necessary financing, which in the past has not been easily secured because of concerns about sustained periods of past policy failure. Another option is to move to lower programme standards for the PRGF, placing an emphasis on institutional development rather than macroeconomic reform (the latter being the Fund's traditional area of policy focus), in recognition that access to longer-term concessional resources would be desirable to encourage policy continuity and ensure the continuation of donor support (IMF, 2003b). However, this 'PRGF-lite' approach would violate the strict requirements for PRGF arrangements, and it challenges the Fund's principle of uniformity of treatment among low-income country members.

The Fund faces a series of additional challenges to engaging in 'poorly performing' countries. How rapidly a country can shift from the non-concessional EPCA mechanism to the more concessional low-income country programmes is a subject of significant debate. A review of Fund policy advice to recipient countries of EPCA indicates that, in some instances, the Fund may have moved too quickly from support under the emergency mechanism to support under the PRGF before adequate institutional capacity, ownership and political will were in place (IMF, 2003). The result has been subsequent programme difficulties and a loss of the gains made during the emergency period. The review suggests that, when implementation capacity is particularly weak, the technical assistance component of the emergency programme needs to be strengthened and movement to a PRGF delayed until the country is ready (IMF, 2003b). This advice suggests that conflict-affected countries seeking support from the Fund will continue to be reliant on non-concessional loans, potentially causing greater levels of indebtedness.

Also troubling for Fund policy, a recent report from the Fund's Independent Evaluation Office (IEO) has pointed to the negative consequences of long-term programme engagement and to the Fund's capacity to maintain a quasi-permanent state of policy-making in the member country (IMF, 2003c). The evaluation found that prolonged engagement undermines ownership, encourages a culture of blaming the Fund for necessary policy reforms, and undermines the development of capacity to produce 'home-grown' macroeconomic policies. However, the study also notes that the Fund will continue to be under pressure from donors and member countries to provide continuous financial support.

The Fund is equally challenged in making judgements about the political commitment and capacity of the reformist element in the countries concerned. Unlike the Bank, the Fund has not shifted its approach to invest in institutional capacity in this area, and its principle of uniformity of treatment suggests that judgements based on country-specific analysis will be difficult. At the same time, the Fund recognises that it is not possible to establish objective, easily measurable criteria on which to base decisions in these environments.

Overall, the role of Fund financing in conflict-affected and protracted crises will be limited. This reflects the fact that the safeguards around Fund resources are strong, and the reforms that countries need to undertake are unlikely in the typical timeframe of a Fund loan repayment period. The Fund's inability to provide grant financing significantly curtails engagement.

3.5 New instruments and flexible modes of engagement

Over the past few years, a diverse range of instruments has been developed by the IFIs (and the Bank in particular) to engage in crisis environments. The wide range of instrumentation reflects two main issues. The first concerns the particular and unique challenges that these countries pose: no standard blueprint or one-size-fits-all model applies in these environments. The second concerns the constitutional hurdles the IFIs face – the difficulties of engaging in contested environments in a technical and apolitical way, the challenges of assisting countries in arrears to the institutions, the challenges of bypassing the state and consulting with non-state actors versus the requirements to lend to governments or with a government guarantee. Countries in significant arrears to the IFIs; countries with weak or failing institutions; or countries with strong, authoritarian leadership and a reluctance to engage in reform processes all require different modes of engagement.

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3.5.1 Investing in knowledge products

Established in 1977, the Fund's Surveillance mechanism is a longstanding tool to assess the changing political economies of members, without the pressure to formally disengage during difficult periods. In recognition of the problems of total disengagement, the Bank developed a Watching Brief mechanism, which is in essence a copy of the Fund's Surveillance mechanism. Established in 1998, the Watching Brief is initiated when normal Bank assistance is no longer possible. The Watching Brief allows the Bank to maintain a minimum level of engagement, monitor evolving socio-economic conditions and prospects for change and re-engage when conditions permit. Currently, Haiti, Burma, Somalia and Sudan all have Watching Briefs – all of these countries are in arrears to the Bank. As strategic approaches to LICUS are developed and piloted, there is likely to be greater use of Watching Briefs (World Bank, 2003b).

The Bank's Country Re-engagement Note (CRN) is a specific innovation to facilitate re-engagement in LICUS. The CRN focuses on analytical work, capacity-building and small demonstration projects. It has a strong emphasis on political and social analysis and collaboration with other donors. This instrument has been used in all of the countries with Watching Briefs except Burma (World Bank, 2003b).

3.5.2 Strategic engagement

The Transitional Support Strategy (TSS) is a short- to medium-term Bank assistance strategy for a country in transition from conflict, where conditions are not yet appropriate for a fully-fledged Country Assistance Strategy (CAS). The TSS may be in place for up to 24 months, and may be renewed for additional periods with the endorsement of the Board. A TSS is typically closely aligned with the objectives and sequencing of priorities in peace accords and recovery plans. As a post-conflict country successfully moves out of conflict, the Bank can revert to a normal CAS. In some instances of overt conflict, continued assistance may still be possible under a full CAS, without recourse to the Watching Brief and TSS stages, if the Bank determines that it can still assist the country in meeting its development objectives. This has been the case for Colombia, Sri Lanka and Nepal. The decision-making process behind this is unclear. The countries or administered territories currently being supported by a TSS are all either post-conflict or protracted crisis situations: Afghanistan, Angola, Burundi, the Comoros, Congo-Brazzaville, the Democratic Republic of Congo (DRC), Eritrea, Guinea-Bissau, Serbia and Montenegro, Kosovo, Sierra Leone and East Timor.

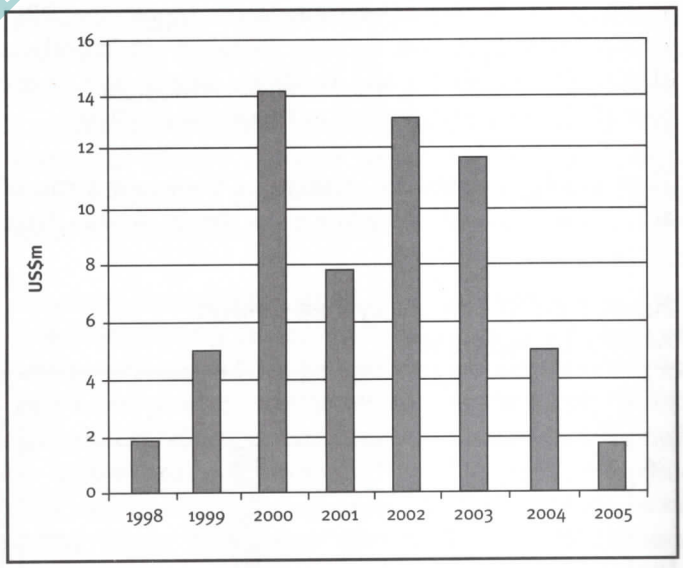
3.5.3 Lending and grant facilities: the reliance on Trust Funds

One of the primary challenges in providing assistance to conflict-affected or LICUS-type countries has been findings ways to assist countries in arrears. The constitutional rules for these countries have remained relatively untouched: the IFIs are not permitted to provide loans to countries in arrears, even via the highly concessional IDA facility.

The Bank's response has been to scale up the Post-Conflict Trust Fund (PCF), establish a LICUS Trust Fund and broaden the scope to provide IDA grants prior to arrears clearance for some countries. Between 1998 and 2004, the PCF supported a wide range of programmes, concentrated in Africa, Europe and Central Asia. As of 2003, the PCF had approved a total of $61.5m for 120 grants, ranging from $25,000 to $1m. Recipients include governments, small community-based organisations, NGOs and universities.

The LICUS Trust Fund was approved in 2004. The first loan from the Trust Fund went to Liberia; its IBRD debt from the 1960s was crippling the country and risking the Bank's good standing with international creditors. The Bank has identified Sudan and the Central African Republic, both highly indebted, as future recipients (World Bank, 2004). The aim is to assist those countries that have been marginalised from assistance by the international community to strengthen institutions, initiate basic economic, social and governance reforms, and build capacity for social service delivery.

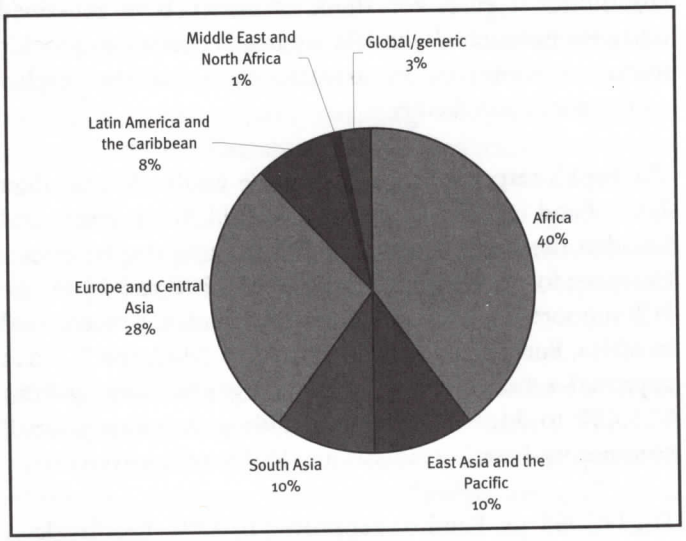
Figure 3.1: PCF approvals by fiscal year, 1998–2005



The Fund's EPCA provides quick-disbursing loans, which do not involve adherence to performance criteria or the phasing of disbursements. The value of this form of assistance has varied from 0.7% to 2% of recipient countries' GDP. In small economies, this is a significant measure of assistance. However, as discussed earlier, unlike the World Bank's capacity to provide grant assistance, the Fund's EPCA loans are on non-concessional terms, provided through the General Resources Account (GRA).

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Figure 3.2: PCF grant approvals by region, FY1998–2005



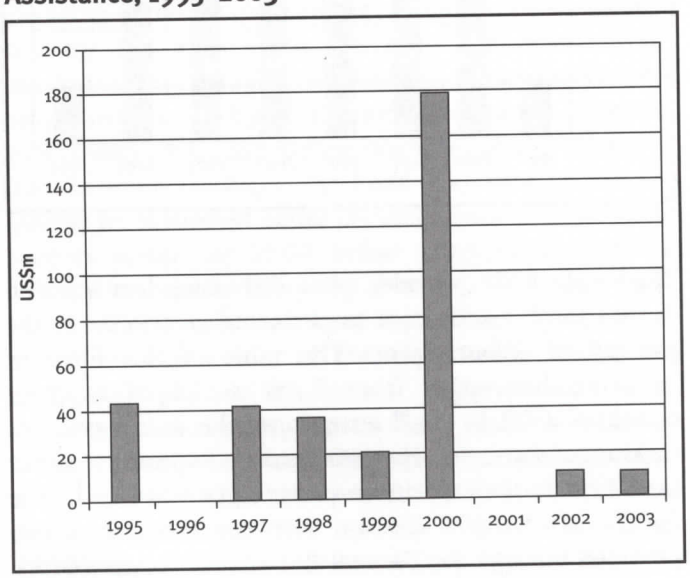
Loans are subject to the standard rate of charge, and repayment is required within three to five years. For post-conflict cases, interest subsidies are available from a Trust Fund financed by bilateral donors. In other words, to make such assistance available to low-income countries on concessional terms, donor governments have to be willing to foot the bill. This is often not straightforward: in the DRC, for example, it took four years for donors to agree to a Trust Fund (Staines, 2004).

Between 1995 and 2003, nine countries received an EPCA, worth $353.2m: Guinea-Bissau, Sierra Leone, the DRC, Burundi, Rwanda, the Former Republic of Yugoslavia (FRY), Albania, Bosnia and Tajikistan. Nearly half of the total ($151m) was disbursed to Yugoslavia in 2000.

There has been significant criticism of these new forms of aid instrumentation. In relation to the Bank, the Trust Funds and grant assistance packages are said to weaken the IDA lending facility, by allowing more flexible and accessible forms of financing to countries unable to demonstrate good economic governance credentials. It is argued that grant financing weakens the IFIs' capacity to influence policy reform and creates a moral hazard problem: because of the aid flows, member countries have no incentive to take preventive action against hazards, or to respond to demands for policy reform. The US Treasury in particular has expressed concern that the LICUS Trust Fund will encourage 'cutting corners' on arrears, because a precedent will be set whereby donor governments underwrite countries' bad debts to the IFIs – outside of the HIPC framework – in order to secure longer-term IFI policy engagement and financing. Although the security agenda has softened the US Treasury's stance, it remains nervous about giving resources to 'poor performers', and is watching the new approach closely. The governance of the Trust Funds is of particular concern to Bank-watchers. The current neat administrative arrangement between the Post-Conflict and LICUS Trust Funds, whereby allocations are managed by the PCF administrators, and individual decisions for financing do not pass through the Board, raises concerns regarding transparency and accountability.

Ultimately, the Trust Funds are very small pools of financing; given the very significant needs of the countries they are intended for, they are unlikely to have any transformative effect. In comparison to Bank lending volumes in post-conflict environments, or to levels of humanitarian assistance, they are also unlikely to have a significant rehabilitating or palliative effect. The Post-Conflict Fund spends on average less than $10m per year; the LICUS Trust Fund is only $25m in total; and the Fund's EPCA has spent only $353.2m in eight years. All the Trust Funds are essentially demand-driven and very *ad hoc* in nature, rather than strategically identifying investments which could be scaled up once normal lending comes on line.

Figure 3.3: IMF Emergency Post-Conflict Assistance, 1995–2003



At the same time, the establishment of a Bank presence in a previously indebted and poorly assisted country sends a series of important political signals. For the donor community, both the pressure and the incentive to re-engage may intensify. For the recipient country, the level of scrutiny over policies increases (Hilker-Maclean et al., 2003). Involvement in conflict situations and LICUS countries increases the IFIs' proximity to situations in which human rights violations or violations of humanitarian law are widespread. Any policy that an IFI enacts in countries marked by violence and atrocity can send a message of tolerance or abhorrence regarding the nature of the regime or rebel forces (Blank, 2003). Some critics argue that placing the financial weight of the IFIs into these situations can help dissuade states and other actors from committing atrocities for fear of losing much-needed financial assistance (Blank, 2003). The many years

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of unsuccessful approaches to policy conditionality and sanctions would suggest that this argument does not hold.

3.5.4 Planning and needs assessment

Any intervention in conflict-affected and LICUS countries requires a clear understanding of the baseline criteria and indicators that trigger a decision to engage, and relevant information to determine the level of financing a country requires and the types of needs that have to be addressed.

According to a comprehensive study of the Bank's needs assessment processes (GTZ, 2004), to date there is no methodology for undertaking needs assessment in conflict-affected or LICUS-type countries. Currently, there are as many assessment methodologies as there are countries. All have very differing focuses and aims. Some have been designed to identify measures to assist in economic recovery, whereas others have focused on humanitarian and security concerns. There is a tension between focusing on traditional concerns such as physical infrastructure and macroeconomic issues, and addressing the social and political issues that are paramount to the sustainability of investment in these environments. Some needs assessments are driven by the financial dividends promised at donor government pledging conferences; others suffer from a critical deficit of funding. Prioritisation has also been difficult. Needs in LICUS-type countries and other protracted crisis environments are generally seen as limitless, whereas reconstruction priorities in traditional post-conflict environments had a limited breadth and financial dimension. In some cases, sectoral needs were established before the needs assessment was carried out. The findings of the study highlighted that needs assessment acts as a coordination platform with other donors – making it difficult to determine whether its ultimate purpose is to identify issues for the country, for the donors or for the Bank.

The timing of the Bank's needs assessment processes also remains unclear. What precedes a needs assessment, for example a Watching Brief (as in the case of Afghanistan), and what follows after a donor pledging conference depends on a myriad of contextual factors, most of which remain vague to stakeholders. The significant issue with regard to the timing of Bank activities is how far the needs assessment and the gearing up of assistance strategies are entirely outside the pace of the political process, as was evident in Afghanistan. Thus far, there has been no linkage of the Bank's needs assessment with international political and security developments, such as the UN's deployment of a political mission or a peacekeeping force. Discussions between the Bank and the Department of Peacekeeeping Operations have recently been initiated in recognition of this planning gap.

The Bank has developed a core role for itself in planning and leading joint assessment missions. Recognising the inadequate methodological basis for its approach to needs assessment, the Bank has jointly funded with UNDP a study to develop a multilateral needs assessment in post-conflict situations (World Bank/UNDP, 2004). This is designed to promote joint assessment missions as a nascent transitional/national planning framework and a consensus-building tool for engagement with national authorities.

3.5.5 Service delivery and social protection

The importance of the social sector to the Fund's work has increased over the last decade (IMF, 2003c). In the early 1990s, Fund staff were directed that they should be explicitly concerned with the effects of economic policies on the poor. In 1997, new guidelines on social spending were issued, which emphasised the need to monitor trends in social spending and incorporate realistic targets into government budgets. In 1999, there was further pressure to incorporate social expenditures into programme design. Where social spending was critically low, structural benchmarks could be used selectively to protect it, and promote institutional reform. However, there was resistance to this approach, and managers in the Fund questioned the IMF's comparative advantage in social policy debates. The Fund maintains that the presence of a Fund-supported structural adjustment programme does not reduce social spending *per se*. A study by the IEO in 2003 suggests that the presence of a Fund programme was associated with increased public spending in health and education – measured as either a share of GDP, total spending, or in real terms, compared with a situation without a programme (IMF, 2003c). The study did note, however, that the positive effects attributable to the programme were short-lived. Critically, in countries where there is no active Poverty Reduction Strategy in place (often the case in conflict-affected or LICUS countries), there is no clarity on how social policies should be handled.

In comparison to the Fund, which is limited to the provision of policy advice, the Bank's engagement in social sector work ranges from policy formulation to investing in long-term projects. Much of the Bank's social service delivery experience in crisis countries has been informed by lessons gained from the East Asia financial crisis response, especially in Indonesia, and from evaluations of social funds and safety nets linked to adjustment programmes and/or economic crises (World Bank, 1999). In other words, very little learning thus far is from conflict-affected or LICUS situations.

Indonesia highlighted that the Bank faced significant challenges in targeting vulnerable populations – primarily as a result of the lack of up-to-date, complete and accurate information. It also faced challenges in administration, and its financing arrangements were exposed to political manipulation at both national and local levels. Experiences with different channels for the provision of social services,

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including governments, international NGOs, community-based organisations and the private sector, has had mixed results, varying by country circumstance (World Bank, 1999).

In operationalising the Bank's LICUS work, similar challenges are being faced. The rational for the LICUS policy was that the decay in the performance of social service ministries and the decline in the reach of government services was constricting opportunities to improve human development, and alternative approaches had to be pursued. The Bank's response, to work through NGOs, the private sector and local community-based organisations, has been criticised for undermining the capacity of the state through a biased emphasis on the non-public provision of services. These organisations face many of the same operational constraints that precluded official state delivery: violence may threaten delivery, or patterns of exclusion may lead to benefits being inequitably distributed.

Decision-making about delivery channels is neither easy nor simple to manage. The development of appropriate methodologies for strengthening the public sector alongside private provision of services requires that the Bank and governments engage in a candid analysis of the various factors that have led to the weakening of state capacity to provide, fund or assess services (World Bank, 2002b). One of the inherent problems of private provision is that it is not able to provide an overall framework for service delivery and monitoring at the national level. The individual advantages cannot, therefore, be aggregated across a country's entire health or education sector.

The research work of the Bank has been significant in informing its policy. Findings from a study on aid, policy and growth in post-conflict countries highlight that, in terms of policy reform priorities for growth, social policy is relatively more important than macroeconomic policy in post-conflict and transitional settings (World Bank, 2002c). The study notes that, if opportunities exist for modest trade-offs that improve social policies at the expense of deterioration in macro-balances, growth is, on average, improved. Thus, relative to the normal post-conflict strategies adopted, social policy needs to be assigned a higher priority. The findings begged the question: why should social policies have a higher impact in stimulating economic growth in post-conflict countries? A possible explanation is that an emphasis on social policies (and social inclusion) has a significant effect in signalling the government/transitional administration's commitment to reconciliation and rehabilitation. This then has knock-on effects in terms of encouraging private capital (remittances, as well as private sector investment) back into the country – both of which matter for growth (World Bank, 2004a and 2004b, 2003, 2002).

Further research findings on education in conflict and post-conflict reconstruction argue that, even when the Bank is operating in the midst of a humanitarian response, education is a development activity, and must be undertaken with a developmental perspective, including investment in management reform and capacity-building, if it is to contribute to reversing the damage done by conflict, and to building resilience that will prevent further violent conflict (World Bank, 2004d). The 2004 report noted that total education expenditure since 1990 in 21 conflict-affected countries stood at around $1bn. The findings highlighted that, in terms of financial mobilisation, the greatest areas of Bank involvement to date have been in reconstruction and textbooks.

3.5.6 Coordination

The Bank has positioned itself to play a pivotal role in aid coordination in post-conflict and transitional environments. The 1998 OED evaluation found that the Bank had a comparative advantage in establishing consultative groups for mobilising resources, including facilitating the clearing of arrears, seeking a coordinated approach to macroeconomic issues and providing information on recovery needs and assistance flows. However, in protracted crisis environments – in countries where the Bank has been absent for long periods and lacks solid knowledge of the country – donors and agencies have responded cautiously to Bank attempts to take the lead on coordination. Carlin (2003) notes that, after an absence of 23 years, the Bank and the Fund re-engaged in Afghanistan in 2001. The speed of response was dramatic. IFIs immediately engaged in government planning, and after six weeks proposed new policies. Carlin credits the Fund for one of the most significant achievements to date (the introduction of a new currency), but other reforms were less positive. By 2003 (within two years of the Bonn agreement), the Bank was implementing a $60m health sector programme, 80% of which was being delivered by NGOs. In comparison, it took more than twice as long to establish a serious health effort in Cambodia. This improved responsiveness was contingent upon a willingness to contract with non-state actors, and a rapid procurement strategy to support this, but critics questioned the sustainability of health care systems, the ability of NGO service providers to deliver on their contractual obligations in highly insecure environments, and the level of investment the Bank had made in strategic approaches to welfare provision.

The Bank, critics argue, should be more sensitive, and should learn from the UN agencies and NGOs that are often the only international presence during and in the immediate aftermath of conflict. These agencies can contribute a particular understanding of the causes and dynamics of the conflict and the unique country circumstance, which Bank staff often under-value. It is

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striking how little knowledge and understanding there is among both operational and policy staff of the resource mobilisation and prioritisation tools for the humanitarian sector, for example the Consolidated Appeals Process and the Common Humanitarian Action Plan. At a time when increased dialogue and a shared understanding of objectives is paramount between the Bank and the international humanitarian community, it is notable that the Bank's observer status with the Inter-Agency Standing Committee (IASC) is potentially coming to an end.

3.6 Challenges and issues ahead

Since their inception, the Fund and the Bank have had a mandate to respond to short-term balance of payments crises (for the Fund), and to assist with the reconstruction of war-torn communities (for the Bank). In the last decade, however, their footprints in crisis environments have expanded considerably, reflecting both the institutional interest in responding to a very diverse range of crisis-affected countries, and pressure from member states to strengthen their capacity to assist low-income countries, and to address and resolve the economic effects of conflict, poor governance and declines in human development. The increased emphasis on security post-9/11 and aid effectiveness debates have placed countries in crises and conflict firmly on the IFI agenda.

Whilst the Fund has developed clear policies for assisting countries suffering from conflict or natural disasters, its support more broadly to countries suffering weak levels of governance and declines in human development remains limited. The Fund's strict adherence to short-term assistance and the restrictions on concessional financing and levels of policy conditionality pose particular challenges to engagement. The Fund's commitment to universality of policy and uniformity of treatment suggests that countries suffering protracted crises will continue to receive either blueprint responses to their varying levels of need, or no assistance at all. Ultimately, the pace of the Fund's engagement will continue to fall out of step with the more responsive and adaptable policy approach of the Bank.

The Bank has progressed further than the Fund in engaging with conflict-affected and protracted crisis situations as a particular category of response. The continual reinterpretation of its mandate and responsibilities, its operationally-driven focus and client-oriented culture and a pragmatic effort to adjust its policies in light of new evidence have resulted in a more flexible and responsive approach to addressing the needs of the poorest countries in the world. The real challenge for the Bank is establishing a permanent place in its operational machinery for LICUS-type work. This involves a significant departure from the norms on which it has operated for many years, including a lending-driven, technical and apolitical approach to the provision of assistance. It involves incentivising and developing the appropriate skills for staff to work in these difficult environments, including a deeper investment in political analysis, alongside the more traditional discipline of economics, to inform programme design. It will also involve developing more explicit strategies for assisting countries in arrears, and a recognition that aid instrumentation may continue to fracture. Given the broader development policy emphasis on upstream modes of budgetary support and policy-based approaches, the approach in these high-risk situations may remain highly projectised, and channels of engagement will continue to be via non-state actors, including national and international NGOs, private contractors and local authorities. The Bank will also need to continue to negotiate the sensitivities of Part I and Part II countries regarding activities in conflict-affected environments, as well as issues of sovereignty and territorial integrity.

The expansion by the IFIs in these environments presents both opportunities and challenges to the humanitarian community. As a starting point, it is important for humanitarian actors to engage with these significant policy shifts, particularly those of the Bank, as it becomes more interventionist in responding to crises countries. This is particularly important as it establishes itself as a key coordinator of aid, and in effect acts in a quasi-sovereign role in terms of overseeing resource mobilisation, disbursement and prioritising service delivery for welfare provision. It will also be important to trace accurately trends in financing, both the quantity and the sectoral allocation, to assess whether greater attention is being given to supporting the basic welfare needs of populations living in these difficult environments, and how and whether assistance is complementary to humanitarian flows. The knowledge, skills and investment the humanitarian community has developed over the years could help the Bank's programmatic work. Significant work has been done in the humanitarian sector on assessing and prioritising needs, and in risk management strategies for operating in highly insecure environments. At a minimum, the humanitarian community should become more active in communicating its modus operandi in respect of international humanitarian law and principled responses in conflict situations, and the importance of the impartial allocation of assistance to those most in need.

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Chapter 4
The changing role of US aid policy in protracted crises

Carol Lancaster and Susan Martin

4.1 Introduction

As the principal donor of international humanitarian aid operations, and a political and military superpower, the United States is a key actor in any efforts to prevent, respond to or resolve protracted humanitarian crises. While the principal thrust of its humanitarian assistance has been emergency relief, the US has increasingly focused on the prevention and resolution of humanitarian crises, particularly through programmes aimed at promoting peace, democratisation, good governance and development. This chapter discusses the recent history of US aid, detailing the architecture of foreign aid in general, and humanitarian aid in particular. It then describes specific US policies regarding protracted humanitarian crises, discussing developmental relief approaches to these emergencies. The following sections explore recent changes in development aid, the sources of these changes, and likely future directions. The chapter concludes with an analysis of the implications of these developments for US policies regarding protracted humanitarian crises.

4.2 The recent history of US aid

Since the 1950s, the US has provided foreign aid for three major purposes: to support its Cold War diplomacy; to further development (both as a means of pursuing its Cold War containment policies, and increasingly as an end in itself); and to provide humanitarian relief. At various points, up to half of US bilateral aid was driven primarily by diplomatic objectives: to stabilise South Vietnam in the early 1970s, to assist with peacemaking in the Middle East from the mid-1970s, or to support US pressure on the Sandinista regime in Nicaragua in the 1980s. Developmental concerns have also been a significant influence, especially in Africa and Latin America. In some instances, diplomatic and developmental agendas have gone hand in hand: aid to Egypt from the mid-1970s, for example, was motivated by US diplomacy in the Middle East, but the aid itself was used to further development in Egypt by funding family planning, infrastructure development, agricultural research, micro-enterprise lending and a host of other activities. The political basis for US aid during the Cold War was its use for security and peacemaking abroad (which gained the support, or at least acquiescence, of many conservatives and the powerful pro-Israel lobby); its developmental and humanitarian goals attracted the support of liberals, humanitarians and others concerned about bettering the lives of the disadvantaged abroad. This uneasy, informal coalition carried US aid through the period 1960 to 1990, despite considerable scepticism in Congress about its appropriateness and efficacy.

With the end of the Cold War, the purposes of US aid-giving expanded to include supporting economic and political transitions in former communist countries, addressing global problems such as international health and environmental deterioration, promoting democracy and managing conflict. The diplomatic aims of US aid also shifted with the end of the Cold War and an increased emphasis on peacemaking, primarily still in the Middle East, but also increasingly in other parts of the world, such as Bosnia and Kosovo. After 9/11, US aid was also applied to the anti-terrorism project, especially in Central Asia with the invasion of Afghanistan. The sudden increase in US aid to Pakistan and Uzbekistan relates directly to the Afghan war.

4.3 The architecture of US foreign aid

To accomplish these many purposes, there are five major bilateral aid programmes:

- Development Assistance (managed by the US Agency for International Development (USAID) in support of humanitarian relief and traditional development activities abroad, plus democracy promotion and dealing with global problems);
- Economic Support Funds (with policies and country allocations managed primarily by the State Department, and implementation managed by USAID), intended to further the security-related goals of US foreign policy;
- Transition Assistance (funding for Eastern Europe and the former Soviet Union to promote economic and political transition, with country allocations managed by a coordinator in the State Department, and most activities implemented by USAID);
- Food Aid (used for relief and development, budgeted by the Department of Agriculture but managed largely by USAID); and
- aid for refugees, managed by the State Department.

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Table 4.1: US foreign aid 2000–2005 (US$bn)

	2000	2001	2003	2005 (request)
Programme				
Development Assistance	2.4	3.1	4.6	3.9
Economic Support Funds	2.8	2.3	4.8	2.5
Transition Assistance	1.4	1.5	1.3	1
Food Aid	0.8	0.8	1.7	1.2
State Department aid*	2.1	1.3	2.3	2.2
MCA	0	0	0	2.5
HIV/AIDS	0	0	0	1.4
Other**	0.2	0.3	0.3	0.4
Subtotal	**9.7**	**9.3**	**15**	**15.1**
Multilateral				
IFI	1.1	1.1	1.3	1.5
IOP	0.2	0.2	0.2	0.3
Subtotal	**1.3**	**1.3**	**1.5**	**1.8**
Emergency/Iraq		4.1	2.2	
Grand total	**11**	**14.7**	**18.5**	**16.9**

Source: US Department of State, www.state.gov.
Notes: * This category includes funding for refugee assistance, international narcotics and drug control and non-proliferation, demining and Plan Colombia. ** This category includes aid for the smaller aid agencies: Peace Corps, InterAmerican Foundation and African Development Foundation.

In addition, there are two new mechanisms, the Millennium Challenge Account (MCA), to be managed by a new aid agency, the Millennium Challenge Corporation (MCC); and new monies for HIV/AIDS, managed by a coordinator in the State Department but implemented by USAID, the Centers for Disease Control and Prevention (CDC) and probably other US government agencies, as well as international organisations. These new mechanisms are described in more detail below.

Table 4.1 shows the volume of US aid in these various programmes between 2000 and 2005.

The US contributes just over 10% of its total aid to multilateral institutions. These are of two main types: international financial institutions (IFIs) and UN agencies. The US Treasury handles contributions to the IFIs, while the State Department deals with most of the voluntary contributions to UN agencies, called International Organizations and Programs (IOPs).

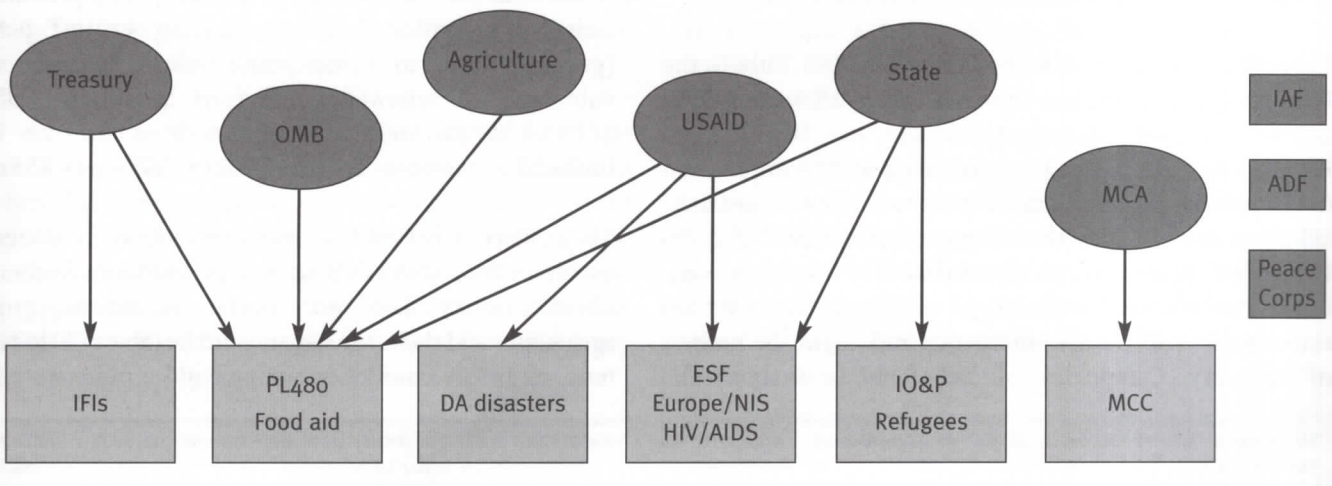
Two independent government foundations – the InterAmerican Foundation and the African Development Foundation – finance small-scale, community-based projects in their respective areas. Their budgets are roughly $25 million a year. A third independent agency, the Peace Corps, has a budget of $300m. Aid for humanitarian assistance has varied between $430m in 2003, $474m in 2004 and a requested $386m in 2005.

The figures in Table 4.1 do not include the 'foreign aid' provided by other US government agencies. Most government departments and agencies have their own small programmes of technical assistance and, at times, provide project assistance abroad, often collaborating with counterpart ministries in other countries, as well as channelling their aid through NGOs. There are no reliable figures for the size of these transfers, but they are likely to add at least another $1 billion to total US annual aid.

The architecture of US foreign aid, described in simplified form in Figure 4.1, is probably one of the most complicated in the world. It reflects the various programme initiatives

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Figure 4.1: The organisation of US foreign aid: policy and implementation



put in place over a 40-year period, the bureaucratic location of which has usually been determined more by political pressure and expediency than rational organisational planning. This complexity creates problems of coordination and coherence.

4.3.1 The architecture of humanitarian assistance

The responsibility for assistance in protracted humanitarian emergencies rests with two bureaux within the US government: the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) within USAID, and the Bureau for Population, Refugees and Migration (PRM) in the State Department.[1] This division largely reflects where vulnerable populations are located: USAID tends to respond to the victims of conflict and natural disasters within their own countries, and PRM tends to respond to refugee movements into other countries. DCHA has principal responsibility within USAID for protracted crises. The Office of US Foreign Disaster Assistance (OFDA) implements the disaster assistance programme, which focuses both on people who remain at home, and those who are internally displaced.[2]

OFDA is mandated to respond to both acute and protracted emergencies. More than 75% of its funding goes to complex humanitarian emergencies in places such as Afghanistan, Angola, Burundi, the Democratic Republic of Congo (DRC), Indonesia, Sierra Leone, Somalia, Sudan and Uganda. At the start of each fiscal year, the US Ambassador in a country declares that an emergency state persists, thereby triggering eligibility for disaster funding. Almost 70% of OFDA's funding goes to NGOs, with the remainder going to the UN and other intergovernmental organisations.

OFDA works closely with three other USAID organisations within DCHA: the Food for Peace programme, which provides emergency food aid; the Office of Transition Initiatives (OTI), which is responsible for assisting conflict-prone countries to make the transition to peace; and a new Office of Conflict Management and Mitigation, which assesses ways to reduce tension before conflict occurs.

Through funding provided by Public Law 480, Title II, the Food for Peace programme donates commodities mostly to private voluntary organisations and the World Food Programme. The programme supports longer-term development projects and emergency food assistance. USAID policies specify that emergency food aid will go to vulnerable groups – those who, because of natural or man-made disasters and/or prolonged civil strife, require food assistance to survive the emergency and begin the process of recovery. Categories of beneficiaries include the internally displaced, refugees, newly resettled or new returnees, and vulnerable resident populations. Programming assistance usually attempts to target specific categories of beneficiaries, such as children, pregnant and nursing women and the elderly. Food for Peace emergency donations largely go to countries that have protracted humanitarian crises; currently, 35 countries receive emergency food aid. Food for Peace set out a new strategy for the 2004–2005 financial year, stating that 'food aid-supported activities will be a means to reduce vulnerability over the longer-run and not merely an end in themselves, even in an emergency environment' (USAID, 2003a). The new strategy aims to break down the distinctions between emergency and development activities, while maintaining a focus on vulnerable populations, including refugees, internally displaced persons and other victims of conflict.

The OTI was set up in 1994 to provide advice and funding to countries in transition from war to peace, or from authoritarian to democratic political systems. The initial thinking was that OTI would be funded not only by USAID but also by the Department of Defense, the State Department and other US government agencies working in these countries. Funding from other agencies was not, however, forthcoming, leaving OTI to be funded wholly by USAID. OTI has expanded beyond its original conception, and works primarily to help conflict-prone countries move towards greater stability. Its 11 programmes include media work, conflict management, election processes, civil–military relations and the reintegration of former combatants. Internal and external evaluations of OTI's operations in such places as East Timor, Kosovo and Nigeria (Clark, 2003; Slocum, 2001; Dewey, 2002) show that its resources are used effectively. However, the handover of responsibility to USAID missions for programmes fostered by OTI has not always proceeded smoothly, leaving questions as to the sustainability of some of its efforts (Cook and Spalatin, 2002). Unlike OFDA, whose mandate allows it to operate even in countries otherwise under US sanctions, OTI's programmes and resource allocations 'reflect US foreign policy priorities in assisting transition countries during critical periods (generally two to three years) when they are most vulnerable to renewed conflict or instability' (USAID, 2001).[3] While OFDA's budget request for the 2004 financial year was more than $200m, OTI's was $55m.

The Office of Conflict Management and Mitigation examines how USAID's 'longer-term assistance in the areas of democracy and governance, economic growth, agriculture and the environment, and health can help reduce tensions before conflict occurs or build a more sustainable

1 For a more detailed discussion of the US humanitarian architecture, see Stoddard (2002).

2 See USAID's FY2004 budget request, www.usaid.gov/policy/budget/cbj2004/highlights.html.

3 OTI often funds civil society institutions in countries, such as Sudan, whose governments are under US sanctions.

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peace once conflict ends'.[4] The principal focus is on the prevention and mitigation of intra-state conflicts. The Office has been compiling lessons learned and best practice in conflict management, and preparing a set of tools, including programmatic grants, contracts and cooperative agreements, that a USAID mission director can use to reduce tensions that may lead to the outbreak of conflict. Its budget request is about $20m over a two-year period.

Although the PRM focuses narrowly on refugees and returnees, it plays an important role in influencing State Department policy on a broader set of humanitarian issues. As represented by the agency itself, PRM has primary responsibility within the US government for 'formulating US foreign policy on population, refugees, and migration, and for administering US refugee assistance and admissions programs. In this capacity, PRM has the lead role within the State Department in responding to complex humanitarian emergencies around the world'.[5]

PRM primarily assists refugees through multilateral organisations. The largest beneficiary of its aid is the UN High Commissioner for Refugees (UNHCR), which received almost $150m in support in the 2004 fiscal year. PRM also supports the International Committee of the Red Cross, International Organisation for Migration and UN Relief and Works Administration for Palestinian refugees. Although it directly funds a small number of NGO programmes, unlike OFDA it prefers to channel its support for NGO partners through the UN.

4.3.2 Relief and development in USAID

Within USAID, the bureaux and personnel dealing with relief issues have tended to be separate from those dealing with development. This separation encompasses everything from personnel development and career path to physical location, with 'development' practitioners spending significant periods in the field, and relief workers being based in Washington except when they are deployed to crisis areas. This division reflects a more fundamental gap between the two major functions of USAID. This gap has proved difficult to bridge despite the best efforts of senior USAID officials.

The current USAID Administrator, Andrew Natsios, has extensive experience of relief work, and directed OFDA in the first Bush administration of 1988–92. His concern for relief work, combined with the challenges of dealing with post-conflict relief and reconstruction in Afghanistan and Iraq, appear to have raised the profile of relief within USAID. However, it remains unclear how far the Agency will go in refocusing its work in this area.

4 See USAID's website: www.usaid.gov/our_work/cross-cutting_programs/conflict.

5 See PRM's website: www.state.gov/g/prm/rls/fs/2004/29498.htm.

4.4 Humanitarian assistance in protracted emergencies

The vast majority of US humanitarian aid in protracted emergencies is spent on emergency food, shelter, water, sanitation and health care. The relief response paradigm is predicated on the assumptions that the causes of a humanitarian emergency will only be temporary, and that the need for international assistance will be brief. The hope is that conditions will improve, and both sedentary and displaced populations will no longer require international aid or protection. Clearly, this paradigm does not reflect the protracted nature of many emergencies. Many refugee and displaced populations need international assistance and protection for years.

Finding solutions to protracted crises and displacement is a challenge to all governments, including the US. In part, the institutional gaps discussed above present barriers to the kind of effective programming that can help in the transition from relief to development aid. Moreover, there are often political and legal barriers, particularly in the form of sanctions, which impinge upon the delivery of assistance in these environments. Developmental approaches, and investing in public institutions, are seen as legitimising the authorities, whereas emergency assistance is not subject to the same levels of political conditionality and can be defended because of the urgent and specific welfare needs of the civilian population. For example, since 1995, the US has transferred about two million tons of food aid, valued at $650m, to North Korea, even while criticising the domestic policies of the regime. There are also practical impediments to development aid in conflict situations. US aid officials are reluctant to invest in certain types of aid, particularly infrastructure and economic development, if the benefits of such aid may well be destroyed by conflict, if insecurity makes it difficult to carry out projects, or if the beneficiaries will be forced to relocate in the midst of the programme. Despite these difficulties, there have been a number of efforts supported by the US government to break the emergency-assistance-only paradigm. Given the focus of the principal US humanitarian agencies on displacement, much of the discussion within the US government has focused on refugees and the displaced.

4.4.1 Developmental relief

OFDA's role in humanitarian emergencies is broader than PRM's. OFDA provides support for rehabilitation assistance 'to restore the self-sufficiency and livelihoods of disaster-affected populations'.[6] Within this, it emphasises what it refers to as developmental relief. The elements of developmental relief are:

6 See USAID's website: www.usaid.gov/our_work/humanitarian_assistance/disaster_assistance/resources/pdf/guidelines_2002.pdf.

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- improving understanding and making more creative use of market forces;
- ensuring that relief interventions are well timed (to avoid creating disincentives for harvesting or planting, for example);
- discouraging people from migrating away from their homes and livelihoods;
- distributing seeds and tools rather than food;
- providing cash for work activities that jumpstart the local economy and invigorate local markets; and
- supporting programmes that build and expand on a community's self-help capabilities.

OFDA describes the benefits of developmental relief: 'the resumption of income- or food-generating activities plays a crucial role in helping disaster-affected populations recover from disasters. OFDA favors programs that support and encourage the maintenance or rehabilitation of livelihood assets and skills where possible, recognizing that the introduction of new livelihood initiatives will require consideration of economic dynamics and other context-specific conditions'.[7] Food aid should also support developmental relief objectives, including:

> *the use of food resources for immediate impact, such as protecting lives and smoothing consumption, while addressing longer-term objectives by enhancing community and household resilience to shocks, helping people build a more durable and diverse livelihood base (restoring and enhancing assets, resources, services and infrastructure), and enhancing the capabilities of individuals through a focus on health, nutrition and education (USAID, 2004b).*

It would be difficult to argue with these aims, although their actual achievement is often beyond the capacity of the organisations responsible for humanitarian assistance. This is particularly the case when there is a level of insecurity that makes even traditional relief activities impossible to implement.

Hence, conflict prevention and resolution is integral to developmental relief approaches. As a USAID/NGO conference concluded: 'The concept [of developmental relief] includes the ideas of preventive development and transitional peacebuilding; i.e., development efforts that proactively address potential underlying sources of conflict and peacebuilding programs that take place during the transition from emergency programming to development' (USAID, 2003b). Livelihood restoration, in particular, requires sufficient security to reduce displacement and permit those affected by humanitarian crises to return to their original livelihoods, or put new ones in place.

The concept of developmental relief is not new. Notions of development-oriented humanitarian assistance emerged in the 1980s as a key option for dealing with the consequences of conflict for civilians, the countries and communities in which they seek safety, and their countries and communities of origin. The developments of the 1980s are relevant to this discussion in no small measure because the current Assistant Secretary for Population, Refugees and Migration, Arthur E. Dewey, served as Deputy Director of the Bureau for Refugee Programs and then as UN Deputy High Commissioner for Refugees during this period. Dewey has applied the lessons of the 1980s to his understanding of protracted humanitarian crises today.[8]

During the 1980s, the international community explored new, development-oriented programmes for refugees, displaced persons and local populations affected by conflict (UNHCR, 1983). Much of this discussion occurred in the context of refugee situations in Africa. Donor-funded activities would address both refugee and development needs and could include 'projects to provide agricultural, wage-earning and income-generating opportunities to both refugees and local people; initiatives to strengthen the physical and social infrastructure in areas where large numbers of refugees had settled; and new efforts to combat the environmental degradation damage resulting from the long-term presence of large-scale refugee populations' (Crisp, 2001).

The second International Conference for Assistance to Refugees in Africa (ICARA II) in 1984 and the Principles for Action in Developing Countries (UNHCR, 1984) characterised refugee aid and development as assistance that:

- is development-oriented from the outset;
- enables refugees to move towards self-reliance and helps least developed host countries to cope with the burden that refugees place on their social and economic structures;
- provides benefits to both refugees and to the local population in the areas where they have settled; and
- is consistent with the national development plan of the host country (Stein, 1994).

In general, development-oriented projects took two major forms. The first were small-scale projects that addressed a variety of refugee needs – such as health care, employment and education – with particular attention paid to enhancing the refugees' capacity for economic self-support. The second were large-scale projects to improve the infrastructure of the host country.

7 See USAID's website: www.usaid.gov/our_work/humanitarian_assistance/disaster_assistance/resources/pdf/guidelines_2002.pdf.

8 Interview with Arthur E. Dewey, Assistant Secretary, Bureau for Population, Refugees and Migration, 26 March 2004.

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Development-oriented refugee assistance was to facilitate durable solutions, particularly local integration. With greater capacity to provide for themselves, refugees would be better prepared to integrate into the local society if settlement was possible in the country of first asylum. This would in turn reduce the high costs of assisting refugees in protracted crises. To the extent that refugees were able to integrate into the host country, the international community would be able to minimise its costs.[9]

There were major impediments to achieving self-reliance through development-oriented humanitarian assistance (or to use the newer term, developmental relief). First, many developing countries with large conflict-affected populations (internal or refugee) were concerned that development-oriented humanitarian assistance projects would, in fact, result in the de facto transfer of costs to them. Conflict-affected populations, whether uprooted or sedentary, are often in very poor areas with few resources for self-support. Sufficient arable land, water and work opportunities for the local population, the displaced and refugees are often in short supply. In such situations, it is not possible to assist refugees or displaced people without providing similar opportunities for the local inhabitants. Particularly in refugee situations, without satisfactory support for their own citizens, host governments may be reluctant to permit development-oriented activities.

US policymakers are looking at successful examples from the 1980s to see if they would be appropriate today. One of the 1980s programmes that appeared to help long-staying refugees to become more self-reliant, while also assisting in the development of the host country, was a World Bank-funded reforestation programme in Pakistan. Employing refugees and local residents, the programme replanted trees cut down by refugees for shelter and firewood. PRM is considering a variation on this, in supporting the development of 'Conservation Corps' in a number of countries with large populations that have been uprooted by conflict, or that are unable to support themselves because of conflict. The idea has been piloted in Afghanistan, and the plan was under consideration in Colombia and Liberia. If successful, PRM would apply the model to other countries.[10] As in the 1980s, the aim is two-fold: to provide resources for people who would otherwise be dependent on humanitarian assistance, and to help reverse environmental damage.

More broadly, PRM recognises that it should provide incentives to promote self-reliance in its funding for humanitarian assistance programmes. Two possible models are under consideration. The first would reward host countries that permitted a greater level of self-reliance and local integration of refugees.[11] The second would redesign performance indicators for PRM-funded programmes to include self-reliance as an expected outcome of activities. Performance goals would recognise programmes to reduce long-term dependency and promote the capacity of refugees for self-support as fulfilling an important goal of US policy.[12] UNHCR would presumably be the principal implementing agency, with host governments and NGO partners.[13] In turn, adopting such a performance indicator would require the use of PRM funding to achieve the goal of increased self-reliance. Performance indicators would also need to recognise the external barriers to self-reliance that may impede progress.

4.4.2 Solutions to displacement in protracted humanitarian crises

PRM's annual report spells out official US policy regarding durable solutions for refugees: safe voluntary repatriation when return is possible and local integration in countries of asylum or resettlement in third countries when return is not feasible. A similar set of options exists for internally displaced people: return to home communities, local integration in places of displacement, or resettlement in third communities. One senior US government official emphasised the importance of early planning for durable solutions: 'While responding to emergencies, it is important that goals for durable solutions are set at the same time. Steps have to be taken to integrate refugees and returnees into development plans'. The official also observed, however, that donor governments 'rarely take' these issues into account.

When return is possible, PRM principally supports multilateral efforts to reintegrate refugees and displaced persons, while also providing funds to NGOs to address gaps in the UN response. Funding for Afghanistan is illustrative. PRM's 2004 guidelines state that it will give priority to NGO projects that 'provide life-saving, life-sustaining or other critical reintegration support to recent returnees, with emphasis on one or more of the following activities:

9 During the past few years, UNHCR has resumed discussion about development-oriented assistance to promote local integration. In 2001, the High Commissioner emphasised the need for a new focus on what he termed Development Assistance for Refugees (DAR). Stating that DAR would be applied in protracted refugee situations, with a particular focus on 'self-reliance for refugees as well as a better quality of life for host communities'. See Executive Committee of the High Commissioner's Programme, 28th Meeting of the Standing Committee, Framework for durable solutions for refugees and persons of concern, EC/53/SC/INF.3, 16 September 2003.

10 Interview with Dewey, 26 March 2004.

11 Interview with Dewey, 26 March 2004.

12 Each year, US government agencies develop a performance plan with goals, strategies and specific performance indicators. At present, there is a broad performance goal for assistance: 'maintenance of multilaterally coordinated mechanisms for effective and efficient humanitarian response at internationally accepted standards'. The goal for durable solutions focuses on sustainable repatriation. One of the strategies set out by PRM states: 'Encourage our partners to employ a development approach to assistance that builds on and supports national capacity and prepares refugees to be both economically self-reliant and politically tolerant upon local integration and/or voluntary repatriation'. There is no performance indicator, however, that measures the success of this strategy in meeting the agency's goals. See US State Department, Migration and Refugee Assistance, Fiscal Year 2004, Congressional Presentation Document.

13 This would be consistent with UNHCR's new focus on DAR.

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- Shelter rehabilitation and repair
- Water and sanitation systems rehabilitation and repair
- Basic healthcare, reproductive healthcare, and maternal/child healthcare
- Supplemental feeding and nutritional programs
- Primary education (school construction or rehabilitation, teacher training, provision of materials and equipment, etc.)
- Projects that promote sustainable livelihoods for returning refugees'.

PRM's funding must be used primarily for refugees. There is recognition, however, that differentiating between the needs of refugees, internally displaced people and local populations can be difficult during periods of transition. Funding guidelines specify that 'PRM expects that many NGO projects will focus on mixed communities composed of refugees (or returnees), IDPs, and members of local populations. Proposed projects should demonstrate that at least 50% of the beneficiary population is expected to be refugees or returning refugees' (State Department, 2004).

US policies recognise that the local integration of refugees appears increasingly unlikely. Even countries, such as Tanzania, that previously permitted or even encouraged local settlement are now hostile to the notion. Often, these are poor countries within even poorer regions; they argue that they cannot shoulder the financial burden of local integration, particularly given what they consider to be reduced international funding for humanitarian assistance. Many internally displaced people also find refuge in communities that have little capacity to absorb them in the absence of prolonged international assistance. Moreover, political considerations often work against the local integration of internally displaced people, particularly those coming from conflict zones under the control of insurgencies. In these situations, a government's acceptance of local integration would be tantamount to accepting that those areas are likely to remain under opposition control.

Resettlement is the third option usually discussed in the context of refugees. Give the United States' own history as a destination for refugees, it is not surprising that the State Department considers resettlement to be an important potential solution for victims of protracted humanitarian emergencies. In its report to Congress regarding fiscal year 2004 admissions, PRM undertook to 'identify, in consultation with UNHCR and the advocacy community, conditions that would trigger resettlement as the preferred solution for refugees in intractable situations' (Department of State, 2003). While consistent with longstanding US policy to see resettlement as a durable solution, the impetus to identify long-stayers in protracted emergencies stemmed from a precipitous decline in resettlement admissions following the attacks of 11 September. Despite admission ceilings of 70,000 in 2002 and 2003, fewer than 30,000 refugees were admitted in each year. Concerns about security and fraud slowed processing, particularly of refugees in countries with significant terrorist activity. In its report to Congress on resettlement priorities for the 2004 financial year, the State Department identified a number of groups that would benefit from resettlement because of the protracted nature of their displacement: Burmese ethnic minorities in camps in Thailand, certain Vietnamese in the Philippines, Bhutanese refugees in Nepal and Lao-Hmong refugees in Thailand.

In summary, emergency assistance remains the primary tool used by the US government in responding to protracted crises. There are attempts, however, to move policies towards developmental relief concepts, particularly in merging livelihood enhancement programmes with conflict prevention and resolution activities aimed at providing more secure environments for sustainable development. Identifying solutions for displaced populations remains a priority policy for assisting vulnerable people in protracted crises. The US has focused on resettlement options for some vulnerable groups; however, the securitisation of borders and declines in international funding challenge options for local integration strategies.

4.5 US development policy

While humanitarian agencies have been rethinking the linkages with development, monumental changes have been taking place in US development aid. The overall volume of US foreign aid has substantially increased; new mechanisms have been created, in the shape of the Millennium Challenge Account and the Millennium Challenge Corporation; and USAID's role in aid-giving has begun to be rethought. The role of aid in US foreign policy has also increased.

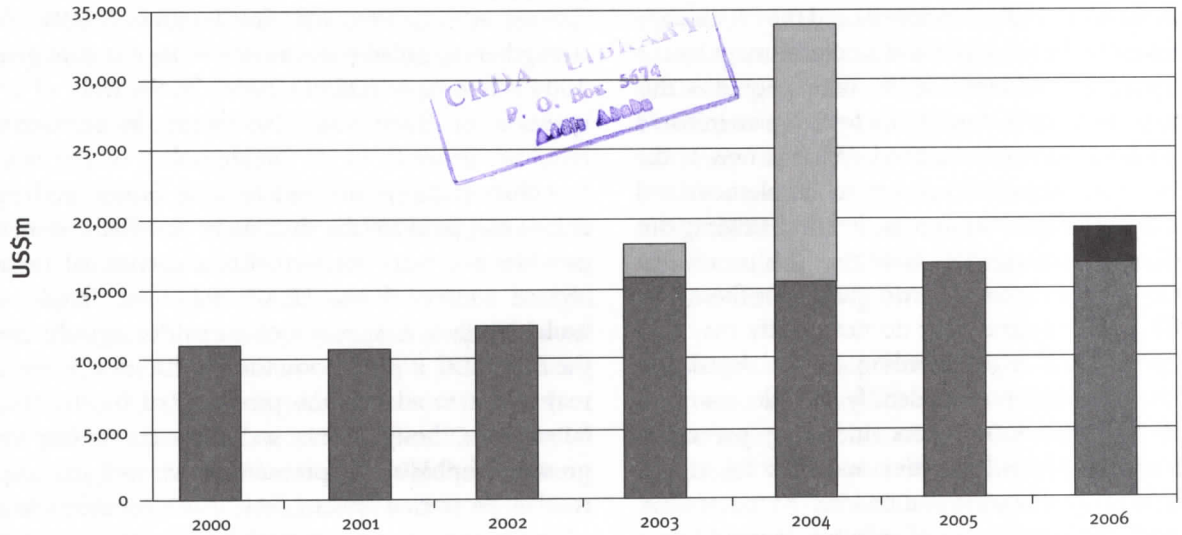
4.5.1 Changes in development aid and its funding

In 2002, at the UN Conference on Financing Development in Monterrey, Mexico, US President George W. Bush pledged to increase US development assistance by $5bn by 2006. This new aid programme, called the Millennium Challenge Account (MCA), represented roughly a 50% increase in the level of US foreign aid. In January 2003, Bush promised to spend a further $15bn on fighting HIV/AIDS over the following five years. This announcement came as a surprise to USAID, the State Department and Congress, as well as to HIV/AIDS advocates. Finally, foreign aid was also boosted by the enormous costs of reconstruction in Iraq ($20bn in 2003). Figure 4.2 (overleaf) shows these changes.

In addition to the change in the volume of US aid, there have been major changes in its composition. Although US aid has increased overall, major traditional bilateral aid programmes such as Development Assistance and

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Figure 4.2: US foreign aid



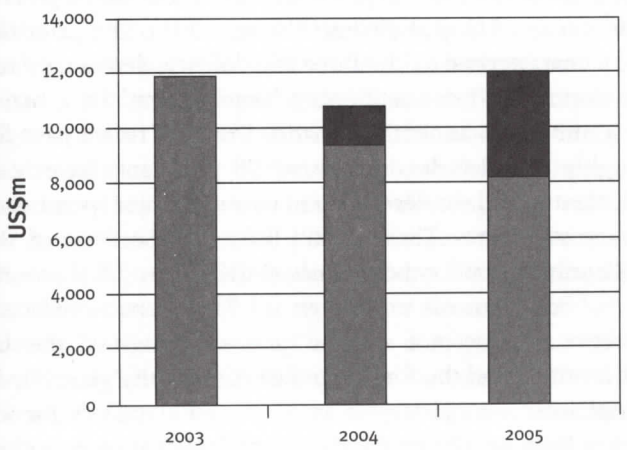
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Addis Ababa

Source: US Department of State, International Affairs Budget Requests, various years, www.state.gov/documents.
Note: The top bars on years 2003 and 2004 represent Iraq reconstruction funding. The top bar on 2006 is an estimate of the additional aid needed to fulfil the president's Monterrey commitment (actual increases are likely to be lower).

Economic Support Funds have decreased. Food aid has risen slightly. Figure 4.3 shows the distribution of aid between 'traditional' bilateral programmes and the two new programmes.

Clearly, there is a trade-off developing between traditional aid programmes, mostly managed by USAID, and the new aid programmes, suggesting the beginnings of a shift in priorities – from 'traditional' aid activities in a wide range of countries (with less emphasis on 'selectivity') to a greater focus on MCA-eligible countries and countries with severe HIV/AIDS problems.

Figure 4.3: Major US bilateral aid programmes: 'traditional' and new



Source: Ibid.
Note: The bottom bars represent 'traditional' bilateral aid programmes; the top bars for 2004 and 2005 represent the MCA and global HIV/AIDS funding.

Another major innovation in US foreign aid involves organisation and policy. The president decided to create a new aid agency – the Millennium Challenge Corporation (MCC) – to manage the MCA. The MCC, established in 2004, is a public corporation, entirely separate from USAID but governed by a board of directors including the secretaries of State and Treasury, the Administrator of USAID and the US Trade Representative. Four individuals from outside government will also sit on the board. The MCC was created as a new agency rather than part of USAID to reflect a new aid policy and a different means of managing foreign aid. In the words of the State Department:

> *The Millennium Challenge Account pioneers an innovative approach to foreign assistance, challenging countries to adopt the kind of sound political, economic and social policies that experience has shown are most likely to result in sustainable development, and targeting investments to those areas where it can overcome the greatest obstacles to growth. It is additional to, not a replacement for, core US development assistance. The Millennium Challenge Corporation, set up to manage the MCA, is a new government corporation designed to support innovative strategies and to ensure accountability for measurable results. The Corporation will enter into compacts with participating countries that lay out concrete objectives, benchmarks and responsibilities for meeting mutually established development goals.*[14]

14 See State Department, 'First Board Meeting of the Millennium Challenge Corporation', www.state.gov/r/pa/pras/ps/2004/28658.htm.

In fact, the MCC's approach is not really new. The US and other governments had long talked about the importance of 'selectivity' in the choice of aid recipients and the importance of good governance, free markets and a commitment by the recipient government to invest in its own people – this approach was at the heart of the Alliance for Progress initiated by President John F. Kennedy in 1961. What is new is the establishment of a separate agency to implement aid programmes only in eligible countries, in effect singling out the 'best performers' among poor countries. This means that a limited group of poor countries will qualify for these new monies, while poor countries that do not qualify may find US aid to them declining. According to the legislation establishing it, the MCC would identify eligible countries based on 16 quantitative indicators, including per capita income, the extent of civil liberties and political rights, spending on primary education and children's inoculations, a country's credit rating and rate of inflation. It would then negotiate millennium challenge contracts with recipient governments which would include 'clear and measurable [development] objectives', benchmarks of progress towards those objectives and a time-frame for meeting them. MCA-funded activities would include agricultural development, private sector development, education, health, good governance, trade and investment and capacity-building.

The other innovative aspect of the MCC is its intended modus operandi. It was originally intended that the MCC would put much more responsibility in the hands of recipient governments, the private sector and civil society organisations to propose and design aid-funded activities. This idea is reflected in the very limited staff (roughly 100) that the MCC is expected to hire. Given the amount of funding available and the sectors where the MCC will work, it seems likely that it will find itself making relatively large transfers of aid to the governments of eligible countries, to support government budgets or sector investment programmes, or to fund large projects. Many within the US administration in fact expect the MCC to work primarily through USAID, which has a much larger staff and field offices. It is even possible that the MCC could become an appendage of USAID; put another way, USAID could become the implementing agent (and perhaps the planning agent as well) for the MCC.

USAID itself has begun to consider the implications of the creation of the MCC for its own programmes. Since Bush's decision to locate MCA funds in a new aid agency, USAID has sought to redefine its mission to complement the MCC's. This has meant in effect that USAID will focus its future efforts on those countries not qualifying for MCA monies (though it is also likely to continue to fund activities in the 'good performers' – indeed, this may become a necessity in as much as the MCC will need USAID's expertise and personnel to implement its programmes in these countries).

USAID's efforts to reconceptualise its role and its place in US foreign policy generally has led it to focus more closely on dealing with failing and failed states. USAID identified strengthening failed states as one of its five core goals in its 2004 White Paper (USAID, 2004). In the wake of 9/11, the question of failed states has taken on a much greater emphasis generally in US foreign policy, on the assumption that their fragility can lead to state failure, and that state failure can produce the discontent that fuels terrorism and provides sanctuary for terrorists and criminal networks. A second source of the USAID focus on fragile states is undoubtedly the Agency's effort to distinguish itself from the new MCC. It is too soon to say what new policies USAID may adopt to address the problems of fragile, failing and failed states, though it may well move the Agency towards a greater emphasis on preventing, as well as helping to resolve, protracted crises. USAID has a considerable amount of experience in working on post-conflict reconstruction through the OTI, among other programmes.

The problem of fragile, failing and failed states has also caught the attention of the broader development community in the US. The Center for Global Development has created a commission to consider issues involving state failure, to be published later in 2004. The University of Maryland hosts a State Failure Taskforce to research the causes of state failure. The research group Institutional Reform and the Informal Sector (IRIS), also at Maryland University, is helping USAID to develop policies to address fragile, failing and failed states.[15]

4.5.2 Aid, development and US foreign policy in the Bush administration

A final innovation of the Bush administration is to return 'development' (broadly defined) to a position of high priority in US foreign policy – at least at the rhetorical level. The US National Security Strategy published in September 2002 announced that expanding 'the circle of development' was a major US goal (White House, 2002). The priorities were characterised as 'the three D's: defence, democracy and development'. Just mentioning 'development' in a major government document is a change from the recent past: for roughly two decades, successive US presidents have been reluctant to address development issues in major speeches or policy statements. There is still little incorporation of the Millennium Development Goals (MDGs) into US discourse or public statements on foreign aid. This aversion reflects a traditional reluctance on the part of Congress, the US government and the foreign policy community generally to adopt international targets as goals and standards for US policy. Even the UN target of 0.7% of gross national product (GNP) to be allocated as foreign aid – an objective pushed in the Kennedy administration – has been excluded from aid

15 For a review of the state of the debate, see IRIS, 'PPC Ideas Main Page', www.iris.umd.edu/PPC_IDEAS/Revolutionizing_Aid/typology.asp.

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discussions in Washington. Resistance to policy benchmarks set in the UN and elsewhere outside the US is especially evident at the conservative end of the political spectrum, but it is apparent across most political tendencies.

4.6 The sources of change

These changes spring from several sources. The main driver is 9/11. The attacks in New York and Washington raised Americans' awareness of the rest of the world – an awareness that is often lacking in the US. While a straight link cannot be traced between poverty and despair abroad and terrorism in the US, there was certainly a feeling among many Americans that the attacks were somehow the result of problems and discontent beyond US borders. This sense of having to engage in the world and address global problems like poverty provided Bush with an opportunity to increase the visibility and volume of foreign aid.

The Bush administration reacted militarily to the attacks, intervening in Afghanistan to eliminate Al-Qaeda and the *Taliban* government that sheltered it. It seems likely that the US administration's announcement at the Conference on Financing Development at Monterrey was designed to balance this aggressive military posture with an initiative aimed at improving the wellbeing of the disadvantaged abroad. The fact that it came in a multilateral context may also have been welcome in the light of increasing international unease at the apparently unilateralist trend in US foreign policy. Bush's decision to attend the conference created an incentive for the administration to identify a 'deliverable' – something he could announce which would be applauded and would symbolise US leadership.

Bush may also have been open to a major increase in aid as a reflection of his personal values. He has described himself as a 'born-again Christian' and a 'compassionate conservative'. Many in the US and abroad dismiss these labels as naïve or cynical. That appears to be a mistake. Bush's willingness to elevate development is part of a broader political change in the US in which the Christian Right and the Evangelical movement – an important part of the political base of the Republican Party – have not only grown in influence, but have also begun to reframe the issue of aid and development and associated activities. The most dramatic manifestation of this change came with the statements of former conservative Senator Jesse Helms in early 2002 that it was a Christian duty (cast in terms of the 'Good Samaritan') to help the victims of HIV/AIDS abroad. Earlier, Helms and others had regarded the disease as a result of sinful behaviour which created no obligations on others to provide help.

It is a short step from Christian duty to help the victims of HIV/AIDS to providing help to the victims of poverty. Evangelical organisations have become increasingly engaged in missionary work in poor countries and, like the longer established churches, have become more attuned to the problems of poverty abroad. Evangelical organisations working in relief and development have formed their own umbrella grouping – the American Evangelical Relief and Development Organizations (AERDO) – to coordinate advocacy and other collaborative enterprises. In short, Bush's decision to boost US development aid and fight HIV/AIDS should not be dismissed as opportunistic or simply reflecting efforts to balance a militarily assertive, unilateralist-tending foreign policy.

This support for aid from 'new' sources complements the long-term advocacy for aid for development on the part of mainstream churches and NGOs in the US. Many of these organisations are part of the umbrella group InterAction, which seeks to provide a voice and a focus of coordination on aid issues for the NGO community. InterAction has been supportive of the new aid programmes. It is, however, doubtful of the need for a new aid agency, and is worried that the MCA will lead to a reduction in traditional development work directed at poor countries generally. The decline in funding for USAID suggests this fear is not unfounded.

Two fortuitous 'enabling conditions' permitted the large increase in aid described above. One was the large federal budget surplus at the time of the original announcement. The decline in US aid during the middle of the 1990s was in significant measure a result not only of the end of the Cold War, but also of efforts by the Clinton administration and Congress to close the budget deficit. That goal was achieved and, with the growth in the economy at the end of the decade, budget surpluses rose rapidly. This reduced the political pressure to control public spending, and both Congress and the administration began to boost expenditure levels on all sorts of government programmes. This exuberant spending behaviour, combined with the rapid increase in defence expenditures associated with the war on terrorism and the invasion and reconstruction of Iraq; other increases in domestic spending programmes; and large tax cuts all turned budget surpluses into record deficits. These deficits loom large over future discretionary spending programmes (of which foreign aid is one). Sooner or later, serious cuts will have to be made.

A second enabling condition involved the US Congress. Both houses are controlled by the Republican Party, making for an unusually 'unified' US government. However, even where the same party controls the White House and Congress, conflict between the two branches can be significant (as was intended by the drafters of the US constitution). That conflict was evident at the beginning of the Clinton administration, when Congress cut many federal programmes (including foreign aid) substantially below the president's requests. Thus far, Bush

CCRDA

has succeeded in getting most of what he has wanted out of Congress, including a major new aid agency and several new aid programmes. The unusual degree of collaboration and party discipline in Congress is undoubtedly partly a result of 9/11 (and later the Afghanistan and Iraq wars), after which it became almost unpatriotic to oppose the president. It is also partly the result of the greater discipline that tends to characterise US political parties after long periods out of power. However, the Republicans in Congress are showing signs of internal dispute and differences with the White House, especially over the budget deficit. After the election in November 2004, those differences could well widen and lead to a resurgence of Congressional resistance to further increases in foreign aid, especially in light of pressures to reduce the fiscal deficit.

4.7 Future directions

There have been major changes in US humanitarian and development aid in the past several years. How permanent are they? How are they likely to evolve?

First, the boost in US aid and the commitment to fight HIV/AIDS. Are these commitments likely to be realised? Are they permanent? While there has been a significant increase in overall foreign aid, actual requests for aid from the administration to Congress have fallen below the annual commitments Bush originally announced. This cannot be assumed to reflect a lack of commitment on the part of the administration. It appears to be more the result of delays in getting the management of these new programmes up and running. However, as pressure to decrease federal expenditure rises along with demands for aid to address diplomatic concerns associated with terrorism and Iraq, it is possible that the commitments to boost US aid in the future will not be fully realised. It will be hard for any administration to justify increasing foreign aid when domestic expenditure programmes are being cut. So it is a safe assumption that, while Bush's major boost in US aid is likely to remain in place for the foreseeable future, further increases are far from certain. That said, the apparent change in the political forces shaping US foreign aid – above all, the increasing influence of the Christian Right – may well signal that the traditional conservative animosity towards aid may be changing. The support for aid by the Christian Right reduces the number of critics and erodes their arguments against aid. The assumption built into the MCA that providing aid selectively to good performers will produce more effective assistance is also intended to reduce criticism from the right.

Should MCA monies continue to rise and traditional development assistance funding fall, this could mean that an increasing portion of US aid will be channelled to low (and as of next year, middle) income developing countries which seem to offer the greatest scope for economic and social progress. The more troubled developing countries will receive less development aid. Unless USAID can develop a credible and workable approach to dealing with fragile, failing and failed states, its funds and, eventually, its functions could diminish, and the Agency itself could ultimately be eliminated.

The decision to create a new aid agency was based on the idea that, if something new is to be done, it needs to be done in a supportive institutional environment. USAID, with its complicated processes and resistance to change, was not thought to provide such an environment. There is considerable antipathy towards USAID within the administration, and the Agency is regarded by some as being unresponsive and suffering from poor management. This view was held by many in the Clinton administration as well. However, creating a new aid agency has its costs: the time it takes to get up and running, the uncertainties about who is in charge of what, the turf battles, bureaucratic and programmatic overlaps and a host of other difficulties. It may well be that a system with two major aid agencies is not stable and that a new administration (either in 2005 or 2009) will decide to combine USAID and the MCC into a new aid agency. Some have urged that a cabinet-level 'Department of Development' be created. This could happen if all the political planets were aligned – a president interested in organisational reform and willing to push the issue; a Congress willing to agree without exacting too large a political price; and departments of State and Treasury (both of which would lose authority over aid funds) supportive or at least unwilling or unable effectively to oppose such a change.

Alternatively, USAID could be absorbed by the State Department. This has been a major issue in the past – during the Clinton administration, the State Department attempted to force a merger of the two agencies. USAID fought off the attack, but the idea has not died. USAID will become increasingly vulnerable as it moves away from its core competency – promoting development abroad – and towards conflict prevention, fragile states and humanitarian relief. This will make it increasingly difficult for USAID to argue that its semi-autonomy makes sense because of fundamental differences between its mission and that of State. It is, in short, plausible that, in five years, the organisational configuration of US foreign aid will be different from what it is today.

4.8 Implications for humanitarian responses to protracted emergencies

What do all these changes imply for US programmes of humanitarian assistance, particularly in situations of protracted crisis? First, the political support for humanitarian assistance remains strong among the US public. Such support may even have been strengthened by

CCRDA

the increasing engagement of the Christian Right in aid-giving. Faith-based organisations have long supported relief to the suffering, and the parable of the Good Samaritan provides a rationale for such aid. However, few organisations bring only their support to aid-giving; they also bring their own values and agendas. One obvious question is whether faith-based organisations will want to use public aid to further their religious mission. It seems unlikely that any US administration will permit organisations to use public aid for purposes of proselytising. However, the difficulties of separating public assistance from private aid may prove challenging in the future if passionately activist US religious organisations become a significant part of aid-giving.

Second, the socially conservative values these groups embrace will affect how they wish to see aid used (and not just the portion of aid they manage). This influence is already evident in the new monies to fight HIV/AIDS, with a large portion going on promoting abstinence, an approach regarded by many HIV/AIDS experts as relatively ineffective in preventing the spread of the disease. Other areas where values play a role include family planning, especially provision of the abortion services which are anathema to most socially conservative groups. There is concern that the application of the so-called Mexico City policy to PRM's programmes will reduce funding for reproductive health services for refugees and the displaced. This policy, first announced at the UN population conference in Mexico City in 1984, bars funding to foreign organisations that use their own resources to advocate for legalising abortion services or to counsel clients about the availability of abortion services.

Third, it seems likely that the problems of international terrorism, which do not look like diminishing in the near future, will continue to affect US aid, including humanitarian aid. These concerns have raised the profile of state fragility and failure, though how to address this remains in question. But it will be difficult for any future US administration to ignore state failure and the humanitarian disasters that accompany it. Thus, the emphasis not only on dealing with state failure, but also on the humanitarian implications of faltering states, civil conflict and post-conflict reconstruction, will probably continue to increase. Because this is one area where even a unilateralist-oriented US administration appears to be open to multilateral collaboration, there are opportunities here for other governments and private entities to engage this administration and its successors more actively.

Fourth, the division of responsibility between USAID and MCC may increase the gap between relief and development, with USAID's budget and priorities focused on humanitarian assistance for failed states, and MCC's targeted at development programmes for good performers. Effective coordination between the two agencies will be essential, particularly when states are moving out of conflict and towards a more stable political and economic situation. Otherwise, failed states will have little opportunity to reform themselves or to end their status as protracted humanitarian emergencies.

CCRDA

Chapter 5
Financing countries in protracted humanitarian crisis: an overview of new instruments and existing aid flows

Judith Randel with Maya Cordeiro and Tasneem Mowjee[1]

5.1 Introduction

Donor policies on humanitarianism, development and security are all undergoing change. Increasingly, donors stress the links between security, development and humanitarian assistance, and their combined role in achieving foreign policy objectives. The global and regional impact of unresolved conflicts – beyond the country of origin – is clearly high on the agenda. Thus, humanitarian action is as often part of a broader set of activities as it is a discrete, time-limited emergency response. As Dutch Minister for Development Cooperation Anna Maria Agnes van Ardenne has put it, 'The distinction between foreign policy and development cooperation is vanishing. It was never very useful to begin with. Aid, politics and diplomacy form a seamless whole and we should not try to pick them apart' (Development Initiatives, 2003).

In the context of this integrated approach, it is difficult to see where the boundaries lie between security, develo-pmental and humanitarian activity. In Denmark, for instance, aid is being used to further what the Development Assistance Committee (DAC) has called 'domestically inspired priorities', including immigration (DAC, 2003). In Australia, joint initiatives have been taken by AusAID and the Australian Department of Immigration to combat illegal migration as part of counter-terrorism assistance.[2] The difficulty is not just with the policy: often, a bureaucratic or procedural decision determines how an activity is categorised, and whether it is within the developmental or humanitarian remit. In a country where a donor has a strong bilateral presence, the 'development' team may handle a crisis as part of their programme, whereas in a country without a long-term 'partnership' with the donor, a crisis and the recovery, rehabilitation and transition phases may all be handled by the emergency or humanitarian departments. Similarly, the definition of expenditure as humanitarian or developmental is often the result of political decisions. For instance, donor policies may bar development assistance to certain countries (with very poor human rights records, for instance) unless it can be counted as 'humanitarian' – so activities tend to be classed as 'humanitarian' even if, in other places, they would be classed as developmental. This blurring of the edges may be symptomatic of more mature or pragmatic approaches, but it sits uneasily with definitions of spending that are rigid and inflexible. As a result, donors have had to create new instruments that fill the gap between what is defined as 'humanitarian' or 'developmental' in order to finance activities that they wish to pursue.

This chapter reviews these developments in the context of spending trends to countries suffering from protracted crises. Monitoring spending trends under these new instruments is complicated, first because they often involve different ministries and agencies, and secondly because not all of this spending is counted as Official Development Assistance (ODA). For expenditure to qualify as ODA, it has to meet several conditions: it must have economic development or welfare as its primary purpose; it must come from a government and it must go to a defined list of developing countries; and it must be a grant or a concessional loan with a grant element of at least 25%. Funding that is counted as ODA is monitored by the DAC. Reporting to the DAC in a standard format is mandatory for all donors, and thus the DAC can produce internationally comparable data. However, expenditure outside ODA is not subject to the same rules, and comparisons between countries are therefore more difficult.

Even for financing that falls within the ODA definition, there are problems. ODA allocated to 'emergency and distress relief' does not account for all humanitarian aid, and currently there is no facility to capture what is loosely called 'transitional' expenditure – that is, activity which falls between the categories of 'relief/humanitarian/emergency' and 'developmental' assistance (Development Initiatives, 2003: 60). A further difficulty lies in the fact that the broader strategies donors are now pursuing are often less geographically specific than relief activities in a particular location. Strategies may focus on self-defined regions or 'situations' which differ from the regions/situations specified by other donors. For instance, a donor may have a policy towards 'The Balkans' or 'South-East Europe', which may include different countries or areas. This will be hard to

1 The authors are grateful for the assistance given to them by the officials of bilateral and multilateral agencies, as well as staff of the Financial Tracking System at OCHA and the Development Cooperation Directorate at the OECD DAC.

2 Australian Support for Improved Philippines Security Measures, January 2004, www.ausaid.gov.au.

CCRDA

disaggregate by country, and therefore difficult to capture in internationally comparable statistics.

Because of these difficulties, this review of trends is in two parts. Section two looks at the characteristics of some of the new instruments which have been developed to enable a more coherent response to complex and often protracted crises. Section three draws data from the DAC and from the Financial Tracking System of OCHA to look, retrospectively, at aid flows – humanitarian and developmental – to 16 countries which have been in protracted crises. Improvements in the analysis of humanitarian aid flows planned as part of the Good Humanitarian Donorship agenda will help to overcome some of the current limitations on analysing flows to countries in protracted crisis.

5.2 New instruments

In recent years, an increasing number of donors have begun to earmark funds for activities in the 'grey zone' between emergency relief operations and longer-term development programmes. This reflects donors' broader approaches to humanitarian work, and the view that humanitarian and development programmes are part of promoting global security. To quote the Swiss government as an example, 'all aspects of Switzerland's foreign policy include humanitarian aspects ... Swiss humanitarian foreign policy does not stand alone and is therefore active in conjunction with others in order to reinforce human security at the global level'.[3] While some of the instruments reflect issues regarding human security, others are concerned with new forms of rehabilitation assistance, as well as the coherence of governmental responses and aid effectiveness.

This section reviews three bilateral and two multilateral instruments for supporting protracted emergencies, most of which are relatively new. These are Norway's Transitional 'Gap' Fund; the European Community Humanitarian Office (ECHO)'s Global Plans and the Commission's Humanitarian Plus Funding; the Netherlands' Stability Fund; the UK's Global Conflict Prevention Pool; and the World Bank's post-conflict reconstruction funds.[4]

The forces driving these funds are partly external: the increasing complexity of crises, the number of stakeholders and the need for a multi-dimensional and multi-agency response, often over a long period. Donors have found that their funding systems and criteria are not always well-equipped to deal with these situations; funding is governed by rules that are often too narrow and inflexible to accommodate the varying needs of different crises. As a result, a range of initiatives and instruments has been developed in an effort to improve the effectiveness of the response to more complex, protracted and diverse situations.

5.2.1 The rationale for new instruments

The impetus for the creation of these funds appears to have two sources. The first is to do with external demands for an integrated response to crises; the second concerns the way that funding is organised within donor governments.

The first set of reasons includes:

- the growing number of protracted emergencies in different parts of the world, which require more flexible and open-ended funding instruments;
- the ongoing debates/critiques of international humanitarian aid funding, and the need for rehabilitation and reconstruction assistance to begin soon after an emergency phase; and
- the convergence of peace, security and development issues in several parts of the world, requiring a similar convergence of different government ministries and departments (several of the funds discussed above are collaborative efforts between different government departments).

Historically, peacekeeping and humanitarian assistance have been kept separate in funding structures, and neither peacekeeping nor post-conflict peace operations can be counted as ODA – a ruling which is regularly questioned by member states in the DAC. Indeed, this was one of the main subjects of discussion at the DAC High Level Meeting in April 2004. This meeting agreed to adjust and clarify ODA definitions relating to specific aspects of security-related development expenditure, and to study proposals for other changes to the ODA definition in relation to peace and security (OECD, 2004).

The second set of reasons driving these changes relates to the way that humanitarian and development assistance is financed within donor governments and agencies. For some years, donors have been developing methods to enable them to spend aid resources in poor but 'good policy' countries, where aid effectiveness is easier to achieve (World Bank, 1998). Almost by definition, these are seldom countries in protracted crisis. Humanitarian assistance is governed by different rules which allow it to

3 Bill to Parliament Concerning the Continued Provision of International Humanitarian Aid of the Swiss Confederation, 14 November 2001.

4 There is also a set of programmes which are part of broader initiatives. These are not analysed in detail here. Some of these are well-established, such as the Office of Transition Initiatives (OTI) in USAID. A more recent initiative has been the Japanese 'Non Project Grant' facility in Afghanistan. This innovative scheme provides a form of untied budget support particularly appropriate to countries recovering from crisis. Japan imports commodities needed by the government, which can then be sold on the domestic market. The funds raised finance general government expenditure, and the facility also improves the balance of payments. Other initiatives include Swiss legislation to allow a coherent response to countries which do not fall into either mainstream development or humanitarian categories, and the establishment in France of an Inter-ministerial Committee for the Anticipation, Management and Monitoring of Crises, which involves the ministries of Defence, Health and Interior and *Agence France Developpement* (AFD), the French development agency.

CERDA

be spent in countries that do not meet the standards of human rights or good governance required for development assistance. However, this flexibility is bought at the price of constraints on time frames, types of expenditure and other rules which can hamper an appropriate response to protracted crisis. Consequently, a number of donors have found the need for a loosely defined resource pool so as to avoid having to search for solutions and funds for every new conflict or emergency.

Norway's Gap Fund

The government of Norway has been a key contributor to international humanitarian assistance efforts over the last decade. Humanitarian assistance accounts for around a fifth of Norway's ODA – one of the largest shares of all donors. The country's international humanitarian assistance is closely linked with its foreign policy and its bilateral relations with developing countries.

In 1999, the Norwegian Ministry of Foreign Affairs released a Strategy for Norwegian Humanitarian Assistance. The emphasis is on linking emergency aid to long-term development strategies. The essence of the 'Norwegian model' is described as 'the close, but informal and flexible form of cooperation that has developed between the authorities and NGOs' (Norwegian Ministry of Foreign Affairs, 1999). Although Norway committed itself to 'gap' or transitional funding as part of this strategy, the financing instruments available to operationalise this were inadequate, and a separate budget line – the Gap Fund – was created in 2002. The fund aims to 'fill the critical resource gaps between acute emergency relief and more long-term development activities'. It was launched with a budget of NOK400 million (about $57m). In 2004, the Norwegian government pledged NOK450m ($64m) in transitional funding. The major recipient countries are Sudan, Afghanistan and Iraq.

ECHO's Global Plans and the EC's Humanitarian Plus

ECHO introduced funding strategies for protracted crises, called Global Plans, in 1994. These are used in protracted situations where ECHO has a programme of over €10m ($11m), and which are stable enough to allow ECHO to plan ahead and develop country or region-wide strategies for periods of six or 12 months at a time. Global Plans are approved by the Humanitarian Aid Committee, which consists of the representatives of Member States. Global Plans are useful because they enable ECHO to take a more proactive approach to a situation rather than simply responding to funding requests as and when they are received. They are also easier to administer than individual contracts because just one funding decision applies to all the individual contracts in the Global Plan. According to ECHO's 2002 annual report, Global Plans accounted for €117.34m ($132m), or 22% of ECHO's total expenditure of €537.79m ($605m) in 2002 (see Table 5. 1).

Table 5.1: ECHO's Global Plans, 2002

Country	Amount
Algeria	€14.34m ($16m)
DRC	€32m ($36m)
Guinea/Liberia/Sierra Leone	€17m ($19m)
Sudan	€17m ($19m)
Tajikistan	€10m ($11m)
Tanzania	€27m ($30m)
Total	€117.34m ($132m)

Global Plans do not enable the type of response that is needed in some protracted crises. Following an influential evaluation of ECHO's work in 1999, which criticised its role in the 'grey zone' between emergency and development aid, there has been a concerted effort within the Commission to limit ECHO's involvement in protracted crises, and to ensure that rehabilitation and development instruments take over (CEC, 2001). This has been given extra impetus by pressure on the Commission to improve its disbursement rates for the European Development Fund (EDF), which finances development assistance to African, Caribbean and Pacific (ACP) countries. This has allowed EDF funds to be used for purposes that are not strictly developmental, but which respond to the need for recovery and rehabilitation.

One way in which the Commission has created flexibility is through its 'Humanitarian Plus' programmes. These do not constitute a separate instrument. They use EDF funds to address humanitarian needs in a way which supports the local population to become more self-sufficient, and acts as a bridge to development funding. Procedurally, Humanitarian Plus programmes have been included in Country Strategy Papers, and have used the B envelope of the EDF, which is allocated to each ACP country to cover unforeseen needs such as emergency assistance.[5] They are managed by a special Programme Management Unit (PMU) within the Commission, so it is the Commission, rather than the recipient government, which authorises Humanitarian Plus funding. The programmes tend to be implemented through non-governmental channels (including local NGOs).

The initiative has proved useful in allowing the Commission to spend development funds in the absence of development cooperation with a government, and without endorsing a particular regime.

In Sudan, where EC development cooperation will not resume until a peace agreement has been finalised, a

5 The EDF is divided into two parts: the A envelope, comprising 70% of the Fund, is a longer-term financial instrument; the B envelope consists of the remaining 30%. It is allocated to individual countries for unforeseen events.

CERDA

Humanitarian Plus programme of €18m ($20m) is being implemented by international NGOs and UN agencies, rather than the government or the Sudan People's Liberation Movement/Army (SPLM/A).[6] It has been used to pave the way for the resumption of development assistance. Its aim is to address humanitarian issues in sectors like water and agriculture in a more sustainable way, creating self-reliance amongst populations affected by the civil war. It has been a convenient way to use EDF resources which had been allocated, but which were frozen due to the political environment, thereby avoiding the administrative embarrassment of unspent funds. Although the Humanitarian Plus initiative is part of the Commission's attempt to link relief and development, it cannot guarantee a smooth transition, with sectors that were funded by ECHO being supported in the long term. In Sudan, although ECHO has invested heavily in the health sector, this was not deemed a development priority by the Sudanese authorities. Since the CSP is agreed in partnership with the recipient government, it does not include continued funding for the health sector.

Overall, the Humanitarian Plus programme is regarded as a success within the Commission. In addition to Sudan, it has been applied in Angola and Burundi, though it is not called as such and there is reluctance within the Commission to formalise it. This is in line with the Commission's aim not to create new structures or financial instruments (Mowjee, 2004).

The Dutch Stability Fund

The Dutch Stability Fund was launched in January 2004. It aims to provide 'rapid, flexible support for activities at the interface between peace, security and development in countries and regions emerging from or at risk of sliding into armed conflict'. The Fund has a budget of €64m (about $72m) in 2004/5, rising to €111m ($125m) in 2005/6, and with planning figures of €93m ($105m) and €77m ($87m) in 2006/7 and 2007/8. Policy priorities include support for peace processes and peace dialogues (conflict prevention), the reintegration of former combatants, the reorganisation of the army and police force, the destruction of small arms and the assignment of Dutch experts to developing countries.

Of the new funds looked at here, the Dutch mechanism is perhaps most firmly linked to overall development/foreign policy goals, since stability is one of the main policy focuses of the Dutch government.[7] The Fund is managed jointly by the Minister of Foreign Affairs and the Minister for Development Cooperation. Its steering committee includes the directors of the Security, UN and Human Rights/Peacebuilding departments in the Ministry of Foreign Affairs, and the Ministry of Defence is present as an observer. This has added to its significance as an instrument to deal with peace, security and development issues, though the links to Defence are limited. Stability Fund resources do not include any Ministry of Defence money; the fund cannot be used to support military activity or civil–military cooperation. The Department for Human Rights and Peacebuilding within the Ministry of Foreign Affairs has three sections: Human Rights; Humanitarian Assistance; and Peacebuilding and Good Governance. The Stability Fund is located in Peacebuilding and Good Governance, which also has responsibility for disarmament, demobilisation and reintegration (DDR), conflict prevention, post-conflict security and post-conflict reconstruction.

The Stability Fund is a response to the need for a more integrated instrument, replacing a raft of small funds for such areas as small arms control, de-mining and peacebuilding. It has specific regional and thematic responsibilities. Regionally, the Ministry of Foreign Affairs has three priority regions: the Balkans, the Horn of Africa/Great Lakes and Afghanistan. Three-quarters of funding goes to these areas, and the remainder can be spent where there is a link with Dutch policy priorities. These include not only development priorities, but also defence, political and humanitarian policy goals.

To enable collaboration between different arms of government, the Stability Fund uses the 'stability assessment', which is compiled with embassies, local governments, civil society and other donors. These assessments then become integrated into the strategic approaches of the embassy across the three compartments of politics, economics and development. For instance in Rwanda, following the stability assessment, the programme priority changed from poverty reduction to conflict reduction, because the assessment made the case that conflict reduction was an essential precondition for poverty reduction. As a result, the political and conflict situation is used as a measure of performance.

In the context of the Stability Fund, the issue of whether expenditure is or is not ODA is treated quite separately from decisions about the types of activities to pursue – significant in view of the fact that the Netherlands has a legislative commitment to spend 0.8% of its gross national product on ODA.

The UK's Global Conflict Prevention Pool

The UK Global Conflict Prevention Pool includes the management of peacekeeping and peace-support operations. It was set up following the government's Spending Review in

6 In keeping with a Council decision in June 2002, the Commission's stance was that a Sudan CSP would not be signed – and there would be no development cooperation – until a peace agreement was signed.

7 See for example Memorandum of the Dutch Minister for Development Cooperation, 'Mutual Interests and Mutual Responsibilities: Dutch Development Cooperation en route to 2015', Ministry of Foreign Affairs, The Hague, 2003.

CCRDA

April 2001, to improve the relationship between peacekeeping and other conflict prevention work, and to streamline the management of the peacekeeping budgets.[8]

The Global Conflict Prevention Pool (GCPP) aims at 'improved effectiveness of the UK contribution to conflict prevention and management, as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in the potential sources of conflict where the UK can make a significant contribution'.[9] The GCPP is managed by a Cabinet committee comprising the Foreign Secretary, the Secretary of State for International Development, the Defence Secretary and the Chief Secretary to the Treasury. It is chaired by the Foreign and Commonwealth Office (FCO).

According to Foreign Secretary Jack Straw, the GCPP was 'beginning to make an impact in meeting the Government's Conflict Prevention Public Service Agreement Target'. Progress in the Balkans and Afghanistan, work to develop better ethnic relations, democratic and accountable government and the rule of law were cited as examples, along with training, capacity building, and security sector reform (*Hansard*, 17 July 2003). It has brought together the resources of three important departments – the Ministry of Defence, the FCO and DFID – to enable a more strategic approach to conflict reduction. This includes not only geographical and sectoral approaches, but also the UK's relations with other bodies (through the GCPP strategies on the Organisation for Security and Cooperation in Europe (OCSE) and the Council of Europe (CoE), which aim to build capacity, human resources and standards). For example, the GCPP has funded election monitors, secondees to help the CoE to develop a more strategic approach to its work in the Balkans and Eastern Europe, training and assessment courses and advice on the role of the police in maintaining the rule of law.

The GCPP funding allocation for 2002/3 was £96m ($157m) against a planning figure of £68m ($112m), excluding peacekeeping operations, which amounted to a further £300m-plus ($492m). Peacekeeping forms the largest share of the budgets for the Conflict Prevention Pools. When it was established in 2000, the planned expenditure for the Africa CPP was £115m ($176m) in 2001/2 and £110m ($168m) in 2002/3 and 2003/4. Of this, just over half would be spent on peacekeeping or peace enforcement. Financially, the peacekeeping element is treated separately; the UK's assessed contributions to peace support are budgeted at the start of each year, and included in the global pools along with the UK's voluntary contributions to peace support, including the costs of sending British troops to participate in peacekeeping missions.

The GCPP has ten country/geographic strategies: Afghanistan, Central and Eastern Europe, the Balkans, the former Soviet Union, Nepal, the Middle East and North Africa, Belize and Guatemala, Indonesia and East Timor, India and Pakistan, and Sri Lanka. Geographically, funding is heavily concentrated, with $28m going to Afghanistan (29%), $17m to Central and Eastern Europe and $13m each to the Balkans and the former Soviet Union (UK government, 2003). The GCPP has a further five thematic/institutional strategies: EU Civilian Crisis Management, OSCE/CoE; Small Arms and Light Weapons, Strengthening the United Nations and Security Sector Reform. Thematically, funding is heavily focused on small arms reduction ($17m) and support to the UN ($22m). Within the small arms strategy there will also be a geographical focus: the UK intends to support national strategies for weapons control in Tanzania, Kenya, Uganda, Mozambique and Namibia.[10] In addition to its geographical, sectoral and institutional strategies, the GCPP has extra flexibility built in with a Quick Response Fund. This allows for the funding of activities which fall within the remit of the Pool, but which are not covered in existing strategies. The GCPP can also be used to supply military equipment, where this is part of an integrated conflict prevention strategy. Decisions on the use of pool funds to supply such equipment are usually taken at ministerial level.

The World Bank Post-Conflict Unit

The World Bank's Post-Conflict Unit (PCU) was established within its Social Development Department to coordinate operational support across the Bank in areas such as demobilisation and the reintegration of combatants, the reintegration of the internally displaced, demining/mine action, the rehabilitation of basic services, institutional development, the reconstruction of critical infrastructure, support for economic management, training and employment and food security. More recently, it was renamed the Conflict Prevention and Reconstruction Team (CPR), but is still located in the Bank's Social Development Department.

The Post-Conflict Fund (PCF), administered through the CPR, has approved a total of $61.5m for 120 grants between 1998 and 2005. Africa has received 40% of this funding. During the 2003 financial year, PCF disbursements totalled $13m between 36 different countries.

The CPR also researches ways to prevent further conflict and promote development. It has been developing a Conflict Analysis Framework, using research from the Development Economics Research Group programme on the economic causes of civil war.

8 Previously, financing for peacekeeping was the responsibility of the Foreign Office.

9 DFID Public Service Agreement and Service Delivery Agreement, HM Treasury, 2000 Spending Review, www.dfid.gov.uk.

10 *Hansard*, Written Answers, 25 March 2004.

CCRDA

Recent PCF initiatives include:

- Iraq: three grants for the collection and dissemination of statistics in the areas of human development, macroeconomics, water and power.
- Afghanistan: supporting public administration ($10m), community empowerment ($42m), education ($15m), infrastructure ($33m) and transport ($108m). This is in addition to the $345m Afghanistan Reconstruction Trust Fund (ARTF).
- The African Great Lakes: funding a $454m programme in the Democratic Republic of Congo (DRC) to enhance food security, restore essential social services and infrastructure and strengthen the government's capacity to formulate and implement its development programme. A further region-wide $500m programme is designed to support the demobilisation and reintegration of former combatants.
- Azerbaijan, Rwanda and Sierra Leone: supporting the reintegration of displaced populations.
- Sri Lanka: providing a $31m emergency reconstruction programme for the north-east to help restore primary health care facilities, provide livelihood support through cash grants to returning displaced people and for the rehabilitation of village water supplies.
- Bosnia, Croatia and Ethiopia: supporting mine clearance programmes.

The World Bank currently operates around 850 active trust funds. Defined as 'financial and administrative arrangements with an external donor that lead to grant funding of high-priority development needs', these funds are accounted for separately from the Bank's own resources. In other words, they are discrete funds with their own objectives and management processes. They are funded through voluntary or other contributions and are not part of the International Development Association (IDA) accounts. They are essentially for technical assistance, advisory services, debt relief and – more recently – post-conflict transition.

In the 2003 financial year, the Bank's trust fund programme expanded considerably. The contributions received from donors totalled $4.44 billion, an increase of $1.83bn or 70% over 2002, and funds held in trust rose from $5.33bn to $6.89bn (a 30% increase) (World Bank, 2003). The ARTF was the third-largest trust fund programme in 2002, receiving $182m – compared with $751m for Highly Indebted Poor Countries (HIPC) and $409m for the Global Environment Facility (GEF). By the end of 2003, the ARTF had received contributions totalling nearly $453m.

The ARTF is an example of a new type of response to reconstruction. Set up originally as a 'single' trust fund, it was hoped that the bulk of financing for reconstruction would flow through it in the form of unearmarked contributions to the National Development Budget, thereby lowering transaction costs and ensuring that financing was allocated to the government's priorities. In practice, the ARTF is channelling about a fifth to a quarter of commitments, and it has not proved possible to refuse all earmarking requests. Nonetheless, it is valued as a high-quality aid resource by the Afghan government because it is designed to finance the budget and meet the government's priorities.

Major donors to the ARTF, accounting for 79% of all contributions, are: the US, Japan, the Netherlands, the UK, the EU, France, Sweden, Germany and the Gates Foundation (private sources of funding can be included).

5.3 Financing patterns to countries in protracted crisis

5.3.1 Caveats to the data

These new instruments are designed, in part, to enable appropriate financing to countries in protracted crisis. Because of the difficulties in gathering internationally comparable data and the fact that the new instruments occupy a fuzzy area between ODA, peacekeeping, security and foreign policy, much spending under these new instruments has not been captured.

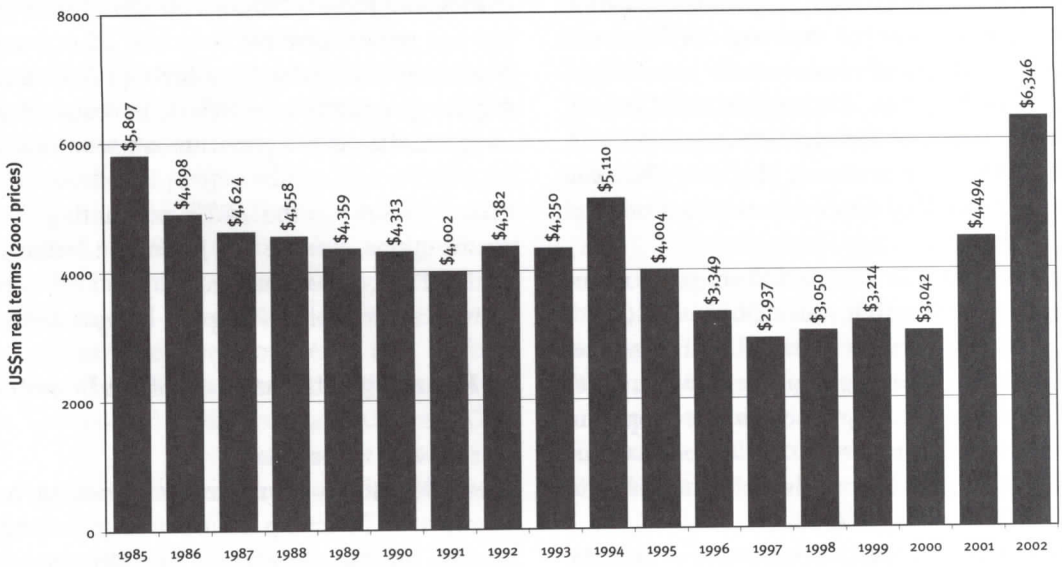
This analysis of the trends in ODA flows to countries in protracted crisis does not include all of the activity financed under the new instruments – a programme for improving the analysis of humanitarian assistance more broadly is part of the Good Humanitarian Donorship agenda. This section examines allocations to a group of 16 countries experiencing protracted crises. These countries were selected not to be scientifically representative, but rather as indicative of at least some of the trends in aid policy in this area. Trends for the group as a whole are therefore likely to include a considerable variation. The countries are: Afghanistan, Angola, Armenia, Azerbaijan, Burma/Myanmar, Burundi, Colombia, the DRC, Eritrea, Ethiopia, Georgia, Haiti, Somalia, Sudan, Tajikistan and Zimbabwe. Although these countries are referred to here as countries in protracted crisis, they are not a homogenous group; the policies and financing they need are very varied.

- They cover four regions, with eight countries in Africa, two in Asia, three in the Caucasus and two in Latin America and the Caribbean.
- All are Least Developed or Low Income countries except Colombia, which is a Lower Middle Income Country with a per capita gross national income (GNI) of $1,830. Per capita income for the others ranges between $200 or less for Burundi, the DRC, Ethiopia, Eritrea and Tajikistan, making them among the very poorest countries in the world; $350–$500 for Haiti, Sudan and Zimbabwe (in 1999);[11] and $650 or more for Angola, Armenia, Azerbaijan and Georgia – only just below Lower Middle Income (LMIC) status.

11 Data for Zimbabwe is the most recent available.

CCRDA

Figure 5.1: Total ODA to selected countries in protracted crisis, 1985–2002



Source: OECD DAC Statistics, Table 2a.

- They vary in size. They include some of the most populous countries in Africa – Ethiopia (second-largest), the DRC (fourth) and Sudan (seventh) – and some of the smallest, in Eritrea, Burundi and Somalia.

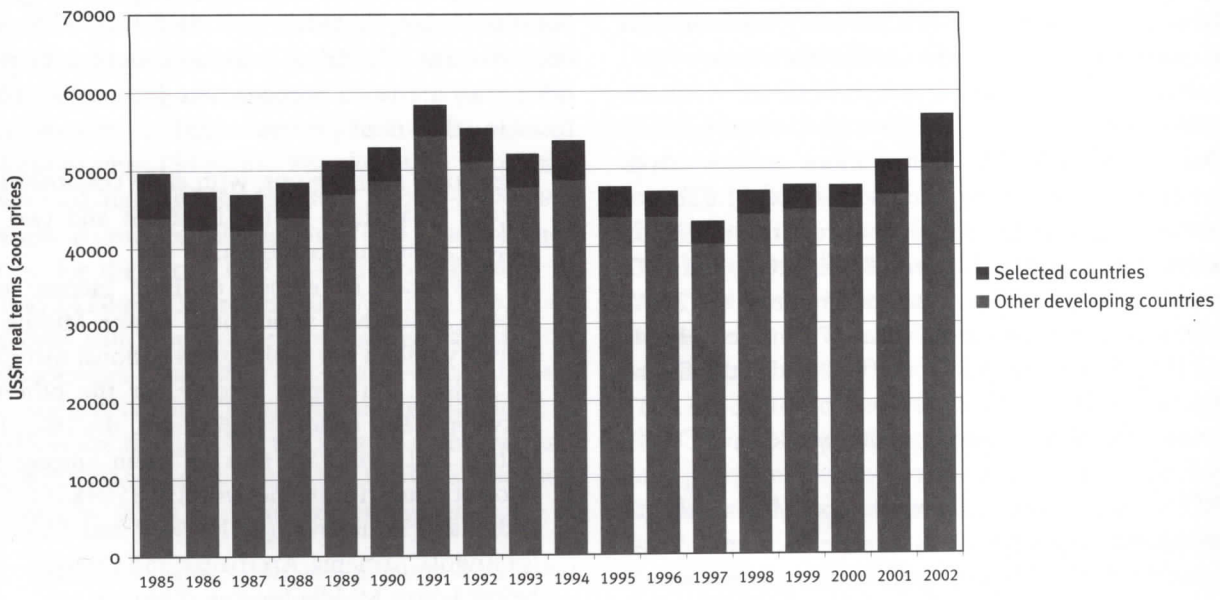
5.3.2 Total aid flows to selected countries in protracted crisis

In 2002, the group of 16 selected countries in protracted crisis received $6.3bn in ODA. This was the highest-ever level of ODA to this group of countries, and $500m more than the previous high point of $5.8bn in 1985 (see Figure 5.1).

As a share of total ODA, these countries received, on average, 7% of total aid flows between 1985 and 2002. The percentage varies between 6% and 11% from year to year (see Figure 5.2). Between 1985 and 1988, it was between 9% and 12%; for all but one year between 1989 and 2000, countries in protracted crisis received 8% or less of total ODA, but in 2001 and 2002 the share rose again, to 9% and 11% respectively, largely due to Afghanistan and large IDA payments to Ethiopia and the DRC.

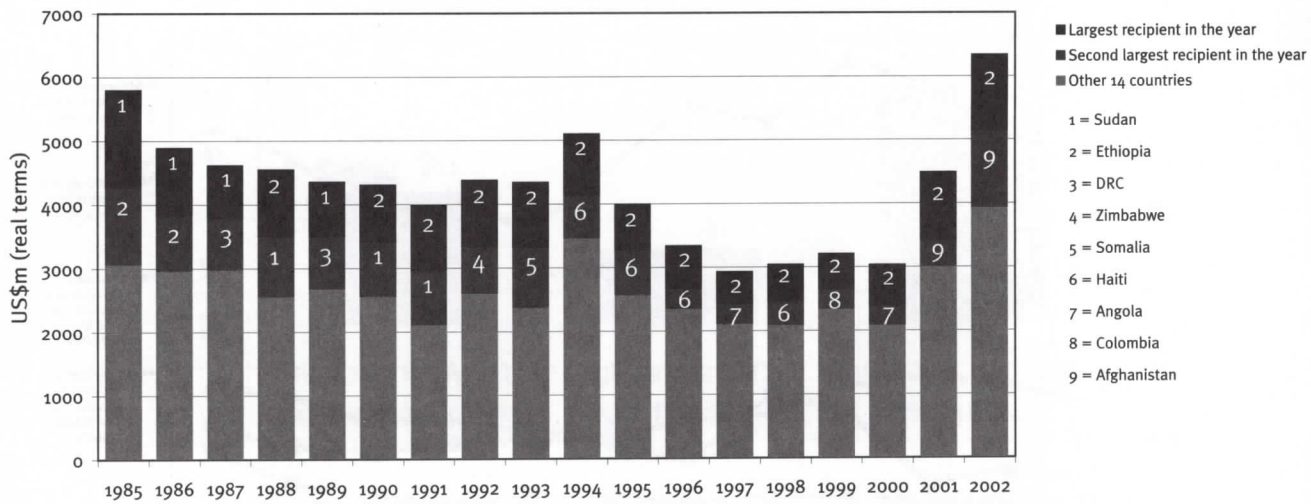
ODI

Figure 5.2: ODA to selected countries in protracted crisis compared with total ODA flows



Source: OECD DAC Statistics, Table 2a.

Figure 5.3: Concentration of aid flows within countries in protracted crisis, 1985–2002



Source: OECD DAC Statistics, Table 2a.

Given the disparities between these selected countries, it is necessary to look at the trends for individual countries and regions. Within this set of countries, Ethiopia has been the largest recipient in every year between 1992 and 2002. Other large recipients have been Angola, Colombia, the DRC, Haiti, Somalia, Sudan and, in the last two years, Afghanistan (see Figure 5.3).

5.3.3 Regional trends

Within this set of 16, the African countries have received the largest volumes of ODA.[12] Their share of total aid declined sharply in the mid-1990s, before starting to rise again after 1998. Between 1985 and 1993, the African countries in the sample received 40% or more of total aid to the 16 selected countries. This fell to an average of around 30% between 1995 and 2000, reaching its lowest point in 1998, with less than a quarter.

In the mid-1980s, the selected countries in Africa received more than a fifth of total aid to Africa.[13] From 1989 to 1995, they received an average of around 17% of total aid to the continent. In the mid-1990s, the share declined to 11%, but has since been rising, to reach 17% again in 2002. In volume terms, aid to the selected African countries halved between 1994 and 1997, falling from $3.5bn in 1994 to $1.6bn in 1997. Aid to every country fell, and it did so most sharply in Burundi, Sudan and Somalia.

Aid to the three countries identified in the Caucasus started in 1993, and has been rising ever since, from $245m in 1993 to $912m in 2002 (in real terms), with each of the three countries receiving broadly similar amounts of aid. As can be seen in Figure 5.4 (overleaf), the share of aid to the countries of Central and Eastern Europe and the NIS which goes to the selected countries is high – in many years as much or more than half of total ODA.

5.3.4 Aid per capita

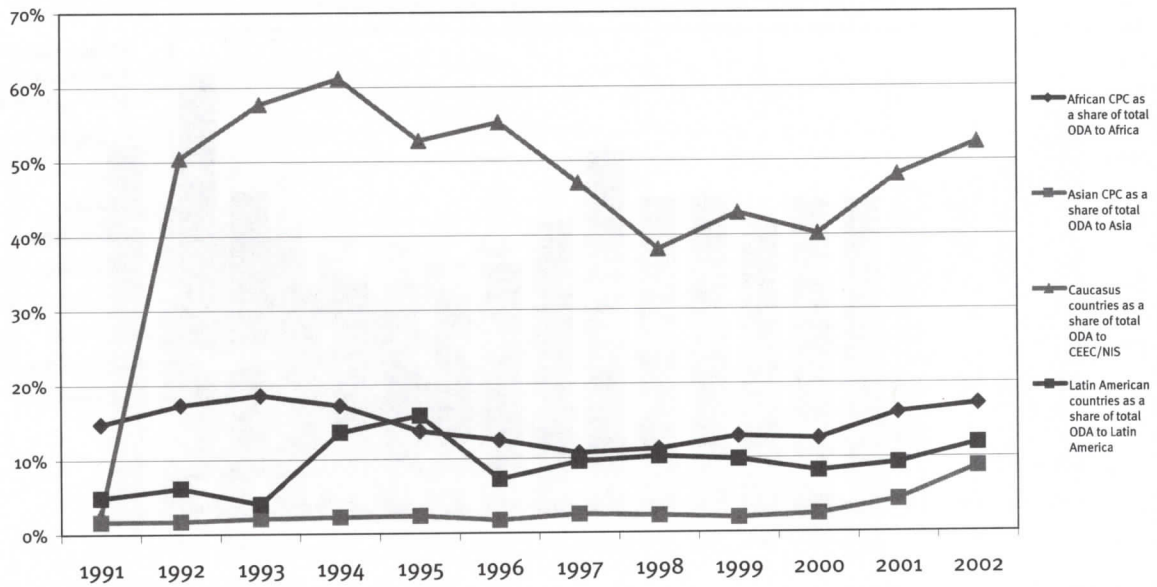
One way of measuring whether a country receives an equitable share of total ODA is to measure aid per capita. On this basis, countries in the Caucasus and Western/Central Asia received the highest amounts relative to the 16 countries under discussion: Armenia $91 per head, Afghanistan $43, Azerbaijan $41, Georgia $56 and Tajikistan $26. African countries, with the exception of Eritrea (with $48 per head), received between $10 and $30 per head in 2002. In 2002 Burma, Sudan and Colombia all received less than $10 per head. The population of the selected countries in protracted crisis is 14% of the population of developing countries as a whole, excluding India and China. ODA to these countries in 2002 was 12% of total ODA to developing countries (India and China are excluded as their large populations mean that they have very low aid per capita). As a group, therefore, these 16 countries in protracted crisis receive a less-than-equal share of ODA based only on population. As a whole, the selected countries in protracted crisis received $18 per capita in ODA in 2002, compared with $21 per capita in developing countries excluding India and China (again excluding India and China).

12 This may be a bias caused by the selected sample, but this study did not adjust for this.

13 Given that the sample does not include all potential examples of countries in protracted crisis in Africa, the overall share may well be higher.

CCRDA

Figure 5.4: ODA to selected countries in protracted crisis by region, as a share of total ODA to that region



Source: OECD DAC Statistics, Table 2a.

5.3.5 Types of aid to countries in protracted crisis

Multilateral and bilateral ODA[14]

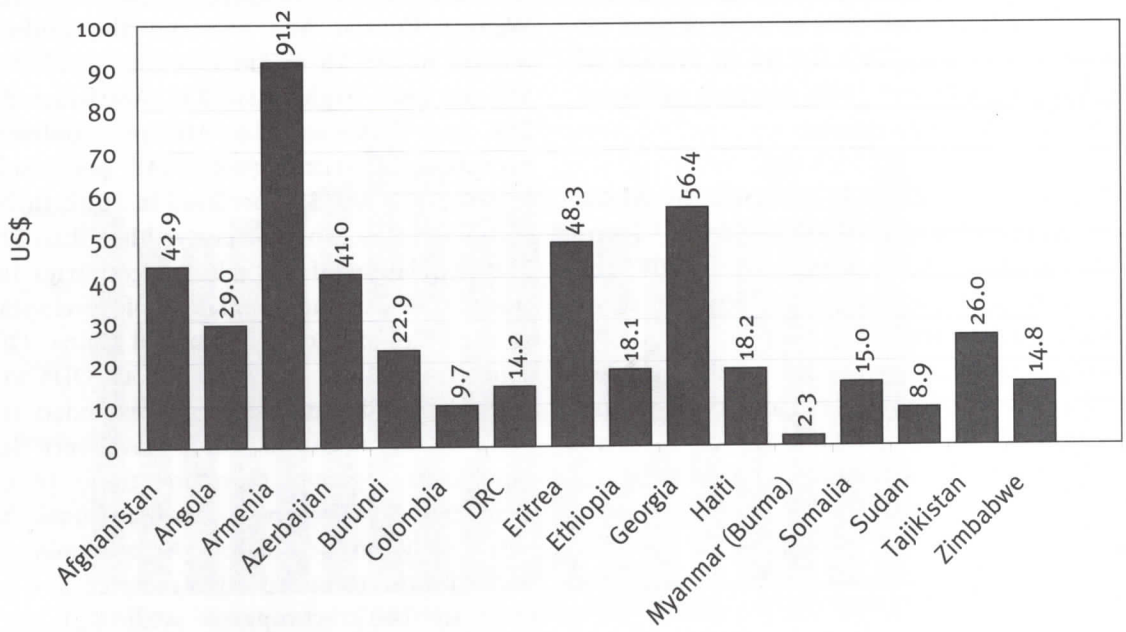
Multilateral ODA accounts for a larger share of total ODA to the selected countries in protracted crisis than for developing countries as a whole: between 33% and 44% of total ODA, compared with a range of 23% to 32% for all developing countries. Multilateral aid flows also fluctuate less sharply than bilateral aid flows.

Multilateral ODA to African countries has typically been a couple of percentage points above the average for the selected countries as a whole. Having declined in the mid-1990s, to just over a third of total flows, the multilateral

14 The data in the following section is based on the contested DAC definition of multilateral aid as aid to multilateral institutions which is *totally unearmarked*. This means that it does not include earmarked assistance channelled through multilateral agencies.

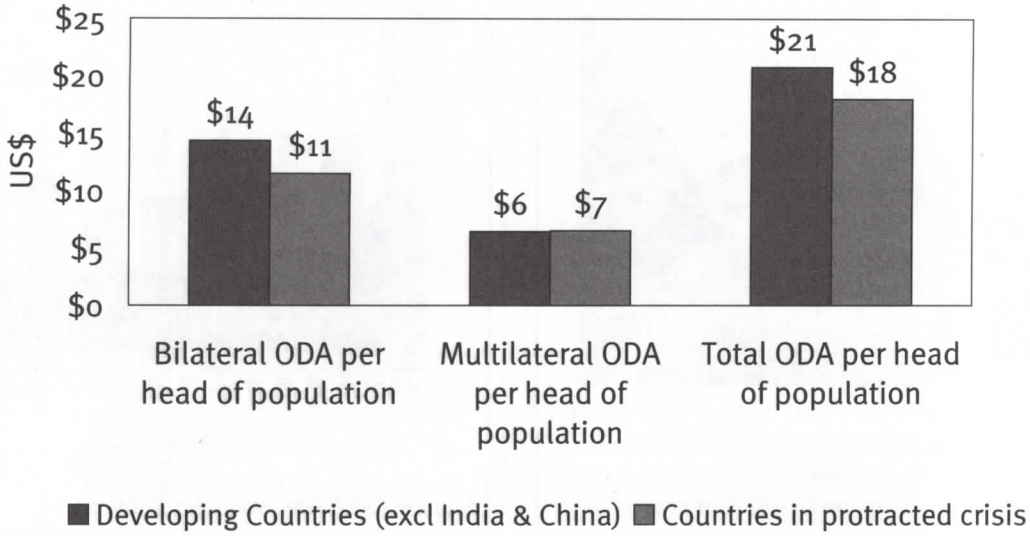
CCRDA

Figure 5.5: ODA per capita to selected countries in protracted crisis in 2002



Source: OECD DAC Statistics, Table 2a, and reference indicators.

Figure 5.6: ODA per capita to selected countries in protracted crisis compared with other developing countries, 2002



Source: OECD DAC Statistics, Tables 1 and 2a, and reference indicators.

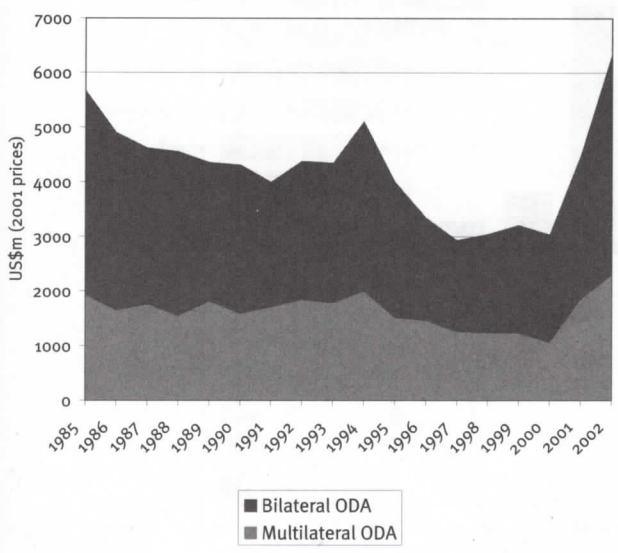
share went up to around 50% of total flows in 2001 and 2002 (see Figure 5.8).

For the three countries in the Caucasus, bilateral aid comprised two-thirds of total ODA in 2002. This is a change from the mid-1990s, when multilateral ODA accounted for 75% of total ODA flows to the Caucasus. The massive bilateral allocations to Afghanistan have dramatically shifted the balance between multilateral and bilateral ODA in Asia. Formerly, multilateral aid made up around 40%–50% of aid to Asia, but this fell to 32% in 2001, and 22% in 2002 (see Figure 5.10).

These regional contrasts are reflected in sharp differences between countries. In 2002, for instance, 60% of ODA to Ethiopia, 46% of ODA to the DRC and 43% of ODA to

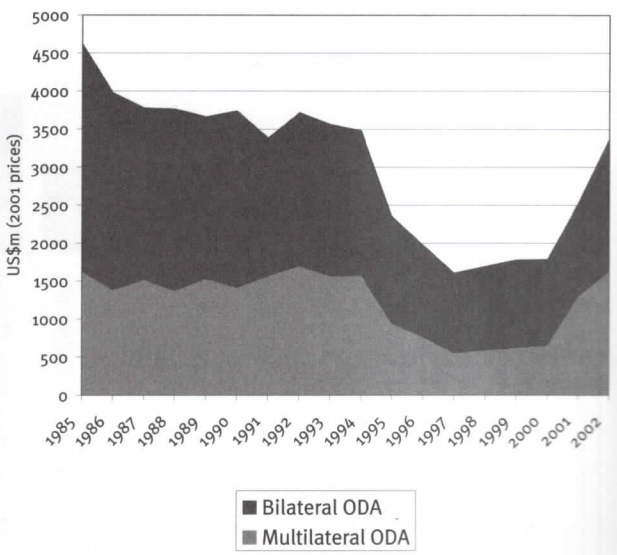
CCRDA

Figure 5.7: Multilateral and bilateral ODA to countries in protracted crisis, 1985–2002



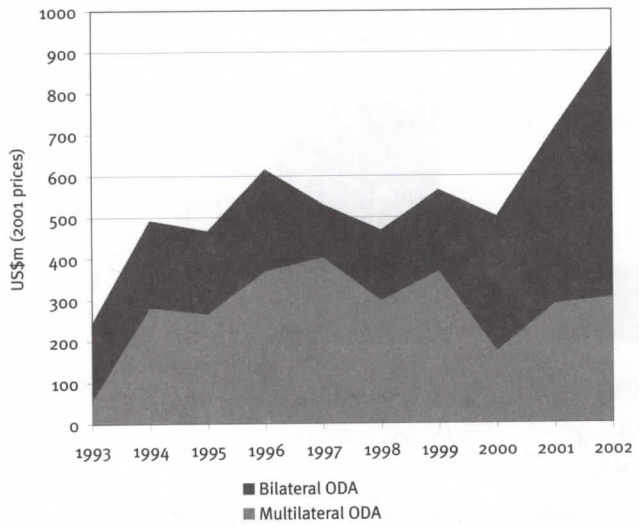
Source: OECD DAC Statistics, Table 2a.

Figure 5.8: Multilateral and bilateral ODA to selected African countries in protracted crisis



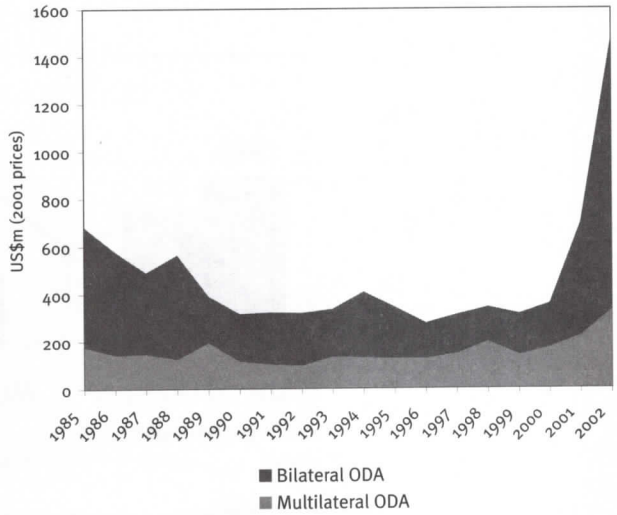
Source: OECD DAC Statistics, Table 2a.

Figure 5.9: Multilateral and bilateral ODA to selected countries in protracted crisis in the Caucasus



Source: OECD DAC Statistics, Table 2a.

Figure 5.10: Multilateral and bilateral ODA to selected countries in protracted crisis in Asia



Source: OECD DAC Statistics, Table 2a.

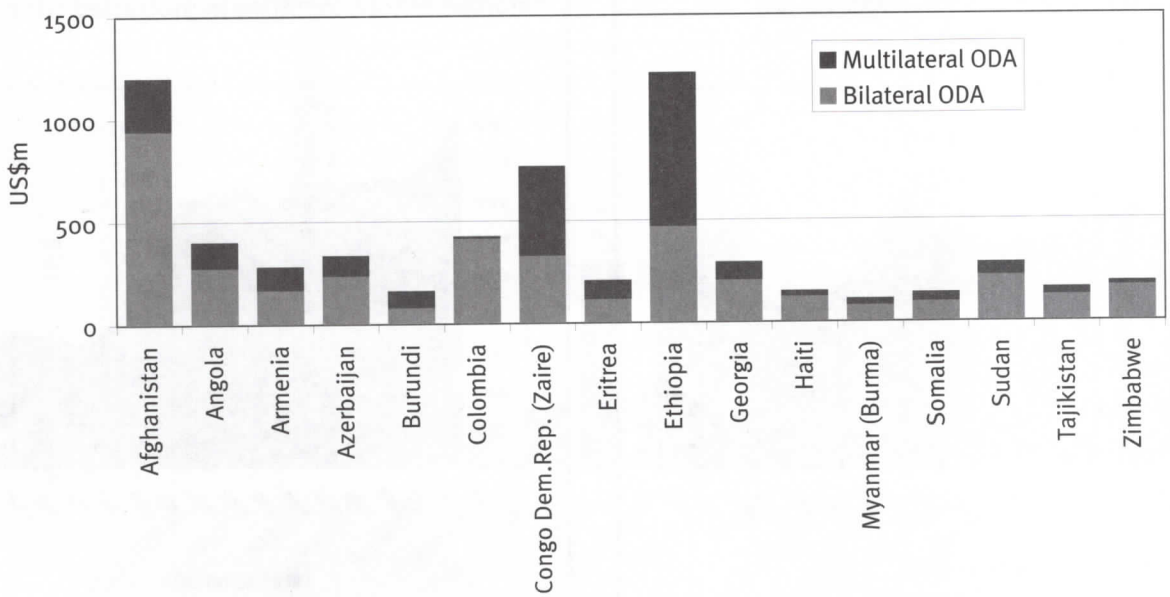
Eritrea was in the form of multilateral aid. By contrast, only 11% of aid to Zimbabwe and 3% of aid to Colombia was from multilateral sources. In 2001, there was a similar pattern, with the DRC, Eritrea, Ethiopia and Tajikistan all receiving more than 50% of their ODA from multilateral agencies. In 1997, Afghanistan, Haiti and Somalia were, of the 16 countries, the most dependent on multilateral sources. One possible explanation for these differences is the share of food aid in the total. Ethiopia, Afghanistan and Sudan have been among the top five recipients of food aid from the World Food Programme (WFP) since 1996.

Humanitarian and developmental assistance

Donors categorise their ODA as developmental or humanitarian for a variety of reasons – many of them procedural or political. The allocations of emergency and development assistance noted here should be interpreted

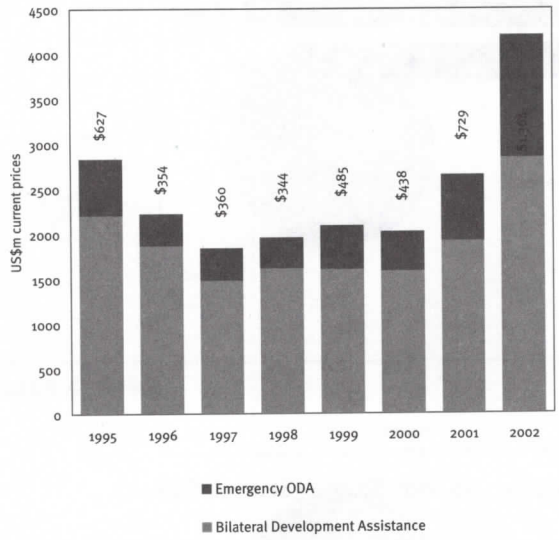
GCRDA

Figure 5.11: Allocations of bilateral and multilateral ODA to selected countries in protracted crisis, 2002



Source: OECD DAC Statistics, Table 2a.

Figure 5.12: Share of emergency ODA in total ODA to selected countries in protracted crisis



with that in mind. Between 1995 and 2002, the 16 countries in protracted crisis received between 8% and 11% of total ODA, and between 11% and 36% of total emergency and distress relief.

Emergency bilateral aid comprised 32% of total bilateral assistance to the selected countries in protracted crisis in 2002, the highest level since 1995, when data was first available. The major recipients of emergency assistance are Ethiopia, Sudan and Angola – countries which are also major recipients of food aid.

5.3.6 Which are the main donors to countries in protracted crisis?

Twenty-five donors have given more than half a billion dollars each to the 16 selected countries in protracted crisis since 1985. Five – the US, the World Bank, the EC, Germany and Italy – have provided 49% of total ODA to these 16 countries over this period. Among the bilateral donors, the US has provided close to $13.5bn since 1985 (see Figure 5.13), followed by Japan ($5.1bn), Germany ($4.9bn), Italy ($4.7bn) and the Netherlands ($3bn). Of the top bilateral donors by volume, the US gives 13% of its total aid to the 16 selected countries in protracted crisis, Japan 4%, the Netherlands 12% and Germany 6%. Other small-volume donors regularly allocate significant shares of their total ODA to these selected countries: Norway gave 14% of its ODA ($205m) in 2002, Ireland 12% ($45m) and Belgium 9% ($76m).

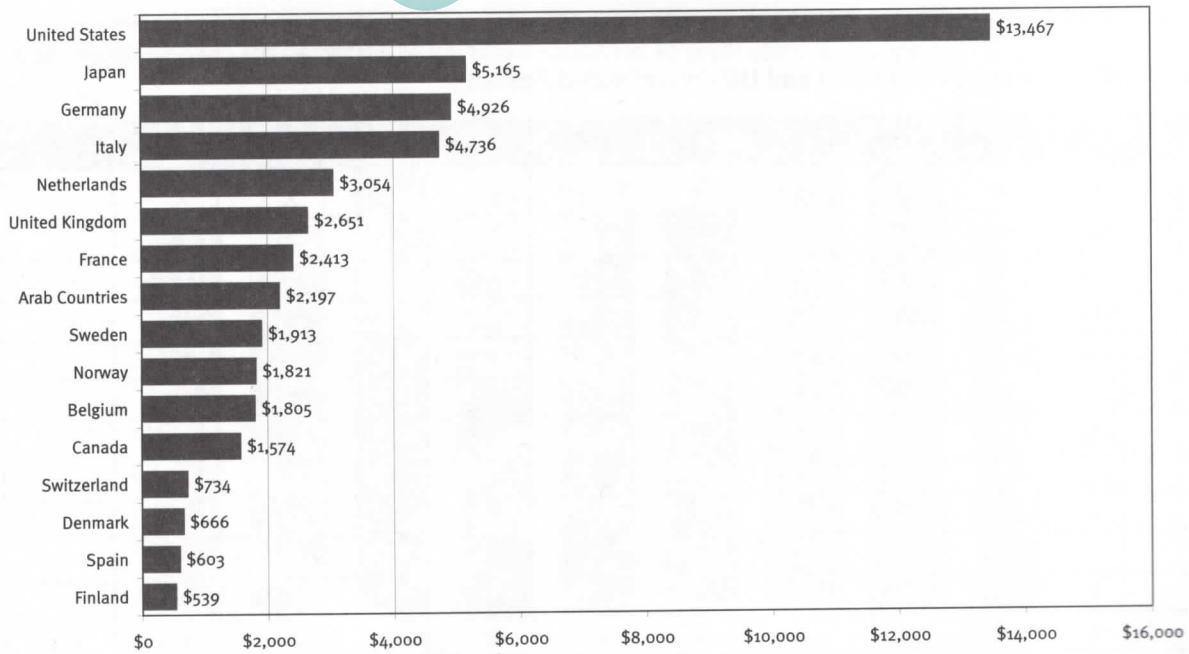
The significant multilateral donors aside from the World Bank and the EC are: the WFP (which has provided in excess of $3bn), UNHCR ($2.2bn) and UNDP ($1.7bn).

Allocations by donor vary significantly by country and regional grouping. In Latin America, the US provided 63%

15 Although the DAC tracks aid from Arab countries (see Figure 5.13), it does not specify which countries are included.

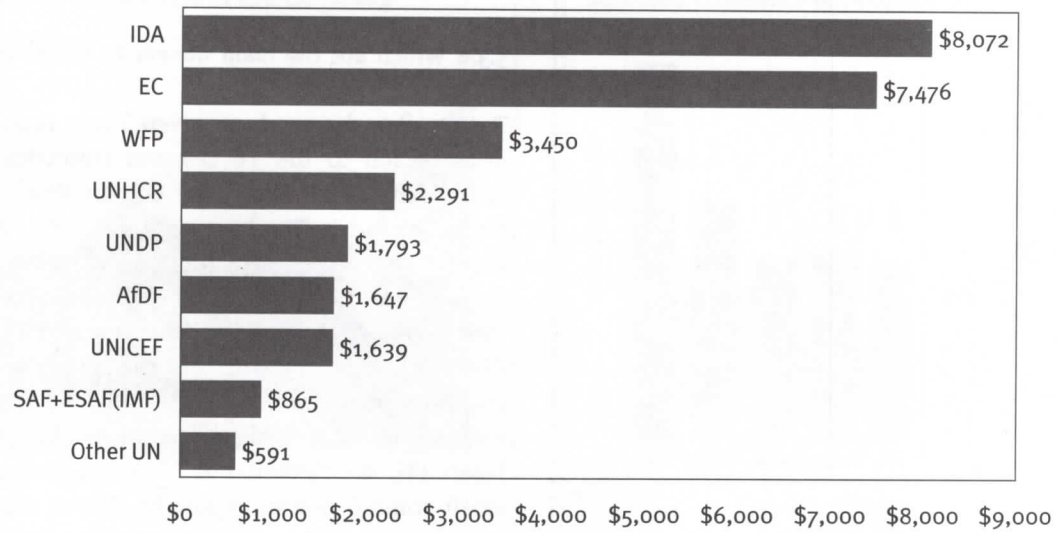
CCRDA

Figure 5.13: Major bilateral donors to countries in protracted crisis (US$m), 1985–2002[15]



Source: OECD DAC Statistics, Table 2a.

Figure 5.14: Major multilateral donors to countries in protracted crisis, US$m (1985–2002)



Source: OECD DAC Statistics, Table 2a.

of total ODA to Haiti and Colombia, followed by Spain with 6% in 2002. Historical and other links are clearly evident in the country focus of individual donors. Belgium, for instance, allocated 50% of its total aid (to the selected countries in protracted crisis) to the DRC (formerly the Belgian Congo); 40% of Italian ODA to the selected countries went to Ethiopia, and 64% of Portuguese aid to these countries went to Angola, a former Portuguese colony. Often, a very small number of donors provide a large share of aid resources. In the Caucasus, for instance, 81% of ODA comes from five donors, and 60% of aid to the countries in protracted crisis in Asia and Africa comes from five donors. The EC, Germany, Japan, Netherlands, Norway and the US are among the top ten donors for selected countries in protracted crisis in all four regions. The World Bank's IDA is the largest funder in the selected countries of Africa, and the second-largest in the Caucasus. The EC is in the top four in all four regions. Japan is the third-largest donor in the Caucasus, and the fourth-largest in Asia.

5.3.7 Channels and sectors

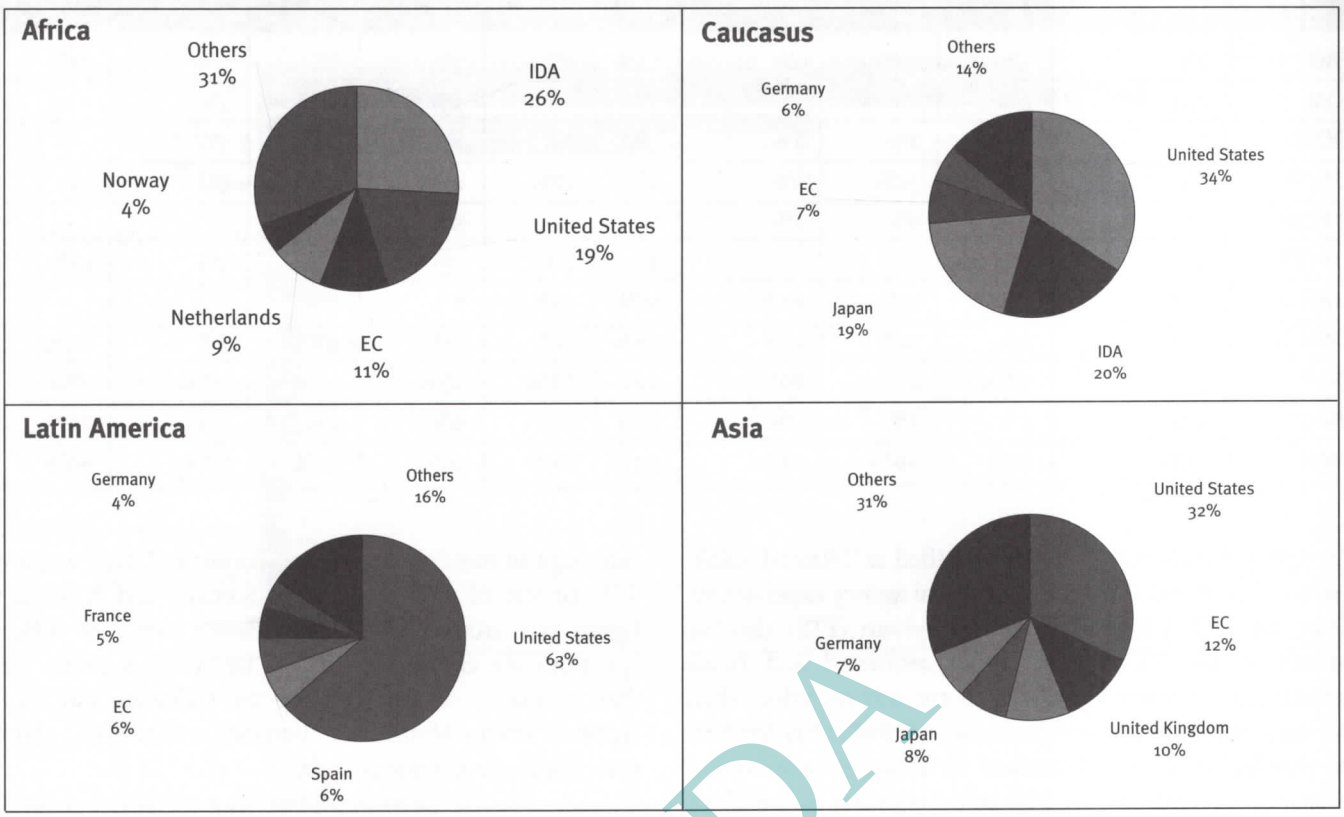
Table 5.2 lists selected countries in protracted crisis, which have been subject of a UN Consolidated Appeal between 1994 and 2004. Two, Angola and Sudan, have been the

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Table 5.2: Countries in protracted crisis and UN Consolidated Appeals

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	Totals
Afghanistan	X	X	X	X	X	X	X	X	X	X		10
Angola	X	X	X	X	X	X	X	X	X	X	X	11
Burundi	X	X	X	X	X	X					X	7
Caucasus	X	X	X	X		X		X	X	X	X	9
Colombia												
DRC	X	X	X	X	X	X		X	X			8
Eritrea	X	X	X	X			X					5
Ethiopia				X			X					2
Haiti	X										X	2
Burma												
Somalia	X	X	X	X	X	X	X		X	X		9
Sudan	X	X	X	X	X	X	X	X	X	X	X	11
Tajikistan	X	X	X	X	X	X	X		X	X	X	10
Zimbabwe		X	X									2

Figure 5.15: Donors to the selected countries in protracted crisis, 2002



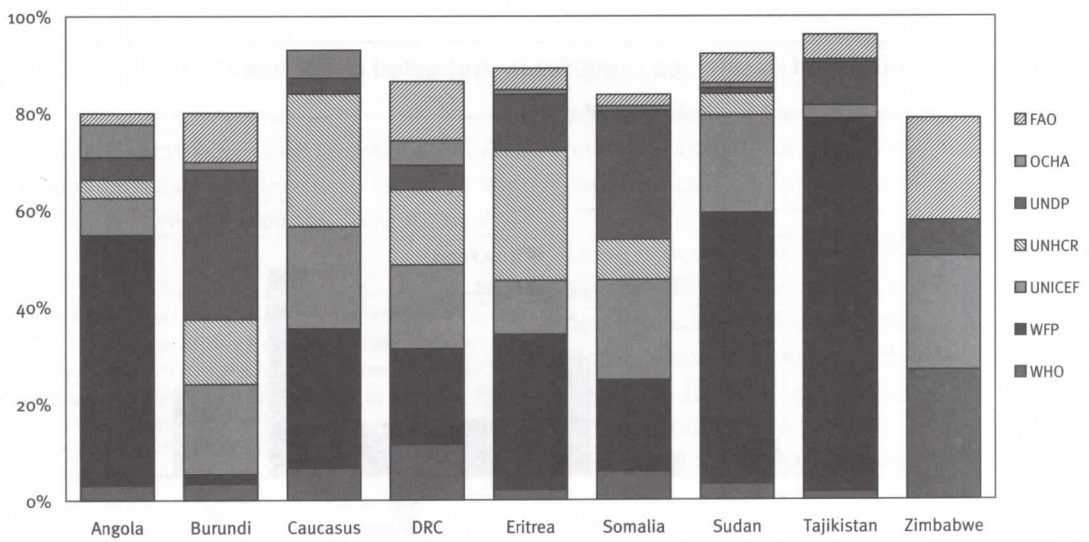
Source: OCHA Financial Tracking System.

subject of a Consolidated Appeal every year. Afghanistan, Burundi, the Caucasus, the DRC, Somalia and Tajikistan have been the subjects of Consolidated Appeals in seven or more years, but Eritrea, Ethiopia, Haiti and Zimbabwe are only occasionally on the list.

It is difficult to get a reliable estimate of how much funding goes from each UN agency to each country. The DAC data cannot be used for this purpose because of the way expenditure is divided into bilateral and multilateral sources. This means that any earmarked funding spent

CGRDA

Figure 5.16: Funding from UN agencies to selected countries in protracted crisis, 2002



Source: OCHA Financial Tracking System.

Table 5.3: Channels of funding for selected countries in protracted crisis, CAPS 2002

	Afghanistan	Angola	Burundi	Caucasus	DRC	Eritrea	Somalia	Sudan	Tajikistan	Zimbabwe
FAO	3%	2%	10%	0%	12%	4%	2%	6%	5%	21%
IOM	4%	4%			3%		2%	0%	1%	
OCHA	0%	7%	2%	6%	5%	1%	1%	1%	1%	
UNDP	3%	5%	31%	3%	5%	12%	27%	1%	9%	7%
UNESCO	2%		9%	2%	1%		5%	1%		
UNFPA	1%	1%	0%		2%	4%	1%		1%	10%
UNHCR	15%	4%	13%	27%	16%	27%	8%	4%		
UNICEF	11%	8%	19%	21%	17%	11%	21%	20%	3%	24%
WFP	33%	52%	2%	29%	20%	32%	19%	56%	77%	0%
WHO	4%	3%	3%	7%	12%	2%	6%	3%	2%	27%
Total	75%	85%	89%	95%	92%	93%	91%	94%	98%	89%

through a multilateral agency is classified as 'bilateral' ODA, and is not analysed as part of multilateral agency expenditure. Using the OCHA Financial Tracking System (FTS) also has limitations. The FTS records funds requested and funds contributed. However, contributions are only recorded when the multilateral agency reports to the FTS that it has received the funding. There is very marked variation in the reliability of agency reporting to the FTS: some regularly report all of their contributions; others rarely report at all. In view of this, the analysis below focuses on funds requested by agencies – this is comparable between agencies, and gives an indication of the importance that agencies attach to financing countries in protracted crisis. As can be seen in Table 5.3, for most of the 16 countries under discussion, over 85% of funding comes from the top ten UN agencies. These same agencies provided 86% of the funding for all Consolidated Appeals combined in 2002. The most financially significant agencies are WFP, UNICEF, UNHCR, UNDP and FAO. In Somalia, Sudan, the Caucasus and Burundi, UNICEF requested around a fifth of the total resources for the Consolidated Appeal.

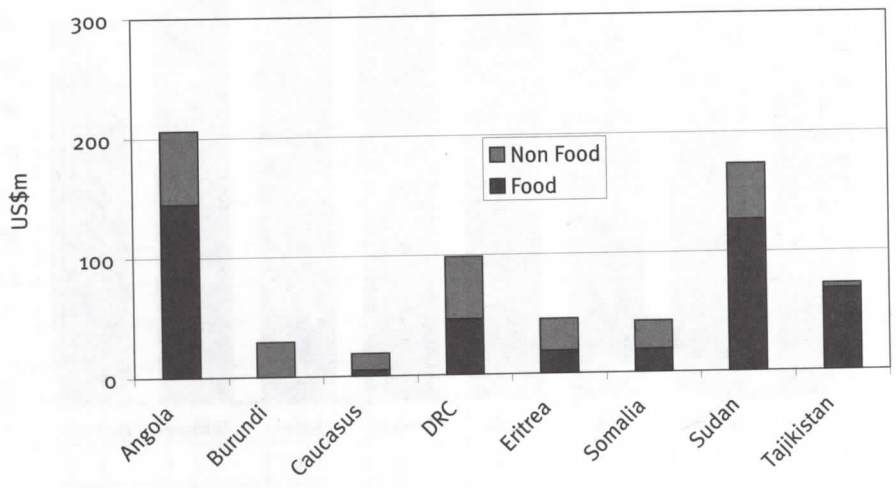
Although in most of the selected countries UNDP requested 10% or less of total requests, in Somalia and Burundi the figure was around 30%. The different needs of different situations are clearly reflected in UNHCR's requests: more than a quarter of the total for the Caucasus and Eritrea, around 15% for Afghanistan, Burundi and the DRC, and less than 5% for Sudan and Angola.

For most of the selected countries, WFP is the largest donor. In some, such as Tajikistan, it is overwhelmingly so, with 77% of total requests. In Afghanistan, Eritrea, the Caucasus, the DRC, Somalia and Sudan, it requested between a quarter and a half of total requested funds for the CAP. Only in Burundi and Zimbabwe in 2002 were WFP's requested funds insignificant in terms of the overall CAP.

Sectoral allocations

In view of the dominance of WFP in the funding flows to the selected countries in protracted crisis, it is not surprising to find that food accounts for more than 40% of

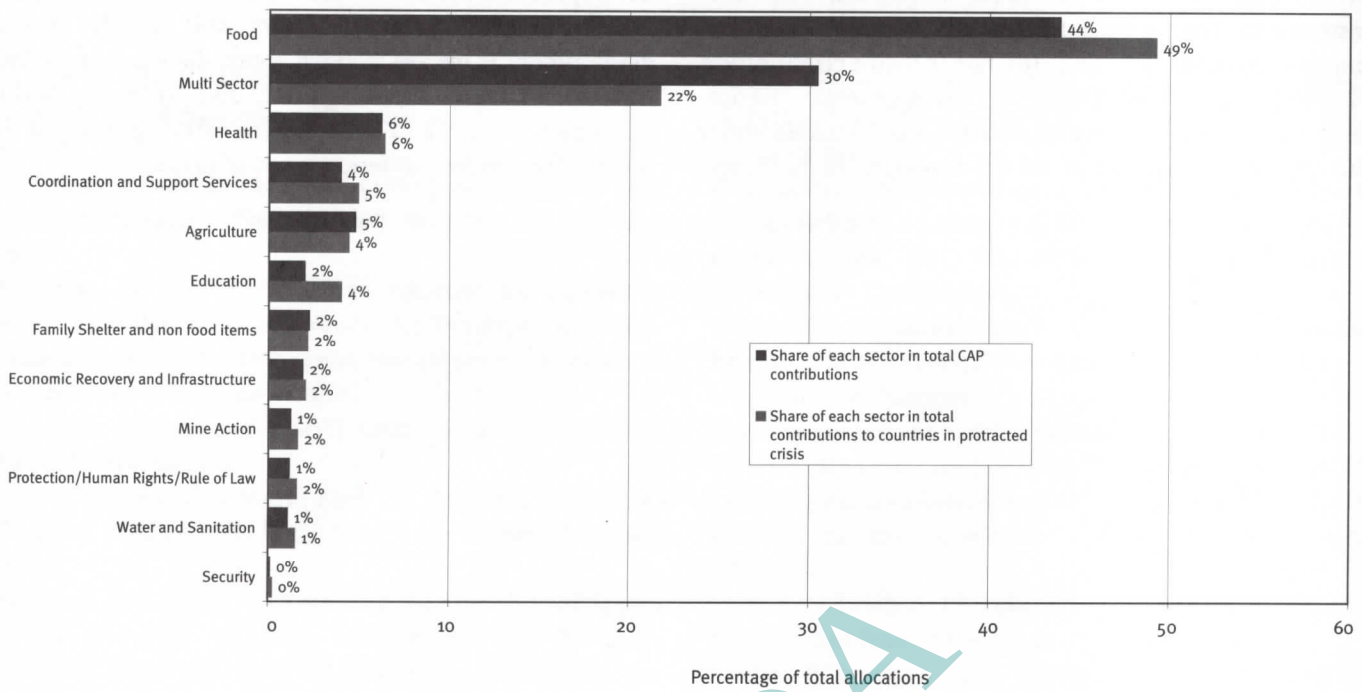
Figure 5.17: Food and non-food aid to selected countries in protracted crisis, 2002[16]



Source: OCHA Financial Tracking System.

ODI

Figure 5.18: Sectoral allocations to selected countries in protracted crisis and to all CAP countries compared, 2002



Source: OCHA Financial Tracking System.

spending in Afghanistan, the DRC, Eritrea and Somalia, and more than 70% in Angola, Sudan and Tajikistan. The average for all CAPs in 2002 was 44%.

The three differences in sectoral allocations between countries in protracted crisis and all countries that are the subject of a Consolidated Appeal are: the shares of spending which go to food, education (greater for countries in protracted crisis) and multi-sectoral activities (eight percentage points less in countries in protracted crisis).[17]

5.4 Conclusions

Over the past five years, there have been strenuous efforts, at both national and international levels, to improve the response to crises. These have included the development of the Consolidated Humanitarian Action Plans (CHAPs), the Consolidated Appeals Process itself, the Humanitarian Financing Initiative, the Donor Assistance Database (set up by the Afghan government with help from UNDP), and the Good Humanitarian Donorship process.

Donors and agencies are concerned that the monitoring of funds to countries in crisis should keep pace with the increasingly diverse types of finance flowing through institutions and mechanisms which do not fit easily into the frameworks of existing definitions or monitoring systems. The Good Humanitarian Donorship process is acting on this concern. Its Implementation Plan includes components which address definitions, statistical monitoring and peer reviews – all in the service of a better response to people and countries that are the victims of crisis.

These concerns have been raised at the DAC, where donors have specifically recognised the need to integrate security, development and humanitarian policies – which they have already done at national level. However, the risk is that this goes too far, that aid becomes the funder for policies which should more properly be financed by other parts of government, and that development policy – in its broadest sense – becomes a subsidiary part of other government priorities.

This chapter has attempted to give an overview of some of the initiatives that donors and agencies have taken to

16 The figures on sectoral allocations are distorted by the effects of agency reporting to the FTS. Data on sectoral allocations is only available on contributions received by agencies. As contributions are not reported to the FTS by all agencies, the sectoral allocation data will be skewed in favour of those agencies who do report. WFP reports all of its contributions (whereas others are less consistent reporters), thus the reported *share* of food will probably be larger than is in fact the case.

17 OCHA has reduced the number of its sectors to a manageable group and produced an analysis by sector for humanitarian assistance. Given the difficulties of classifying expenditure into the broad headings of humanitarian or developmental, increased and improved sectoral analysis may be one of the best ways to increase understanding of the types of finance that are flowing to countries in protracted crisis.

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improve the quality and coherence of their funding for countries in protracted crisis, and to set that in the context of existing aid flows to those countries. The new instruments have arisen in reaction to the constraints imposed by existing procedures, rather than a classification of activity into 'humanitarian' or 'developmental'. Hence, they cover a broader range of activities than possible under the separate humanitarian aid or development headings, and have enabled donors to provide funding in situations where the conditions attached to humanitarian and development assistance would have been too limiting. The monitoring of financial flows still needs serious development if we are to learn about the extent to which those flows are allocated equitably and effectively, and to see which donors and agencies are carrying most of the burden for funding different types of crisis.

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