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**EXTRACT FROM MONITORING RESOURCE FLOWS TO FRAGILE STATES
2005 REPORT**

OECD/DAC - World Bank Third Meeting on Scaling Up for Results

27 June 2006

An extract from the 2005 Report on Monitoring Resource Flows to Fragile States [DCD(2006)1] is presented in this document. This report was developed by a working group of the Fragile States Group (FSG) following the January 2005 Senior Level Forum (SLF) on Development Effectiveness in Fragile States, which suggested that the DAC Secretariat develop a proposal for the regular monitoring of resource flows to fragile states.

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1. The January 2005 Senior Level Forum on Development Effectiveness in Fragile States¹ (SLF) raised concerns about low levels of aid and other forms of international engagement to fragile states and suggested that a system for monitoring resource flows to fragile states be developed. In December 2005, a proposal for an annual report on *Monitoring Resource Flows to Fragile States* was approved by the DAC Senior Level Meeting (SLM).

2. This exercise is related to concerns specifically identified in the *Principles for Good International Engagement in Fragile States*, in particular the need to:

- avoid unintentional exclusionary effects of uncoordinated donor behaviour and address the problem of ‘aid orphans’;
- act fast when windows of opportunity arise;
- stay engaged long enough, especially in post-conflict situations, and
- reduce the destabilising effects of volatile patterns of international engagement.

3. The **objective** of this report is to provide an information tool which enables policy makers to make better informed decisions on resource flows to fragile states.

4. Fragile states warrant special attention in the context of global aid allocations in a new era of scaled-up aid. Thinking through the level of donor engagement in fragile states is urgent given the destabilising consequences of neglect and volatile flows. Of equal importance is consideration of the collective impact and sequencing of development, diplomatic and security efforts in fragile states. For this reason, the DAC Fragile States Group (FSG) will monitor non-aid resources such as peacekeeping funds and diplomatic presence.

Results for 2005

5. In 2005, the FSG has analysed a group of 35 fragile states², looking in particular at four main categories:

- Need and levels of aid³
- Governance indicators
- Volatility of aid flows
- International presence and attention.

1 In January 2005, the UK government hosted a Senior Level Forum on Development Effectiveness in Fragile States (SLF) which was co-convened by the European Commission, the OECD, the UN, and the World Bank. As a result of this Forum, Senior Officials asked the OECD to develop a set of *Principles for Good International Engagement in Fragile States [DCD(2005)8/REV2]*.

2 The 35 countries analysed were those in the bottom two quintiles of the World Bank’s CPIA in 2003 and those not rated including Afghanistan, Liberia, Myanmar, Somalia, and East Timor.

3 All figures are derived from DAC sources. Non-DAC donor resources, which are significant in some countries, are not captured here.

6. Early findings show that from the long list of fragile states, there is a small group of countries that receive low aid flows in relation to need and governance indicators⁴ and/or that experience high volatility of aid flows and international engagement. The detailed methodology can be found in DCD/DAC(2005)48/REV1 and the full data for all the 35 Fragile States monitored can be found in Annex 1. Overall, the exercise found that the eight countries in Table 1 show the greatest imbalances. They appear to attract relatively little international attention and, to that extent, could be regarded as marginalised.

Table 1.

| | |
|--------------------------|--------------|
| Burundi | Niger |
| Central African Republic | Sierra Leone |
| Chad | Tajikistan |
| Guinea-Bissau | Togo |

Three additional countries stand out in terms of high volatility and sharp falls in aid over the last five years.

| High volatility and falling aid flows | |
|--|----------|
| Cote D'Ivoire | Zimbabwe |
| Liberia | |

7. For each country in Table 1, there are important contextual trends and differences which need closer examination. For instance:

- Sierra Leone might be an example of where donors may be withdrawing too early in the post-conflict phase.
- CAR might be an example of where donors have turned their back on a country.
- Burundi appears to be an example of where donor engagement and aid flows are now steadily increasing.

8. The FSG's work to date has highlighted those countries in Table 1 that feature the most apparent imbalances of international engagement. But it does not necessarily follow that more aid should be provided to these countries.

Next Steps

9. Over the course of 2006, existing coordination mechanisms such as Consultative Group Meetings (CG's) and Round Tables (RT's) in the countries in Table 1 could be used as opportunities to discuss why each country is, or seems to be, marginalised in terms of international attention and to trigger a discussion about removing the bottlenecks, if any, towards more effective resource allocation. In other words, for these countries, discussions should not be solely about volumes, but about getting the collective international response right.

10. Burundi, Guinea-Bissau and Tajikistan have Roundtables or Consultative Group meetings scheduled for this year. In the remaining countries, other donor meetings could be used. The DAC FSG is preparing presentations and questions on the findings above and will synthesise the results for report back to the FSG and the SLM at the end of the year.

4 When compared to other countries with similar governance indicators.

11. With regards to the 2006 report, we plan to deepen our knowledge and methodology and include additional information to enrich our findings. These include:

- Significance of other aspects of engagement such as diplomatic attention and peacekeeping
- Resource flows from non-DAC donors
- Aid dependency/absorptive capacity
- Future aid flows