

## Scaling up what works: managing risks in fragile states

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‘While there are risks of engaging with government financial systems in fragile states, they can be managed and must be assessed relative to the risks of not engaging’

Since the Third High Level Forum on Aid Effectiveness<sup>1</sup> in Accra in 2008, there has been a growing awareness amongst the international community that low-income countries with fragile institutions are not simply more difficult cases of development, but require a fundamentally different approach to delivering development assistance.

In most cases, however, the way in which assistance has been provided follows the same procedures and uses the same approaches to assessing and managing fiduciary risks that are applied to stable countries. The cost of this collective failure to adapt the aid system to the needs of fragile states is borne primarily by the populations who suffer from the fragility and its symptoms, such as violence and a lack of access to infrastructure and basic services.

The tragedy is that in failing to take managed risks in the delivery of aid, countries are exposed to the much greater risk of renewed conflict. And the costs of containing such conflict is expensive: in Sierra Leone and Liberia the cost of the UN peacekeeping forces was five times that of aid flows to those countries at the time; spending on military support in Afghanistan is some 20 times higher than spending on civilian support.

For both fragile states and development partners there is a pressing need to break with an incremental approach to change how aid is delivered and spread good practice drawn from the stand-out performance of some successful cases. The examples that follow show how partners can make good on their commitments to do no harm, work in ways that are sensitive to local contexts, and be more accountable for their actions in fragile states.

Development partners who have found innovative ways of engaging with government systems<sup>2</sup> – by managing risk differently and developing new safeguards – have reaped the rewards of short-term results and medium-term institutional development. In Afghanistan, partners reimbursed government expendi-

tures ex-post after third party review, and in Liberia partners have paid teachers through the government payroll. The risks of providing budget support in Sierra Leone soon after the conflict were managed by international firms of accountants tracking flows through the government right down to schools.

While there are risks of engaging with the government financial systems in fragile states and trying to improve them, they can be managed and must be assessed relative to the risks of not engaging, or creating a parallel administration. Using country systems with additional safeguards is a clear and strategic response to these competing risks, thereby maximising the results from development assistance.

Where the risks of using country systems can't be managed, development partners can achieve results in the short term by using instruments that pave the way for the use of country systems later on. Examples include the dual track approach taken in Afghanistan, with the Afghan Interim Authority Fund set up to get funds moving, before the longer-term Afghanistan Reconstruction Trust Fund was established a few months later; or work to help the East Timor health sector to transition from non-state to state provision with the help of the Interim Health Authority.

Development partners also need to take a different approach on risk management to speed up the delivery of results. In Afghanistan, some partners used emergency procedures<sup>3</sup> to halve the time it took to prepare projects. These procedures have been used for years in Afghanistan in recognition that it takes time to build the necessary institutions – including private sector capacity – needed before normal procurement rules can be applied. Yet in many fragile states partners have sought to maintain normal procedures, resulting in extraordinary delays in the delivery of urgently needed infrastructure. For example, in Liberia it has taken partners five years to deliver a mere 50 kilometres of paved road.

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The evidence shows that partners have found ways of assessing risks, managing risks, delivering faster results and accelerating the rebuilding of the state. But such approaches have been too dependent on the creativity and imagination of a few individuals in a few countries. There needs to be a recognition that these approaches can and should be made available by all development partners in all fragile states. Discussions on this are already underway through the [International Dialogue on Peacebuilding and Statebuilding](#),<sup>4</sup> which brings together the [g7+](#)<sup>5</sup> group of Fragile and Conflict-affected States with over 30 development partners. The [Fourth High Level Forum](#)<sup>6</sup> in Busan, Korea this

November provides the perfect opportunity for a final agreement and announcement on a shift in the delivery of assistance to all fragile states.

Development partners have been innovative in a few countries. But they need to scale up what has been shown to work and apply this in all fragile states if there is to be a chance of reaching the hundreds of millions of poor who live in these countries.

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## Useful resources and hyperlinks

### Useful resources:

ODI's Budget Strengthening Initiative (BSI) <http://bit.ly/budget-strengthening-initiative>

### Hyperlinks:

1. [www.oecd.org/document/20/0,3343,en\\_2649\\_3236398\\_41201108\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/20/0,3343,en_2649_3236398_41201108_1_1_1_1,00.html)
2. [www.oecd.org/dataoecd/39/43/48153575.pdf](http://www.oecd.org/dataoecd/39/43/48153575.pdf)
3. [www.odi.org.uk/resources/details.asp?id=5934&title=afghanistan-budget-support-aid-fragile-states-corruption](http://www.odi.org.uk/resources/details.asp?id=5934&title=afghanistan-budget-support-aid-fragile-states-corruption)
4. [www.oecd.org/site/0,3407,en\\_21571361\\_43407692\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/site/0,3407,en_21571361_43407692_1_1_1_1,00.html)
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