



Effective Aid in Fragile States

AN ASSESSMENT OF AUSTRALIA'S PERFORMANCE—
LESSONS FROM QUODA¹

ODE BRIEFS

DECEMBER 2011



Photo: Hans Stakelbeek/FMAX

There is growing consensus within the development community that helping fragile states represents one of the core challenges of global development. Fragile states are countries whose governments face significant challenges asserting their authority, their legitimacy, their ability to deliver the most basic services to their people, or a combination of all three.² Yet a growing share of the world's poor live in fragile states and some projections indicate this share will exceed 50 percent within the next five years (Figure 1, overleaf).

Promoting development is much harder in fragile states than in other countries. The reason for this is straightforward: governments cannot be relied upon to support the development process and in some instances may serve to undermine economic and social progress.³ Importantly, aid delivery tends to be more costly and more complex in fragile settings and good practice aid principles⁴, though as relevant to fragile states as elsewhere, cannot always be implemented as they can in other countries.

KEY POINTS

- » The number of the world's poor living in fragile states is growing.
- » Fragility is widespread in the Asia-Pacific.
- » Promoting development is more difficult in fragile states.
- » Australia is one of only six donors to direct more than 50 per cent of its country-specific aid to fragile states.
- » When compared to other donors with a similar high focus on fragile states the Australian aid program is among the world's best.

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The Office of Development Effectiveness (ODE) monitors the performance of the Australian aid program, evaluates its impact and contributes to international evidence and debate about aid and development effectiveness.

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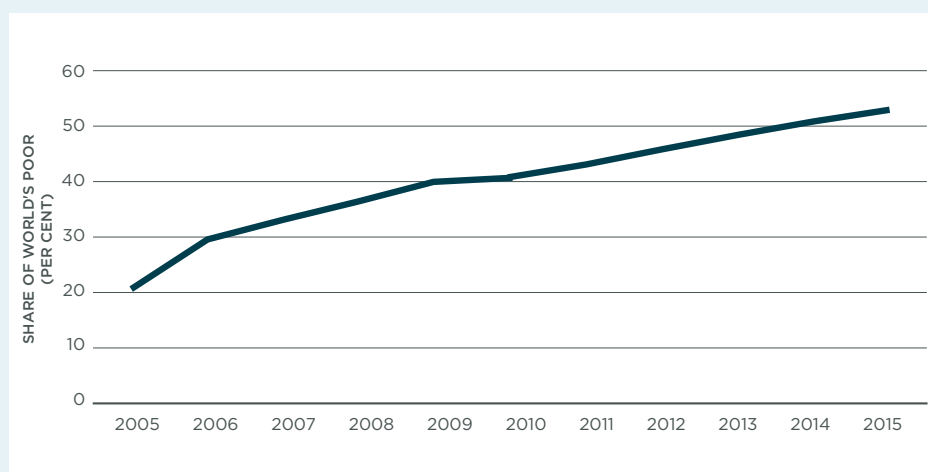
Australian aid to fragile states

Australia's focus on fragile states is a defining feature of its aid program, with seven of the top ten recipients of Australian aid considered fragile.⁵ About 50 per cent of Australia's country-specific aid in 2009 was directed to fragile states (Figure 2). The total figure is even higher.⁶ For instance, much of Australia's bilateral program targets fragile sub-regions within countries, such as Mindanao in the Philippines, and its multilateral program supports purposefully designed funds for fragile states.

This focus is a reflection of the Asia-Pacific where fragility is widespread and where many countries not classified as fragile suffer from weak governance (Figure 3). The Australian Government recently confirmed that the Asia-Pacific would remain the strategic focus of Australian aid.

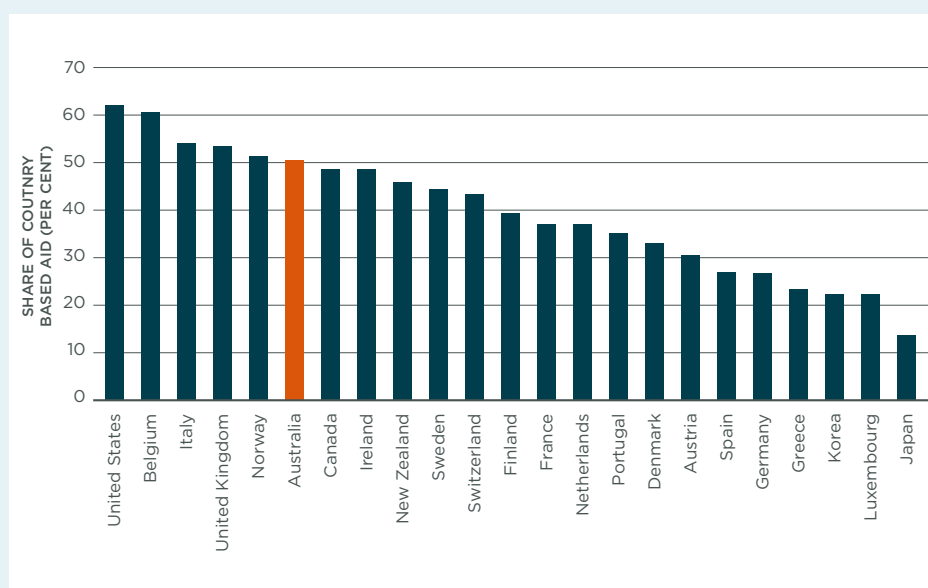
Australia performs well in comparison with other donors working predominantly in fragile states. Australia's effort to heed good practice principles is paying off. As Figure 4 illustrates, Australia is one of only six donor countries to devote 50 per cent or more of its country-specific aid to fragile states. Recent findings from the Center for Global Development and Brookings Institution show that Australia ranks second only to the United Kingdom when rankings are aggregated across the four QuODA⁷ dimensions of effectiveness—maximising efficiency, fostering institutions, reducing the burden on partners, and transparency and learning. Australia outperforms Norway, Italy, Belgium and the USA.

Figure 1: Share of world's poor living in fragile states



Source: Chandy & Getz (2011) *Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015*

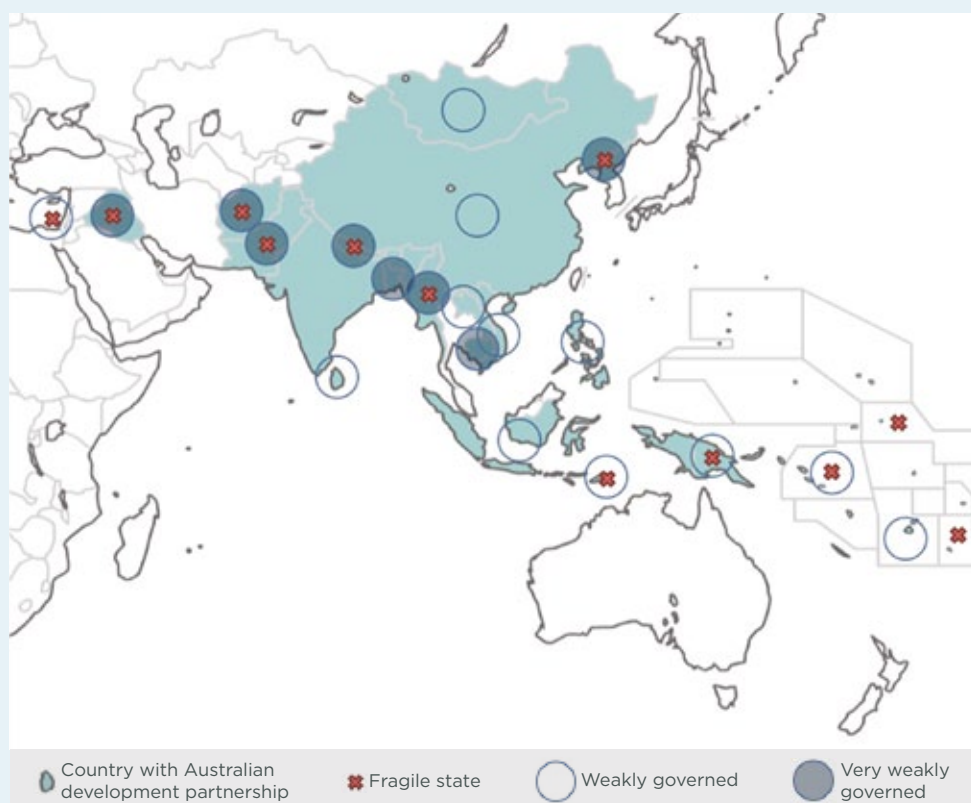
Figure 2: Share of bilateral aid to fragile states in 2009



Source: Brookings Institution calculation of the share of country-based bilateral aid going to fragile states (as classified in DAC 2010, *Ensuring fragile states are not left behind*, OECD) in 2009, using data from the DAC country reporting system.

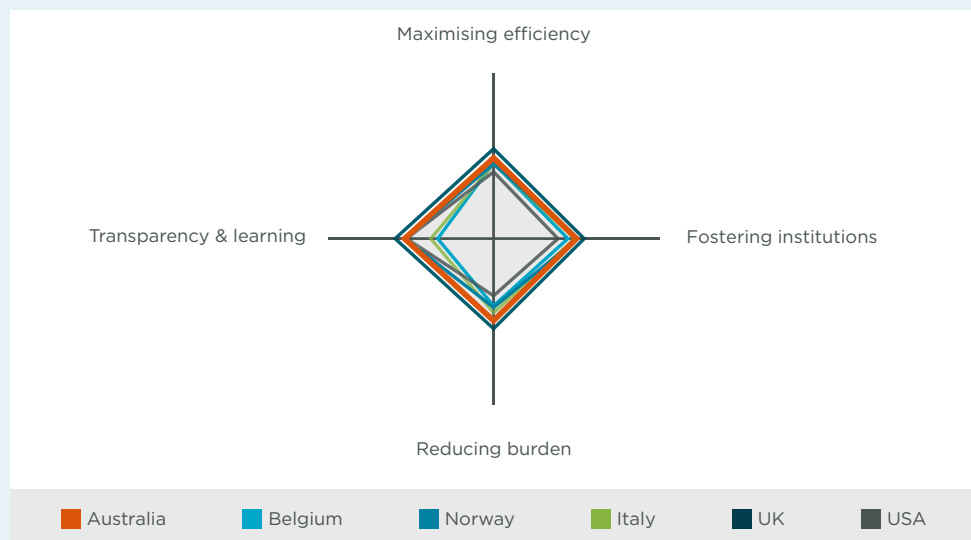
“Australia’s focus on fragile states is a defining feature of its aid program, with seven of the top ten recipients of Australian aid considered fragile.”

Figure 3: Characteristics of Australia's development partners



Source: Brookings Institution calculations⁸

Figure 4: Australia outperforms most other donors with fragile states focus



The grey symmetrical box gives the average donor performance. Where Australia's orange diamond lies outside the grey box, Australia scores better than average. The larger the diamond the better the performance. Australia narrowly trails UK on each aid quality dimension.

Lessons for enhancing effectiveness in fragile states

Maximising efficiency

One area where Australia scores particularly high is in keeping its administrative costs low, thereby freeing up resources for development activities. Its administrative costs are only 6.6 per cent of the size of funds it commits to development projects and programs in partner countries.⁹ Given Australia's focus on fragile states, where aid management is expected to be more costly, this is a positive finding. Australia's recent commitment to invest more core funding to high performing, highly relevant multilaterals is a timely commitment which should help drive future efficiencies.

Fostering institutions

The quality of institutions helps explain the difference in income levels across countries.¹⁰ Delivering aid through local institutions helps engender ownership and provides the best chance of sustaining activities (beyond the life of external funding) and learning. The challenge comes in fragile states where institutions are either chronically weak or lack integrity. Donors, including Australia, face difficult decisions when determining whether or not it is feasible to work with partner country institutions.

The QuODA analysis to 2009 found a continuing preference for relying on Australia's own systems to limit the risks of corruption. The Australian Government has committed to increasing its use of partner country procurement and public financial management systems. Importantly, data collected for Australia's 2010 Cairns Compact reporting indicates that at least in the Pacific, this shift is already occurring. For instance, the amount of Australian aid that used partner procurement systems increased in eight of the nine major

In Tonga for example, 100 per cent of aid to the government sector was delivered through partner procurement systems in 2010; in Nauru, 84.4 per cent in 2010 compared with 29 per cent in 2008; in Samoa, 56 per cent in 2010 compared with 21 per cent in 2008; and in Vanuatu, 40.7 per cent in 2010 compared with less than 5 per cent in 2008. With the exception of Tuvalu, other Pacific partners have seen modest improvement against this indicator of alignment.

Source: AusAID: Cairns Compact data

Pacific country programs between 2008 and 2010, which is a significant achievement in itself.

Reducing the burden on partners

In their attempt to support development overseas, donors often place heavy demands on partner countries, including the very institutions they are trying to foster. These constraints are especially evident in fragile states and countries with low capacity.

Australia scores highly on this dimension because, unlike other

donors, the bulk of Australian aid (86 per cent) is delivered through a single agency, AusAID.¹¹ Australia also recently introduced a whole-of-government approach to country strategy development to further enhance the degree of its policy coherence.¹² Australia also rates highly in its willingness to work flexibly with other donors to organise joint missions to partner governments. This is a particularly good result given that Australia works in many countries where there are fewer opportunities to collaborate because the number of

other donors is small, and where it is by far the largest provider of aid. Australia has also recently developed a *Framework for Working in Fragile and Conflict-Affected States* to further improve programming decisions.

Promoting transparency and learning

Australia scores well across the range of indicators of transparency and learning, ranking ninth of all donors and fifth if multilateral agencies are excluded.¹³

Transparency is increasingly seen as a low-cost and efficient way to maximise the effectiveness of aid and reduce scope for corruption. Australia is a member of IATI and most recently, the Australian Government developed a Transparency Charter, committing the aid program to publishing documents and data in a way that is comprehensive, accessible and timely.

Endnotes

- 1 The Quality of Official Development Assistance (QuODA) index was developed in 2010 in a joint project by the Brookings Institution and the Center for Global Development. QuODA appraises donor performance along four separate dimensions, each representing distinct components of best aid practice: maximising efficiency, fostering institutions, reducing the burden on recipients, and promoting transparency and learning. Each dimension comprises a collection of indicators against which 31 donor countries and multilateral agencies are scored. The recent release of the 2011 QuODA update provides new evidence upon which to assess the Australian aid program.
- 2 Stewart and Brown 2010, *Fragile States*.
- 3 Poverty rates are 20 per cent higher in countries affected by violence and high rates of criminal violence and transnational threats such as drug and arms trafficking are more likely. (AusAID 2011, *Australia's aid in fragile and conflict-affected states*, p. 1)
- 4 Such as those of the Paris Declaration and the Accra Agenda for Action. The 2005 Paris Declaration outlined five principles for making aid more effective: (1) ownership; (2) alignment with partner systems and priorities; (3) harmonisation with other donors; (4) managing for development results; and (5) mutual accountability. The 2008 *Accra Agenda for Action* repeated the call for progress on the Paris principles and specifically targeted ownership, inclusive partnership and delivering results as areas for improvement.
- 5 AusAID 2011, *Australia's aid in fragile and conflict-affected states*.
- 6 The current edition of the Resource Flows to Fragile and Conflict-Affected States produced by the DAC ranked Australia as second of all donors in terms of percentage of aid spent in fragile states. The USA was the highest ranked both in percentage and cash terms. These figures include bilateral and multilateral ODA to fragile states but are based on 2008 figures only.
- 7 QuODA is the quality of official development assistance index developed by the Brookings Institution and Center for Global Development. See Birdsall et al 2011, *Measuring the quality of aid: QuODA second edition*, Brookings Institution and Center for Global Development.
- 8 Brookings Institution calculations covering 30 countries with Australian bilateral programs of at least \$5 million a year in the 2009–10 and 2010–11 budgets. Country classification of fragile states is as defined by DAC (2010, *Monitoring the principles for good international engagement in fragile states and situations*, OECD). Weakly governed countries are those who fall in the fourth quintile of country rankings on the *Worldwide Governance Indicators 2009* (World Bank, 2010), with rankings based on averaged scores across the six governance measures. Very weakly governed countries are those that fall in the fifth quintile.
- 9 Data reported to the CRS of the OECD DAC. The administrative costs of some other donors' programs (such as Switzerland, Finland and Austria) are three times this share.
- 10 Acemoglu, Johnson and Robinson 2001, *The Colonial Origins of Comparative Development*.
- 11 By contrast, the United States Government spreads its aid management across 20 different agencies which do not conform to single country strategies. Its specialist development agency, USAID, is responsible for overseeing only half of the country's total bilateral aid budget.
- 12 AusAID 2010, *Country strategy development*, policy document.
- 13 QuODA 2011 http://www.cgdev.org/section/topics/aid_effectiveness/quoda