Aid strategies in 'politically estranged' settings

How donors can stay and deliver in fragile and conflict-affected states

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Summary

— The number of states cut off from regular international political and development cooperation is increasing. At the end of 2022, more than 49 per cent of people living in countries on the World Bank's list of fragile and conflict-affected states (FCS) were in situations where relations between national authorities and major donors were 'politically estranged'.

— Estranged situations are those where: (i) ruling authorities have taken power by extra-constitutional means; (ii) states are under comprehensive sanctions; (iii) societies are in transition back to a constitutional order; or (iv) elections are internationally disputed. Such situations create suffering for the people directly affected, as well as regional and global spillovers. These spillovers can include large-scale population movements, spaces for extremist movements to flourish and increased flows of arms and combatants. In these circumstances, state institutions and societal capacities further erode, deepening political crisis and increasing both the obstacles to, and costs of, future recovery.

— Many of these situations are at the forefront of global tensions, as global and regional powers – and in some contexts, extremist armed groups and private military companies – vie for influence and access to resources and influence, especially in the aftermath of Russia's invasion of Ukraine. Most countries or regions affected are in a state of severe humanitarian crisis.

— In estranged situations, domestic pressures mount in many donor countries to withdraw development assistance. Heightened political and media visibility at home is complicated by the reduction or withdrawal of diplomatic presences, and makes coordination with other donors more difficult. International sanctions can create legal constraints on standard development approaches. Violence and insecurity further compound these challenges and put further pressure on humanitarian assistance to meet urgent needs.

— Humanitarian aid can protect populations but cannot contain crises or create the conditions for transformative change. Basic humanitarian services – healthcare, education, cash assistance, water and sanitation, and refugee camp management – are already overstretched and insufficient to generate private sector and community-based livelihoods. The maintenance of currency exchange, payment systems and essential utilities (such as electricity for hospitals) is critical to cost-effective delivery of humanitarian aid. Gaps in such assistance can intensify refugee crises and create vacuums that are quickly filled by rival states or armed groups.

— This paper explores the balance to be achieved between the need to stay engaged in estranged situations and avoiding giving support to unlawful or abusive ruling authorities. Drawing on diverse case studies, the paper considers what aid should be provided and how it can be delivered. It explores methods that are practically effective and take account of geopolitical dynamics, while enabling donors to maintain public support and, where feasible, probe possibilities for a return to constitutional order.

— The paper sets out a menu of evidence-based modalities for the delivery and oversight of development assistance that can help achieve these objectives. It outlines options for community approaches, semi-autonomous agencies, NGO-contracting, regional programming, ring-fencing and limited technical assistance. It emphasizes the importance of robust political economy analysis and combining international third-party monitoring with civil society and community monitoring to support accountability to affected people. While the mix and application of delivery and oversight modalities will differ in each situation, an agreed menu of options can help donors respond more quickly, more coherently and with greater effect when relations with ruling authorities break down.

— Building and sustaining domestic support for such assistance requires investments that are often unfamiliar to development and humanitarian actors. It is essential to communicate to parliaments and taxpayers that aid can help meet individual human needs, mitigate spillover risks, prevent geopolitical fallout and offer value-for-money. Such communications efforts require targeted outreach to domestic constituencies and must show that frameworks are in place to find and quickly deal with incidences of abuse or corruption.

— Both understanding how and when to change course, and being able to do so quickly, are critical in politically estranged situations – whether it is in response to an opening to improve relations or a further deterioration of conditions. The paper outlines ways that decision-makers and teams working on the ground can adapt aid programmes to changing circumstances in practical and cost-effective ways.

— The paper concludes with recommendations for donor policy and practice – including a menu of options for aid delivery and oversight; guidance on setting conditions for, and communications with, ruling authorities; and a set of principles for engagement in estranged situations. It also discusses how to use development and humanitarian issues as an entry point for dialogue and presents options for improving coordination and adapting programmes in specific estranged situations.

01 'Politically estranged' situations and their relevance

Almost one-half of all people in FCS live in situations where relations between ruling authorities and major development donors are estranged. In such situations, 'business as usual' is not an option for international organizations striving to support constitutional norms or for donors committed to aid effectiveness. Yet the suspension or withdrawal of assistance can have huge consequences for human needs and international stability.

Context

Over the past two decades, fragile and conflict-affected states and contexts (FCS)[1] have become a central policy concern for international development actors. While some contest the term, there is agreement on the challenge that countries in special circumstances pose for international stability and equitable development.[2] Estimates suggest that FCS could host up to 60 per cent of

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1 This paper uses the definition and annually updated list of fragile and conflict-affected situations prepared by the World Bank: World Bank (2022), *FY23 List of Fragile and Conflict-affected Situations*, https://thedocs. worldbank.org/en/doc/69b1d088e3c48ebe2cdf451e30284f04-0090082022/original/FCSList-FY23.pdf.
2 For a summary of debate on the use of the term 'fragility', see Nwajiaku-Dahou, K., El Taraboulsi-McCarthy, S. and Rocha Menocal, A. (undated) 'Fragility: time for a rethink', London: ODI, https://odi.org/en/insights/ fragility-time-for-a-rethink.

people living in extreme poverty by 2030, despite accounting for only 10 per cent of the world's population. Major natural disaster threatens more than one-half of these countries and 46 per cent are currently in conflict. The COVID-19 pandemic has had a disproportionate economic impact on FCS, with their per capita real GDP growth rate contracting by 7.5 per cent in 2020, placing them well below pre-pandemic trends.[3] Exacerbated by rising inflation and the impact of the war in Ukraine on global food and energy supply and prices, the World Bank estimated that an additional 75 million to 95 million people faced extreme poverty in 2022, at a time of mounting competing demands for overseas development assistance (ODA).[4]

The political and human consequences of fragility have led to a proliferation of multilateral and national approaches and instruments for engagement in FCS. While emphasizing the importance of context-specific analysis and action, three common themes are evident. First, fragile-state policies prioritize building legitimate, accountable and effective state institutions to deliver security, justice, jobs and reduce incentives for violence. Second, they call for inclusive approaches that promote national ownership and include marginalized groups, especially women and young people. Third, FCS policies stress the importance of coordination within and among donors for effective action and what the OECD called 'a multidimensional approach' to addressing fragility.[5]

Defining politically estranged situations

In a growing subset of fragile situations, however, these principles and practices cannot be applied. Data analysis for this paper suggests that 49.2 per cent of people living in FCS are currently in situations where relations between major development donors and national authorities are estranged. Many of these situations have persisted for more than a decade.[6]

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3 IMF (2022), *The IMF Strategy for Fragile and Conflict-Affected States*, https://www.imf.org/en/Publications/Policy-Papers/Issues/2022/03/14/The-IMF-Strategy-for-Fragile-and-Conflict-Affected-States-515129; Ahmad, Y. and Carey, E. (undated) 'How COVID-19 and Russia's war of aggression against Ukraine are reshaping official development assistance (ODA)', Paris: OECD Publishing, https://www.oecd-ilibrary.org/sites/223ac1dd-en/index.html?itemId=/content/component/714276e8-en&_csp_=c7610fde002a98746ddd4f58cd6f4832&itemIGO=oecd&itemContentType=chapter#.
4 Gerszon Mahler, D. et al. (2022), 'Pandemic, prices, and poverty', World Bank data blog, 13 April 2022, https://blogs.worldbank.org/opendata/pandemic-prices-and-poverty.
5 World Bank (2011), *World Development Report 2011: Conflict, Security, and Development*, https://openknowledge.worldbank.org/handle/10986/4389; UN and World Bank (2018), *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*, https://openknowledge.worldbank.org/handle/10986/28337; Ghani, A. and Lockhart, C. (2009), *Fixing Failed States: A Framework for Rebuilding a Fractured World*, Oxford: Oxford University Press; OECD DAC (2007), *Principles for Good International Engagement in Fragile States*, April 2007, Paris: OECD, https://www.oecd.org/dac/conflict-fragility-resilience/docs/38368714.pdf; g7+ (2011), 'New Deal for Engagement in Fragile States', https://www.g7plus.org/new-deal-implementation; Poole, L. and Scott, R. (2018), *Financing for stability: Guidance for Practitioners,* OECD Development Policy Papers, No. 11, Paris: OECD Publishing, https://doi.org/10.1787/5f3c7f33-en; US Congress (2019), 'Global Fragility Act', https://www.congress.gov/bill/116th-congress/house-bill/2116; UK Government Stabilisation Unit (2018), *The UK Government's approach to Stabilisation: A guide for policy makers and practitioners,* https://www.gov.uk/government/publications/the-uk-governments-approach-to-stabilisation-a-guide-for-policy-makers-and-practitioners; European Union External Action Service (2021), 'EEAS Global Europe Peace, Stability and Conflict Prevention – thematic programme 2021-2027', https://www.eeas.europa.eu/eeas/global-europe-peace-stability-and-conflict-prevention-thematic-programme-2021-2027_en; OECD DAC (2022), 'States of Fragility 2022', report, Paris: OECD Publishing, https://www.oecd.org/dac/states-of-fragility-fa5a6770-en.htm.
6 Analysis undertaken by authors, based on World Bank data, May–June 2022.

Figure 1. Proportion of FCS population living in politically estranged situations
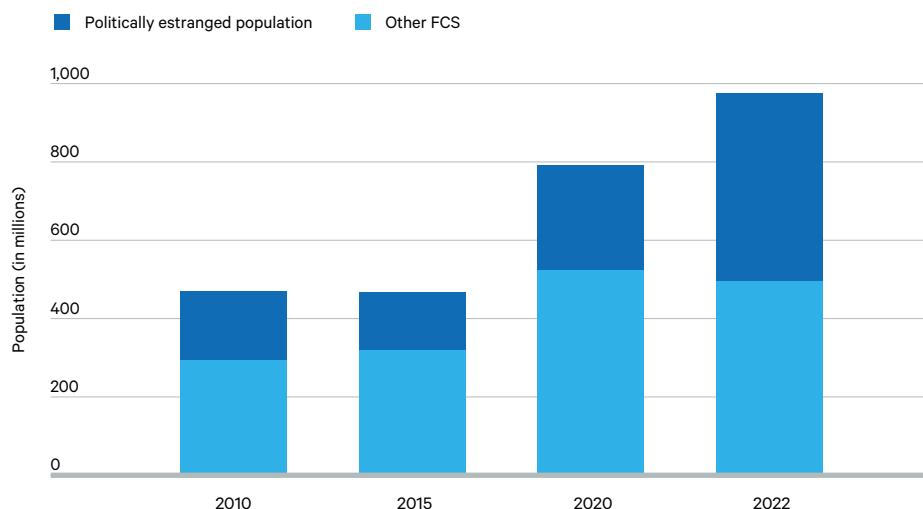
This group encompasses those living in the following situations:

— States in which the ruling authorities have obtained or retained power through unconstitutional means (e.g. Afghanistan, Mali, Myanmar);

— States under comprehensive international sanctions for serious human rights abuses in some locations or across their territory, acts of external aggression or egregious levels of political corruption, and for which in some cases UN or regional investigations are under way (e.g. Eritrea, Syria);

— Transitional situations, in which national authorities are internationally recognized as interim pending the establishment of, or return to, constitutional order (e.g. Haiti, Sudan); and

— Contested electoral situations where a significant number of donor states do not recognize the party claiming victory and/or prohibit interaction with it (e.g. Palestinian Territories, Venezuela).

In these situations, the legitimacy and actions of national authorities are contested, often domestically as well as internationally. Political relations between the ruling authorities and donor governments are curtailed and, in some cases, formally circumscribed. Violations of the principles and norms of membership have led to tensions with or suspension from multilateral and regional organizations (Box 2). In some such cases, these country situations are also at the frontline of struggles over shifting geopolitical alignments, especially in the aftermath of Russia's invasion of Ukraine. Major powers – permanent members of the UN Security Council (UNSC), as well as regional states – are often vying for influence and access to resources, and concerned about keeping competitors out of these settings.[7]

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7 See, for example, National Public Radio (2022), 'Russia and the US vie for influence in Africa', 28 July 2022, https://www.npr.org/2022/07/28/1114187972/russia-and-the-west-are-vying-for-influence-in-africa-and-ukraine-is-a-big-reaso.

Ruptured political relations constrain development partnerships. While the current situation in Mali, for example, illustrates how donors respond to unconstitutional changes in different ways, estrangement creates practical challenges for aid relationships. Core development principles of national ownership and working through state institutions are difficult to apply and, in some cases, prohibited by international sanctions. Standard tools such as national development plans or fragility assessment frameworks may not be possible to employ. International 'compact'-style mutual accountability frameworks or agreements are suspended or cancelled. In some such situations, diplomatic representation is reduced or withdrawn, and security and logistical obstacles to engagement mount.

The suspension of development assistance compounds existing political, social and economic crises:

— **Increased vulnerability of people.** For example, Burundi – already highly impoverished after donors suspended direct development assistance in 2015 – fell a further five places in UNDP's Human Development Index before a return to constitutional order in 2020 and the normalization of relations with the African Union (AU) and major donors. Meanwhile, one-half of the 306 million people in need of humanitarian assistance worldwide in 2021 lived in just nine countries, all of which are experiencing violence and more than two-thirds of which are under international sanctions.[8]

— **Spillovers to neighbouring states and globally.** 72 per cent of global refugees in 2022 came from five countries, of which all except Ukraine are under international sanctions.[9] The vast majority of these people are hosted by neighbouring states, compounding regional pressures. Neighbouring states also typically bear the brunt of other types of spillover from estrangement – from barriers to trade to increased flows of small arms. Nor are spillovers regionally confined. The isolation resulting from suspended political, trade, economic and development relations can further spur criminal networks, illicit trade and financial flows, and forced migration. It can increase the geo-economic fragmentation that is already a concerning trend for global development and welfare of the poorest countries.[10]

— **Further pressure on humanitarian instruments to respond.** The humanitarian component of overall aid allocations has increased significantly over the past decade.[11] Chronic underfunding of education in crises is one visible consequence, in a context in which almost one-half

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8 The nine countries were: Afghanistan, Democratic Republic of the Congo, Ethiopia, Nigeria, Pakistan, Sudan, Syria, Venezuela and Yemen. See Development Initiatives (2022), *Global Humanitarian Assistance Report 2022*, https://devinit.org/resources/global-humanitarian-assistance-report-2022/#downloads.
9 The five countries were, in decreasing order: Syria, Venezuela, Ukraine, Afghanistan and South Sudan. Myanmar was among the top five prior to Russia's invasion of Ukraine. Venezuela was added to the World Bank list of FCS in 2020. UNHCR (undated), 'UNHCR Refugee Data Finder', https://www.unhcr.org/refugee-statistics (accessed Oct. 2022).
10 Aiyar, S. et al. (2023), *Geo-Economic Fragmentation and the Future of Multilateralism*, staff discussion notes, International Monetary Fund, 15 January 2023, https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2023/01/11/Geo-Economic-Fragmentation-and-the-Future-of-Multilateralism-527266.
11 Between 2012 and 2017, international humanitarian assistance increased at an average rate of more than 10 per cent each year. Since 2017 it has grown by 2.6 per cent per year. See Development Initiatives (2022), *Global Humanitarian Assistance Report*.

of displaced people are children and the average length of displacement is now measured in decades rather than years.[12] Moreover, international estrangement increases the costs of humanitarian delivery amid of sanction compliance requirements, limited supply chains, isolated environments and higher insurance premiums.

— **Information gaps, especially around economic data, vulnerable groups, institutions and service provision.** While humanitarian organizations make extraordinary efforts to fill the gaps created by the suspension of development assistance, their focus is on urgent needs. Information and data gaps can further isolate contested regimes, and make it more difficult for donors to identify risks and opportunities to engage where and when conditions permit. Data gaps can also make it more difficult to track and anticipate spillover threats from security developments to macroeconomic and trade issues.

— **Accelerating cycles of decline.** The protracted Syrian crisis highlights how disengagement worsens already deteriorating conditions, including by causing the collapse of social service provisions, further erosion of weak institutions, and the rise of corrupt and predatory behaviours. The development of policy on FCS grew from empirical research findings that 'countries abandoned by the international development community show few signs of autonomous recovery'.[13]

— **High re-engagement costs.** Increased needs and the erosion of national capacities and institutions put more demands on donor resources over and above the costs involved in re-establishing donor presence and programmes – as highlighted by the example of Madagascar (Box 1). Moreover, increased reliance on humanitarian aid can lead to further economic distortion. In South Sudan, for example, humanitarian assistance has become integral to the country's political economy – further increasing fragility, despite providing jobs, rents and incomes.

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12 Geneva Global Hub for Education in Emergencies (2022), *Education in Emergencies Financing in the Wake of COVID-19: Time to Reinvest to Meet Growing Needs*, Geneva: EiE Hub, https://eiehub.org/wp-content/uploads/2022/06/2022_EiE-Financing-in-the-Wake-of-COVID-19_Time-to-Reinvest-to-Meet-Growing-Needs.pdf; UNHCR (2021), 'UNHCR Global Trends Report 2021', https://www.unhcr.org/62a9d1494/global-trends-report-2021.
13 World Bank (2002), *World Bank Group Work In Low-Income Countries Under Stress: A Task Force Report*, https://documents1.worldbank.org/curated/en/329261468782159006/pdf/269030PAPER0WB0Licus0Task0force0report.pdf; de la Croix, D. and Delavallade, C. (2014), 'Why corrupt governments may receive more foreign aid', *Oxford Economic Paper*, 66(1), pp. 51-66,https://doi.org/10.1093/oep/gpt004. On Syria, see Ali, A. et al. (2015), *Countering the logic of the war economy in Syria; evidence from three local areas,* London: London School of Economics and Social Sciences, https://www.researchgate.net/publication/331386342_Countering_the_Logic_of_the_War_Economy_in_Syria_evidence_from_three_local_areas; and Eaton, T. et al. (2019), *Conflict Economies in the Middle East and North Africa,* Chatham House Report, London: Royal Institute for International Affairs, https://www.chathamhouse.org/2019/06/conflict-economies-middle-east-and-north-africa.

Box 1. The effects of international disengagement from Madagascar

In 2009, a coup in Madagascar led the AU and the Southern Africa Development Community to suspend the country's participation in those organizations. The EU, the US and the World Bank halted development assistance, precipitating a 30 per cent reduction in overall foreign aid. In 2012, limited new development lending resumed on an emergency basis, while full donor re-engagement did not occur until 2014, when a political transition was under way.

The extent to which the withdrawal of international assistance affected welfare conditions in Madagascar during this period is a matter of some debate. Three separate evaluations by the World Bank's Independent Evaluation Group (IEG) point to somewhat different conclusions.

According to a 2021 IEG report,[a] the suspension of development aid contributed to a marked deterioration in economic and human development outcomes. In 2009–14, poverty increased by 10 per cent; income per head plummeted; an additional 600,000 children dropped out of school; child malnutrition soared by 50 per cent in some areas; healthcare centres were closed; corruption and tax evasion become more prevalent; and power, transport and water infrastructure deteriorated markedly. As the evaluation concluded, the withdrawal of aid was only one factor in these developments but delayed re-engagement had steep costs including cascading effects that may not have been apparent in the near term. A 2017 IEG report[b] had found, similarly, that the suspension of World Bank aid to Madagascar had a 'substantial effect on the implementation of government development programs'.

A 2022 IEG report[c] confirmed the reversal in material welfare but also suggested that deteriorating conditions spurred a new and more effective World Bank strategy. The report notes that the 2009 crisis spurred the Bank to focus more strongly on local development and greater engagement with non-state actors; put greater emphasis on addressing the drivers of fragility, such as weak governance and limited rural development; and expand analytical work, especially with regards to political economy.

Sources: Independent Evaluation Group (2021), World Bank Engagement in Situations of Conflict: An Evaluation of FY10-20 Experience, Washington, DC: World Bank, https://ieg.worldbankgroup. org/evaluations/world-bankengagement-situations-conflict; Independent Evaluation Group (2017), CLR Review, Madagascar, World Bank: Washington, DC, https://documents1.worldbank.org/curated/ en/966381499793072030/pdf/Madagascar-Completion-andlearning-review-for-country-assistance- strategy-for-the-period-FY07-FY13-IEG-review.pdf; Independent Evaluation Group (2022), The World Bank Group in Madagascar, Fiscal Years 2007–21: Country Program Evaluation, Washington, DC: World Bank, https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/Madagascar_CPE_v2.pdf.

The significant cost of disengagement does not imply a 'business as usual' approach in the wake of major constitutional violations, serious human rights or governance abuses in a recipient country. In the 1990s and the 2000s, regions such as Africa and Latin America introduced procedures to sanction unconstitutional changes in government and Western donors more regularly factored governance into aid policy through a mixture of incentives in programming, as well as through the suspension of aid. The UN's Sustainable Development Goals – unlike the preceding Millennium Development Goal framework – include targets on

peace, justice and inclusion. The World Bank also recognized the importance of governance considerations as part of its annual Country Policy and Institutional Assessments.[14] Although inconsistently applied, the post-Cold War evolution of aid underscored the linkage between the rule of law and effective development, while mostly avoiding risks of rewarding unconstitutional actions (Box 2).

Box 2. Donor and regional positions on unconstitutional changes of governance

During the Cold War, many donors – both Western and Soviet – viewed aid flows principally through the lens of political alliances. As the case of Chile illustrates, this sometimes resulted in more aid going to countries after the military overthrow of democratically elected governments.
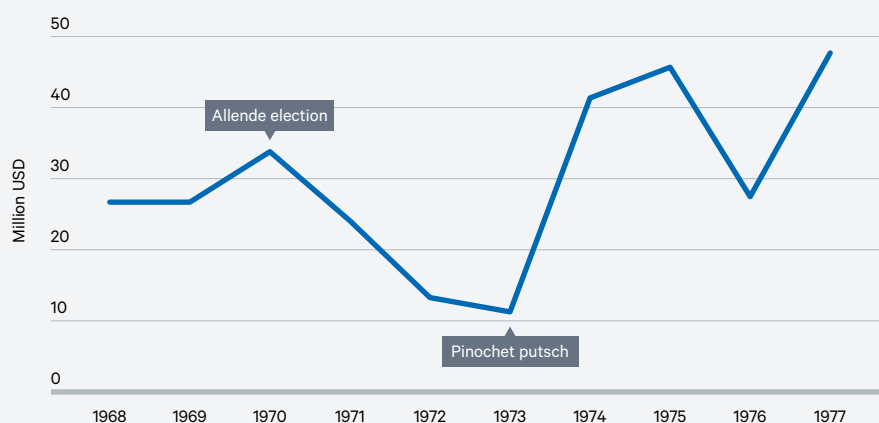
Source: World Bank (1980), *Chile: An Economy in Transition*, https://documents1.worldbank.org/curated/en/645231468769210794/pdf/multi0page.pdf.

The end of the Cold War, democratic transitions in Latin America and genocides in Africa and Europe saw a major expansion in bilateral and multilateral commitments to address human rights, democracy, and the rule of law in foreign and development policies.

The US: The 1986 Foreign Assistance and Related Programs Appropriations Act prohibited funds 'to any country whose duly elected Head of Government is deposed by military coup or decree'. Some version of this provision has been included in every aid appropriation since. Section 7008 applies to funds provided to government, funds administered by the State Department and US Agency for International Development (USAID), and general military training and equipment. The executive branch has scope to determine whether to invoke section 7008 and, once in place, restrictions can be lifted only if the Secretary of State reports to Congress that a democratically elected government has taken office.

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14 World Bank (2001), *Linking IDA Support to Country Performance: Recent Experiences and Emerging Issues*, https://thedocs.worldbank.org/en/doc/59d95c2326d8067f057a331b23154ab7-0410012016/original/country_performance.pdf.

AU: In 2000, the AU's predecessor, the Organisation of African Unity (OAU), adopted the Lomé Declaration on regional responses to unconstitutional changes of government, which defined four such cases: i) a military coup d'état; ii) an intervention by mercenaries; iii) a seizure of power by armed dissident groups and rebel movements; and iv) a refusal by an incumbent government to relinquish power after free, fair and regular elections. Sanctions included suspension of the country's membership of the OAU. This approach was reaffirmed by the AU. It includes a sanctions framework providing for the gradual removal of sanctions in accordance with progress to restore constitutional order. The AU has invoked this provision on multiple occasions and reaffirmed its commitments, most recently in Accra in March 2022.

OAS: In 2001, the Organization of American States agreed an Inter-American Democratic Charter outlining the right of constituent people to democracy and setting out procedures to respond to the unconstitutional interruption or alternation of the constitutional order of a member state, including the suspension of membership of the state in question. It has invoked the Charter on several occasions – most recently, and controversially, in relation to Venezuela in 2016.

EU: The Treaty on European Union (2007) recognizes democracy as a fundamental value of the Union and a guiding principle of EU external action. The treaty includes mechanisms for the suspension of voting rights of EU member states that seriously and persistently violate this value, as well as the incorporation of democracy and human rights provisions in bilateral trade agreements. EU development assistance under the expired Cotonou Agreement is conditional on respect for the rule of law and democratic standards (see also Box 10).

Sources: Congressional Research Service (2022), *Coup-Related Restrictions in U.S. Foreign Aid Appropriations*, September 2022, https://sgp.fas.org/crs/row/IF11267.pdf; https://www.peaceau.org/en/article/declaration-on-unconstitutional-changes-of-government-in-africa; Ramani, S. (2016), 'Why Venezuela Must be Expelled from the OAS', HuffPost, 9 June 2016, https://www.huffpost.com/entry/why-venezuela-must-be-expelled-from-the-oas_b_5759c7e1e4b052f656ef55e0.

In the last decade, the focus on political and institutional governance in development assistance has faltered, for a variety of reasons. These include pushback from some developing country governments in relation to whose standards of governance apply and to double standards; pressure in some donor states to reduce aid spending and further restrict migration; the rise of geopolitical competition, with attendant incentives to prioritize political and security allegiances over domestic governance issues; the rise of donors with development models focused on different standards; and the challenges of operationalizing pro-governance policies in diverse political and social contexts.

Several DAC donors, including the EU, the UK and the US, have formally articulated their intention to tie development aid more directly to geopolitical and foreign policy objectives, while the number of aid recipient states that are

democracies has fallen.[15] The OECD DAC notes that between 2010 and 2019 there was a 19-fold increase of humanitarian aid to closed autocracies.[16] Bureaucratic incentives in large aid agencies also contribute, tending to favour the continuation of existing programmes in which considerable time, money and effort have been invested and to avoid reducing aid budgets for fear that they will be permanently axed.[17]

Between 2010 and 2019 there was a 19-fold increase of humanitarian aid to closed autocracies.

This means that the signals sent by donors to recipient countries risk becoming less clear, and the predictability and cohesion of donor policies potentially weaker in response to tensions over serious human rights and rule-of-law abuses.

About this paper

The number of politically estranged situations and the scale of needs in them means it is no longer possible to treat such contexts as exceptions, to be ignored or addressed solely through humanitarian instruments. Alternative, tailored approaches are required. This paper argues that sound national interest, geopolitical and collective security reasons, as well as ethical reasons, exist for development donors and multilateral actors to meet urgent needs, prevent further social and economic disruption, increase resilience, and take advantage of peacebuilding opportunities where they arise in estranged situations. The paper considers the desirable balance between staying engaged and adapting development assistance in ways that support a recipient country's return to constitutionality and the normalization of relations – political, diplomatic and development. It recognizes that these situations are highly political and that responses are shaped by the interplay between technical considerations of potential modalities, political constraints in both recipient and donor countries, as well as wider geopolitical and geoeconomic considerations.

15 European Union External Action Service (2016), *Shared Vision, Common Action: A Stronger Europe*, https://www.eeas.europa.eu/sites/default/files/eugs_review_web_0.pdf; Foreign, Commonwealth & Development Office (2022), 'The UK government's strategy for international development', policy paper, https://www.gov.uk/government/publications/uk-governments-strategy-for-international-development/the-uk-governments-strategy-for-international-development; US State Department Office of Foreign Assistance (2022), 'Functional Bureau Strategy', https://www.state.gov/wp-content/uploads/2022/06/F_FBS_FINAL_Public.pdf; Freedom House (2022), 'Freedom in the World 2022', report, https://freedomhouse.org/report/freedom-world/2022/global-expansion-authoritarian-rule.
16 While the definition of closed autocracies is broader than the situations of political estrangement we consider in this study, the estranged situations are a significant driver of this trend. See OECD (2022), 'Official Development Assistance by regime context (2010-19)', *OECD Development Policy Papers*, No. 44, Paris: OECD Publishing, https://doi.org/10.1787/57ab4100-en.
17 Easterly, W. and Williamson, C. (2011), *Rhetoric versus Reality: The Best and Worst of Aid Agency Practices*, MPRA paper No 31939, Munich: University of Munich, https://mpra.ub.uni-muenchen.de/39139; Swedlund, H. J. (2017), 'Can foreign aid donors credibly threaten to suspend aid? Evidence from a cross-national survey of donor officials', *Review of International Political Economy*, 24(3), pp. 454–96, https://doi.org/10.1080/09692290.2017.1302490.

The paper draws together diverse experiences of situations where relations between donors and national authorities are estranged, as well as examples from other relevant fragile settings. It builds on existing work, in particular the OECD's DAC Recommendation on the Humanitarian-Development-Peace Nexus, UN guidance on engagement in exceptional circumstances, and the World Bank and IMF strategies for fragility, conflict and violence.[18] It documents some of the ways in which donors and multilateral organizations can coordinate to design and deliver development assistance without legitimizing unlawful regimes or fuelling further conflict, human rights abuses or large-scale corruption. It outlines a range of practical modalities for aid delivery that can be applied, the minimum conditions required for their implementation, and options for their monitoring and oversight.[19]

Such approaches are necessarily limited. They are neither an alternative to long-term development partnerships, nor a panacea for global fragility. But they may offer some practical ways of navigating and adapting to politically estranged situations that are more politically impactful, more efficient and have fewer harmful consequences for those most in need.

Approach and methodology

This paper is a first attempt to examine a growing subset of FCS and international impact, and for which existing development approaches have limited application. Given their significance as major donors and their engagement over the past two decades, the paper focuses on the perspectives and policies of members of the DAC. DAC donors are major funders of multilateral political, humanitarian and development action in fragile and conflict affected states, and are active in multilateral bodies' governing structures. Also, data on DAC members' ODA allocations are publicly accessible.

Using the World Bank's annual list of FCS, Chatham House and the Center on International Cooperation (CIC) at New York University developed a dataset of politically estranged country situations between 2010 and 2022. We assessed those FCS against the following four features: (i) status of international recognition of the country; (ii) international legal and constitutional status of the governing regime; (iii) number and scale of UN, US and EU sanctions regimes in place against the state and individuals or organizations occupying positions in the governing

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18 OECD (2019), 'DAC Recommendation on the Humanitarian-Development-Peace Nexus', OECD/LEGAL/5019, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-5019; UN Sustainable Development Group (2022), *Guidance on UN Country-level Strategic Planning for development in exceptional circumstances*, https://unsdg.un.org/resources/guidance-un-country-level-strategic-planning-development-exceptional-circumstances; World Bank (2020), *World Bank Strategy for Fragility, Conflict and Violence 2020–25*, https://documents1.worldbank.org/curated/en/844591582815510521/pdf/World-Bank-Group-Strategy-for-Fragility-Conflict-and-Violence-2020-2025.pdf; IMF (2022), 'The IMF Strategy for Fragile and Conflict-Affected States'; van Trotsenburg, A. (2022), 'Staying engaged – Supporting people who face fragility and conflict', World Bank *Voices* blog, 18 April 2022, https://blogs.worldbank.org/voices/staying-engaged-supporting-people-who-face-fragility-and-conflict.
19 Aid financing modalities are also critical for effective engagement in estranged situations but fall outside the scope of this study. Helpful discussions of aid financing modalities are included in World Bank and the recent IMF strategies cited above. See also: Independent Evaluation Group (2021), 'World Bank Engagement in Situations of Conflict: An Evaluation of FY10-20 Experience', Washington, DC: World Bank, https://openknowledge.worldbank.org/handle/10986/36493; and Poole, L. (2018), 'Financing for Stability in the post-2015 era', OECD Development Policy Papers, No. 10, Paris: OECD Publishing, https://doi.org/10.1787/c4193fef-en.

regime (UN arms embargos on states in active conflict, for example, were not considered by themselves an indicator of estrangement); and (iv) the existence of an internationally mandated commission of inquiry into alleged human rights abuses. FCS with at least one of these features were designated as politically estranged for the year in question. We then tallied UN population figures for these countries for each year.[20]

The paper benefitted from the perspectives of current and former UN, IMF and World Bank officials working in fragile and politically estranged contexts, including through interviews, 12 short case studies, three thematic papers and an expert workshop held at Chatham House in July 2022. Research was also undertaken through semi-structured interviews and consultations with over 50 senior and mid-level development officials between March and November 2022, including the DAC International Network on Conflict and Fragility's Joint Task Team on Afghanistan. Finally, the paper draws on research literature and open-source documents on fragility, as well as briefings and discussions with multilateral and member state representatives in New York and Washington, DC.

This paper is, necessarily, a preliminary examination of options for donors to navigate situations of political estrangement. Further work is required to explore the perspectives of recipient states, communities and organizations, as well as those of non-DAC donors. Detailed in-country reviews of policies and practices in specific estranged settings, with a view to identifying lessons and effective practices, are another critical area of future work, as is the piloting of approaches set out in the following chapters.

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20 The list does not include politically estranged countries outside of the World Bank's annual list of fragile states, e.g. North Korea or Russia.

02
# Understanding the challenges of staying engaged

Staying engaged in politically estranged situations presents distinct policy and practical dilemmas for donors and multilateral organizations. This chapter explores four challenges that shape decisions on what aid is provided, to whom and how.

Accountability

Accountability lies at the heart of effective governance and relationships. In 'normal' development circumstances, the primary accountability relationship is between national authorities and their populations (Figure 2). National authorities are responsible for developing participatory national development plans that reflect citizens' priorities, and for delivering results in accordance with them. They are required to account for revenue and expenditure, observe the rule of law and treat all parts of the population fairly and impartially.[21]

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21 In many countries, including donor countries, this relationship is far from perfect – but it ebbs and flows within the parameters of constitutional norms.

Figure 2. Normal accountability relations in the delivery of aid
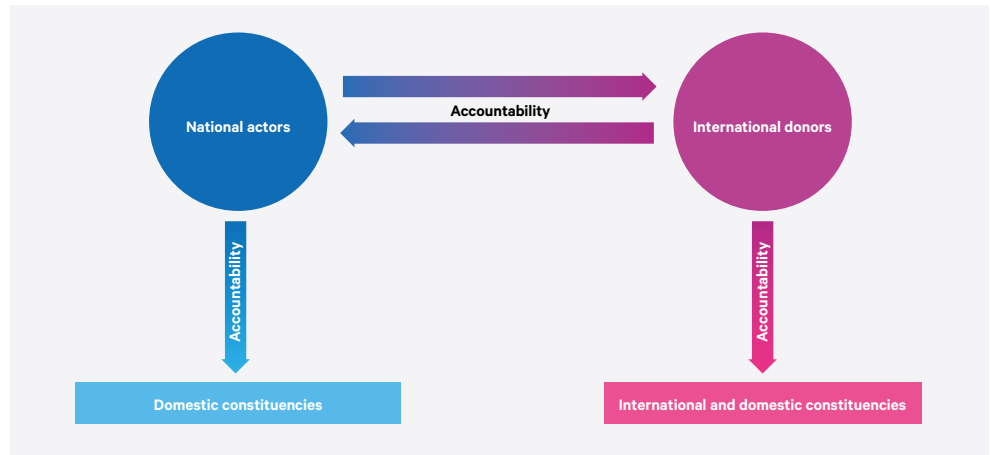
Source: World Bank (2011), *World Development Report 2011: Conflict, Security, and Development*, https://openknowledge.worldbank.org/handle/10986/4389.

This relationship is supported by donors in a mutually accountable way –
national authorities commit to delivering the actions they have announced and
donors to delivering the assistance they have pledged. Donors are also accountable
to their own citizens. Donors must ensure that funds are disbursed effectively,
according to agreed priorities, and demonstrate results, as well as value for money.
In the case of multilateral organizations, accountability is translated through
member state governments and governing bodies.

Figure 3. Shifting accountability relations in politically estranged situations
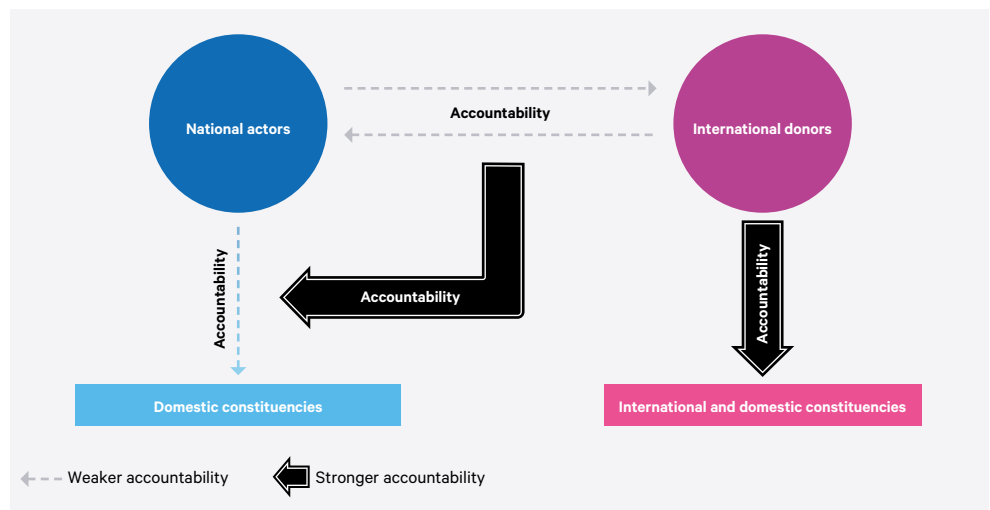
In politically estranged situations, however, these relationships change (Figure 3). First, accountability arrangements between national authorities and people are weaker. By their nature, these are contested situations where political settlements have broken down, the social contract is frayed, opportunities to engage are limited and the legitimacy of government is challenged internationally and often domestically.[22]

Second, accountability between donors and national authorities is weak or non-existent. Because the authorities are unrecognized or under some form of sanction, there will be limits as to how donors can engage with them. Mutually agreed frameworks centred on national development plans are not feasible. Nor is the provision, in most cases, of direct financial assistance.

Third, the accountability relationship between donors and their own population and taxpayers becomes more visible and politically salient. Often, more branches of government become involved in policymaking, as political, security, human rights and trade concerns increase. There may also be more attention to, and discussion of, the situation in parliaments, political parties, media and among civil society, including diaspora groups.[23] Citizens' perceptions about the provision of aid to countries may be affected by media reports of abuse of human rights, exclusion of women or other groups, forced migration or large-scale corruption. Multilateral organizations will typically be subject to heightened monitoring and reporting requirements.

Box 3. Public opinion on aid in donor countries

In most donor countries, development assistance is a relatively low-profile, technical area of government policy. Public polling in the US and European countries indicates high levels of disengagement but broadly consistent levels of support. One six-monthly survey found that, over the past decade, support had remained relatively stable in the UK, risen sharply in France, maintained a high level in Germany and grown slightly in the US. Opinion surveys in the US and Europe suggest that attitudes are not hugely influenced by domestic economic outlooks or calculations of national interest. Those actively engaged in development tend to be small in number and younger, often driven by an area- or issue-specific interest – for example, diaspora, climate or LGBTIQ+ groups. Mainstream media coverage is sporadic and legislative oversight focused on budget administration and spending.

Violent crises and strained relations between a donor government and authorities can upend this, as the Taliban takeover of Afghanistan in August 2021 illustrates. Officials and government ministers can suddenly find themselves having to publicly explain why aid is being provided, to whom and how. Media attention can be intense, if also

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22 On the relevance of elite bargains, see Kelsall, T. et al. (2022), *Political Settlements and Development: Theory, Evidence and Implications*, Oxford: Oxford University Press.
23 Hackenesch, C., Bergmann, J. and Orbie, J. (2021), 'Development Policy under Fire? The Politicization of European External Relations', *Journal of Common Market Studies*, 51(1), pp. 3–19, https://doi.org/10.1111/jcms.13145.

short-lived. Interviews with donor officials confirm the impact of media attention on policymaking in estranged situations, while research shows that the amount of mainstream news coverage a crisis receives has an impact on emergency aid allocations.

Sources: University of Birmingham (2019), 'Aid Attitudes Tracker 2013–18', https://www.birmingham.ac.uk/schools/government/departments/international-development/research/projects/2019/aids-attitude-tracker.aspx; Development Compass (2022), 'Country dashboards 2022', https://developmentcompass.org/data-and-surveys; Scott, M., Bunce, M. and Wright, K. (2021), 'The Influence of News Coverage on Humanitarian Aid: the Bureaucrat's Perspective', *Journalism Studies*, 23(2), pp. 167–86, https://www.tandfonline.com/doi/full/10.1080/1461670X.2021.2013129.

The fracturing of relationships with national authorities does not mean that principles of local ownership and accountability should be jettisoned. This paper argues that supporting people in need and preventing the further deterioration of social structures, capacities and governance means establishing new accountability arrangements with populations and institutions. This may include local communities, subnational authorities and local civil society organizations (CSOs) and their evolving attitudes towards the governance and delivery of services provided by their national authorities.

Inclusion

Identifying which communities and groups to engage is a particular challenge in estranged settings. Outsiders always face gaps in knowledge and understanding of local power dynamics, which widen further when contacts with national actors are limited and in-country presence is reduced or withdrawn altogether. Civil society actors who engage with donor initiatives may face threats of reprisal or predation from repressive authorities and/or armed groups. The DAC Recommendation's call for joint risk-informed and gender-sensitive analysis to understand how power is distributed and used is much more difficult to apply when national and international cooperation frameworks are suspended.[24] Where multiple strategic, political and military interests are at play – as in Libya or Syria, for example – barriers to information-sharing and joint analysis increase.

In such situations, civil society, humanitarian and UN actors on the ground are critical sources of information and analysis. However, they may not be equipped to provide comprehensive analysis of political economy issues, and may struggle to undertake detailed assessments of specific locations or groups. Because these same organizations are also implementing programmes which require them to interact with national and subnational authorities, this can lead to caution in donor capitals towards detailed information-exchange with such partners. In estranged settings, therefore, both the need for and the obstacles to shared analysis increase.

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24 Laws, E. (2022), 'Financing Peacebuilding and the Triple Nexus: Organizational Structures and Incentives to Improve Coherence', Center on International Cooperation Blogs, 4 April 2022, https://cic.nyu.edu/blog/financing-peacebuilding-and-triple-nexus-organizational-structures-and-incentives-improve; OECD (2019), 'DAC Recommendation on the Humanitarian-Development-Peace Nexus'.

Joint analysis, where feasible, can bring together the UN, international financial institutions (IFIs), regional organizations and bilateral donors.[25] Well-designed analysis, especially of local conditions, can inform donor and multilateral debates, offering empirical assessment of the costs of estrangement; the ways in which the national and local economy is evolving, and key actors in it; the communities most in need; priorities for assistance; and local actors able to implement it. But joint analysis can be difficult to carry out uniformly and at speed in contested environments, and there is a trade-off between the number of organizations involved and the frankness and level of detail of the analysis.

Even where sufficient knowledge of the structures and needs of recipient countries and communities can be obtained, the design and delivery of assistance to and with them will be predicated on their independence, as well as their capacity to manage and implement programmes. These criteria are typically reflected in the aid conditions set by donors, especially where international sanctions are in place, something the UN has sought to navigate through dedicated risk management units.

Box 4. UN Risk Management Units

Risk Management Units (RMUs) established in Somalia (2009) and in Afghanistan (2014) have helped develop a UN system-wide approach to the management of assistance in conflict-affected and sanctioned states. RMUs have been replicated in South Sudan, Syria and Yemen to support humanitarian organizations to navigate complex international sanctions regimes and the challenges of project implementation and contracting in war economies.

The Contractor Information Management System (CIMS), a centralized information-sharing platform of vendors and implementing partners, is at the core of the RMU. It contains contract information, capacity and risk assessments and performance ratings, and is linked to UN and other sanctions lists, UN/World Bank debarred contractors lists and other related information. Access is based on membership and a commitment to share contractual and performance information. RMUs also provide support to donors, UN agencies and partners in verification, due diligence and field monitoring activities, either directly or by accreditation of third-party monitoring agents.

The RMUs in Somalia and Afghanistan have proven effective for enabling risk management and improving donor confidence in remote management practices, thereby extending the reach of development and humanitarian assistance in fragile and conflict-affected states. The success of RMUs depends on the strength of the platforms that they create and the willingness of UN and other organizations to share sensitive information and participate in shared strategies for risk reduction.

Source: Authors' interview with, and written contribution from, Mark Bowden, a former UN deputy special representative of the secretary-general, resident and humanitarian coordinator, in Afghanistan and Somalia.

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25 See, for example, World Bank (2002), *World Bank Group Work In Low-Income Countries Under Stress: A Task Force Report*; UN (2015), *The Challenge Of Sustaining Peace: Report Of The Advisory Group Of Experts For The 2015 Review Of The United Nations Peacebuilding Architecture*, https://www.un.org/pga/wp-content/uploads/sites/3/2015/07/300615_The-Challenge-of-Sustaining-Peace.pdf; African Development Bank (2014), *Ending conflict & building peace in Africa: A call to action (High Level Panel on Fragile States)*, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Ending_Conflict_and_Building_Peace_in_Africa-_A_Call_to_Action.pdf.

The most fraught dilemmas centre around the provision of aid through and/or to civil servants and state institutions. In many estranged situations, donors and their implementing partners recognize that the institutions and functions of the state do not represent or reflect the values of ruling authorities. Donors must decide the extent to which they continue to work with state institutions, and what conditions should be applied to any such aid. This is currently the case for some donors in post-coup Burkina Faso and Mali, for example. In these instances, the extent to which authorities provide equal and impartial services to people is often a critical determinant in continuing or suspending aid.

In the most fraught situations – particularly where the ruling authorities exert a monopoly on coercive force and systemic repression – the perceived importance of signalling disapproval and concerns over the risk of assisting authorities to maintain or expand control needs to be weighed against potential benefits in maintaining some degree of engagement. The possibility of alternative sources of external support that may be less sensitive to issues of inclusion must also be considered. In some cases, these risks can lead to the suspension of engagement by donor countries with any institution of the state.

This paper argues that navigating which institutions, communities or groups to assist requires context-specific, often highly localized analysis; clearly articulated expectations as to how recipients are expected to act, especially around the provision of services to people; and careful monitoring of the extent to which conditions are being met.

Delivery

When donor–recipient relations break down, the default approach of most DAC donors is to focus on basic services – primarily healthcare, education and social protection. This is the case regardless of whether those services are provided through humanitarian assistance or a combination of humanitarian and development aid.

Yet this limited definition of basic services does not work in practical delivery terms. Basic social services to prevent famine or enable children to access education cannot be provided through humanitarian programming alone, given the scale and duration of current crises.[26]

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26 The Education in Emergencies programme received 22 per cent of funding for UN-led humanitarian appeals in 2021. See Geneva Global Hub for Education in Emergencies (2022), *Education in Emergencies Financing in the Wake of COVID-19: Time to Reinvest to Meet Growing Needs*; UNHCR (2022), 'Global Trends: Forced Displacement in 2021', https://www.unhcr.org/62a9d1494/global-trends-report-2021.

Figure 4. Redefining basic services in estranged situations

Basic services	Basic services in politically estranged settings
Healthcare Education Water and sanitation Camp management Cash assistance/Social protection	Healthcare Education Water and sanitation Camp management Cash assistance/Social protection Community dialogue and dispute resolution Macroeconomic stability, payment systems and currency exchange Livelihoods/private sector support (in some cases) Utilities necessary to deliver humanitarian aid

Even where humanitarian programming provides excellent healthcare and education services, food aid or cash-based social protection, it does not prevent the collapse of economic activity and livelihoods. As the IMF notes, such collapse compounds a country's crisis, extends the long-term economic consequences and drives regional and economic spillover, including large-scale movement of refugees and migrants.[27]

Even where humanitarian programming provides excellent healthcare and education services, food aid or cash-based social protection, it does not prevent the collapse of economic activity and livelihoods.

Afghanistan provides a vivid example. After the Taliban seized control in August 2021, the country's economy all but collapsed, as donors suspended development aid equivalent to 40 per cent of Afghanistan's GDP and imposed sanctions that effectively delinked Afghanistan from the global banking system. An unprecedented liquidity crisis ensued, with calamitous consequences for economic activity, livelihoods and basic services. The acting special representative of the UN secretary-general in the country testified to the UNSC in June 2022 that the economic crisis is 'perhaps the single most important issue in Afghanistan' – and one that cannot be resolved through recourse to humanitarian aid or basic services alone.[28]

Certain technical functions associated with stable development cooperation relationships are crucial for the effective functioning of healthcare, education and social protection services. These include utilities such as electricity and telecoms. Although not typically considered within humanitarian assistance, it is impossible to run hospitals without electricity and separate generation over long periods. It is also extremely inefficient in terms of costs. Likewise, it is almost impossible to deliver and monitor the distribution of humanitarian aid without internet and telecoms connectivity.

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27 IMF (2022), 'The IMF Strategy for Fragile and Conflict-Affected States'.
28 UNAMA (2022), 'Briefing by Acting Special Representative Ramiz Alakbarov to the Security Council', briefing, 23 June 2022, https://unama.unmissions.org/briefing-deputy-special-representative-ramiz-alakbarov-security-council-0.

Box 5. Fuel deliveries in humanitarian assistance programming
to Palestinian Territories

Following the formation of a Hamas-led government in March 2006, the
European Commission reinforced its then ongoing Interim Emergency Relief
Contribution (IERC) to support the uninterrupted supply of essential utility
services as part of its Temporary International Mechanism (TIM) (Chapter 5).

In line with the TIM's design, the Office of the President assumed the role
of government interface. It identified and certified eligible fuel payments, which
were then made directly to providers. The transportation and delivery of fuel
were supervised continuously and subject to strict audit controls.

By January 2008, the IERC had delivered more than 123 million litres of fuel to Gaza.
More than 118 million litres (worth €90 million) went to Gaza power station, which at
the time provided approximately 40 per cent of the territory's electricity. An additional
5 million litres were delivered to hospitals and clinics in Gaza for back-up generators,
as well as to water, wastewater and desalination infrastructure. This helped 1.2 million
people to access electricity, drinkable water and healthcare, and 90,000 patients per
month to access health services.

Source: Kostner, M. (2022), 'Delivery Mechanisms in Post-Conflict and Crisis Situations: the Case of the
Palestinian Economic Council for Development and Reconstruction in the West Bank and Gaza', June
2022. (Unpublished case study commissioned for this paper.)

In addition, there is a set of macroeconomic functions without which basic
services cannot be provided. These functions include payment systems, currency
arrangements and exchange of basic data. A basic payment system includes
banks which accept deposits, manage transfers and maintain accounts for their
customers; and a central bank, which regulates banks, issues local currency
and ensures its convertibility to foreign currency.

A functioning payment system, however limited, allows donors and authorities
to move from providing in-kind food support to more effective and sustainable
monetary forms of social protection. This transition necessarily looks different
depending on the specific context.[29] In settings where some form of national
social protection still exists, cash transfers can provide an important means
of building the population's resilience while strengthening social safety nets,
either directly or through techniques such as shadow alignment.[30] In contexts
where alignment with national systems is unfeasible or inappropriate, a shift
to cash can be an important part of humanitarian effectiveness. In all cases, the
transition away from in-kind support requires the maintenance of some minimum
central bank capacity to enable banks and other payment providers to operate.

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29 See Zamore, L. (2019), *The Triple Nexus in Practice: Toward a New Way of Working in Protracted and Repeated
Crises*, policy brief, Center on International Cooperation, 9 December 2019, https://cic.nyu.edu/sites/default/
files/triple-nexus-in-practice-nwow-full-december-2019-web.pdf.
30 Shadow alignment is a mode of aid delivery that purposefully mirrors national systems – using the same
state administrative boundaries, targeting mechanisms, procedures and even staff – but works via UN agencies,
international or local NGOs to provide a level of independence and oversight for a temporary period until such
time as 'true' alignment becomes feasible.

Cash programming and payment systems are potentially productive areas for UN–IFI collaboration, given shared comparative advantages in the UN's role in cash programming in humanitarian assistance, the World Bank's focus on social protection and the IMF's expertise in payment systems.

Box 6. Yemen's payment system

Yemen's Social Welfare Fund (SWF) was established in 1996 to provide unconditional cash transfers to vulnerable households on a regular basis. Funded by the government, the SWF assisted one-third of Yemeni households. When conflict erupted in 2014, the SWF ceased operations. However, a functioning payment system persisted in the country, allowing UNICEF, with funds from the World Bank's International Development Association, to assume responsibility for implementation of SWF programming. They contracted several commercial banks, which rely on their local affiliates – including bank branches, shops and mobile teams – to disburse the cash, operating in more than 1,000 payment sites across the country.

Only 4 per cent of Yemenis have a bank account, as trust in the reliability of bank accounts as stores of wealth is low due to high levels of inflation. Still, banks did manage to provide a relatively secure means to move funds around the country during active conflict. Moreover, the arrangement enabled relatively simple and effective checks and balances, as banks' internal control mechanisms recorded every transaction and associated beneficiary.

The World Bank and IMF continue to provide regular technical assistance to the Yemeni central bank to maintain the payment system and help it adapt to challenges such as the inflationary environment, the country's increased fragmentation and the rising use of virtual money.

Sources: IFC (2021), *Building Resilience Through Digital Financial Services: Yemen,* https://www.ifc.org/wps/wcm/connect/6378a1ae-eeb7-4a6a-86a8-92c2721081cc/Yemen-building-resilience-through-DFS.pdf?MOD=AJPERES&CVID=nOTKaZS; UNICEF Yemen (undated), 'Emergency Cash Transfer Project', https://www.unicef.org/yemen/emergency-cash-transfer-project.

Foreign exchange remains challenging in estranged contexts. With limited trade options, especially when a sanctions regime is in place, the main sources for building foreign exchange reserves are donor funding and diaspora remittances. In a weak regulatory framework, there may be multiple exchange rates, such as in Lebanon or Yemen, and a majority of transactions taking place in the unregulated private sector. Those factors disadvantage donor funds and remittances, which adhere to the official rate set by the central bank. Some form of regulated foreign exchange system driven by market parameters helps create predictability for donors in terms of the conversion rate for their aid.

The $246 million World Bank Emergency Social Safety Net Project in Lebanon, launched in 2020, is an example of this challenge. This project provides some 780,000 individuals with a monthly transfer of $20 per person. The World Bank was initially offered the official rate of LL1,500 per dollar by the Central Bank of Lebanon, while the market rate was around LL15,000. The Bank

ultimately bargained for a rate of LL6,240 per dollar. The project was criticized by civil society groups as a bailout of a bankrupt financial system. Those groups recommended instead that transfers be made in dollars.[31]

Where there is a recognized government, the IMF can play a role in helping strengthen financial systems and address issues that affect aid transactions. The IMF Staff-Monitored Programme for South Sudan was key in the creation of a unified market-determined foreign exchange rate in 2021, eliminating what had been a chaotic multiple exchange rate system.[32]

Finally, access to quality economic data is a challenge in environments where authorities are not recognized or are heavily sanctioned. Basic service programming is almost impossible without it. In these situations, maintaining some technical level of exchange with relevant state institutions' officials does not replace enhanced information-sharing among humanitarian and development partners, but it can help ground macroeconomic analysis and, thereby, more effective programming. Interviews for this paper identified the consistency of IMF engagement as playing an important stabilizing role, gathering data and preventing spillovers, in situations of estrangement between national authorities and donors.

This paper argues that basic services in politically estranged situations should be redefined to include economic livelihoods, utilities and key macroeconomic and financial systems. In most cases, this implies the continued functioning of existing systems, rather than expanded funding.

Adaptability

Staying engaged assumes that ruptured relations are not permanent. Limiting or bypassing government is a partial and temporary solution to meet urgent needs and prevent bad situations from worsening. However, uncertainty as to when opportunities for re-engagement will occur – and how – is a huge challenge for aid programming. Some politically estranged situations (e.g. Eritrea, Zimbabwe) can persist for a decade or more, while others (e.g. suspension of development assistance in Tanzania in 2018) saw the resumption of political and development relations with donors in a relatively short space of time.

This paper argues that regular review and the capacity to adapt programming are critical to staying engaged in politically estranged settings. Adaptive programming should focus on the potential for the political and governance context to improve or further deteriorate, and the scope for accountability between national authorities and people. The end state for political estrangement is the resumption of full political and development relations. Commitment to this goal means being receptive to potential openings towards estranged authorities, through political dialogue

31 World Bank Group (2020), *Lebanon Emergency Crisis and COVID-19 Response Social Safety Net Project*, fact sheet, https://thedocs.worldbank.org/en/doc/517791610478201970-0280022021/original/MENALebanonESSNFactSheetEnglish.pdf; Interviews with experts, July 2022.
32 IMF (2022), *Republic of South Sudan: 2022 Article IV Consultation and Second Review Under the Staff-Monitored Program*, 3 August 2022, https://www.imf.org/en/Publications/CR/Issues/2022/08/03/Republic-of-South-Sudan-2022-Article-IV-Consultation-And-Second-Review-Under-The-Staff-521692.

and the careful design of humanitarian and development engagement. It may also mean monitoring and adapting approaches based on assessment of likelihood of alternative sources of external assistance for those estranged authorities. International partners should remain willing to explore new approaches over time that support transformative opportunities for an improved and more sustainable end-state. Some approaches will fail, but willingness to try is essential to exit from estrangement.

Addressing these challenges successfully requires collaboration across the humanitarian-development-peace nexus to:

— Build and maintain domestic support for engagement;

— Establish and communicate clear conditions with national actors – i.e. sanctioned authorities and civil society and community groups, including opposition actors that uphold human rights;

— Design delivery modalities and oversight mechanisms that channel aid effectively; and

— Adapt programming rapidly to circumstances.

These four areas are intertwined – how donors secure domestic political support for aid in estranged settings shapes the substance and delivery of aid. How aid delivery and oversight are designed affects the ways in which donors engage with recipients. This, in turn, shapes communication to donor constituencies, as well as the capacity to adapt to often rapidly changing environments.

Figure 5. Addressing accountability, inclusion, delivery and adaptability challenges
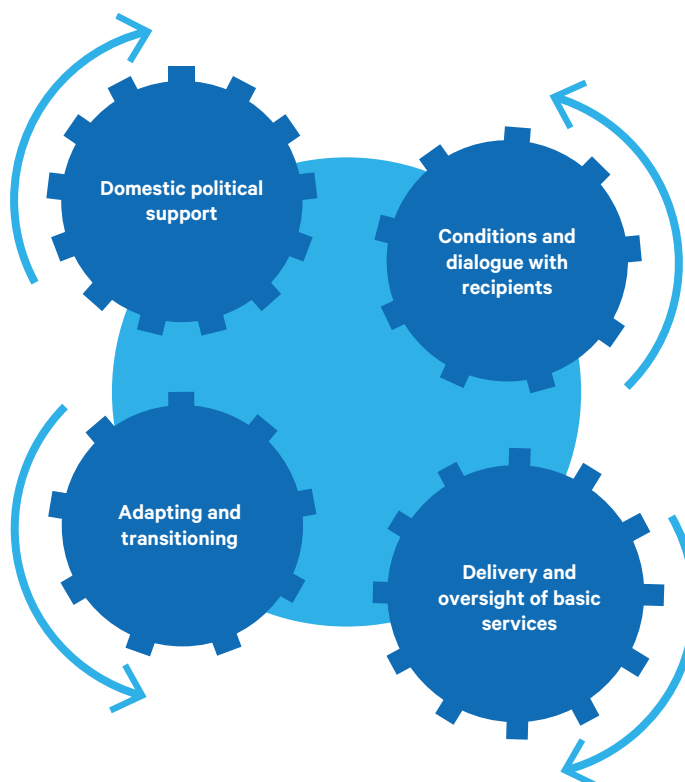
03
Maintaining public support in donor countries

Political and social cultures, historical relationships, and economic and security perceptions all shape attitudes towards aid in each donor country. When relationships with ruling authorities are strained, it is even more important for policymakers to address the concerns affecting domestic debates around assistance to recipient countries.

Targeted outreach to priority stakeholders

In situations where relationships with national authorities are ruptured, public communication must be a prominent component of donor development strategies. In times of recession and cost-of-living crises, with growing populist political movements sceptical of foreign aid, it is even more critical. Communication can be a challenge for development organizations, for reasons of capacity, resources and organizational culture. Many of the donor country officials interviewed for this paper noted knowledge gaps regarding the factors and stakeholders shaping public debate in specific policy settings, and the need for more sustained mapping of drivers of domestic opinion, as well as regular opinion surveys, to support policymaking in estranged contexts.

Our interviews highlighted the role that engaged parliamentarians and relevant legislative committees play in shaping development policies. Many experts thought that briefings from country-based aid officials, from both national and multilateral organizations, were underused and could help build awareness of development needs. This may be an important role for UN resident and humanitarian coordinators to consider.

Diaspora groups can also play a key role in shaping public opinion and national policies towards a country. For example, Venezuelan American and Cuban American constituencies have had a prominent role in shaping US policy towards Venezuela, while the Haitian diaspora in Canada has influenced Canadian immigration and development approaches to Haiti. The EU launched a pilot Global Diaspora Facility in 2019 to strengthen engagement with diaspora groups in development policymaking, but most national donors do not have institutionalized dialogue with diaspora groups. In countries with active and sizeable diaspora groups from estranged contexts, development institutions may explore options for structured engagement with such groups.

Mainstream media is the principal source of public information on development assistance in DAC donor countries.[33] This is especially the case for FCS that receive only limited media attention – usually during major crises, where the focus is on urgent response. Outreach and engagement with print and TV journalists and producers should be a priority, to encourage more sustained and in-depth coverage. Social media, although to date not a key source for public awareness on aid, can be a potent tool for disinformation in polarized domestic donor settings and recipient countries. More broadly, proactive social media monitoring and use are especially important to counter anti-donor disinformation campaigns in politically estranged settings, as was the case, for example, in South Sudan.

Addressing concerns

Making the case to stay engaged means addressing citizens' and policymakers' concerns. While each donor environment is distinct, our interviews and available research found that four arguments in support of delivering aid in politically estranged contexts resonate with publics and politicians, while two recurrent concerns dominate. Understanding and proactively addressing these are critical to building political support for some form of development assistance, especially in a time of polarized domestic politics and public spending pressures.

Meeting individual human needs. US and European opinion surveys suggest that attitudes and pre-held beliefs on the value of aid to those in need are relatively stable.[34] As one interviewee noted, 'it's not about the delivery methods – it's about explaining the end goal'. This values-based orientation is double-edged: it can build support for assistance to those most in need; but it can also increase opposition to aid to authorities whose values are perceived to be opposed to societal values in donor countries. Making the case that aid will not go directly to such authorities – and working through UN and multilateral organizations – can help assuage public concerns. Moreover, surveys suggest that people attach more importance to information on the beneficiaries and outcomes of aid than

33 Schneider, S. H., Eger, J. and Sassenhagen, N. (2021), *Opinion Monitor for Development Policy: Media content, information, appeals and their impact on public opinion 2021*, Bonn: German Institute for Development Evaluation, https://developmentcompass.org/storage/deval-report-2021-opinion-monitor-development-policy-1632916092.pdf.
34 European Commission (2018), *EU citizens views on Development, Cooperation and Aid*, https://europa.eu/eurobarometer/surveys/detail/2202; Rafter, F. and Hudson, J. (2022), 'Foreign Aid and America's Middle Class', *Development Compass*, 25 February 2022, https://developmentcompass.org/blog/campaigning/foreign-aid-and-america-s-middle-class.

to statistics around the number of people in need, amounts spent or effectiveness in broad terms.[35] Framing development aid around targeted groups, especially women and young people, can also help build support for aid.[36]

Threat of instability spilling over. In donor countries where migration is a politically salient issue, preventing refugee flows has become a resonant public argument for remaining engaged in politically estranged situations. Forced migration is not the only consequence of instability. As the war in Libya showed, crisis and conflict can have destabilizing regional and global effects, as illicit arms flows, contraband goods and human trafficking cross land and sea borders. Critical trade and economic relationships are ruptured. In 2022, following Russia's invasion of Ukraine, EU public opinion polls ranked peace and security as the most-pressing challenge for EU development cooperation, rising from third place in 2020.[37]

As the war in Libya showed, crisis and conflict can have destabilizing regional and global effects, as illicit arms flows, contraband goods and human trafficking cross land and sea borders.

Preventing crisis spillover has been and remains one of the most powerful practical arguments for remaining engaged. In politically estranged situations, however, it makes the design and implementation of aid a higher-profile and more contested task, involving political, security and trade interests and actors as well as those involved directly in humanitarian aid and development. Investing in building knowledge among key domestic institutions and interested groups is essential, as is challenging the argument that instability can be contained at no cost within the neighbourhood of a crisis, as the Afghan and Syrian refugee crises have demonstrated.[38]

Navigating geopolitical competition. Geopolitical competition is a growing factor in donor policy debates.[39] In politically estranged settings, prospects for international divergence are high. For example, China continues to provide

35 Public opinion polling also suggests that public confidence in the capacity of UN and other international organizations to make a difference in reducing poverty is higher than for their own governments. See Morini, P., Hudson, J. and Hudson, D. (2022), 'DEL Dashboard Great Britain June 2022', *Development Compass*, June 2022, https://developmentcompass.org/storage/great-britain-dashboard-june-2022-final-1-1657288937.pdf.
36 ODI highlights this in Afghanistan: see McKechnie, A., Bowden, M. and Laws, E. (2022), 'Lessons for peace: engaging with Afghanistan after four decades of conflict and one year of new Taliban', ODI, 30 September 2022, https://odi.org/en/publications/lessons-for-peace-engaging-with-afghanistan-after-four-decades-of-conflict-and-one-year-of-new-taliban-administration.
37 European Commission (2022), *EU citizens and development cooperation: Special Eurobarometer 521*, February–March 2022, https://europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=82140.
38 Türkiye, for example, hosts the world's largest number of refugees, as a consequence of a 2016 agreement with the EU that included the provision of €6 billion in aid for Syrian migrant communities.
39 Regilme, Jr, S. S. F. and Hodzi, O. (2021), 'Comparing US and Chinese Foreign Aid in the Era of Rising Powers', *The International Spectator*, 56(2), pp. 114–31, https://www.tandfonline.com/doi/full/10.1080/0393272 9.2020.1855904; Cliffe, S. and Gerlach, K. (2022), 'Development Competition is Heating Up: China's Global Development Initiative, the G7 Partnership for Infrastructure, and the Global Alliance on Food Security', Center on International Cooperation, 19 July 2022, https://cic.nyu.edu/publications/development-competition-heating-china%E2%80%99s-global-development-initiative-g7-partnership; Jones, B. and Marc, A. (2021), 'The new geopolitics of fragility: Russia, China, and the mounting challenge for peacebuilding', Brookings Institution, October 2021, https://www.brookings.edu/research/the-new-geopolitics-of-fragility-russia-china-and-the-mounting-challenge-for-peacebuilding.

significant development assistance to national authorities facing international criticism for serious governance or human rights abuses, such as the military juntas in Myanmar and Sudan.[40] Russia – traditionally a limited aid provider – has since 2014 sought to increase its diplomatic and economic engagement in Africa, especially around arms sales and mining contracts, as well as private military companies aligned to the government of President Vladimir Putin, focusing in particular on the Central African Republic and Mali. Competition for influence in the Middle East and North Africa among Qatar, Saudi Arabia, Türkiye and the United Arab Emirates has shaped the focus of their predominantly bilateral development assistance to states in this region.[41]

As the donor landscape becomes more complex and diverse, the importance of geopolitical considerations is likely to grow, especially for policymakers and parliaments in donor countries. Remaining engaged in countries that are, by dint of their size, location or resources, strategically relevant – such as Chad, Ethiopia, Libya and Mali – may reflect donors' calculation that full departure is a greater risk.

Moreover, remaining engaged in some form may have a positive impact on recipient-country populations' attitudes towards a donor, even where relations with national authorities are difficult. Research on US aid in 45 African countries has shown that health aid is independently and consistently associated with more favourable attitudes towards the US among recipient populations.[42] Conversely, politically estranged settings where relations rupture can negatively affect popular attitudes towards donor countries, as increased preferences in Mali for China as a model over the US and France illustrate.[43]

Value for money. Stagnant aid budgets, high inflation and cost-of-living crises have put further pressure on donor governments to demonstrate the effectiveness of aid.[44] In politically estranged situations, the value-for-money debate can be particularly intense within donor policymaking processes, given the high costs and practical difficulties of delivering aid and the challenges of monitoring and demonstrating results at scale.[45] Officials who work in such settings pointed out that carefully designed development programmes may involve lower costs than large-scale humanitarian interventions and may mitigate aid-dependency

40 Tower, J. (2022), 'China Bets Strategic Projects, Regional Stability on Myanmar Coup Regime', United States Institute of Peace, 14 July 2022, https://www.usip.org/publications/2022/07/china-bets-strategic-projects-regional-stability-myanmar-coup-regime.

41 91.6 per cent, 85.6 per cent, 98.9 per cent and 98.7 per cent of respective total ODA support in 2020–21. See OECD (2022), 'Development cooperation profiles', July 2022, https://www.oecd-ilibrary.org/development/development-co-operation-profiles_2dcf1367-en. On Russia, see for example Gruzd, S., Ramani, S. and Clifford, C. (2022), 'Russia in Africa: Who is courting whom?', *South African Journal of International Affairs*, 29(2022), pp. 401–5, https://doi.org/10.1080/10220461.2022.2146184.

42 Jakubowski, A., Mai, D., Asch, S. M. and Bendavid, E. (2019), 'Impact of Health Aid Investments on Public Opinion of the United States: Analysis of Global Attitude Surveys From 45 Countries, 2002–2016', *American Journal of Public Health*, 109(7), pp. 1034–41, https://doi.org/10.2105/AJPH.2019.305084.

43 In five African states – Benin, Botswana, Burkina Faso, Mali and Niger – citizens prefer China's development model to that of the US. See Sanny, J. A.-N. and Selormey, E. (2021), 'Africans welcome China's influence but maintain democratic aspirations', *Afrobarometer*, Dispatch No. 489, 15 November 2021, https://www.afrobarometer.org/wp-content/uploads/migrated/files/publications/Dispatches/ad489-pap3-africans_welcome_chinas_influence_maintain_democratic_aspirations-afrobarometer_dispatch-15nov21.pdf.

44 See, for example, Drake, T. et al. (2021),'Getting the Best We Can Buy: Three Solutions to Improve the Use Value of Money Evidence in Global Development', Center for Global Development, 6 September 2021, https://www.cgdev.org/blog/getting-best-we-can-buy-three-solutions-improve-use-value-money-evidence-global-development.

45 Beynon, J. (2003), *Poverty Efficient Aid Allocations – Collier/Dollar Revisited*, London: ODI, https://cdn.odi.org/media/documents/2521.pdf.

risks. In newly independent Timor-Leste, for example, health outcomes improved and delivery costs fell when health services were delivered via standard service agreements (Chapter 5).[46] Such examples can highlight both the financial and impact value of interventions that make greater use of local capacity than traditional approaches.

Risk of legitimizing unlawful or abusive regimes. The risk of aid legitimizing an unlawful or abusive regime is one of the most preoccupying concerns for policymakers in politically estranged situations. These concerns can include whether aid enhances a regime's international legitimacy – an objective some believe to be a priority for the current military junta in Myanmar, for example;[47] whether aid might embolden further human rights abuses – for example, in Afghanistan; or whether aid might enable a regime to ignore its governance responsibilities in favour of security and military spending, as in the example of South Sudan.[48]

A key finding of this paper is that the provision of aid does not significantly impact international or recipient populations' perceptions of national authorities. Research instead suggests that people's attitudes are shaped as much by perceptions of national authorities' trustworthiness, fairness and shared social beliefs as by what they deliver.[49] There are some limited indications that aid delivered directly to local communities may positively influence attitudes towards local leaders and administrations, although this has not been tested in politically estranged contexts.[50] Commissioning or drawing on empirical data that demonstrates little if any link between aid and local attitudes towards national authorities in recipient countries is an option donors may consider. Moreover, demonstrating that carefully targeted community development assistance helps local populations' resilience, and supports local and bottom-

46 Tulloch, J. et al. (2003), 'Initial steps in rebuilding the health sector in East Timor', Washington, DC: National Academies Press, https://europepmc.org/article/MED/25057662.

47 Liu, J. and Wallace, R. (2021), 'Six months after Myanmar coup, battle for diplomatic recognition', Al Jazeera, 1 August 2021, https://www.aljazeera.com/news/2021/8/1/six-months-after-myanmar-coup-battle-for-diplomatic-recognition.

48 A January 2022 poll found that two-thirds of Americans opposed even humanitarian assistance to Afghanistan, for fear that it would end up in the hands of the Taliban. See Kendrick, M. (2022), 'American Voters Overwhelmingly Oppose Aid to Afghanistan Due to Concerns Over Taliban', Morning Consult, 19 January 2022, https://morningconsult.com/2022/01/19/afghanistan-aid-polling-us-voters.

49 Baldwin, K. and Winters, M. S. (2020), 'How Do Different Forms of Foreign Aid Affect Government Legitimacy? Evidence from an Informational Experiment in Uganda', *Studies in Comparative International Development,* 55, pp. 160–83, https://doi.org/10.1007/s12116-020-09303-8; Dietrich, S. and Winters, M. (2015), 'Foreign aid and government legitimacy', *Journal of Experimental Political Science*, 2(2), https://www.cambridge.org/core/journals/journal-of-experimental-political-science/article/abs/foreign-aid-and-government-legitimacy/D9BF4A9A2FC8A1FC4E1D6ECA0D3296DC; Levi, M., Sacks, A. and Tyler, T. (2009), 'Conceptualizing Legitimacy, Measuring Legitimating Beliefs', *American Behavioral Scientist,* 53(3), https://journals.sagepub.com/doi/abs/10.1177/0002764209338797; Schmelzle, C. and Stollenwerk, E. (2019), 'Virtuous or Vicious Circle? Governance Effectiveness and Legitimacy in Areas of Limited Statehood', *Journal of Intervention and Statebuilding,* 12(4), pp. 449–67, https://www.tandfonline.com/doi/full/10.1080/17502977.2018.1531649; Nixon, H. and Mallett, R. (2017), 'Service delivery, public perceptions and state legitimacy: Findings from the Secure Livelihoods Research Consortium', London: Secure Livelihoods Research Consortium, https://securelivelihoods.org/publication/service-delivery-public-perceptions-and-state-legitimacy-findings-from-the-secure-livelihoods-research-consortium.

50 Cruz, C. and Schneider, C. J. (2016), 'Foreign Aid and Undeserved Credit Claiming', *American Journal of Political Science,* 61(2), https://doi.org/10.1111/ajps.12285; Guiteras, R. P. and Mobarak, A. M. (2015), 'Does Development Aid Undermine Political Accountability? Leader and Constituent Responses to a Large-Scale Intervention', NBER Working Papers 21434, National Bureau of Economic Research, Inc., https://ideas.repec.org/p/nbr/nberwo/21434.html.

up accountability demands, including demands to ruling authorities, can help build support for aid as a more effective strategy to navigate estranged settings than withdrawal.

Corruption concerns. Misuse of funds is a highly sensitive issue for donor governments and their publics. Research confirms that corruption is one of the most salient issues shaping donor public opinion on aid to specific states and their authorities.[51] Corruption involving government officials and refusal to tackle graft regularly result in donors suspending aid programming, especially direct budget support. Fragile states are particularly vulnerable.[52] In politically estranged situations, making the case that aid is bypassing government systems can help address concerns about elite corruption.[53] Illustrating how aid modalities can be designed to help prevent funds from being diverted may also assist. Above all, being able to pre-emptively demonstrate that sufficient oversight is in place to respond quickly and effectively to instances of corruption can help diminish perceptions of risk (Box 7).

Box 7. Setting expectations on 'zero tolerance for abuse': donor good practice

The importance of pre-emptive domestic dialogue to help set public expectations around corruption and human rights abuses in recipient countries was a key message emerging from interviews with donors for this paper. Signalling to domestic constituencies a firm stance on corruption must not create public expectations that corruption and abuse will not occur. Rather, it should be to build public understanding, from the outset of aid provision to a politically estranged country, that 'we will have systems to identify abuses quickly and deal robustly with them'. In this way, when an incidence of corruption occurs, the question for domestic media, parliaments and publics is not 'how did this happen' but rather 'was it found quickly and does the government have appropriate ways to address it?'. Zero tolerance does not mean zero abuses, rather zero tolerance for inaction in response to abuses.

In interviews with donors, some felt that this understanding was in place among domestic constituencies, while others felt that expectations in their countries were unrealistic, and that there was insufficient advance communication with the public to prepare for and respond effectively to abuses. This is a productive area for cross-donor learning and exchanges.

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51 University of Birmingham (2022), 'Aid Attitudes Tracker 2013–18'; Development Engagement Lab (2022), 'Country dashboards 2022', https://developmentcompass.org/data-and-surveys.
52 Transparency International (2022), *Corruption Perceptions Index 2021*, https://www.transparency.org/en/cpi/2021.
53 The multiplicity of aid delivery channels and the lack of direct controls over them can raise other concerns, especially the risk of aid capture or diversion by sanctioned authorities or armed groups. The global evidence is that, with the important exception of insurgent taxation, diversion is not a significant issue and not more salient than in other FCS contexts. In areas of weak, contested or absent government authority, armed groups will demand tax payments on all donor support, whether humanitarian, community-driven, or NGO- or private sector-provided. This was the case in high-risk areas of Afghanistan prior to the Taliban takeover and is the case in South Sudan and Syria today. See Bandula-Irwin, T. et al. (2021), *Beyond Greed: Why Armed Groups Tax*, ICTD Working Paper 131, Institute of Development Studies, November 2021, https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/16929/ICTD_WP131.pdf?sequence=1&isAllowed=y.

04
Setting conditions and managing dialogue with estranged authorities

Increased conditions for aid are inevitable in estranged contexts. Identifying conditions that achieve their intended impact and help build donor domestic support for staying engaged is difficult. Dialogue is essential in setting conditions and to exit from estrangement.

Types of conditions

All aid is governed by some forms of conditions, although governments, multilateral development organizations and humanitarian agencies have different perspectives on those conditions. For humanitarian actors, the humanitarian principles, international humanitarian law and human rights reflect universal norms. Humanitarian actors do not call these 'conditions', but in practice they influence both where humanitarian assistance is provided and who

is deemed appropriate to deliver it.[54] For most development institutions and IFIs, meanwhile, conditions are a standard feature of all aid programming, usually related to accountability and effectiveness. Programme conditions typically include financial and administrative requirements, institutional and delivery targets, and budget and reporting requirements. These conditions serve either as a threshold for allocating aid, as components of an agreed reform programme or as the basis of results-orientated programming. Effectiveness and fiduciary requirements also apply for the UN, which also applies due diligence frameworks for human rights.

Political conditions reflect broader political, security or social justice objectives and are typically directed at the system of government or national policies of a recipient country. For bilateral donors, the establishment of criteria for initiating or maintaining development aid to a country is a fundamentally political act. Criteria are often chosen as much to express donor positions as to demand specific actions by recipients. Like sanctions – economic, trade, travel or military penalties initiated by the UNSC or by individual states – political conditions can signal disapproval, reinforce a commitment to a specific international norm or seek to change the behaviour of the target state or individual. Unlike sanctions, political conditions centre around actions required to prevent the suspension of aid and are typically negotiated between the donor and aid recipients.[55]

Understanding the different types of aid conditions, what they seek to achieve, and how they interact is critical for the design and delivery of aid in estranged situations.

Setting and aligning political conditions

Political conditions are established on a case-by-case basis by individual donor governments. While pushback from developing countries and limited empirical evidence of success have discouraged their use, donors continue to apply political conditions in more diverse aid settings. Conditionality now goes beyond concerns over governance and human rights to counterterrorism (e.g. Afghanistan), corruption (Zimbabwe), humanitarian access (Ethiopia) and migration (the EU in Africa and the Middle East; the US in Central America).[56] This widening application can make it harder for donors to set and prioritize conditions in politically estranged situations, where many of these problems co-exist but do not carry the same weight for donors, partners and recipients at any one time. In Venezuela, for example, the US 'maximum pressure' sanctions on the government of President Nicolás Maduro since 2019 have made it challenging

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54 The fundamental humanitarian principles of humanity and impartiality affect the derived principles of independence and neutrality, for instance in approaches to government roles in delivering humanitarian assistance.
55 There is a comprehensive body of literature on the use of sanctions and the effectiveness of political conditionality. See, for example, Crawford, G. and Kacarska, S. (2017), 'Aid sanctions and political conditionality: Continuity and change', *Journal of International Relations and Development*, https://dx.doi.org/10.1057/s41268-017-0099-8S#; and Swedlund (2017), 'Can foreign aid donors credibly threaten to suspend aid?'.
56 A considerable body of literature exists on the evolution and impact of political and programme conditionality. See, for example, Molenaers, N., Dellepiane, S. and Faust, J. (2015), 'Political Conditionality and Foreign Aid', *World Development*, November 2015, 75, pp. 2–12, https://doi.org/10.1016/j.worlddev.2015.04.001; Petroia, A. and Pacicovschi, V. (2017), 'Conditionality of Foreign Aid and Its Consequences', *SSRN*, 31 May 2017, http://dx.doi.org/10.2139/ssrn.2977946.

for donors and national actors – including the opposition politician Juan Guaidó, who is recognized by some 60 states as the country's *de jure* president – to align and communicate the changes required of the Maduro government and to order those changes in terms of priority.[57]

To set political conditions that communicate clearly the changes required and that effectively influence the behaviour of politically estranged authorities, donors need comprehensive information and analysis of the evolving political and economic conditions in the recipient country. Careful assessment of the motives, calculations and options available to that country's leaders and elites is also necessary. Achieving these things is more difficult when diplomatic relations are suspended.

Where shared analytical frameworks are not politically or practically feasible, exchange on individual donor and partner analysis and strategies is critical.

Information gaps, especially on local conditions and economic data, require donors and partners to navigate ways of generating and exchanging knowledge and analyses. Existing frameworks, such as the UN Common Country Analysis or the EU-UN-WB Recovery and Peacebuilding Assessment, provide methodologies for jointly identifying priority needs in countries emerging from conflict and/ or political transitions.[58] However, they tend to be relatively wide in scope, take time to complete and are designed to be undertaken in partnership with national governments. In politically estranged situations, a quicker, narrower and bespoke analysis is required. Such analysis should include urgent humanitarian needs and, crucially, assessment of the most important political, economic and social actors and their interconnections. The latter information is more sensitive and not always conducive to common analysis.

Where shared analytical frameworks are not politically or practically feasible, exchange on individual donor and partner analysis and strategies is critical. Donors might consider informal divisions of analytical labour around specific geographical areas, as was occasionally the case in Afghanistan during the deployment of the US-led International Security Assistance Force (ISAF), or joint commissioning by a group of donors of international or local NGOs for assessments in specific sectors such as education in Somalia. Consulting relevant countries with experience of conflict and transition, such as regional states or the g7+ group

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57 US sanctions since 2019 include seven executive orders, three sectoral determinations, three statutes and dozens of general licences to prevent Venezuela from trading crude oil and refined gas, which account for 96 per cent of Venezuela's revenues. See Bartlett, J. and Ophel, M. (2021), 'Sanctions by the Numbers: Spotlight on Venezuela', Washington, DC: Center for a New American Security, https://www.cnas.org/publications/reports/sanctions-by-the-numbers-3.
58 UNDP (undated), *UN Common Country Analysis: Companion Piece to the United Nations Sustainable Development Cooperation Framework Guidance*, https://procurement-notices.undp.org/view_file.cfm?doc_id=194928; World Bank, UN and EU (2017), *Joint Recovery and Peacebuilding Assessments: A practical note to assessment and planning*, https://www.recoveryandpeacebuilding.org/content/dam/rpba/documents/docs/PracticalNote.pdf?download.

of developing states (the latter of which has proven consistent in providing both support and frank messages to its members), may also offer relevant insights into rapidly evolving dynamics.

Given the barriers to comprehensive assessment, as well as the rapid shifts in socio-economic conditions in estranged contexts, information-gathering and analysis must be understood as an ongoing task for the duration of any period of estrangement. A two-stage approach might be considered: an initial 'quick and dirty' analysis, potentially drawing on risk and resilience assessments conducted through workshops that bring together field and HQ staff; followed by a more comprehensive assessment that successively draws on inputs from national and local organizations, communities and individuals, as well as beneficiary feedback, structured and unstructured. Remote monitoring and survey techniques, especially mobile phones, can be useful support tools.

In politically estranged settings, regular dialogue among donors and partners is made more difficult by the absence of development partnership and donor coordination frameworks, the shift in policymaking to donor capitals, and differences in donor strategic considerations as well as aid frameworks. Collectively, these factors impede the coordinated design and application of political conditions (Box 8).

Box 8. The challenge of cohesion: political and programme conditions in Ethiopia

Donor responses to the crisis in Ethiopia's Tigray region between 2020 and 2022 highlight the challenge of coordinated donor conditionality.

The EU typically brings a good degree of donor harmonization to conditionality, with established mechanisms for dialogue and dispute resolution (e.g. the Article 96 procedure of the previous Cotonou Agreement with African, Caribbean and Pacific states), relatively clear benchmarks and a designated interlocutor in the European Commission. Yet the EU has struggled to apply these strengths consistently in Ethiopia. The commission postponed direct budget support in December 2020, with continuation of that support conditional on the Ethiopian federal government's resumption of support for full humanitarian access, cessation of hostilities and accountability for human rights violations without formally invoking Article 96. Meanwhile, some EU member states continue to provide bilateral development support to Ethiopia. As of September 2022, the EU had yet to establish a common position on the conditions that Ethiopia should meet for budget support to resume.

In that same period, the US lifted aid restrictions that had been imposed in response to concerns over regional impacts of Ethiopia's hydropower dam project, and subsequently applied sanctions only on specific individuals alleged to be involved in human rights abuses in the Tigray conflict.

The World Bank, meanwhile, approved a further $745 million in grants and loans for Ethiopia, but negotiated differentiated implementation arrangements. Government systems implement activities in areas that are classified as not being at risk of conflict, while independent implementation and third-party monitoring are used in contested areas such as Tigray. Support to internally displaced people, meanwhile, is provided through community response plans.

Sources: Meldrum, A. (2021), 'EU Postpones $109 million aid to Ethiopia over Tigray access', Associated Press, 16 December 2021, https://apnews.com/article/addis-ababa-ethiopia-europe-f74c70c42b7058a4 1c603477609531e4; Solomon, S. (2021), 'US Restoration of Foreign Aid to Ethiopia Signals New Course' Voice of America News, 25 February 2021, https://www.voanews.com/a/africa_us-restoration-foreign-aid-ethiopia-signals-new-course/6202535.html; World Bank (2022), 'Vulnerable Ethiopians to Benefit from $745 Million in Grants for Improved Access to Health Services and Flood Management Projects', press release, 13 December 2022, https://www.worldbank.org/en/news/press-release/2022/12/14/vulnerable-ethiopians-to-benefit-from-745-million-in-grants-for-improved-access-to-health-services-and-flood-management.

In such situations, it can be helpful for donors to consult on their intended *ex ante* conditions and the minimum actions they require national actors to undertake for aid to flow. These consultations can happen in the recipient country, as well as in donor countries: often in estranged circumstances, this process also involves informal consultation within the executive boards of relevant multilateral entities so that there is early and basic understanding of expectations, including for implementing partners. Where donors have withdrawn their political or diplomatic presence, regular regional meetings may facilitate frank exchange and build trust, including with partners remaining on the ground and, where appropriate and safe, with local actors. Such meetings can also provide a means of engaging the perspectives of neighbouring countries on potential approaches and mitigating measures.

Donor coordination mechanisms, such as humanitarian appeals or multi-donor trust funds (MDTFs), provide transparent platforms to discuss governance criteria, needs and targets with actors including authorities, local civil society or communities. They can also facilitate exchange on assessments of the impact of different conditions or the conduct of conflict sensitivity and political economy analyses. Good examples of the use of MDTFs to coordinate dialogue and governance criteria occur both in situations where there is little progress in direct political dialogue (e.g. Three Diseases Fund in Myanmar) and in those where there is an established track of political dialogue (e.g. Afghanistan Reconstruction Trust Fund–ARTF).

Considerations for the design of programme conditions

Even where donor political conditions are aligned, this does not always translate into clear programme conditions or joined-up aid disbursement. In politically estranged situations, tailored design of programme conditions can reflect donor principles and political positions, including those on human rights obligations.

Core commitments with *de facto* authorities in development and humanitarian programming include non-discrimination (e.g. gender, ethnic or regional); non-interference in recruitment and procurement; financial transparency; and access for monitoring and reporting.

These basic conditions have the advantage that they can be common to development and humanitarian instruments. They are also easy to understand and communicate to national partners and authorities. By negotiating parameters together, donors can support more efficient implementation by international and local NGOs and ensure that conditions have a greater impact.[59] In some settings, this may include developing a shared understanding of what instances of non-compliance may be tolerable – for example, the maximum aid 'tax' that may be paid by international and local humanitarian, development or peacebuilding actors.

Subnational programme conditions – where criteria are applied to provincial, district or local areas – are often a better choice than 'all or nothing' national conditions. This is especially the case in situations where relations between central and provincial elites are strained or where national authorities have limited control or influence over local actors. For example, in the community-based programmes proposed as part of the most recent tranche of disbursements of the ARTF in Taliban-governed Afghanistan, districts and communities can be individually suspended pending investigation of complaints or problems found in supervision.

In Syria, donors are exploring area-based early recovery initiatives, based on UN-led localized needs assessments and conflict analysis, and working with local communities and associations. Under this initiative, aid is delivered to municipalities and areas willing to meet established criteria, including non-interference by national authorities, through joint programming arrangements with local NGOs. Access and impact are closely monitored by the UN Risk Management Unit. Such approaches can help mitigate information gaps and build more detailed analyses of local conditions, dynamics and partners.

Box 9. Responding to estrangement: the UN's approach in Sudan

Sudan's military coup of October 2021 stalled a fragile political transition and deepened the country's economic crisis which the increase in global food prices has further impacted. 15.8 million people, or one in three people in Sudan, require humanitarian assistance. By August 2022, more than 3.7 million people were internally displaced. Negotiations with coup leaders are under way under the joint leadership of the UN peace operation in Sudan, the AU and the subregional Intergovernmental Authority on Development (IGAD).

In this politically estranged environment, the UN country team – under the leadership of the UN deputy special representative/resident coordinator/humanitarian coordinator – developed a joint approach to working in Sudan. The UN 'Common Approach' identified three priority areas for UN engagement in the absence of a national

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59 Moayed, T. and Guggenheim, S. (2021), unpublished paper on Afghanistan provided to UN and World Bank stakeholders.

development plan or partnership framework: i) basic services, community stabilization and resilience; ii) protection of civilians and efforts to respect human rights and uphold the rule of law; and iii) democratic transition, peacebuilding and conflict prevention.

These priorities reflect the critical links between humanitarian delivery and potential peacebuilding, and are directed at supporting people and communities in the context of the political and economic crisis. The UN peace operation's and UN agencies' strategy and work plans were adjusted to support delivery of these priorities in Sudan.

The UN socialized its approach at the technical level with key line ministries in Sudan and consulted with regional and international partners prior to finalizing this temporary framework to guide action until December 2023.

Sources: UN (undated), 'UN in Sudan: Common Approach and Priorities', unpublished paper seen by authors; and interviews with UN officials, February 2023.

Monitoring implementation of political and programme conditions

Early clarification of how conditions will be monitored and assessed can support their effective application. In estranged settings, the use of credible and accessible independent information sources to monitor progress can help maintain donor alignment and reduce risks of selectivity. UN or regional human rights reporting mechanisms can provide internally recognized and transparent frameworks for monitoring sanctioned governments. In some cases, regional organizations may have better knowledge of and access to local actors. Human rights and security governance in internationally sanctioned Burundi, for example, was monitored by AU human rights and military observers from 2015 and a UN Commission of Inquiry from 2016. World Bank, IMF or regional development bank economic data can offer authoritative and comparative assessments of authorities' revenues and expenditures.

As a crisis evolves, it is essential to conduct regular reviews of both how political conditions are applied in the design and establishment of aid programmes and how insights from programme implementation should inform political conditions. The EU's initial political conditions for engagement with the Taliban, for example, did not explicitly include access to education for girls. But this was added in response to the Taliban's prohibition of girls' secondary education. In turn, the additional condition affected continued EU financing for education in Afghanistan and led to the suspension of a World Food Programme initiative to provide food at secondary schools. Monitoring and assessment of political and programme conditionality application may require in-country presence and dedicated capacity, whether bilaterally or jointly funded and managed.

Likewise, issues emerging from programme monitoring, such as authorities' interference or diversion by armed groups, may need to be addressed through higher-level political conditions. Donors and implementing partners can help prevent delayed policy responses or operational stasis by identifying in advance

procedures for situations in which: (i) programme monitoring reveals a serious breach of a political condition, e.g. on human rights; (ii) political conditions are not met but it is not clear whether national authorities or local actors are responsible; or (iii) national or local authorities react to a breach of programme conditions with an action that runs counter to political conditions (e.g. executing or carrying out severe physical punishment on thieves (Chapter 5).

Donors and implementing partners need to consider the extent to which they are prepared to suspend all but the most urgent life-saving assistance in response to breaches of conditions.

Ultimately, donors and implementing partners need to consider the extent to which they are prepared to suspend all but the most urgent life-saving assistance in response to breaches of conditions. The Taliban's mounting restrictions on women's education, employment and public access offer a current stark example. Assessment must include the reputational risk for donors; the extent to which the estranged regime is cohesive and whether there is scope for alternative internal voices; the extent to which aid programmes are being instrumentalized; whether human rights abuses are worsening as a consequence of aid; or whether corruption is preventing aid objectives from being met. Those determinations are highly sensitive and rely on political, humanitarian and development assessments of the calculations of ruling authorities, economic elites and local actors. They underline the need for integrated analysis, as well as sustained dialogue among political, humanitarian and development actors, including on the consequences of suspending aid.

Options for dialogue during estrangement

The need for dialogue

Even under the most strained of relations, it is almost impossible for donors and international partners to avoid some form of exchange with national authorities. The need for prudent dialogue was a recurrent theme in interviews with development practitioners for this paper. Dialogue is critical to communicate positions, exchange information and understand the perspectives and priorities of often fractured recipient authorities. It is also essential to negotiate the conditions for aid and to assess opportunities for leverage.

Many interlocutors highlighted the opportunity that dialogue provides to prevent further deterioration, foster modest improvements in governance and, where opportune, explore options for re-engagement. A form of dialogue that offers opportunities to go beyond the negotiation of immediate conditions such as access is imperative, if transition and exit from estrangement are to be explored.

Dialogue is also critical to foster ownership, even if limited to local or sectoral communities or areas.[60]

Yet dialogue is also fraught with risk. Engagement with sanctioned authorities or groups, especially those espousing violent and extreme beliefs, may be prohibited other than for designated political actors and/or humanitarian agencies. Limited contact and information can make it hard to assess power dynamics and influence among ruling elites and sources of practical authority. Confidentiality can also be a concern. Donors need to be able to navigate these risks to deliver assistance as well as to explore opportunities to progressively re-establish development partnerships.

Degrees of estrangement and dialogue options

The options for dialogue with politically estranged authorities depend on the extent of estrangement. At one extreme, non-recognition by the UN General Assembly, international sanctions on individuals and groups or a record of grievous human rights abuses can lead donors and multilateral bodies to prohibit almost all forms of contact between their staff and national authorities. This is currently the case for some donors in Afghanistan, Syria or for the Ansar Allah in Yemen. In such cases, contact is restricted to political and essential humanitarian channels through a designated interlocutor, often a specially appointed senior UN official.

More frequently, governments may limit formal contacts with estranged authorities to signal their political position and to avoid appearing to legitimize an unconstitutional regime. In such cases, dialogue is not prohibited but curtailed in frequency and depth. This is sometimes the case in post-coup countries, such as Burkina Faso, Mali or Myanmar. Often, the form and nature of donors' contact with national authorities are shaped by national policy and domestic political considerations and may change depending on the government in power, as, for example, recent US interactions with Venezuela illustrate.

In other cases, there may be a significant rupture in relations but continued exchange and dialogue between diplomatic and development representatives. This has been the case, for example, in Burundi, Haiti and Zimbabwe. The EU has a framework for structured dialogue with aid recipients on the issues under dispute during periods of estrangement. The AU has a 'Panel of the Wise', composed of senior mediators who may engage in dialogue with national authorities on behalf of the AU in a wide range of crisis settings.[61]

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60 World Bank (2005), *Review of World Bank Conditionality*, https://documents1.worldbank.org/curated/en/228751468134390047/pdf/428690WP0Condi10Box327331B01PUBLIC1.pdf.
61 African Union (2002), *Protocol Relating to the Establishment of the Peace and Security Council of the African Union*, https://au.int/sites/default/files/treaties/37293-treaty-0024_-_protocol_relating_to_the_establishment_of_the_peace_and_security_council_of_the_african_union_e.pdf.

> **Box 10.** EU Article 96 dialogue arrangements
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> Until 2022, and pending ratification of a successor arrangement, the Cotonou Agreement governs development assistance and trade cooperation between the EU and 79 African, Caribbean and Pacific countries. The text of the Cotonou Agreement describes human rights, democratic principles and the rule of law as 'essential elements' of partnership and establishes arrangements for regular political dialogue between the EU and its partner countries.
>
> Article 96 sets out procedures for instances of non-compliance and where political dialogue has been exhausted. A consultation procedure is formally initiated and conducted with the partner government over 120 days. If no agreement is reached, calibrated EU measures may be introduced with 'as little negative impact as possible on the population'. These can include precautionary measures or the suspension of projects, programmes and other forms of aid. Suspension of development assistance is considered a last resort.
>
> The adoption, extension or repeal of Article 96 measures is a political decision taken by the Council of the EU and publicly communicated. The consultation procedure allows the European Commission to monitor and continue dialogue with non-compliant partners with the goal of reaching a mutually acceptable solution, usually in the form of a roadmap setting out steps to be taken by the country involved.
>
> Source: European Council/Council of the EU (undated), 'Cotonou Agreement: Article 96 - Essential elements: consultation procedure and appropriate measures as regards human rights, democratic principles and the rule of law', https://www.consilium.europa.eu/en/policies/cotonou-agreement/text-article-96.

At the other extreme of 'no contact' situations is the plethora of dialogues that can often emerge when formal development partnerships and forums are suspended. These can work at cross purposes, sending conflicting signals to national authorities as to donor priorities, encouraging national actors to assume that normal relations are resuming or even to play donor demands off against one another. Coordination of donor dialogue is especially sensitive in situations of transitions from estrangement to a return to constitutional order. As Box 11 on Sudan illustrates, when political, development and human rights dialogues are not sufficiently linked, political and economic expectations placed on national actors can become disconnected, threatening any tentative opportunities for reform.

Box 11. Sudan's transition and the unintentional overload of political and economic expectations

In April 2019, Sudanese president Omar al-Bashir was ousted in a military coup. The AU suspended Sudan's participation, and both the AU and the UN engaged with *de facto* authorities through their respective designated envoys. A civilian-led transitional government was installed following protests by citizen-led groups, with the signing of the Juba Peace Accord later that year.

Donors engaged with the new regime to support both the Juba Peace Accord and a roadmap back to constitutionality, as well as the recovery of a near-collapsed economy. This involved discussions on the roadmap to elections and on accountability for past human rights abuses by the military. For Sudan to access much-needed funding, the question of arrears clearance needed to be first addressed. In June 2021, the executive boards of the World Bank's International Development Association (IDA) and the IMF determined that Sudan had taken the necessary steps to qualify for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) initiative. Under an Extended Credit Facility, an ambitious set of reforms was agreed, to be implemented over three years. Those reforms included measures to increase domestic revenue mobilization and reduce energy subsidies. Governance and transparency measures were also to be implemented, especially in state-owned enterprises. The reforms impacted the cost of living among the population, as well as targeting the autonomy that the military had previously enjoyed in the energy sector. In effect, both the political/security/justice angle and the economic angle put the military under pressure at the same time.

While cooperation between political envoys, regional organizations, donors, the UN peace operation and IFIs appears to have been positive, it is unclear whether international actors were sufficiently aware of the scale of the cumulative pressure that the reforms put on the military and the resistance this generated among military officers. In October 2021, the military staged a coup against the transitional government, sending the country into another cycle of crisis.

Sources: African Union (2023), 'Sudan suspended from the African Union', news article, 10 February 2023, https://au.int/en/articles/sudan-suspended-african-union; US Embassy in Sudan (2020), *Sudan 2020 Human Rights Report*, https://sd.usembassy.gov/wp-content/uploads/sites/257/SUDAN-2020-HUMAN-RIGHTS-REPORT.pdf; IMF (2021), 'Sudan to Receive Debt Relief Under the HIPC Initiative', press release, 29 June 2021, https://www.imf.org/en/News/Articles/2021/06/29/pr21199-sudan-to-receive-debt-relief-under-the-hipc-initiative.

Considerations for dialogue design and content

Entry points for dialogue: political, socio-economic and humanitarian strands

Most structured dialogues between international actors and national authorities in politically estranged settings are guided by two objectives: (i) to address and mitigate the negative consequences of estrangement – political, security, social and/or economic; and (ii) to explore opportunities to tackle and, where possible overcome, the sources of rupture. Inevitably, a range of issues emerge, usually interlinked. Our examination of case studies indicates that all dialogue with national authorities in estranged settings should be understood as a negotiation that, to be successful, must weave together political, humanitarian, development and human rights issues and considerations.

However, a restricted dialogue format is too often understood to be limited to political matters, conducted only by political or diplomatic representatives. Political mediation needs space and discretion, especially during sensitive early exchanges. A crowded or poorly sequenced agenda can be a barrier to effective exchange and trust-building. But political and operational constraints, as well as bureaucratic interests, often tend to encourage dialogue silos, especially in settings with high international or domestic visibility. For example, the UN secretary-general's designated representative usually focuses on political issues, with dialogue on economic development and humanitarian issues undertaken in parallel by the UN resident and humanitarian coordinator. Donor governments may also opt for siloed dialogue, especially where strategic and security interests are at stake and a range of government offices involved. In some contexts, development officials and IFIs may self-censor for fear that dialogue may stray into political issues for which their organization does not have a mandate.

In politically estranged situations, the barriers to alignment – across donors, across sectors, and between HQ and field leaderships – tend to increase. Precisely because of the political salience of these estranged situations, the economic and development drivers that are often central to them can be subordinated and field-level initiatives can be blocked by HQs and governments.

Practitioners consulted for this paper considered economic, humanitarian and development issues to be intrinsic to any dialogue. Issues such as distribution of resources and funding flows are deeply political, and cannot be delegated to development actors alone, especially in contexts where international sanctions are imposed. Targeted aid programmes, meanwhile, can contribute to broader political objectives, as the UN Peacebuilding Fund's support for social cohesion and empowerment initiatives during Burundi's estrangement in 2015–20 illustrates.[62] In some settings, economic and humanitarian concerns may provide entry points for political dialogue that is otherwise blocked. Economic assistance can also act as a powerful incentive for engagement. This was the case in Myanmar under the previous military junta (Box 12).

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62 Bouka, Y. et al. (2021), *Third Portfolio Evaluation of the UN Peacebuilding Fund Support to Burundi (2014–2020)*, https://www.un.org/peacebuilding/sites/www.un.org.peacebuilding/files/documents/pbf_burundi_portfolio_eval_final_101521.pdf.

Box 12. Economic, humanitarian and regional entry points for dialogue in Myanmar

Following the 1962 coup in Myanmar, little progress in political dialogue was achieved for 45 years. The country's development indicators and the quality of its administration and government services plummeted, and Myanmar became a significant source of destabilizing regional spillovers. Eventually, protests by monks and citizens – sometimes called the 'Saffron Revolution' – resulted in the military regime launching a new constitution in 2008 and establishing a pathway to democratic elections.

In this situation, the role of economic and humanitarian entry points for dialogue with the regime was important. These included the Three Disease Fund, launched in 2006 as a different and more ring-fenced aid modality to compensate for the suspension of the Global Fund for Aids, Tuberculosis and Malaria support; a complaints mechanism on the victims of forced labour, starting in 2007 with International Labour Organization support; the role of ASEAN, the UN and the World Bank in completing a joint assessment mission after Cyclone Narghis in 2008; and an ongoing regional dialogue on trafficking during the 2000s. The IMF consultations in the late 2000s and early 2010s also provided a strong platform for information exchange and donor understanding of trends in the country, which facilitated dialogue. The UN and IFIs worked within tightly drawn parameters for determining the type of contact with authorities and issues to be discussed. But those organizations were able to navigate these constraints and move the dialogue forward to a genuine opportunity for opening and return to constitutional order

Myanmar has, tragically, since returned to military rule. Yet, to the extent this has lessons for donors, those are probably more to do with the speed of the shift to large-scale traditional development aid disbursements after elections in 2015, rather than rather more prudent shifts in modality made by donors in the 2000s and early 2010s. These shifts did not determine the political outcome, but they accompanied and supported domestic and regional dynamics for opening.

Sources: https://hivinfo4mm.org/from-the-three-diseases-fund; ILO (undated), 'ILO in Myanmar', https://www.ilo.org/yangon/country/lang--en/index.htm; Creach, Y.-K. and Fan, L. (2008), 'ASEAN's role in the Cyclone Nargis response: implications, lessons and opportunities', *Humanitarian Exchange Magazine*, 41(2), 22 December 2008, https:/odihpn.org/publication/asean%c2%92s-role-in-the-cyclone-nargis-response-implications-lessons-and-opportunities; and knowledge of CIC–Chatham House project team, two of whom who held senior positions in the multilateral system related to Myanmar during some of this period.

Working via an empowered interlocutor

Skilled, designated interlocutors can help weave together these strands. It is essential that they are empowered to play this role.[63] Empowerment includes being able to draw on the expertise of bilateral and multilateral donors, as well as academic and civil society knowledge. Specialized and reinforced

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[63] A point also highlighted in the DAC Recommendation. See OECD (2019), 'DAC Recommendation on the Humanitarian-Development-Peace Nexus'.

staff or secondments, including individuals with macroeconomic and risk-management capacities, can be essential for a designated interlocutor to facilitate effective exchanges.

The selection of an empowered interlocutor must be determined by the degree of authority, trust, knowledge and relationships that an organization, state(s) or individual figure carries in each context. The UN can often play a key role in convening careful dialogue, building on the comparative advantage of the breadth of its mandate and expertise, as well as its field presence in most countries. In geopolitically contested settings such as Syria, the UN may be the only institution whose legitimacy is accepted by global and regional powers. There are many ways in which the UN interlocutor role can be conducted: for example, via a specially appointed representative of the secretary-general; the senior UN leader in-country (i.e. resident or humanitarian coordinator); regional economic commissions; or – particularly where economic and development areas are entry points and strong relationships exists – specialized UN agencies.

Some of those interviewed for this paper felt that regional and subregional entities – such as the AU, the Economic Community of West African States (ECOWAS) and the EU – may be well placed to engage estranged authorities, as they do not represent a single national agenda or sector. Some European Commission officials, for example, considered that it might be easier for the EU than for its member states to maintain communication with authorities and to counter disinformation. EU delegation presences in Afghanistan and Myanmar reflect this thinking.[64] Where a regional organization is designated as an interlocutor, its communication and coordination capacities may need to be reinforced.

Those conducting dialogue on behalf of a broader group of governments or the UN might consider their role as providing a platform to reflect a range of perspectives to national authorities, within the limit of 'no contact' rules, confidentiality and logistical considerations. In Libya, for example, the UN special representative drew on a range of organizations to support planning for a National Conference in 2018 and 2019, benefiting from their expertise while facilitating contacts between them and Libyan actors.[65] South–South exchanges can be a key element of support in dialogue: in Liberia in 2005–08, for example, the AU and ECOWAS led communication with authorities on the need for strong measures to contain corruption, an effort supported by the UN, the World Bank, the IMF, bilateral donors and regional states.[66] The g7+ group of fragile and conflict-affected states have also been able to enter into frank dialogue with members such as South Sudan, which have become estranged from donors.

Consideration should be given to the rank of the official involved, as well as their skills, experience and convening power. In some cases, the level of representation in dialogue discussions can encourage higher levels of

64 Interviews by the authors for this study, May–June and October–November 2022.
65 This included political, economic and security experts, some of whom were supported through funding by the Open Society Foundations. The outbreak of fighting in 2019 led to the postponement of the National Conference.
66 Dwan, R. and Bailey, L. (2006), 'Liberia's Governance and Economic Management Programme (GEMAP)', joint review, UN Department of Peacekeeping Operations' Peacekeeping Best Practices Section and World Bank's Fragile States Group, May 2006, http://www.un.org/Depts/dpko/lessons.

engagement from authorities and donors; help ensure appropriate political support from HQ leadership; and strengthen advocacy for exceptional measures when needed. However, such initiatives should be demand-driven. Otherwise, high-level meetings could risk deflecting staff time and energy from other opportunities, especially those where quiet diplomacy or engagement with mid-level reformers is gaining traction. In other instances, politically estranged authorities may be more responsive to low-key, technical-level initiatives.

Expanding dialogue options

A central theme in consultations with practitioners for this paper was the need to ensure that political, economic, development and humanitarian discussions are more systematically aligned in ways that are mutually supportive and reinforcing. This could be achieved by repurposing existing coordination frameworks or by creating new ones. The suspension of normal development partnerships in Zimbabwe, for example, led to the establishment of transitional funds for the healthcare, education and child protection sectors. Each fund is managed by a steering committee, bringing together the main donors in the sector, the UN and government. The funds are designed to support coordination among donors, as well as alignment with government policies – notwithstanding the existence of sanctions. According to one review, the funds 'have assisted in building relationships between donors and line ministry officials which in some cases had been non-existent or problematic for several years'.[67]

Exploring dialogue in politically estranged situations requires fostering a culture of some risk where opportunities can be taken and internal silos navigated.

In all politically estranged contexts, expanded dialogue and consultation with subnational bodies and local communities is essential. This is especially the case for the design of conflict- and context-sensitive programme conditions. Dialogue and consultation include explaining, debating and socializing political and programme conditions (such as the representation of women and anti-corruption controls) with a broad range of local actors, over repeated rounds of consultations. There are good examples to draw from. In newly independent Timor-Leste, the publication and communication of programme conditions helped build national acceptance.[68] The 2012 Somalia Stability Fund, a multi-donor initiative to strengthen local governance and mitigate conflict, deliberately did not detail

67 Salama, P., Ha, W., Negin, J. and Muradzikwa, S. (2014), 'Post-crisis Zimbabwe's innovative financing mechanisms in the social sectors: a practical approach to implementing the new deal for engagement in fragile states', *BMC International Health and Human Rights*, 14(35), 14 December 2014, https://doi.org/10.1186/s12914-014-0035-6.
68 Interviews with former UN and World Bank officials, July 2022.

a desired end-state, but rather engaged local actors on how to address governance problems in the absence of fully recognized central authorities.[69]

Dialogue that incorporates economic, development and humanitarian perspectives may also be important to prevent global and regional spillovers. IMF staff have proposed an exercise of developing 'guardrails' to mitigate the impact of growing geo-economic fragmentation, such as processes to ensure continued imports and exports of food and other basic goods.[70] In Myanmar, issues such as global health and trafficking have been successfully used in the past as entry points for dialogue. This is a promising area of cooperation between the UN and IFIs.

Ultimately, exploring dialogue in politically estranged situations requires fostering a culture of some risk where opportunities can be taken and internal silos navigated. It requires recognition by political actors that social and economic development issues are central to the ruptured relations between donor governments and national authorities. It requires acknowledgement by development and humanitarian actors that they cannot enter dialogue without political support and some coordination. Since the margin of authorization of action is often unclear to practitioners in the field, it may mean issuing guidance from HQ to reinforce this link and recognize the contribution that development actors can make to dialogue in estranged settings.

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69 Laws, E. (2018), 'Thinking and working politically in Somalia: a case study on the Somalia Stability Fund', ODI, 1 May 2018, https://odi.org/en/publications/thinking-and-working-politically-in-somalia-a-case-study-on-the-somalia-stability-fund.
70 Aiyar et al. (2023), *Geo-Economic Fragmentation and the Future of Multilateralism*.

05
Modalities for delivery and oversight

There is no 'one size fits all' response to politically estranged settings. This chapter outlines a menu of modalities for delivering aid in estranged settings that can be effective in meeting urgent needs, preserving local capacity and institutions and increasing resilience, while also navigating political and practical constraints in both recipient and donor countries.

As the number of politically estranged situations has risen, the lack of a shared upfront understanding on the options available for delivery and oversight of aid is resulting in significant delays in decision-making. The case of Afghanistan after the Taliban takeover in August 2021 is a stark example. Post-takeover, bilateral donors and the World Bank took more than a year to agree what to do with the $1.2 billion held in the country's largest funding vehicle, the ARTF.

Reviews of both evidence and country case studies show that there is a set of proven modalities to inform decision-making and enable a timely response in a range of different politically estranged contexts. These modalities can be effective in meeting urgent needs, preserving local capacity and institutions and increasing resilience, while also navigating political and practical constraints in donor and recipient countries.

A menu of options for delivery modalities

As previous chapters have described, the modalities for the delivery of aid in politically estranged situations must meet a number of criteria to be both politically feasible and practically effective:

— Modalities must reflect and respond to priorities in donor domestic debates, including meeting individual human needs, preventing spillovers, navigating geopolitical competition and providing value for money.

— Modalities need to include provisions to identify risks of estranged governments using aid for legitimization purposes, human rights abuses or corruption. Modalities also need to include arrangements enabling donors to quickly identify and robustly act on incidences of abuse.

— Proposed modalities must incorporate the conditions and dialogue arrangements necessary to accompany delivery and oversight activities.

— Where possible, modalities that maintain and foster domestic capacity and accountability in the recipient country are preferable to those that rely heavily on international capacity.

Figure 6 shows a spectrum of potential modality options for estranged situations that can meet these principles. Those options are drawn from past practice in different countries and practitioner interviews. 'Risk' refers to donors' assessment of the risks of being perceived to support unconstitutional, abusive or sanctioned authorities, and the need to provide options that will sustain support from donor constituencies. 'Willingness' refers to the national authority's willingness to compromise on donor modalities and oversight requirements.[71]

Figure 6. Menu of options for delivery modalities
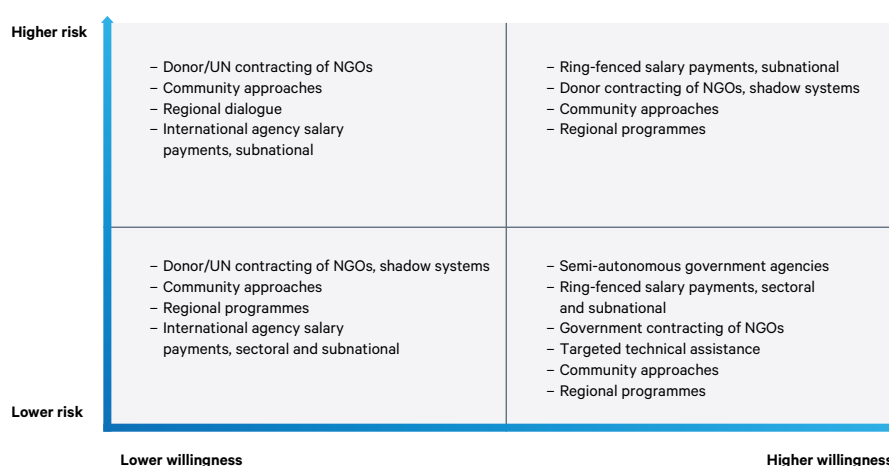
Note: 'Risk' refers to donors' assessment of the risks of being perceived to support unconstitutional, abusive or sanctioned authorities. 'Willingness' refers to the national authority's willingness to compromise on donor modalities and oversight requirements.

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71 The categorization of risk and willingness is indicative; in some situations, different levels of risk and will to cooperate may coexist in different parts of the country in question.

Not all of these options are technically feasible in every situation, depending on infrastructure, institutions and capacities, as well as prior development relations and partners in each country and alternative aid sources available to national actors. Potential options will need to be comparatively assessed against criteria, most importantly including political feasibility. The choice of modalities is therefore an iterative process.

In considering modalities for their technical, as well as political, feasibility, it is important to distinguish those that are relatively short-term from those that may be useful to the recipient society in the longer term:

— **Long-term development modalities applicable in politically estranged environments.** States at all stages of development and governance use semi-autonomous government agencies, community-driven development programmes and regional programmes. These are particularly useful in circumstances where relations between the donor and the national authority are limited or strained. Semi-autonomous agencies have more limited application in estranged situations than community-driven development mechanisms, as discussed below.

— **Short-term or interim modalities.** These include ring-fencing expenditures in relevant ministries or at local level, and contracting NGOs to deliver services typically provided through government systems and institutions.

Box 13. Choosing modalities to fit different levels of risk and national authority willingness to compromise

Taking a hypothetical example, following a military coup in country X, donors have suspended budget support to the government that included allocations to education. Donors recognize the need for teachers to be paid to keep children in school, preserve opportunities and avoid pressure to migrate.

Several options exist for how to provide such support to teachers:

— Supporting the education ministry with tight ring-fencing and monitoring of salaries, disbursing those salaries into a separate account and monitoring payment;

— Supporting local districts willing to comply with such provisions with a similar ring-fenced account for salaries;

— Creating a 'dual-key' system whereby decisions around recruitment and funds disbursement are signed off by regional or international personnel placed in national or subnational educational institutions;

— Incorporating teachers' salaries within a community-driven programme in which funds are held and disbursed at community level;

— Paying teachers' salaries via a UN agency such as UNICEF, which accepts responsibility for monitoring;

— Administering salaries via a private company, which accepts responsibility for monitoring; or

— Contracting NGOs to pay salaries and run services.

In certain cases – e.g. where international sanctions prohibit all contact with members of a particular movement or party, but that party consistently holds legal and financial decision-making positions at national or local level – the first three options may not be possible. If proscribed individuals or organizations are only present in political positions that have no direct technical engagement in education, those options may be considered.

Choices between this set of options are dependent on risk of interference by proscribed authorities or individuals, as well as access, capacity, cost and security considerations.

Long-term delivery modalities

Community-driven approaches

Many development programmes claim to consult with communities in some shape or form.[72] This paper uses the following definition of community-driven approaches:

> Community approaches are defined as programmes that are focused on localized development, and transfer development funds directly to a local governance body that is not dependent on the national administrative system, often but not always with the assistance of NGOs. Local governance bodies of relevance can include local administrative councils, elected community development bodies, traditional local-level leadership or even, at the definition's margins, autonomous village government.[73]

Community development programmes can be designed with almost any degree of government involvement, from full ownership to no involvement in fund-flow or selection of projects, hence adapting to different degrees of risk. There are three steps to establishing a programme, each customized to different country contexts:

1. identifying the right local social-cooperating unit to work with;

2. adapting financing modalities to enable the unit to directly receive funds; and

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72 The title 'community-driven' can mask dramatic differences in content, with implications for issues such as corruption, capture and responsiveness to local needs. A case study comparing Kenya with Indonesia provides a useful, detailed example of this. See Ensminger, J. (2017), 'Corruption in community-driven development. A Kenyan case study with Insights from Indonesia', Chr. Michelsen Institute U4 Anti-Corruption Resource Centre, 2017(9), https://www.u4.no/publications/corruption-in-community-driven-development-a-kenyan-case-study-with-insights-from-indonesia.

73 Academic definitions of civil society include community organizations and local councils. However, in development, CSOs are usually equated with NGOs. The distinction matters because most NGOs are urban-based and travel to their delivery sites, whereas local and community organizations offer certain advantages in terms of ownership and sustainability that are of particular value in fraught environments. This definition is drawn from a written contribution prepared as input for this paper and from which this chapter draws: Guggenheim, S. and Petrie, C. (2022), 'Alternative aid modalities: Community Development', New York: Center on International Cooperation, https://cic.nyu.edu/resources/alternative-aid-modalities-community-development.

3.   mobilizing facilitators who work with groups to identify and deliver on local priorities.

Box 14. When donor practice undermines local communities:
the case of Syria

The Syrian uprising against the government of Bashar al-Assad began in the city of Daraa in March 2011. As the conflict expanded, intense fighting took place in Daraa between the Syrian government and Free Syrian Army forces. Ad hoc civilian groups, known as Local Administrative Councils (LACs), sprang up throughout opposition-held territory to provide basic services to communities.

International donors voiced support for these efforts. Some donors encouraged the establishment of parallel local coordination structures (e.g. Assistance Coordination Units) to channel and manage funds, and to avoid having to go through extensive vetting processes to comply with sanctions and anti-terrorism legislation. In other instances, donors contracted LACs and CSOs to undertake development activities for which they did not have the experience and, in some cases, popular support to carry out effectively.

The plethora of uncoordinated initiatives and funds undermined organic community structures and reinforced competition between them. Armed groups were often the primary beneficiaries in emerging localized conflict economies, especially in border areas such as Daraa. Case studies also suggest that funding imperatives may have encouraged LACs to be less transparent about challenges that could impact donor support, while the short-term nature of most grants led LACs to work on a project-to-project basis, rather than developing longer-term or integrated community-wide plans.

Sources: Contributions from Charles Petrie and Tayseer Alkarim; Ali et al. (2015), *Countering the logic of the war economy in Syria; evidence from three local areas*; Hajjar, B. et al. (2017), 'Perceptions of Governance – The Experience of Local Administrative Councils in Opposition-held Syria', swisspeace, January 2017, https://reliefweb.int/report/syrian-arab-republic/perceptions-governance-experience-local-administrative-councils.

Community development experts Scott Guggenheim and Charles Petrie highlight how community programmes offer some attractive features for donors hoping to provide basic development aid and support to community resilience:

'Most build or repair basic services infrastructure (such as clean water, primary health clinics, schools, market roads or farm irrigation) or support basic livelihoods. Community programmes can cover large areas quickly: Timor-Leste's community programme, for example, covered the entire country within nine months of independence and transitional government. The programme provided burned-out communities with the means to support vulnerable families, begin village reconstruction and plant fields with food crops. In conflict situations, community programmes may contribute to building trust, as when opposing Christian and Muslim groups in Indonesia's Maluku province agreed that inter-village development forums were neutral territory'.[74]

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[74] Ibid.

> **Box 15.** Guarding against predation: Afghanistan and Syria
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> In Afghanistan's National Solidarity Programme, the World Bank and the government negotiated a special 'high risk areas strategy' manual of adapted fiduciary controls for areas where direct oversight in Taliban-controlled regions was too dangerous. Third-party monitoring affirmed its efficacy.
>
> In Syria, by contrast, assistance to local governance structures was suspended, owing to fears of encroachment by internationally proscribed armed groups. This ended up facilitating the takeover of the affected communities by better-funded extremist forces.
>
> Source: Guggenheim and Petrie (2022), 'Alternative aid modalities: Community Development'.

Community programmes involve direct transfers to local bodies and thus, in principle, they can navigate intermediate bureaucratic diversions and risks of capture by either national or sanctioned elites or political partisans.[75] There is no evidence that community-based assistance increases legitimacy for national authorities. For example, popular support for the Afghan national solidarity programme run by village councils from 2002 neither mitigated local anger about rising levels of violence and corruption nor led to increased support for the national government.[76] Because community programmes depend on local committees, committee design can be nudged towards inclusion of marginalized people such as women and young people, including them in helping to inform and monitor the targeting of humanitarian aid. And, because such programmes involve some degree of community monitoring, they potentially provide a means to verify the quantity and quality of aid delivered to communities – a challenge for donors in unsettled or inaccessible environments.[77]

Donors supporting community programmes must anticipate the risk that community members or facilitators are targeted by opposing parties. This means establishing in advance with community partners agreed procedures to navigate interference or threats, including the potential suspension of activities and arrangements for protections. Care is also required in selecting appropriate partners to implement the many small grants and support facilitation needed, which can help communities maintain their independence. This includes establishing appropriate sanctions-related vetting procedures that local networks, international NGOs and UN agencies can support.

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75 Even here, care should be taken to avoid concluding that oppressive state actors can be automatically bypassed through direct transfers alone. In Afghanistan, there is little risk of the Taliban objecting to direct community transfers. But concerning Myanmar, some commentators suggest that direct transfers to communities in opposition areas could make those communities targets.
76 Beath, A., Christia, F. and Enikolopov, R. (2015), *The National Solidarity Program: Assessing the Effects of Community-Driven Development in Afghanistan,* Working Paper no. 7415, World Bank, https://ssrn.com/abstract=2662753.
77 Wong, S. and Guggenheim, S. (2018), 'Community-Driven Development: Myths and Realities', Working Paper no. 8435, World Bank, https://openknowledge.worldbank.org/handle/10986/29841.

Community-driven approaches can be a good long-term instrument for development, as their use at massive scale over more than 20 years in Indonesia, progressively via government financing, shows. They are not, however, a substitute for state-based institution-building in the long term. Care should be taken to ensure that community-driven approaches do not hollow out other forms of capacity. In some contexts, community modalities can be used in conjunction with others, such as the payment of ring-fenced salaries or expenditures to local authorities. It is also important that the design of such modalities be adaptive from the beginning. In Timor-Leste, for example, community structures were extremely successful in the early period of transition. But they adapted too slowly to the existence of democratically elected local authorities.[78]

Semi-autonomous and independent public agencies

Provided certain conditions are in place, semi-autonomous agencies can offer an important means of maintaining the provision of basic services and localized development support in politically estranged situations. Their use can be adapted to different levels of estrangement and risk: for example, in higher-risk cases, they can be combined with oversight mechanisms, as was the case with the central bank in Bosnia and Herzegovina (Box 20). Semi-autonomous agencies may have been in place before relations with national authorities deteriorated or may be established as a consequence.

The example of Yemen illustrates the importance of early and sustained investment in pre-existing delivery agencies where appropriate, and in combination with oversight and risk-mitigation measures.

Case studies point to two types of semi-autonomous institution used in politically estranged situations: national delivery agencies and development coordination bodies, which may incorporate an implementation role. For instance, in Yemen, the UN, World Bank and donor partners agreed early in the country's conflict to channel significant portions of their support through Yemen's pre-existing development infrastructure – namely the Social Fund for Development (SFD) and Public Works Project (PWP). The purpose was 'to provide short-term employment and access to selected basic services to the most vulnerable; and preserve implementation capacity of two service delivery programs'.[79]

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78 Cliffe, S. and Rohland, K. (2002), *The East Timor Reconstruction Program: Successes, problems and trade-offs*, World Bank, https://web.worldbank.org/archive/website00523/WEB/PDF/WP2.PDF.

79 World Bank Social Protection and Labor Global Practice, Middle East And North Africa Region (2016), *International Development Association Project Appraisal Document on a Proposed Grant in the Amount of SDR 35.7 Million (US$50 Million Equivalent) to the United Nations Development Programme for a Yemen Emergency Crisis Response Project*, 5 July 2016, https://documents1.worldbank.org/curated/en/276821468242019652/pdf/PAD1797-PAD-P159053-IDA-R2016-0183-1-Box396273B-OUO-9.pdf.

Factors that encouraged donors to adopt such an approach included a long-standing relationship of trust between Yemen's donor community and the SFD and PWP; the political and financial independence of these institutions; their ability to operate on both sides of the conflict; and the existence of sufficient delivery and fiduciary controls. The SFD and PWP's countrywide presence allowed services to be delivered at scale and through conflict-sensitive targeted criteria, helping achieve community buy-in.

These distinct features, to some extent, make Yemeni semi-autonomous agencies unique. However, the example of Yemen illustrates the importance of early and sustained investment in pre-existing delivery agencies where appropriate, and in combination with oversight and risk-mitigation measures. Where political conditions do not permit direct support to a national development agency, or where an existing agency lacks management capacity, interim 'shadow alignment' arrangements may help mitigate risks.

In some instances, the establishment of new agencies may be considered. This was the case for Lebanon's Council for Development and Reconstruction (CDR), established in 1977 during the country's civil war. The CDR was initially created to serve as a planning, coordination and resource-mobilization body but over time took on a more operational role. The establishment of semi-autonomous coordination bodies can provide an important risk-mitigation measure for donors that avoids the creation of an entirely internationally run operation. The Palestinian Economic Council for Development and Reconstruction (PECDAR) is another example. Established in 1993, it gave Palestinians a stake in rebuilding their territories while resolving capacity constraints and filling an institutional void at that time. PECDAR helped donors mitigate financial and reputational risks during repeated crises. However, its success created additional challenges, as it became too powerful, absorbing and channelling resources for other ministries and parties – i.e. the 'honeypot' effect.

Regional programmes

Regional aid programmes involve two or more neighbouring countries, and usually focus on cross-border issues that cannot be addressed at national level. These issues include, among others, climate change, natural resource management, displacement, migration, connectivity, infectious diseases and pastoralism. Engagement with several countries means that such programmes tend to be more insulated from national politics in any one country than community-based or national organizations.

Regional projects offer an important risk-pooling and/or mitigation mechanism for donors, focused on cross-country issues and global public goods. Regional programmes offer a built-in incentive to continue delivery, even when one participant undergoes upheaval. Incentives against disengagement may be stronger, as removing one country from a regional programme due to its domestic circumstances can mean that populations in other countries suffer. Regional projects can also offer an opportunity for dialogue on issues of relevance for donor and regional stakeholders, such as on human trafficking in Myanmar under the

previous military regime. In situations that are very high-risk and where there is low willingness to compromise – and where conditions may not exist for regional programmes – some form of limited regional dialogue may still be possible.

Box 16. Sahel Women's Empowerment and Demographic Dividend: a regional initiative

The Sahel Women's Empowerment and Demographic Dividend (SWEDD) is a joint programme by the UN and World Bank, initiated at the request of six countries – Burkina Faso, Chad, Côte d'Ivoire, Mali, Mauritania and Niger. Its objectives are to strengthen management of the region's growing youth population and to reduce gender inequality. The project is structured around several core components: increasing demand for reproductive, maternal and child health services; increasing availability of women's health workers and health commodities; increasing school enrolment among young and adolescent girls; and strengthening advocacy and dialogue around women's and children's health and the demographic transition. Launched in 2015, SWEDD has continued even as several of its participating countries have undergone political upheavals.

Source: UNFPA (undated), *Sahel Women's Empowerment and Demographic Dividend (SWEDD)*, https://wcaro.unfpa.org/sites/default/files/pub-pdf/SWEDD_ENG.pdf; World Bank (undated), 'Sahel Women's Empowerment and Demographics Project', https://projects.worldbank.org/en/projects-operations/project-detail/P150080?lang=en.

A note on technical assistance

It is important to consider the role of technical assistance in estranged situations. This may seem counter-intuitive: if institutions have been captured, in general the objective is not to strengthen them. Yet it is important to distinguish between technical assistance that benefits the regime in power, technical assistance to state institutions and technical assistance to civil society and citizens.

Technical assistance to state institutions needs to be carefully bounded, but can play important roles in preventing spillover, saving lives and opening pathways for a transition back to constitutional order and normalization of political and diplomatic relations. The following parameters should be used in considering the provision of technical assistance to any state entity:

— **Is the assistance necessary to save lives?** Examples include limited support for payments system and currency arrangements to permit cash assistance to citizens and communities for humanitarian and social protection purposes. Such assistance has become central in donor debates on humanitarian aid priorities in Afghanistan.

— **Is the assistance necessary for the country to uphold its international obligations?** Examples include managing international payments, debt, anti-fraud and trafficking measures, and obligations regarding refugees. This type of technical assistance was provided in a limited manner in Myanmar under the previous military regime, and has become an issue with regard to refugees in Afghanistan.

— **Does the assistance potentially benefit a return to constitutional order?** In post-coup Mali, for example, EU technical assistance in areas of human resources management, counterterrorism, organized crime, border management, logistics management, rule of law and the fight against impunity continues, with a view to supporting a return to the rule of law and constitutional governance in that country.[80]

— **Are there ways in which assistance can be provided without expanding the authority and influence of the regime? Can assistance even act as a check on state capture?** For example, economic governance support was provided to Liberia's transitional administration in 2005 in response to evidence of widespread levels of corruption by the temporary national authority. This support included the deployment of regional experts with co-signing authority in the central bank, under the auspices of the AU, ECOWAS, the EU, the IMF, the UN and the World Bank.[81] Interviewees noted that technical assistance to support reliable data – in particular on a relevant country's macroeconomic and fiscal position – can be vital in preventing international spillovers.

— **Can the purpose and limits of the technical assistance be clearly communicated to both the population of the estranged country and donor constituencies?**

— **Is the technical assistance appropriately limited to prevent its use for other purposes?** For example, training programmes or embedded experts are easier to limit in purpose than vehicles.

Continued technical assistance to community and social organizations is often vital for their survival and adaptation. Capacity-building support may help them reinforce internal accountability. Yet careful political analysis and due diligence are needed to assess the role of recipients. EU technical assistance to NGOs in Somalia, for example, was instrumental in supporting community, clan-based groups to register themselves as NGOs and build strong civil society networks for coordination and delivery at scale. These networks continue to play an important role in delivering aid, even after the establishment of federal and regional government institutions and processes.[82]

Short-term delivery modalities

Time-dependent interim measures to deliver and prevent the loss of institutional capacity can be introduced until a transition is completed and development dialogue is fully restored. Again, political, social and political-economic analysis, as well as domestic donor considerations, are essential to determine modality choice.

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80 EUCAP Sahel Mali is the EU civilian crisis management mission in Mali. See https://www.eeas.europa.eu/eucap-sahel-mali/about-eucap-sahel-mali_en?s=331.
81 Dwan and Bailey (2006), 'Liberia's Governance and Economic Management Programme (GEMAP)'.
82 European Union (2021), *EU Roadmap for Engagement with Civil Society 2021 - 2025*, https://europa.eu/capacity4dev/file/122858/download?token=jpOV1HED.

Ring-fencing

Ring-fencing is understood here as modalities for aid delivery that create a separation of on-budget funds either for salaries; for specific non-salary expenditure; for use in specific geographic areas; or a combination of the three. Ring-fencing can range from separation of financial accounts to establishment of procedural divisions and protocols for information-exchange and disclosure on payroll and non-salary expenditures.

Ring-fencing can be established for a specific sector (vertical) or for a specific administrative level (horizontal). Typically, it is used to ensure quality of delivery and often presents a trade-off between quality of services and speed of delivery. It is often done on budget and therefore assumes a certain degree of cooperation with national authorities. For this reason, ring-fencing is not a suitable tool in the most highly sanctioned countries. But where proscribed organizations are not in policy or financial decision-making positions, ring-fencing may be a viable option. An example is the EU-led Temporary International Mechanism (TIM) established in Gaza between 2006 to 2008, in response to the election victory of the sanctioned group Hamas. TIM enabled funds for social services and energy to be channelled to the West Bank and Gaza, helping to sustain the legitimacy of the Palestinian Authority.

Ring-fencing is used to ensure quality of delivery and often presents a trade-off between quality of services and speed of delivery.

Ring-fencing can also be used to provide top-up salary payments. In non-estranged Sierra Leone, for example, the UK Department for International Development's 2010 Support to Healthcare Workers Salaries programme was intended both to diminish the incentives for healthcare workers to charge for their services, and to increase the quality of services. The programme achieved positive outcomes, in terms of transparency and payroll management and of ensuring that patients in target areas benefited from free healthcare.[83]

In Burundi, local ring-fencing combined with performance incentives allowed continued delivery of health services for much of the population, with no significant reputational or fiduciary risks during the country's estrangement in 2015–20 (Box 17).

83 Stevenson, D., Kinyeki, C. and Wheeler, M. (2012), *Evaluation of DFID Support to Healthcare Workers Salaries in Sierra Leone*, DfID Human Development Resource Centre, 7 September 2012, https://assets.publishing.service. gov.uk/government/uploads/system/uploads/attachment_data/file/206761/evaluation-support-healthcare-workers-salaries-Sierra-Leone.pdf.

> **Box 17.** Ring-fencing in Burundi
>
> Burundi's national, results-based financing (RBF) programme combined geographical and some functional ring-fencing with results-based financing incentives. In 2006, the international NGO Cordaid implemented a pilot programme in one province, with funding from the European Commission. By the end of 2009, similar pilots were under way in nine out of 17 provinces. The RBF programme was merged with Burundi's previous selective free healthcare policy, and a full programme, financed by the World Bank's IDA, begun in 2010. The programme continued to operate during and after the 2015 political crisis in Burundi.
>
> Although programme funds are provided via the government, they are strictly ring-fenced to local healthcare facilities. A health facility can earn a bonus payment of up to 25 per cent of its regular monthly earnings if it meets 100 per cent of its quality-related targets. If the facility achieves a score between 70 and 100 per cent, it receives only a fraction of the bonus payment. Scores between 50 and 70 per cent are not rewarded at all, while a score below 50 per cent is penalized by a deduction of 25 per cent.
>
> Evaluations point to significant increases in use of the healthcare facilities in a relatively short period of time. For example, the number of births delivered in those facilities increased dramatically, from 31.8 per cent in 2005 to 85 per cent in 2016–17. However, the quality of care remained poor, limiting improvements in health outcomes. The programme has nevertheless remained resilient to changing circumstances and to new objectives, adding components such as sexual and reproductive health services.
>
> Source: Renaud, A. (2013), 'Verification of Performance in Result-Based Financing: The Case of Burundi', discussion paper, World Bank, https://openknowledge.worldbank.org/handle/10986/17855.

NGO-contracting

NGO-contracting refers here to the engagement of NGOs to provide services ordinarily provided by the state, under centrally coordinated standard service agreements. While many developed settings contract NGOs to provide some types of community care, NGO-contracting can also be used at larger scale as a temporary measure to provide services such as healthcare or education.

NGO-contracting can be adapted to different contexts. In situations where the authorities are willing to compromise on modalities and oversight to prevent exclusion or diversion, government contracting of NGOs can be used, as in post-2001 Afghanistan. Donors can also contract NGOs directly, via the UN or another umbrella organization, as in Yemen. In such situations, donor funding for NGO-contracting can also be designed to shadow state administrative systems, following the same geographical divisions and, if these are soundly designed, similar targeting criteria and benefit levels.[84]

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84 However, where previous methods of targeting or geographical administrative divisions have been a source of tension between the state and citizens, shadowing may mitigate against building popular trust and different geographical and targeting mechanisms should be used.

NGO-contracting can contribute to building the resilience of communities and civil society, as demonstrated in Afghanistan and Myanmar. While some empirical studies in non-estranged situations suggest that citizens may view NGO implementors as less corrupt than local government, there is no definitive evidence that NGO-contracting has a higher or lower rate of associated mismanagement of funds compared with other modalities.[85]

The case of Timor-Leste shows that NGO-contracting under common service agreements can be a promising mechanism to deliver value for money (Box 18). The experience of the healthcare sector there illustrates how international NGOs and UN agencies can become formidable allies, despite initial resistance to the localization of delivery modalities. While this case study covers a transition to a new, independent constitutional order, the dynamics identified are relevant to other examples of politically estranged situations.

In very insecure environments, care needs to be taken that security risks are not inappropriately transferred to NGOs. While local NGOs bring incomparable knowledge and understanding of local conditions and communities, the unpredictable and often extreme violence of some conflict contexts can expose them to greater risk. Field research in northeast Nigeria and South Sudan shows that joint security risk management between international and local partnerships is often limited and exacerbated by pressures on local NGOs to keep costs low when bidding for contracts.[86]

Box 18. NGO-contracting: costs and health outcomes in Timor-Leste, 2000–02

The Health Services Resilience and Development programme was developed on the basis of an assessment conducted by several donors and Timorese counterparts. As part of the programme, agreements were negotiated with each NGO on service standards and geographical coverage.

International NGOs were reluctant initially to adopt the standards developed by the health authorities, both under the interim international administration and the government. The negotiation of contracts and adoption of standards was possible largely due to the buy-in of the then main donor in the sector, the European Commission Humanitarian Office (ECHO). ECHO used the district health plans as the basis for funding and also agreed with the transitional authorities on ceilings for selected items (e.g. directly hired staff, rehabilitation and medicine). Both international and local NGOs were used to deliver services.

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85 Baldwin, K. and Winters, M. S. (2020), 'How Do Different Forms of Foreign Aid Affect Government Legitimacy? Evidence from an Informational Experiment in Uganda', *Studies in Comparative International Development,* 55, pp. 160–83, https://doi.org/10.1007/s12116-020-09303-8.
86 Stoddard, A., Czwarno, M. and Hamsik, L. (2019), *NGOs & Risk: Managing uncertainty in local-international partnerships: Global report*, Humanitarian Outcomes, 7 March 2019, https://www.humanitarianoutcomes.org/sites/default/files/publications/riskii_partnerships_global_study.pdf.

Assessments of results were positive. Health outputs improved significantly, with outpatient department visits increasing. Costs were also lowered, with aid per head decreasing. Over time, international NGOs became strong supporters of the programme and significant capacity was built in the Timorese health sector. The institutions created were also resilient, with the health sector continuing to perform well throughout the 2006 political crisis.
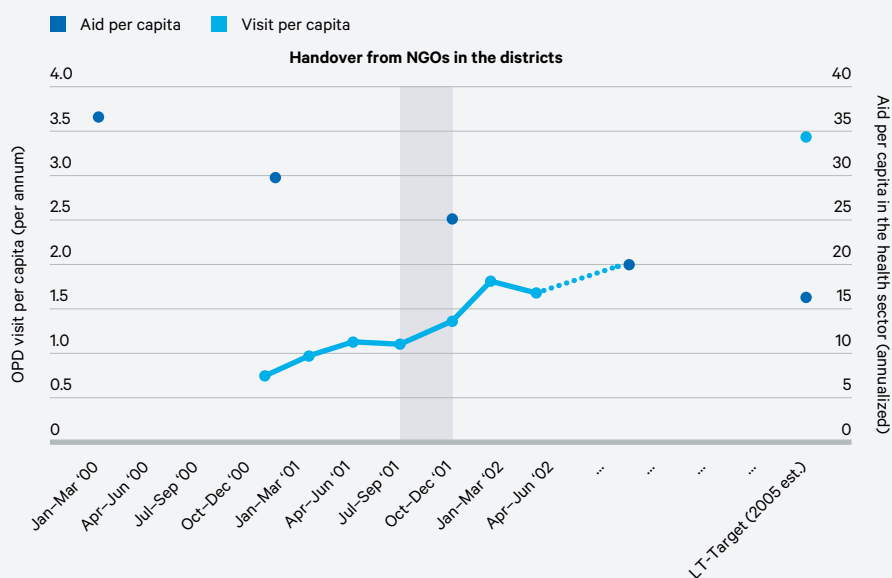
Sources: Tulloch, J. et al. (2003), *Initial Steps in rebuilding the health sector in East Timor*, Washington, DC: National Academies Press, https://europepmc.org/article/MED/25057662; and Cliffe, S. and Rohland, K. (2002), *The East Timor Reconstruction Program: Successes, lessons and trade-offs*, World Bank, https://web.worldbank.org/archive/website00523/WEB/PDF/WP2.PDF.

Subnational application of delivery and oversight modalities

In instances where the source of estrangement between donors and national authorities is political or military activities by government and/or serious human rights abuses in a specific geographic area of the country, the delivery and oversight modalities outlined above can be applied in different ways:

— Within the subnational area of concern, these modalities may be applied and communicated to donor domestic constituencies;

— In the national context, there may also be a need to shift modalities, but decisions will occur within a wider range of options and strategic considerations that include working with national authorities.

In these situations, donors need to find a pragmatic balance between dramatically decreasing assistance and ignoring serious instances of abuse. Such situations are difficult, but research is available to support external partners on how they can help address the most critical areas of contestation, focus on transformative

outcomes, and calibrate programme strategy based on the local conditions and relations with central authorities.[87]

Engagement with national actors should be guided by a strategic focus on dialogue that ensures upfront communication on why aid programming cannot remain as 'business as usual' – i.e. that shifts in modalities are reflective of the situation on the ground and may be needed to align with the establishment of international sanctions and commissions of inquiry. As noted in the previous chapter, dialogue can help signal why resolution of a subnational crisis is a donor priority, including the questions donors are receiving at home on these issues.

A second shift in modality is to maintain volumes of assistance but adapt delivery channels and increase oversight. This may include negotiating certain actions in the conflict-affected area as conditions for nationwide assistance programmes. One obvious example is humanitarian access. A second, less obvious example is additional controls in national development programmes, to prevent the diversion of funds for excessive use of force and to increase allocations to government funding for victims and marginalized communities in conflict-affected areas. Examples of the latter are the conflict filters used by the World Bank to mitigate risks of diversion in subnational conflict situations such as those in the Democratic Republic of the Congo (DRC), Kyrgyzstan, Nigeria and the Philippines.

The case of Ethiopia, following disputed elections in 2005 and subsequent political violence in large municipalities across the country, shows how shifts in modalities may be used to signal serious concerns without reducing volumes of development assistance. Donors suspended budget support but did not suspend all programmes that disbursed through the state. The solution found was in the form of a programme of direct block grants to district governments, under a combination of political and fiduciary conditionality, for the financing of basic services. The Protection of Basic Services programme was established in 2006, with a multi-donor secretariat hosted by the World Bank. The combination of conditions was unusual, including tight monitoring of internal budget allocations and actual transfers, as well as regular consultations with opposition parties alongside the normal dialogue with the authorities.[88] In that respect, the programme provided an entry point for political dialogue in a closed situation.

Mechanisms for oversight and redress

Oversight and redress are important in all development programmes, particularly where a legacy of unconstitutional action, conflict, corruption or large-scale human rights abuses may have resulted in low levels of trust between citizens and authorities, or between donors and national actors. In politically estranged situations, mechanisms for oversight and redress are key for mitigating concerns in donor countries and navigating fraught relations with authorities.

87 Parks, T., Colletta, N. and Oppenheim, B. (2013), *The Contested Corners of Asia: Sub-National Conflict and International Development Assistance*, The Asia Foundation, October 2013, https://asiafoundation.org/wp-content/uploads/2013/10/The-Contested-Corners-of-Asia_Executive-Summary.pdf.
88 Diwan, I. (2022), 'Ethiopia: protecting basic services', unpublished case study commissioned by the authors for this study.

As with delivery mechanisms, oversight and redress mechanisms can be calibrated to different levels of risk or estrangement and customized to better fit the specific political situation (Figure 7). For example, international third-party monitoring (TPM) – where an NGO or private sector company is hired to monitor aspects of project financing – has become almost a default mechanism for programmes in estranged situations. Yet, in situations of lower risk and higher willingness by national authorities to accept donor requirements, community and local CSO monitoring may suffice and provide better domestic accountability in the recipient country. Such engagement may also help maintain local capacities and facilitate some forums for local-led dialogue with authorities.

Figure 7. Menu of options for oversight mechanisms
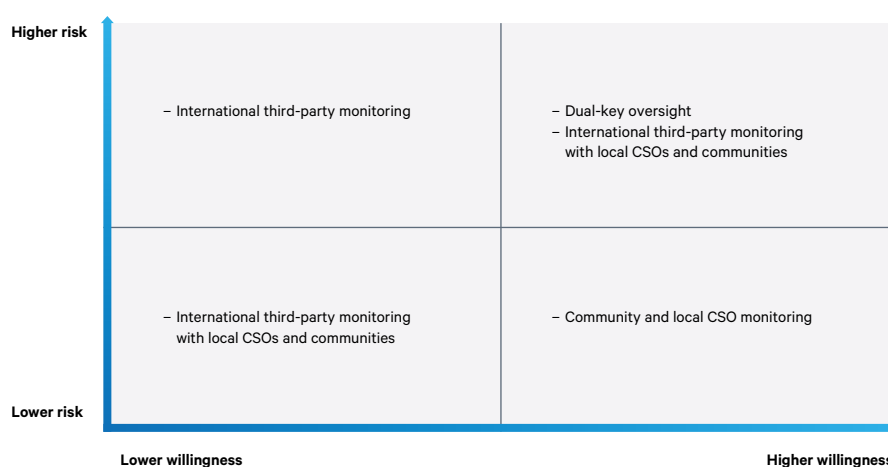
Note: 'Risk' refers to donors' assessment of the risks of being perceived to support unconstitutional, abusive or sanctioned authorities. 'Willingness' refers to the national authority's willingness to compromise on donor modalities and oversight requirements.

In situations where national authorities' readiness to compromise is lower and/or risk is higher, international TPM is appropriate, combined with community and CSO monitoring. In situations of low willingness and high risk, it may be advisable for reasons of their safety not to involve local CSOs and communities directly in monitoring. However, there is no hard and fast rule: monitoring in Syria and Myanmar, for example, may carry such risks for local actors. Yet in Afghanistan, despite the high level of risk and limited relations with national authorities, some community monitoring of humanitarian and development programmes is possible. The critical factor is to assess the local context and customize the approach accordingly.

In estranged situations, the scope of oversight also needs to be considered. The focus of TPM is typically on financial accountability issues, which are important but not the only (or even the primary) issue that affects donor domestic risk. In some instances, it may be helpful to expand monitoring to non-fiduciary issues, such as results achieved and community perceptions, including through use of remote monitoring technologies and, where appropriate, community engagement (Box 19). In others, third-party monitors may need to engage with local actors to assess the political economy and context – for example, how implementing

agencies are perceived and how aid effectiveness and reputational risks are evolving. Moreover, in situations of high incidences of exclusion or abuses of rights, it may be necessary to assess what human rights monitoring – local or international – is in place and the appropriate links to it.

Box 19. World Bank third-party monitoring: lessons from Yemen

The *World Bank Country Engagement Note for the Republic of Yemen 2022–23* includes the following lessons on third-party monitoring (TPM):

While the use of third-party monitoring has enabled the Bank to fulfil its supervision responsibilities in Yemen, limitations have been identified related to accessibility, monitoring lag, inadequate verification of results, and weak reporting quality. Some of these shortcomings are the result of the Bank not having direct contract with the TPM. Additional problems arise from a restrictive environment for TPM agents in the north and a limited number of firms operating in Yemen with qualified staff and quality assurance mechanisms.

The Yemen TPM experience provides several important lessons: (i) TPM should be used in combination with other mechanisms such as technology, community monitors and other forms of data to provide real-time monitoring and work around severe data limitation; (ii) There is a need to expand TPM's TORs [terms of reference] to go beyond technical spot checks and include technical audits, monitor procurement plan implementation, and include direct and simultaneous reporting to WB to avoid delays; and (iii) TPM could be a valuable source of analytical information for WB teams to plan future interventions and fill analytical gaps.

Source: World Bank (2022), *Country Engagement Note For The Republic of Yemen For The Period FY22–FY23*, 14 April 2022, https://documents1.worldbank.org/curated/en/351911650316441159/pdf/Yemen-Country-Engagement-Note-for-the-Period-FY22-FY23.pdf.

Dual-key modalities are also worth considering in some high-risk situations where national authorities are prepared to accept additional oversight to facilitate aid flow or navigate internal political divisions. Here, 'dual-key' refers to the placement of regional or international staff in decision-making and sign-off positions, rather than just roles providing technical assistance. Dual-key mechanisms were used in Liberia from 2005 to 2008, when corruption had reached exceptionally high levels under the transitional government, through the Governance and Economic Management Assistance Program (GEMAP) supported by the AU, ECOWAS, the IMF, the UN, the World Bank and bilateral donors to provide oversight of contracts, concessions and large expenditures.[89] Dual-key modalities were also used in the central bank in early post-conflict Bosnia and Herzegovina (Box 20).

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[89] Dwan and Bailey (2006), 'Liberia's Governance and Economic Management Programme (GEMAP)'.

Box 20. Dual-key oversight: The Central Bank of Bosnia and Herzegovina

No central bank or market-based financial sector existed in Bosnia and Herzegovina in 1995. There was no formal bank supervision system, and accounting and payments systems were based on those of the former Yugoslavia. The Dayton Accords, which ended the war in Bosnia, provided for the establishment of a central bank for the new federal state.

Negotiations were completed and the central bank structure and board established in 1997. The first two governors were internationally appointed. Bosnian nationals, including a vice-governor, joined the board with voting power and headed key departments of the central bank. The IMF provided resident experts and regular technical assistance missions on issues such as accounting, currency, banking legislation and the payments system.

Bosnia's central bank is widely considered to be a well-performing institution. Three factors likely contributed to its success. First, the bank was structured without the bespoke (and often dysfunctional) institutions created in other areas under the Dayton Accords. It was also given clear objectives and decision-making processes, a legal framework and independent status. Second, the governor had the scope to act without consensus. For example, when the board could not agree on the design of the new currency in 1998, the governor submitted designs to the Office of the High Representative, who cleared and presented those designs to the country's joint presidency. As a former IMF official noted, '[t]here were times when it was politically difficult for the three groups to explicitly agree to something that they might otherwise find acceptable. At these times, an external decision might be acceptable (and probably welcomed)'. Finally, a pathway to normal oversight arrangements was laid out and technical assistance sustained as the institution progressed.

Source: Ugolini, P. (2006), *Bosnia and Herzegovina: Assessment of MFD's Technical Assistance Program*, IMF, June 2006, https://www.imf.org/external/np/pp/eng/2006/063006B.pdf.

Oversight is only useful if it is seen to result in corrections. Redress mechanisms are needed but must be linked with political dialogue. Where problems are found, they should not be seen purely as technical issues but as issues requiring political engagement and agreement to resolve.

There is scope for far greater interface between humanitarian and development approaches to oversight. For example, humanitarian accountability to affected people (AAP) initiatives and development instruments such as beneficiary surveys, the use of community-driven monitoring and citizen feedback mechanisms have common objectives. These objectives could be more effectively pursued by working collaboratively and reducing silos in humanitarian and development engagement with aid recipients.

Redress mechanisms include: (i) keeping a record of complaints and requiring authorities to show how they have investigated and acted on them; (ii) supporting local individuals or communities to bring claims if any local process exists to do so – otherwise, raising this issue in donor dialogue; (iii) suspending the local area

involved until a problem is resolved; (iv) incorporating complaint and redress
mechanisms in project design, such that individuals and communities have a record
of their complaint and a means of following up, even if an immediate resolution
is not possible; and (v) ensuring that local sanctions are not themselves in breach
of human rights.

Adaptive and flexible programming

One of the most critical dilemmas for development practitioners and political
leadership in politically estranged situations is understanding how and when
to change course. Navigating domestic accountabilities may require establishing
firm and publicly visible positions. Yet responding to an uncertain and dynamic
environment requires agility and adaptability, including the ability to seize
opportunities to normalize relationships where they arise.

**One of the most critical dilemmas for development
practitioners and political leadership in politically
estranged situations is understanding how and
when to change course.**

This can be a challenge for robust planning, delivery and oversight
arrangements that set development objectives for the course of a project.
Development objectives should not be too easy to adjust, so as not to downgrade
the objectives that conditions and financing were intended to meet. However,
circumstances change, information consolidates and too rigid an approach
will be counterproductive to engagement and project results. As ODI notes:

> [A]daptive programming suggests, at a minimum, that development actors react
> and respond to changes in the political and socio-economic operating environment.
> More substantially, a programme may recognise from the outset that change
> is inevitable, and build in ways to draw on new learning to support adaptations.[90]

Adaptation is also essential to navigating domestic perceptions and debates
in donor states. Interested groups, political parties or parliaments may press
for increased monitoring or investment in a particular issue. For example,
the European Parliament's insistence that access to education for women
and girls 'must constitute an essential condition for any further commitment
with the *de facto* Afghan authorities' by the EU and its member states.[91]
Public demands for distancing from some national authorities – for example,
the government of President Bashar al-Assad in Syria – may require the
flow of funds, implementing partners and geographical coverage of some

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90 Valters, C., Cummings, C. and Nixon, H. (2016), *Putting learning at the centre: Adaptive development
programming in practice*, report, London: ODI, March 2016, https://cdn.odi.org/media/documents/10401.pdf.
91 European Parliament (2022), 'Situation in Afghanistan, in particular the situation of women's rights',
resolution 2022/2571(RSP), 7 April 2022, https://www.europarl.europa.eu/doceo/document/TA-9-
2022-0128_EN.html.

programmes to be changed. Equally, adaptive programming can support dialogue with national authorities when a given situation is improving, as in Burundi.

Relevant research and policy initiatives, and examples of emerging best practice for adaptive and flexible programming by bilateral and multilateral donors, include:[92]

— **Initiatives like 'Doing Development Differently'.** Such research initiatives have provided an important intellectual basis for new, more flexible approaches.[93]

— **Multilateral agencies.** Facing the dilemma of growing oversight requirements vs the need to adapt to circumstances, agencies have been a source of innovation (Box 21).

— **Donors such as USAID** have begun to incorporate adaptive management techniques in funding and programming. For instance, by making greater use of contracts with an indefinite delivery and/or indefinite quantity component; incorporating scenarios into solicitations or awards; decentralizing decision-making; and building in 'pause and reflect' opportunities for implementing partners during the programme cycle.[94]

— **Trialling interventions.** Trials have become more widespread: for example, Indonesia's national community driven-development programmes have trialled approaches on many different aspects, from popular participation to gender inclusion and 'green' approaches.[95]

Box 21. Adaptive and flexible programming: some multilateral approaches

UNICEF: UNICEF's Global Social Protection Programme recognizes that flexible and context-specific social protection programming is critical to success. The programme identifies a series of options by which other programmes or sets of programmes can quickly respond to deteriorating circumstances, including by:

— Vertically expanding an existing programme, such as by increasing the benefit value or duration of cash transfers or by increasing the range of services offered;

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92 Scholars have advocated for greater flexibility, learning from failure and paying attention to political context in aid programmes since at least the 1960s. (See, for example, Carothers, C. and de Gramont, D. (2013), *Development Aid Confronts Politics: The Almost Revolution*, Washington, DC: Carnegie Endowment for International Peace) and calls for more adaptive, locally led approaches championed in the 1980s (see Therkildsen, O. (1988). *Watering White Elephants? Lessons from Donor Funded Planning and Implementation of Rural Water Supplies in Tanzania*, Uppsala: Scandinavian Institute of African Studies; Korten, D. C. (1980). 'Community Organization and Rural Development. A Learning Process Approach', *Public Administration Review*, 40(5), pp. 480–511; Rondinelli, D. A. (1983), *Development Projects as Policy Experiments: An Adaptive Approach to Development Administration*, London: Methuen). See also Laws, E. and Marquette, H. (2018), *Thinking and working politically: Reviewing the evidence on the integration of politics into development practice over the past decade*, TWP Community of Practice, April 2018, https://twpcommunity.org/wp-content/uploads/2018/04/Thinking-and-working-politically-reviewing-the-evidence.pdf.
93 Center for International Development at Harvard University (2014), 'Building State Capability, 'Doing Development Differently (DDD)', https://buildingstatecapability.com/doing-development-differently.
94 USAID (2021), *Discussion Note: Adaptive Management*, June 2021, https://usaidlearninglab.org/sites/default/files/resource/files/dn_adaptive_management_final2021.pdf.
95 World Bank (2015), *15 years of Indonesia's National Community Driven Development Programs*, https://documents1.worldbank.org/curated/en/988141467998234335/pdf/101951-WP-PUBLIC-Box394819B.pdf.

— Horizontally expanding an existing programme, such as by enrolling newly affected populations; and

— Activating a new programme that builds on pre-existing systems, until established systems can once again become the primary delivery channel.

World Bank: In 2009, the World Bank introduced a provision to allow for a rapid response to crises and emergencies, by allowing project development objectives to be adjusted mid-stream in response to a crisis or emergency. This was codified in the operational policy and bank procedure OP/BP 8.00. Contingent Emergency Response Components (CERCs) are embedded in standard investment portfolios as a means towards mainstreaming risk management by ensuring that there is financial provision for emergencies and disasters when they do occur. A contingent window is a component of the project that receives a small or zero allocation at the approval stage, with a provision that funds can be reallocated from other components in the event of an emergency. Reallocation is decided based on a reprioritization of activities or geographical coverage informed by the emergency situation. If the CERC is included in the project description before approval, then a formal restructuring of the project is not required, saving considerable time.

UNDP: In 2016, UNDP launched a Stabilization Facility for Libya, with the support of 13 donor agencies and the internationally recognized government of Libya. The facility sought to strengthen the state authorities and to foster national unity and local reconciliation through reconstruction of critical infrastructure and improved access to, and quality of, basic services. It used adaptive methods to deliver outputs: for example, target improvements were identified according to priorities established via field-based assessments and consultations with municipal authorities, local leaders and civil society representatives. This deliberative approach to stakeholder engagement meant extending the time frame for output and priority-setting, and moving quickly to implementation once targets were agreed.

Sources: UNICEF (2019), Global Social Protection Programme Framework, https://www.unicef.org/reports/global-social-protection-programme-framework-2019; World Bank (2009), *Including Contingent Emergency Response Components in Standard Investment Projects*, guidance note to staff, April 2009, https://documents1.worldbank.org/curated/en/857351468325152844/pdf/659980WP00PUBL0ycont ingencyresponse.pdf; Laws, E., Sharp, S. and Yanguas, P. (2022), *Adapting to Fragility: Lessons from Practitioners*, ODI, https://cdn.odi.org/media/documents/Adapting_to_fragility_v338.pdf.

In politically estranged settings, bilateral donors can play an important role in supporting the potential for adaptive programming by increasing the non-earmarked component of funding provided to MDTFs and multilateral organizations to provide delivery partners with greater capacity to pool risk and test new approaches.

Methods for building on emerging good practice in adaptive programming, bilateral donors and multilateral institutions can include:

— **Focusing on adaptation in the overall portfolio, not only individual projects.** A portfolio that contains a range of aid modalities – on-budget through state institutions, community-driven, through semi-autonomous agencies – will be easier to adapt quickly than one focused on only a single modality.

— **Trialling solutions more.** Embed trialling of different solutions into programme design. For example, under NGO-contracting, different NGOs may be given similar standards but encouraged to pilot one additional or different component. Results from that trial can then be expanded to the other programmes.

— **Reviewing development objectives.** Review can include new guidance on feasible objectives – such as resilience, preventing collapse, providing entry points for new voices and participation. It can also involve using emergency mechanisms to change development objectives mid-stream, enabling project restructuring.

— **Considering contingent zero-based components in projects,** where the original design includes components that were not budgeted but that can be activated without new project approvals.

— **Establishing clear delegation to field-based leadership** for changes that can be made in geographical coverage, budget allocation between components, and targeting of affected populations, as well as contingent allocations that can be deployed to new activities up to a pre-agreed ceiling.

— **Looking at specific incentives to improve the culture of risk,** from leadership statements, to 'no-blame' debriefs, to policy that includes assessment of risks of inaction.

06
Conclusion and recommendations

Humanitarian and development officials across governments, regional organizations and multilateral agencies are exploring options to navigate aid in the absence of partnership with national authorities. This final chapter sets out actions that can be taken within existing donor strategies and policies to respond more quickly and flexibly to situations of estrangement, as well as longer-term changes to facilitate more consistent, coherent and effective assistance.

The number of people currently living in FCS – where relations between national authorities and major donors are estranged – is rising. It is no longer possible to treat such contexts as exceptional.

This paper has outlined the complex challenges that the ruptured relations between donors and national authorities present for development aid. Building on diverse case studies and practice, this concluding chapter identifies ways in which donor approaches and actions can be adapted to promote delivery in politically estranged settings. It also offers recommendations for more consistent and effective donor policy and practice.

Conclusions

This paper's recommendations are based on the following findings:

— One-half of the total population of current FCS live in politically estranged situations. Unconstitutional changes in government, large-scale human rights abuses and corruption undermine development and threaten both regional and international stability. Standard development approaches and partnership frameworks cannot be applied to such situations.

— These situations create accountability dilemmas for donors: as relationships with national authorities break down, the needs of recipient populations increase. Donors thus become more accountable to those populations. Accountability to donor domestic constituencies also becomes more visible and complex.

— In such instances, domestic pressures mount in many donor countries to withdraw development assistance. Heightened political visibility at home is complicated by the reduction or withdrawal of diplomatic and development presences in recipient countries. This makes coordination with other donors more sensitive and complex. Where violence and conflict are widespread, security and access restrictions further complicate the task of staying engaged.

— Estranged relations also create information and coordination gaps. Such gaps pose challenges for identifying and prioritizing needs, recipients and partners; what to deliver, and how; and when, where and how to adapt to changes on the ground.

— Current humanitarian–development divides exacerbate these dilemmas. Siloed frameworks do not support the maintenance of basic services in politically estranged situations. Basic economic functions, livelihoods and community dispute resolution are essential to prevent further collapse and large population movements. Humanitarian actors alone cannot deliver functions such as currency arrangements and payments systems.

— There are sound national interest, geopolitical, collective security and ethical reasons for donors to meet urgent needs; prevent further social and economic disruption and spillovers; increase resilience; and support a transition to normal relations where possible.

— But meeting urgent needs does not mean ignoring the sources of estrangement. There are proven approaches and modalities to deliver aid without legitimizing unlawful regimes, fuelling further conflict and human rights abuses or ignoring corruption risks.

— To date, these approaches and modalities have not been systematically considered by development donors. This results in delayed policy and operational responses in specific situations and deepens human, social and economic disruption – as Afghanistan demonstrates. It can have perverse effects on conflict economies – as in Syria. In some cases, such as the Central African Republic and Venezuela, it increases the potential for alternative funding sources to fill aid vacuums.

— In politically estranged situations, aid delivery must be designed and undertaken in ways that both maintain donor domestic support and respond to the specific political and economic conditions of the estranged country. The latter includes reaching those most in need, managing risks, and adapting rapidly to opportunities to improve or, if necessary, further distance relations with national authorities.

Recommendations

The following recommendations are intended for donors committed to aid effectiveness and relevant multilateral organizations. They are divided into three sets. Set A focuses on practical actions that can be taken within existing donor strategies and policies, some of which are already being explored in specific contexts by donors and multilateral actors. Set B proposes changes to national and multilateral strategies and policies to facilitate more consistent, timely and effective approaches in politically estranged situations. Finally, Set C identifies areas for further research and work.

A. Practical actions within existing donor and multilateral strategies and policies

Build domestic donor support:

1. Bilateral donors should prioritize and invest in **targeted outreach** with priority donor domestic constituencies for specific estranged contexts – especially parliamentary bodies, relevant diaspora groups and mainstream media. Outreach may include regular briefings, targeted opinion surveys on specific situations and proactive media monitoring. Multilateral actors can support donors' domestic outreach by providing concrete data and offering in-person briefings, including from humanitarian and development actors working in the estranged country.

2. Strategic communications to priority domestic constituencies should focus on individual human needs and impact; preventing regional and global spillovers; navigating geopolitical competition; and demonstrating value for money. Donors' public messaging must **pre-emptively address valid concerns about legitimizing abusive governments or facilitating corruption**. Establishing expectations in advance, avoiding unrealistic commitments and focusing on messages that 'zero tolerance' for corruption or abuses means finding and quickly acting on instances can help build domestic confidence.

Establish clear channels of dialogue and conditions with national and local actors:

3. Increased conditions for aid are inevitable in politically estranged contexts. Donors should consider opportunities to exchange and consult in advance, both on the conditions they intend to establish and the actions required from recipient country actors for aid to flow. When standard development partnerships break down, **existing donor coordination mechanisms – such as humanitarian appeals or MDTFs – can facilitate exchange on political and programme conditions**. Input from regional partners and exchanges with policymakers with experience of similar episodes can help inform conditions.

4. Conditions should be limited to core issues that are relevant to both humanitarian and development actors and communicable to partners and authorities. Examples of such conditions include **commitments around**

principles of humanity, impartiality (in targeting beneficiaries, as well as in selecting implementing staff and agencies), transparency, access and redress. Area- and/or sector-focused conditions are preferable to 'all or nothing' conditionality at the national level.

5. Clarity on how conditions will be monitored and assessed is essential. National and multilateral donors may consider drawing on the **reporting of credible independent bodies, combining local and third-party monitoring, and expanding local and third-party monitoring beyond fiduciary performance to issues of exclusion and human rights** (see recommendation 12).

6. **Joint donor funding and management of dedicated in-country capacities** can support consistency and effectiveness, by monitoring how political conditions are programmatically applied and how insights from implementation can inform political conditions. Identifying redress procedures for breaches of political and/or programme conditions in advance can support timely policy response.

7. Dialogue with national authorities is essential but its form depends on the degree of estrangement. In situations of limited engagement between donors and recipient authorities, the risk of dialogue silos – focused on politics, humanitarian aid or development – is higher. **Empowered political and humanitarian interlocutors** should enable exchange between political, development and humanitarian actors, and facilitate development and humanitarian actors to relay issues and analysis. Donors can assist by supporting **specialized and reinforced staff or secondments**, including individuals with macro-economic and risk management capacities.

8. In some settings, **development and humanitarian issues can provide useful entry points for dialogue** and can provide helpful leverage in exploring political agreements. **Guidance from governments and multilateral HQs on integrated dialogue** with estranged authorities can help political actors to incorporate such perspectives, while empowering and supporting development and humanitarian actors to mitigate the risks involved.

Use effective delivery and oversight mechanisms:

9. Bilateral and multilateral donors can consider the scope for a **two-step political economy analysis to support and complement humanitarian and basic services needs assessments**: first, an initial quick analysis, drawing on a risk and resilience assessment conducted through workshops that bring together field and HQ staff; and second, a more comprehensive assessment that successively draws on inputs from regional, national and local organizations, as well as community and beneficiary feedback. Under the auspices of a designated interlocutor, donors, multilateral and regional partners can also consider periodic **structured exchange of information and analysis** on political and economic developments in an estranged context.

10. Bilateral and multilateral development donors and institutions can consider making more frequent use of the following menu of **proven aid modalities** in their response to political estrangement with national authorities, adapting them to country circumstances and the degree of estrangement. Each option will have different benefits for local capacity and governance, political and fiduciary risks, timing implications and costs. The balance between political and technical considerations in each context must be weighed. This requires discussion among and within donor bureaucracies, local partners and multilateral agencies responsible for delivering programmes.

    i)   Community approaches, involving financial transfers to communities, with appropriate monitoring and mechanisms for redress;

    ii) Semi-autonomous national delivery or coordination agencies, whether pre-existing or bespoke, to maintain basic services provision and localized development support;

    iii) Regional programmes focused on regional public goods that make sense locally and internationally, with direct benefits to vulnerable groups or long-term issues;

    iv) Ring-fenced support to sectoral or subnational state entities that can operate impartially and are acceptable to local communities, including on different sides of political and conflict divides;

    v)   NGO-contracting for basic services with consistent geographical coverage, service-provision standards, beneficiary inclusion and transparency of expenditures; and

    vi) Targeted technical assistance to both civil society and government. For government, this should be limited strictly to engagement with technical personnel in areas that encourage adherence to international obligations, delivery of basic services or transition back to constitutionality.

11. In situations where the source of estrangement is localized policy action by the government, donors may consider **applying these aid modalities in the affected subnational area or sending coordinated signals in national programming**. Mechanisms for the former include linking development objectives to inclusion, transparency and redress in affected subnational areas. For the latter, mechanisms include the continuation of development programmes, but with ring-fencing and increased oversight.

12. Bilateral and multilateral humanitarian and development actors can invest more in **coordinated direct beneficiary feedback and community accountability mechanisms** in estranged settings. This includes financing local feedback mechanisms as programme components. International third-party monitoring should be used only when needed to mitigate concerns over the safety, security and independent voice of citizens, beneficiaries and local institutions. Multilateral development banks can participate in humanitarian discussions on accountability to affected people (AAP), given their significant overlap with design of the oversight of development programmes.

B. Developing policy and strategy to support effective action in estranged situations

Donor country leadership, both desk-based and in-country, can adopt many of the approaches above within existing policy and strategy. Yet many donors report challenges in adapting tools and approaches on a case-by-case basis, often resulting in prolonged internal debates and slow decision-making. The following recommendations set out strategy and policy adaptations to facilitate more consistent approaches and timely practical action in such situations.

13. To facilitate donor policymaking and coordination in specific estranged situations, bilateral donors, the UN and multilateral development banks can consider setting out, in relevant national and multilateral strategy and policy documents on fragile states, two key points of policy to underpin a modernized crisis management framework for estranged situations:

    i) **Redefining basic services to include functions necessary to deliver agreed outcomes in education, healthcare and social protection.** These are support to livelihoods (in some cases through the private sector), community-based dispute resolution and the maintenance of basic macroeconomic functions (notably currency exchange and payments systems). Practical application could be explored, as a first step, in areas common to development and humanitarian actors, such as the overlap between humanitarian actors' work on cash programming and development actors' work on social protection.

    ii) **Elaborating a menu of options for modalities that can be considered for potential application in estranged situations.** A menu of options could include sufficient level of detail to facilitate donor dialogue and decision-making in specific contexts, according to the political economy and needs of the recipient country, donor constituency concerns, and assessment of the authorities' willingness to compromise on delivery and oversight approaches.

14. **OECD DAC members could consider the development of a common framework for engagement in politically estranged circumstances,** building on influential DAC principles for good international engagement in fragile states and guidance on aligning peace, development and humanitarian approaches (See Annex for an example).

15. The UN (through its Sustainable Development Group) could **revisit its guidance on strategic planning for development in exceptional circumstances and develop options to propose to donors and recipients in specific country contexts.** These options could draw on modalities identified in this paper, to preserve local institutional capacity and accountability, while protecting against abuse.

16. The UN, World Bank and the IMF, with inputs from regional organizations such as ASEAN, the AU and the EU, could **develop a joint, two-step tool for assessment in estranged circumstances.** This grouping of organizations could also consider the idea of 'guardrails' for estranged situations, building

on the idea that geo-economic fragmentation will exacerbate geopolitical contestation, and can be mitigated by mediating trade and exchange to facilitate basic services.

17. The IMF could consider **a stock-take of lessons from surveillance in situations of political estrangement, with a view to adopting consistent best practice.** The IMF could also consider adopting, as part of its forthcoming guidance on implementation of its *Strategy for Fragile and Conflict-Affected States*, approaches to dialogue and technical assistance on currency arrangements and payment systems in estranged situations.

18. National donors and multilateral institutions could review their programming policies and procedures to **identify barriers to adaptive programming**:

    i)   National donors could consider policy changes to increase flexible funding through MDTFs, programme-based approaches, multi-year support, core resources and negotiated replenishments, to provide multilaterals with the capacity to assist in pooling risk and adopting new approaches; and

    ii) Bilateral donors and multilateral institutions could consider new guidance on adaptive programming to:

    — **Focus on adaptation in the overall portfolio, not only individual projects** to move resources between modalities quickly;

    — **Trial solutions more**, including embedding trialling, evaluation and scale-up in the design of programmes;

    — **Adopt emergency mechanisms to change development objectives mid-stream**, enabling project restructuring;

    — **Consider contingent zero-based components in projects**, where project design includes components that are unbudgeted but can be activated without new project approvals; and

    — **Consider clear delegation to field-based committees** for changes within specific parameters and ceilings.

C. Further research and policy analysis

This paper focused on modalities for the delivery of aid in a subset of FCS where standard development frameworks and practices, including those adapted for fragile states, cannot be easily applied. Many areas for follow-up research have arisen, of which four are outlined below:

The use and interaction of principles of engagement, conditions and sanctions in estranged settings. Many multilateral and regional organizations, as well as individual donor governments, have frameworks in place that sanction or set conditions on the provision of assistance in estranged situations. These range from formal measures in response to unconstitutional changes of government, to economic, trade and travel restrictions on individuals and organizations, and from the application of the humanitarian principles in specific contexts,

to development and financial institutions' conditions around aid and penalties for breach. Many development and humanitarian donors are uncomfortable with the language of conditions, and there is a lack of understanding on how international sanctions and aid conditions intersect. There is a significant body of research on sanctions, including their impact on humanitarian assistance. However, the ways in which political and programme conditions are applied in politically estranged situations, and how they align or interact with international sanctions and humanitarian assistance, have received less attention. Examining this relationship could help clarify, and offer new perspectives on, how both sanctions and aid conditions might be more effectively set and applied in estranged situations.

Aid financing instruments in estranged settings. In producing this paper, two sets of related questions arose relating to financing instruments, which could usefully be the focus of further research:

— Is the division between development and humanitarian budgets (and in many donors, development and humanitarian departments) fit for purpose in today's world? Those countries facing the greatest developmental lag and concern over global and regional public goods are also generally those facing prolonged and high-cost humanitarian needs. As noted above, in each practical context, development and humanitarian activities can be made more complementary without changing global policies. Yet this often involves immense efforts and workarounds to deal with the rules of different departments, budgets and programming. What are the risks and opportunities in considering a blending of budgets and decision-making structures?

— How can multilateral development banks navigate the financing needs of politically estranged countries/situations? These situations are inappropriate for loans. Grants could be available, under IDA or for IBRD under special facilities. But there is a moral hazard issue if governing authorities that follow poor governance paths continue to enjoy beneficial aid flows. Moreover, international financial instruments, even if grant-based, are also not easily adapted to support community-level activities, NGO-contracting or semi-autonomous entities without government leadership. Do multilateral development banks need to consider a new allocation window and new instruments for politically estranged states?

Dialogue with non-DAC donors on estranged situations. The presence of non-traditional donors and funding sources in many such settings challenges the scope and impact of collective international action. Evolving alliances and allegiances amid the current heightened geopolitical competition increase the scope for estranged environments to become a battleground for regional and global rivalries. At the same time, many non-traditional state donors have seen their political and financial investments undermined, while the security of their citizens has been negatively affected by crises in fragile and conflict-affected environments. Engagement with non-DAC donor states could help DAC members to make better assessments of the risks and opportunities of staying engaged in estranged settings, and to design more effective responses. At a minimum, it may help identify areas of potential shared understanding and common themes that support more cohesive and impactful international responses to crises involving major unconstitutional acts.

Lessons from countries that have previously been estranged. Critical insights on the perspectives and consequences of estrangement can be gained by working with political leaders, government officials, researchers and CSOs who have experience of national crises that included the suspension or withdrawal of development assistance. This work could include interviews and case studies to explore the strategies and actions that hindered or contributed to a return to constitutionality and the resumption of development partnerships.

Estranged relations between donors and national authorities are, by their essence, difficult to navigate. But the prevalence of such situations today demands policy response tools. The study from which these recommendations are drawn is a first attempt to systematically assess, across different regions and country cases, options for staying and delivering when relations between donors and authorities break down. Further analysis and policy debate will be required, including on the sustainability of current humanitarian and development systems, and financing. But, in advance of that, bilateral and multilateral development actors can take policy and practical steps to better anticipate risks of estrangement and respond when aid relationships break down. Pursuing those steps can help identify and articulate the role of development in today's more contested geopolitical environment.

Annex: Principles for politically estranged settings

Principle 1

Disengagement is damaging, but so is 'business as usual'. Clear shifts in aid modalities are justified and, in most cases, possible.

Principle 2

In authorizing the suspension, pause, restart, review or launch of new programmes in politically estranged settings, the need to address donor domestic constituency concerns increases.

Principle 3

In-country, there is a necessary shift in focus from accountability through national authorities to direct accountability to affected populations and communities.

Principle 4

The politics of inclusive approaches are especially fraught. Political economy analysis is both more necessary and more difficult, and should be a two-step exercise incorporating: (i) a quick risk and resilience assessment; and (ii) a subsequent deeper analysis that is updated regularly.

Principle 5

Basic services need to be redefined to include key macroeconomic functions, payment systems and community-based dispute resolution in situations of estrangement.

Principle 6

Use adaptive and flexible programming mechanisms, across portfolios and within existing projects, to address estranged circumstances.

Principle 7

Focused messaging with donor domestic constituencies can help build and maintain political support. Messaging should focus on individual human needs and impact; preventing regional and global spillovers; navigating geopolitical competition; and demonstrating value for money, as well as pre-emptively addressing valid concerns about risks of legitimizing abusive governments or facilitating corruption. Targeted outreach with priority donor domestic constituencies for specific estranged contexts – especially with parliamentary bodies, relevant diaspora groups and mainstream media – becomes more useful in estranged situations.

Principle 8

Zero tolerance does not mean zero abuses, rather zero tolerance for inaction in response to abuses. Donors must build public understanding from the outset of aid provision to a politically estranged country that 'we will have systems to identify abuses quickly and deal robustly with them'. When an incidence

of corruption or human rights abuse arises, the question for domestic media, parliaments and publics is not 'why did this occur?', but rather 'was it found quickly and does the donor government or multilateral institution have appropriate ways to address it?'.

Principle 9

Initial conditions should focus on core conditions that are generally common across humanitarian and development actors. These conditions include: non-discrimination (e.g. gender-, ethnic- or regional-based); non-interference in recruitment and procurement; financial transparency; and access for monitoring and reporting. Where possible and related to delivery, subnational rather than national 'red-line' conditions are desirable, where aid may be suspended to local areas experiencing abuses.

Principle 10

Dialogue is both inevitable and desirable to agree on short-term objectives and conditions and to allow the possibility of longer-term changes – modes of approaching dialogue include empowering designated international interlocutors as a platform, not a gatekeeper; or using development and humanitarian entry points for dialogue.

Principle 11

Proven modalities exist but should be used as a menu of options for dialogue between local and international implementing partners and donors, rather than as a 'boilerplate'. The choice of modality depends on local capacity, the risks of capture of local institutions, and the need to assuage domestic donor constituency concerns on corruption and human rights abuse.

Principle 12

Monitoring systems should build on local community and CSO capacity. They should only supplement this capacity when local organizations do not have the authority, access or security to carry out this function alone. Third-party monitoring should show how it draws on local knowledge, and should be expanded to monitor results and local political-economy dynamics in addition to fiduciary issues.

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Cover image: A female journalist makes a video report in front of members and supporters of the Taliban, Kabul, 31 August 2022.
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