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Improving the provision of basic services for the poor in fragile environments

International Literature Review Synthesis Paper

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About the Humanitarian Policy Group:

The Humanitarian Policy Group at ODI is one of the world's leading teams of independent researchers and information professionals working on humanitarian issues. It is dedicated to improving humanitarian policy and practice through a combination of high-quality analysis, dialogue and debate.

The views in this publication are those of the authors are not necessarily those of the Office of Development Effectiveness.

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Acronyms and Abbreviations

ADB: Asian Development Bank

BPHS: Basic Package of Health Services

CBA: Community-Based Approaches

DRA: Demand-Responsive Approach

DRC: Democratic Republic of Congo

INGOs: International Non-Governmental Organizations

LICUS: Low-Income Countries Under Stress

MDGs: Millennium Development Goals

MoE: Ministry of Education

MoH: Ministry of Health

NGOs: Non-Governmental Organizations

NSPs: Non-State Providers

OECD: Organization for Economic Co-operation and Development

PRSPs: Poverty Reduction Strategy Papers

P4P: Pay for Performance

SWAps: Sector-wide approaches

TRM: Transitional Results Matrix

WASH: Water Supply, Sanitation and Hygiene

WB: World Bank

WHO: World Health Organization

Section 1: Introduction

1.1 Aim and structure of the report

The Overseas Development Institute was commissioned to provide a review of recent literature on international practice and experience in supporting pro-poor service provision in fragile states, focusing on multilateral and bilateral donors' approaches. It was requested that particular attention be paid to literature published since the World Bank 2004 World Development Report: *Making Services Work for the Poor* (World Bank 2004), an important milestone in international thinking on service delivery. The overall review consists of three sectoral reports (covering Health, Water supply, Sanitation and Hygiene (WASH) and Education) together with a synthesis. This paper constitutes the Synthesis report. As specified in the Terms of Reference (ToR), the purpose of this literature review is two-fold: (1) to inform the design of the evaluation of basic service provision in fragile states that the AusAID Office of Development Effectiveness will carry out; and (2) to provide background information for AusAID programmes and thematic areas as they consider options and approaches to improve their engagement in fragile states.

This report is structured as follows: the first section sets out definitions of fragile states, points to key challenges to improving pro-poor service delivery in fragile states and discusses the framework of accountability in relation to pro-poor service delivery; **Section 2** discusses the role of service delivery in fragile states; **Section 3** reviews donors' approaches to pro-poor service delivery in fragile states including the challenge of capacity building, engagement with state and non-state actors; coherence of strategy between donors, specifically with reference to alignment and harmonization; and mechanisms and instruments for funding service delivery in fragile states; **Section 4** reviews donors' approaches to reaching the very poorest; **Section 5** concludes by summarizing key points and pointing to perceived gaps in the literature.

1.2 Defining fragile states

'Fragile state' is a term currently used by the international community to identify a particular class of states. Despite the fact that bilateral and multilateral donors are increasingly concerned with identifying effective strategies for engaging

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Box 1: Donors' working definitions of fragile states

AusAID: fragile states are countries that face particularly grave poverty and development challenges and are at high risk of further decline - or even failure. Government and state structures lack the capacity (or, in some cases, the political will) to provide public safety and security, good governance and economic growth for their citizens[1].

DFID: fragile states include those where the government cannot or will not deliver core functions to the majority of its people, including the poor. They lack the will and/or the capacity to manage public resources, deliver basic services, protect and support the poor and vulnerable (DFID 2005).

USAID: there are two categories of fragile states: vulnerable and in crisis. The former are those states unable or unwilling to adequately assure the provision of security and basic services to significant portions of their populations and where the legitimacy of the government is in question, this includes states that are failing or recovering from crisis. The latter are those states where the central government does not exert effective control over its own territory or is unable or unwilling to assure the provision of vital services to significant parts of its territory, where legitimacy of the government is weak or nonexistent, and where violent conflict is a reality or a great risk (USAID 2005).

WB LICUS[2]: fragile countries are characterized by very weak policies, institutions and governance. Aid does not work well in these environments because governments lack the capacity or inclination to use finance effectively for poverty reduction[3].

OECD-DAC: states are fragile when governments and state structures lack capacity – or in some cases, political will - to deliver public safety and security, good governance and poverty reduction to their citizens. According to OECD-DAC there are four categories of fragile states: deteriorating, violent, improving and transition (OECD/OCDE 2006).

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with such states, there is no one agreed definition of what a 'fragile state' is. This review focuses on countries where the ability of the state to provide

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[1] http://www.ausaid.gov.au/keyaid/fragile_states.cfm
[2] The World Bank has recently replaced the term Low-Income Countries Under Stress (LICUS) with fragile states, while retaining the same criteria to identify these countries.
[3] http://www1.worldbank.org/operations/licus/

basic services is seriously compromised by the weakness of state institutions, lack of capacity and/or disruption related to ongoing or recent armed conflict or violent insecurity.

Box 1 above provides an overview of bilateral and multi-lateral donors' working definitions of fragile states. Appendix 1 provides an overview of the features of their fragile states agenda.

1.3 Key challenges to improving pro-poor service delivery in fragile states

The multi-faceted nature of state fragility presents donors with analytically complex problems and with a range of policy, technical and political objectives that may be hard to reconcile. Difficult choices, inherent policy tensions and high levels of uncertainty inevitably characterize donors' engagement in fragile states.

The three sectoral reviews have identified the following major challenges or tradeoffs that donors face in fragile environments:

Challenge 1: What is the appropriate balance between responding to the immediate health, educational, and WASH needs of the poor; and building long-term capacity to address the sources of state fragility and ensure sustainable service delivery?

Challenge 2: What is the appropriate balance between engaging with the state, historically seen as the key actor in public service delivery, and with Non-State Providers (NSPs)[4], which may allow scaling-up of services?

Challenge 3: What is the appropriate balance between supporting and working through central state institutions to promote pro-poor interventions, and supporting decentralized modes of delivery which use lower level institutions (e.g. local government) to respond to the health, educational, and WASH needs of the poor?

We refer back to those challenges in the sections below.

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[4] In this paper private and civil society actors are referred to as Non-State Providers (NSPs) and may include local communities organizations, national and international NGOs, private businesses, religious organizations, political movements etc.

1.4 The framework of accountability and service delivery

There is a growing recognition that donors choices of service delivery mechanisms and modes of engagement in fragile states have a direct impact not only on the quality and access to services, but also on broader relationships of accountability and governance.

The three sectoral reports draw on the framework of accountability developed by the World Bank, which refers to the relationship between three broad categories of actors and encompasses both basic services and their supporting systems (World Bank 2004):

1. *Policy-makers*: who, together with politicians, exercise the power of the state by setting 'the rules of the game' and deciding the level and quality of services to be offered;
2. *Service providers*: who deliver basic services. There are *Organizational providers,* which include a variety of public, private and civil society actors such as the Ministry of Education, autonomous public hospitals, religious schools, small community-run schools and so on; and *Frontline providers*: who come in direct contact with clients such as teachers, doctors, nurses, engineers etc.;
3. *Citizens*: who are both the consumers of the services and the constituents of the policy-makers and include individuals and households who hope to get clean water, have their children educated, and protect the health of their family.

As the Figure 1 below indicates, one path of accountability, the *long route* (also referred to as 'voice'), occurs when clients can hold policymakers accountable – for example through democratic elections and by conveying their preferences and needs in relation to basic services. Policymakers in turn can hold service providers accountable by setting-service delivery standards and establishing monitoring systems and sanctions for non-compliance. For reasons that will be discussed in Section 2 below, the responsibility for basic service delivery ultimately rests in the hands of the state. Therefore, in contexts where this is a viable route, donors' interventions should be devised to strengthen it. This includes efforts aimed at supporting of pro-poor service delivery initiatives "that maximise the access and participation of the poor by strengthening the relationships between policy-

Figure 1: Accountability triangle
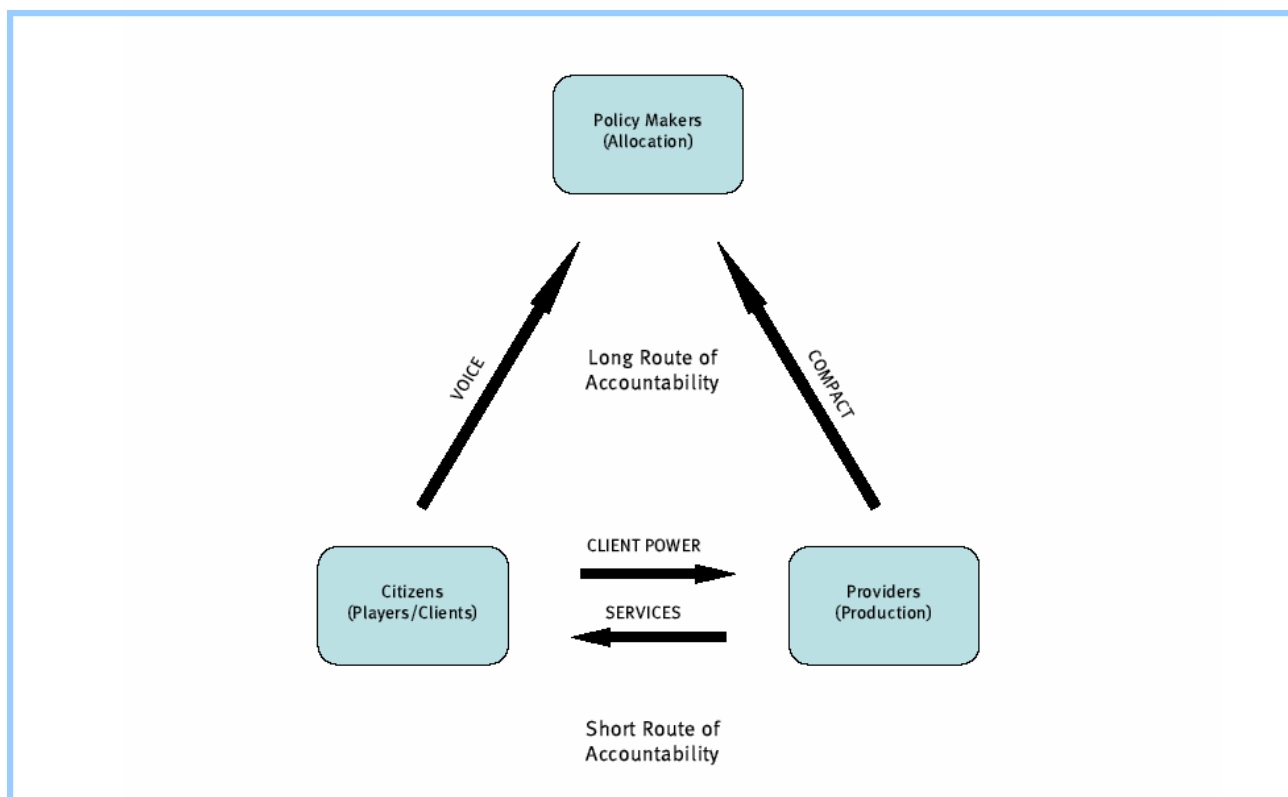
makers, providers and service users" (Berry et. al 2004, see also Carlson et al 2005, OECD 2008).

However, efforts aimed at strengthening the long-route of accountability may be problematic or inadequate in fragile states. In those contexts, governments may be unwilling to support and implement pro-poor policies, and repressive regimes may deliberately target particular groups and exclude them from accessing basic services. Governments may also lack the capacity to supply services to poor people and may suffer from weak policy-making, organizational and frontline providers may be lacking, and infrastructures may be severely disrupted. In very difficult contexts, where support *via* the long-route is not an option and the government is not a viable partner, donors will most likely have to work directly with service providers, which may include local governments and non-state providers (NSPs). In those cases, donors-sponsored service delivery interventions will most probably depend on the *short-route* of accountability (the lower part of the triangle in Figure 1), which occurs when clients can make their demands directly on service providers (World Bank 2004, OECD 2008).

Section 2: The role of service delivery in fragile states

Over the past 5 years, the international community has become increasingly concerned with fragile states and the long-term development challenges that these environments pose. This focus has coincided with a growing interest in service delivery, which has been positioned at the centre of the development agenda by the World Bank 2004 World Development Report: *Making Services Work for the Poor*. The relationship between state fragility and service delivery is seen as interrelated and mutually reinforcing. According to the OECD: "[f]ragility has a major impact on service delivery. At the same time, programs to improve service delivery systems and outcomes have the potential to help reduce state fragility" (OECD/OCDE 2006, 3).

2.1 The impact of state fragility on service delivery

International donors are increasingly recognizing that state fragility has a major impact on service delivery: poor technical and managerial capacity and deteriorating infrastructures negatively impact on the quality of services offered in fragile states (OECD 2008). The health, education and water and sanitation systems face severe financial constraints, often lack trained and skilled technical personnel, and rely on weak information and management systems. In addition, protracted periods of violence and insecurity lead to decay, neglect and consequent inoperability of key infrastructures such as hospitals and clinics, school buildings, and networks of piped water (HLF 2004, OECD 2008). Moreover, severe governance deficits and the breakdown of social order through conflict often translate in the systematic exclusion of certain groups along ethnic, religious, political and gender lines, thus seriously challenging effective service provision premised on norms of universality, equity and participation.

As discussed in section 4 below, while exclusion from basic services is a well-known problem also in 'better performing' environments, in fragile states the poor face heightened social, economic, political, and financial barriers of access to basic services (Berry et al 2004, Meagher 2005, OECD 2008). Distorted or broken lines of accountability, weak or non-existent sectoral policy frameworks at the national level and poor monitoring and control systems, very often lead to a highly fragmented and patchy service delivery pattern in fragile

environments (Meagher 2008, Newbrander 2007, OECD 2008). In response to the failure of public service provision, local community initiatives and alternative non-state provision become common solutions to ensure availability and continuity of services in those contexts. However, as discussed in the following sections, if those initiatives are disconnected from the main service delivery track they may have serious implications on broader relationships of accountability (Commins 2005).

In the remainder of this section we discuss the role that pro-poor service delivery interventions have in addressing the very sources of state fragility by investigating the impact on humanitarian, development and governance outcomes.

2.2 Humanitarian and development impacts of service delivery initiatives

The humanitarian imperative to save and improve people's lives during crises through the provision of vital services is widely recognized to be a desirable end in itself and a shared goal of donors' interventions in fragile states. Addressing disease outbreaks and reducing high mortality rates through the provision of healthcare is an important short-term objective of donors' engagement in those contexts (Newbrander 2007, Berry and Igboemeka 2004, Berry et al 2004, World Bank 2005, and others). Similarly, despite the marginalized role that education has in international humanitarian assistance (see Education report), education has the potential to protect children and non-combatants living in conflict-affected areas (OECD 2008, Vaux and Visman 2005, Burde 2005), and offers a much needed sense of normalcy and continuity to children and whole communities during the height of a conflict (Bird 2007, 6 see also Nicolai and Triplehorn 2003, OECD/OCDE 2006, Smith and Vaux 2003). And given that water is essential for daily survival, improving access to WASH services during emergency relief is clearly of vital importance (OECD/OCDE 2006).

There is also a growing recognition that improving access and quality of health, education, and WASH services dramatically improves the well-being of people, raises living standards at the aggregate level, and significantly contributes to advancing human development.

Education, health and WASH are internationally recognized human rights, and the MDGs represent a global commitment to realize the rights of poor people worldwide to access those services. Increasingly, improving access to basic services in fragile states is seen as key for meeting the MDGs[5] (Berry et al 2004, Newbrander 2007, Berry and Igboemeka 2004, World Bank 2005). There are also important cross-sectoral linkages between health, education and WASH services and wider links with other factors such as environment, nutrition, climate change, gender etc. Consequently, improvements in service delivery in one sector can have positive spill-over effects on other sectors and on other MDGs and targets. Assistance in service delivery is therefore widely understood as serving as a platform for the initiation of long-term development activities (Berry et al 2004, Newbrander 2007, OECD 2008 and others). For example, education is seen as especially amenable for addressing other development needs and a catalyst for broader transformation (OECD 2008): it can maximize the health impact of water supply and sanitation infrastructures (see WASH report), it can contribute to addressing human rights issue, for example through reforms of the school curriculum (see Education report), and can be a "powerful inter-generational change agent" (Berry et al 2004, 11) stimulating the socialization of youth, political participation, women's empowerment and health (OECD 2008).

However, despite the transformative potential offered by service delivery in fragile settings, it is important to remember that services are also prone to polarisation and manipulation and therefore carry the potential to even *contribute* to state fragility. Each sector has unique features, with specific implications for programming, which should be taken into account when designing service delivery interventions (Moran and Batley 2004, OECD 2008). Among the sectors reviewed, given its powerful political and ideological connotation, education[6] appears to be especially prone to manipulation (see Education report).

2.3 Service delivery and governance

"Making services work for poor people" (World Bank 2004) is widely understood to be a public responsibility and the state[7] is seen as having a central role in financing, regulating and overseeing basic service provision. The state can intervene to correct market failures to ensure equity and universality and has the legal responsibility to progressively realize citizens' rights in the social sector (Christiansen et al 2005, Commins 2005, Berry et al 2004, World Bank 2004). Precisely because the ultimate responsibility for pro-poor service delivery rests in the hands of the state, a central theme that has emerged from a review of the literature is that donors' interventions should ultimately aim at strengthening the capacity of the state (OECD 2007). This is discussed below.

Assistance in service delivery is also seen as offering an entry point for broader governance reforms in political, social, economic, and security areas (Newbrander 2007, Berry et al 2004, Carlson et al 2005, World Bank 2005, OECD/OCDE 2006 and others). This is because in fragile states "the governance reforms that are necessary to promote longer-term social and political change have more chance of success if linked to reforms in service delivery, which have tangible results and benefit the public in a way they notice" (Berry et al 2004, 11). For example, a relatively 'neutral' issue such as the need for an immunization drive could bring opposite parties around the table under a health banner; this simple initiative could pave the way for further political engagement (HLF 2004). Similarly, WASH delivery in fragile states can also be part of cross-sector state building activities where water is used as an incentive for less attractive activities, such as capacity-building of local administrations (WASH Report).

Another theme that is amply discussed in the literature is the link between service delivery and state legitimacy. When governments lack the capacity or willingness to provide basic services,

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[5] Estimates suggest that a third of maternal deaths and nearly half of under-five deaths in developing countries occur in fragile states (HLF 2004); and states classified as difficult environments account for 54% of people without access to safe drinking water and for 51% of children out of primary school (Berry et al 2004).
[6] According to OECD 2008, in addition to education, the justice and security sectors are also especially prone to polarisation and manipulation.

[7] While in this paper we use the terms state and government interchangeably we do not assume that they are the same. In this paper the state is understood in a generic sense as the system of social control capable of maintaining the legitimate use of physical force within its boundaries. The notion of state is a broad construct and encompasses the notion of government, understood as the political institution through which power is exercised (Torres and Anderson 2004).

"people feel betrayed by the government's ineffectiveness and inability to… provide for their needs… in their eyes the government lacks legitimacy" (Newbrander 2007). Conversely, improvements in basic services are seen as positively contributing to restoring legitimacy to governments. According to OECD:

> "when service delivery improves, there may be an important dividend in enhanced public confidence. Well-designed sectoral assistance programs may in some cases reduce patterns of fragility, by strengthening the legitimacy and effectiveness of government institutions" (OECD/OCDE 2006, 9).

In countries emerging from conflict, giving the population a so-called 'peace dividend' in the form of service-delivery interventions represents a strategy to demonstrate the value and political will of the new government and to dispel "the image of the state disregarding its responsibilities towards its citizens" (Carlson et al 2005, 17, see also Berry et al 2004). In turn, this may reinforce a fragile peace and contribute to government's legitimacy (Waldman 2006 (a)). For example, the implementation of a mass child vaccination programme as a combined UN/Government activity, together with the publicity that usually surrounds this event, and the gathering of crowds in a single place, may be important signals of the good social intentions of the government, and a good way of conferring at least a temporary legitimacy to the government (Ibid, see also WASH Report).

While service delivery may positively contribute to state legitimacy, it is also important to keep in mind that engaging developmentally in fragile contexts is inherently problematic. Doing so may imply that existing state structures are in fact legitimate, and support to sectoral ministries and government agencies may be in turn understood as implicitly rewarding the government for poor performance. In contexts where the state lacks the willingness to implement pro-poor interventions, the nature and extent of donors' alignment with partner governments is key (Berry and Igboemeka 2004).

Section 3: Donors' approaches to service delivery in fragile states

There is a broad consensus in the literature that donors should avoid 'one size fits all' approaches when engaging in fragile states (DFID 2005, OECD/OCDE 2006, Leader and Colenso 2005, and several other). Instead, the modes and instruments of their engagement should reflect the type and context of state fragility, and the characteristics and dynamics of the specific service delivery sector (OECD 2007, Ranson et al 2007, OECD/OCDE 2006). A sound and objective political analysis of the situation on the ground (at the country- and regional-level) is widely understood to be a necessary prerequisite to donors' engagement in those environments (AusAID 2006, Commins 2005, DFID 2005, OECD 2007, OECD/OCDE 2006, Waldman 2006 (a)) (See also related sector reports in this series).

A review of the literature has also highlighted the importance of designing and implementing service delivery interventions that are premised on sustainability. In the water sector this is especially relevant because a unique feature of water supply is that failure of the weakest link (e.g. a broken part or lack of fuel) can lead to the total interruption of supply (see WASH report). However, while donors should indeed promote sustainable service delivery interventions, it is also important to keep in mind that especially in difficult environments, building sustainable systems for service delivery in the short to medium term may be unrealistic and an overly ambitious plan (DFID 2005). The concept of 'good enough governance' may be useful in this regard: donors' initiatives should be realistic and achievable, aiming at attaining "visible results in the short term, however modest, to build momentum for future reform" (Ibid, 21) (See Education report).

In this section we provide an overview of donors' approaches to pro-poor service delivery in fragile states by discussing the challenge of addressing immediate humanitarian needs while building capacity (Challenge 1 above); donors' modes of engagement with state and non-state actors (Challenges 2 and 3 above); donors' strategic coherence in fragile states, specifically in regard to alignment and harmonization; and mechanisms and instruments for funding service delivery in fragile states.

3.1 Addressing immediate humanitarian needs and building capacity

The international donor community is increasingly recognizing the shortcomings of a purely humanitarian, project-based, short-term approach to service delivery in fragile environments. Experience has demonstrated that this dominant mode of engagement leads to a fragmented and uncoordinated response that poorly addresses the institutional failures and governance deficits that are at the core of state fragility. The promotion of vertical, non-integrated programmes, such as the creation of multiple vertical or special programmes to address the same health issue (see Health report), is increasingly perceived as creating mechanisms that bypass (rather than include) state institutions and systems. This in turn can further undermine already weak relationships of accountability and even create "new and often deeper institutional failures" (Commins 2005, 8, see also HLF 2005(a), Berry et al 2004, Newbrander 2007, OECD/OCDE 2006, OECD 2008, and many others). There is a growing recognition that donors-sponsored service delivery initiatives need to be devised to involve (rather than bypass) the state so as to strengthen the institutional apparatus to ensure long-term, sustainable service provision. Building institutional capacity however is a difficult and long-term process and as Challenge 1 above indicates, when promoting pro-poor service delivery initiatives in fragile states donors are inevitably faced with a continuing tension between responding to immediate humanitarian needs and strengthening capacity.

The three sectoral reports have pointed to a guiding principle of engagement in this regard: the promotion of vertical programmes to achieve near-term humanitarian goals needs to be *complemented* with broader efforts aimed at reconstructing the health, education and WASH systems "over a long time frame, incorporating humanitarian and development agendas" (OECD/OCDE 2006, 39, see also HLF 2005 (a), Newbrander 2007, OECD 2008, Meagher 2005 and many others). Donors are increasingly experimenting with approaches and strategies to incorporate humanitarian *and* long-term capacity building in service-delivery initiatives.

In the health sector, the implementation of a Basic Package of Health Services (BPHS) is seen as a useful approach for linking quick-impacts to

longer-term goals in the early stage of health system reconstruction, for example in post-conflict fragile states (Waldman 2006 (a), OECD/OCDE 2006). Usually a BPHS "specifies the physical characteristics of health facilities, their distribution on a population basis, their staffing patterns, and their specific public health interventions" (Waldman 2007, 3). While the implementation of a BPHS presents several challenges, including what exactly should be included in the package, who is setting the agenda, how to cater for health problems that fall outside the package (LSHTM 2007 and Odaga 2004), promoting a BPHS is seen as a useful approach in fragile states because it:

- promotes the development of a common vision of priorities for the health sector and the establishment of a coherent framework for donors and partner governments for delivery of essential health services;
- has the potential to increase access to primary health care at the community and district levels;
- is a pro-poor intervention as it concentrates health service delivery to benefit the poorest and most vulnerable (see Health report).

The education sector has provided several examples of so-called "blended approaches" (Rose and Greeley 2006), which mix the short and long route of accountability to address immediate education needs *together* with longer-term state building efforts. As the examples demonstrate, one way to do so is to capitalize upon local initiatives (community-based or NSPs) and find ways to integrate them into the public delivery track while strengthening government's capacity, for example by using MoE's policy parameters, objectives and school curricula (see Education report).

Similarly, the WASH report has pointed to the need to adapt WASH interventions so as to address the immediate needs of the population while also promoting local governance. For example, short-term funding cycles of 12 months are increasingly seen as posing a particular challenge in relation to capacity building. This is mainly because organisations have no obligation to monitor the sustainability of community or private operator management arrangements, or to provide longer-term back-stopping support. This recognition has led to the implementation of longer-term projects cycles of 24 months or more which can allow trust to be built and dialogue with the government to be maintained while providing more time for improving accountability mechanisms through the support of user voices and agency (see WASH report).

3.2 Working with state and non-state actors

When choosing among different service-delivery channels, donors are also faced with critical choices and difficult trade-offs. In this section we refer to Challenges 2 and 3 above and outline the approaches discussed in the three sectoral reports to attempt to deal with those challenges.

Working with central and local government
The discussion so far has pointed to the need "to help national reformers to build effective, legitimate, and resilient state institutions" (OECD 2007, 1, see also OECD 2008, Newbrander 2007, DFID 2005 and many others). If the long-term objective of donors' interventions in fragile states[8] is to build capacity to enable the state to take ultimate responsibility for service management, delivery, and monitoring, the 'first best' solution is to work with central and local state actors. This recalls the long-route of accountability discussed above, and donors' ability to strengthen it through the support of pro-poor service delivery initiatives.

In settings where there is some willingness and some capacity at the central level and the national government can be a viable partner, donors-sponsored interventions should indeed strengthen state capacity by working directly with the state and its structures (Meagher 2005). Decisions as to *where* to engage, whether at the center or at lower levels, will need to be based on a political analysis of the specific context aimed at locating capacity and will at different institutional levels (Berry et al 2004). This is of crucial importance: in contexts where lack of willingness at the central level is a significant constraint to pro-poor service delivery, donors may be able to find 'pockets of willingness' or 'entry points' within certain ministries or at lower levels of government (Ranson et al 2007, Berry et al 2004, OECD 2008). In this way donors can build on existing pro-poor political will and work with lower-level institutions with the aim of integrating initiatives into government processes and structures in the longer term (Berry et al 2004) (see Education and Health reports).

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[8] "Focus on state-building as the central objective" is the 3rd OECD Principle for Good International Engagement in Fragile States & Situations (OECD 2007).

In addition, the education report has highlighted another important issue that donors should keep in mind when engaging with state actors. Experience in a number of fragile environments demonstrates that in order to ensure access and continuity of service provision, donors may have to deal not only with the *de jure*, but also with the *de facto* actors and structures, such as dissident political movements or rebel groups (Education report).

Harnessing Non-State Providers (NSPs)
Working directly with central or local state actors may not be a feasible option in many fragile situations, where inherent institutional and governance deficits mean that the state cannot or will not be responsible for service provision. When the state is not a viable partners for donors, "it will be necessary to bypass the state altogether [and] external agencies may have to deliver services" (DFID 2005, 23). In response to public service delivery failures, non-state actors become an important alternative for scaling up services and ensuring the availability and continuity of supply. In those contexts, partnering with NSPs and working through the short-route of accountability may be the only viable option for donors.

Given the vital contribution that NSPs make to basic service provision in fragile environments, there is a broad consensus that donors' initiatives should strive to harness NSPs. The three sectoral reports have pointed to a guiding principle of engagement in this regard: donors should engage and partner with NSPs *while* also strengthening public institutions. It is key that initiatives premised on engagement with NSPs are not totally disconnected from the public service delivery track and that hand-back mechanisms to ensure the eventual transition from NSPs to state actors are incorporated in programme planning and design from the very beginning (Commins 2005, OECD 2008).

Donors are increasingly experimenting with approaches and strategies to harness NSPs while also building long-term capacity.

Contracting is seen as a way "to harness the capacities of both state and non-state providers for service delivery, while simultaneously introducing an accountability mechanism through performance or output based contracts" (Berry et al 2004, 19). Specifically, contracting entails leaving the stewardship role to the public sector, while giving responsibility for delivery of basic

Advantages	Disadvantages
- Allows a greater focus on measurable results - Increases managerial autonomy - Draws on private sector expertise - Increases effectiveness and efficiency through competition. - Allows governments to focus on other roles such as planning, standard setting, financing, and regulation - Allows for rapid expansion of services	- Competition may not exist, especially in low-income countries where there may be no alternative providers - Contracts may be difficult to specify and monitor - Management costs may wipe out efficiency gains - Governments with weak capacity to deliver services may also be weak in a stewardship role

services to the private or civil society sector. Palmer et al 2006 identify the advantages and disadvantages in relation to contracting in fragile states. These are listed above.

While this approach is mainly used in the health sector, the literature on the education sector suggests that contracting out technical and higher levels of education is a possibility that could be further explored in this sector (See Health and Education reports).

Pay for Performance (P4P) is another innovative approach which relies on the power of external incentives to improve NGOs or private agencies' performance in the provision, scaling up, and quality of services (Newbrander 2007). This approach has been discussed only in relation to the health sector and the health sector report highlights several advantages of using a P4P approach in fragile states, including:

- improving government's leadership, strengthening institution-building and reinforcing existing services;
- helping to increase the demand-side and enhance users voice;
- introducing accountability mechanisms through performance in the relationship between NGOs and their beneficiaries;

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- addressing the challenge of meeting immediate needs and building long-term capacity.

It is also important to keep in mind that the implementation of a P4P is a complex activity and requires high levels of auditing and monitoring systems to ensure the veracity of the reported results. This means that this approach can hardly be used in highly politicized and conflict settings, rather its applicability is limited mostly to post-conflict or stable environments (see Health report).

3.3 Donors' strategic coherence in fragile states

There is a growing recognition of the importance of donors' strategic coherence in fragile environments and that 'alignment' and 'harmonization' are central to this agenda. However, a key theme that has emerged from a review of the literature is that this is an area where donors' efforts remain far from optimal (Christiansen et al 2005, OECD/OCDE 2006, HLF 2004).

Alignment
Alignment refers to the relationship between donors and partner governments or authorities. Donors can align their efforts with national authorities' priorities but not use their systems, or vice versa: they may align their efforts with national systems but hold to different priorities (Christiansen et al 2005). The issue of building state capacity is at the very core of the alignment agenda. Donors' efforts to align reduce the possibility of undermining state institutions, for example with the creation of parallel structures and service delivery mechanisms that bypass state institutions (such as the MoH or MoE) and, as discussed above, end up weakening state capacity even further (Berry et al 2004, OECD 2007). Therefore, in states with some willingness but low levels of capacity, donors' interventions should be designed "in ways that parallel, and can be linked, with existing or emerging government systems" (OECD/OCDE 2006, 6). In difficult environments however, alignment is often highly problematic as "poor governance and low levels of trust between aid donors and recipient governments makes cooperation difficult" (HLF 2004, 4). The concept of **shadow alignment** may be especially useful in those cases as it is a state-avoiding approach, *but future–proof*, as it uses resources, institutions, structures or systems that are "parallel but compatible with existing or

potential organization of the state" (HLF 2004, 21) (and see separate sector reports).

Harmonization
Harmonization refers to the relationship among donors and consists of efforts to orchestrate activities with the aim to make efficient use of (scarce) resources, reduce transaction costs and fragmentation (HLF 2004, Newbrander 2007). In the health sector, the need to harmonize strategies and initiatives is of particular importance given the large number of donors' agencies that operate in this sector and the interconnectedness of the issues involved (HLF 2004 and 2005(a)). Harmonization becomes especially important in contexts where alignment is not possible because of lack of willingness and/or capacity (Christiansen et al 2005, Berry et al 2004). In those contexts it may be necessary for external actors to step in and fulfill this function, for example through the establishment of a non-state co-ordination mechanism or entity (Ranson et al 2007, OECD/OCDE 2006, Berry et al 2004). The UN is commonly regarded as an appropriate body to ensure that coordination of service delivery efforts takes place (Carlson et al 2005, Berry et al 2004, DFID 2005). For example UNICEF and WHO usually act as 'lead agencies' in the education and health sector respectively. But in the water sector, issues of coordination at country levels seem to be especially problematic, partly because there is no dedicated water agency within the UN for coordinating efforts at national level and below[9].

Donors are increasingly experimenting with approaches and strategies to improve their strategic coherence in fragile environments. We provide below an overview of approaches and strategies that have been discussed in the sectoral reports.

Sector Wide Approaches (SWAps) seek to integrate government and donors' activities within a sector so that all funding for a specific sector supports a single policy and expenditure program. The government and donors agree at a strategic level on the resources and policies designed for the specific sector in a way that is consistent with the national budget and economic strategy. While ideally SWAps should enhance donors'

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[9] While UN Water is the UN inter-agency body for coordinating water issues, there is no lead UN body to coordinate water and sanitation interventions at national level (DFID, 2006).

harmonization under government guidance, the Health and WASH report have highlighted that inherent governance weaknesses and institutional deficits make it difficult for partner governments to orchestrate donor coordination, especially when several donors are engaged in a single sector. The existence of political leadership and institutional capacity therefore need to be seen as key prerequisites for the development of effective SWAps in fragile states.

Joint analysis and programmes aim at providing a coordination framework and a set of joint objectives to improve the effectiveness of the activities undertaken by the different actors, state and non-state, involved in service delivery. This approach also allows to set objectives in a way that balances the capacity of donors with the needs of the recipient government. In addition, as the Education report has highlighted, successful coordination through joint programmes has the potential to attract more donors and in turn raise more funds .

The **Transitional Results Matrix (TRM)** is only been briefly discussed in the sector reports, in relation to the health sector. The TRM is an integrated multi-donor coordination tool developed by the LICUS unit at the World Bank to aid partner governments to foster better donor coordination by focusing especially on the development, security, and diplomacy components of the transition from fragility to stability (HLF 2005(b), WB 2005(b)).

3.4 Instruments and funding mechanisms

A flexible, long-term international engagement in fragile states is widely recognized to be a necessary prerequisite for building state-capacity and for addressing the complex institutional challenges that those difficult environments pose (AusAID 2006, OECD 2007, OECD/OCDE 2006, OECD 2008). In turn, the financing modalities and aid management arrangements in fragile states should be flexible predictable, reliable and long-term (DFID 2005).

The literature on aid effectiveness however, points to a well-known problem in this regard. After the initial humanitarian support, many fragile states experience a significant decrease in the level of aid, even if research and empirical evidence[10]

indicate that 'early recovery' countries with some political will can provide excellent opportunities for using aid effectively to build state capacity and to aid sustainable recovery (Chauvet and Collier 2005, Collier and Hoeffler 2002, see also LHTM 2007, Leader and Colenso 2005, HLF 2004, Newbrander 2007). In addition to this 'transitional funding gap', the literature also points to a 'trust gap' between donors and recipient governments. Poor expenditure management, weak or distorted lines of accountability, and dysfunctional institutions and governance structures often make international donors more reluctant to disburse aid in fragile states because of the high financial management risks that they may incur into (Save the Children 2007 and 2006, DFID 2006). As the sectoral reports emphasize, this is also the main reason why direct budget support and PRSPs are unpopular financing mechanisms in fragile states (see Health and Education reports). Another issue that has emerged from the literature review is that the 'transitional funding gap' and the 'trust gap', together with the long-standing neglect of support to education services in humanitarian and development efforts, make funding an especially problematic issue in the education sector.

International donors are increasingly experimenting with innovative instruments to address the 'transitional funding gap' and the 'trust gap'. In addition to the funding mechanisms that have been discussed in relation to contracting and P4P above and social funds below, in the remainder of this section we provide an overview of instruments and funding mechanisms that have been discussed in the sectoral reports.

Multi-Donors Trust Funds (MDTF) function as a proxy for national budget and allow donors to provide "budgetary support to countries where fiduciary risk is high while simultaneously building the capacity of the state to manage and control its own budget" (DFID 2004). MDTFs are seen as especially suited to post-conflict fragile states (OECD 2007, DFID 2004, Christiansen et al 2004, Leader and Colenso 2005) as they have the potential to:
- Raise funds to support specific sectoral interventions;
- Reduce transaction costs, through the establishment of a single fund with a single

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[10] See for example the well-managed transition in several sectors in East Timor, where political will was at

the core of the successful donor-national government partnership (Rose and Greeley 2006).

set of reporting and procurement procedures (rather than through a series of multiple funds);

- Facilitate shared priorities and responsibilities for execution between national and international institutions;
- Improve coordination of funding and reconstruction activities in line with agreed priorities with the government.

The experience with MDTFs however has been mixed. Despite the potential advantages that this instrument offers, poor management and lack of flexibility to adapt to local circumstances may represent serious impediments to the effective implementation of this instrument (see individual sector reports).

Global Aid Programmes and Funds are increasingly used to mobilize technical and financial resources at the international level to support a specific sector. While global programs and funds differ substantially in terms of goals, size, governance structures and modalities, they all share the need to form partnerships that involve public, private and civil society actors to pursue commonly agreed sectoral goals (Lele et al, 2). The sectoral reports have highlighted that in the education sector (e.g the Education for All Fast-Track Initiative) and health sector (e.g. the Global Fund to Fight AIDS, TB, and Malaria (GFATM) or the Global Alliance for Vaccines and Immunization (GAVI)) such initiatives are much more common than in the WASH sector, where the only global fund exclusively dedicated to WASH is the recent Global Sanitation Fund. While Global aid programmes and funds have the potential to provide predictable financing to support government-led approaches, the literature has also pointed to the dangers that those initiatives may carry in terms of distorting national planning and chains of accountability, increasing transaction costs, and creating separate planning, financing and delivery channels (World Bank 2004, Leader and Colenso 2005, Welle et al 2008, Lele et al).

Section 4: Reaching the poorest in fragile states

There are several reasons for why donors should pay a special attention to reaching the poorest in service delivery interventions in fragile states. First and foremost, the humanitarian imperative to act in the face of a crisis to save lives by providing vital services to the poorest and most vulnerable is an important goal of donors' interventions in its own right. Secondly, donors' initiatives to expand service provision to the poorest can also be seen as part of broader efforts to reduce the possibility of conflict. The literature on 'horizontal inequalities' suggests that inequalities between groups in society and discriminations – including access to services – along social, economic, and political lines, may contribute to instability and the (re)ignition of conflict (Stewart 1999). Finally, to ensure that service delivery initiatives are underpinned by norms of equity and universality, it is important that donors' efforts in fragile environments are designed to deliberately minimize social, geographical and financial barriers to access (Odaga 2004, Ranson et al 2007, HLF 2005(a)).

In this section we provide an overview of donors' approaches to reaching the poorest by investigating efforts to remove, or at least mitigate, supply- and demand-side barriers of access to basic services.

4.1 Supply - side

The sectoral reports have discussed targeting and decentralization as important strategies for removing or mitigating supply-side barriers of access for the poorest.

Targeting
Targeting and tailoring specific service-delivery interventions to reach the poorest and most vulnerable is seen as an effective way of improving equity of service provision in fragile states (World Bank 2006, Kirk and Standing 2005). For example the support of specific initiatives to expand the educational opportunities of children and youth with special needs, and the promotion of gender-sensitive interventions that target both girls and boys, are key strategies for increasing school enrolment and reducing drop-out rates. Similarly, the WASH report has suggested a number of ways of targeting WASH services to the poorest and most vulnerable. For example, interventions can be tailored according to whether beneficiaries are concentrated in urban areas or dispersed in rural

areas, or according to the specific needs of particular groups such as IDPs and refugees.

However, the literature points to yet another dilemma that donors may face when targeting interventions in fragile states. The literature points to the fact that "universal and equitable access may not be a realistic goal in fragile states…[and] differential access may be a necessary evil: for example, geographical factors – impacting not only physical access but also security and capacity – may make disparities unavoidable for the foreseeable future" (OECD 2008, 31). Donors may therefore be faced with a difficult question: "should…pragmatic considerations, including political calculations, take precedence over the implementation of human rights to equitable access - and if so, under what conditions would this be acceptable?" (Ibid.). The health report for example has highlighted how "some policy-makers are increasingly moving forward with using health services for state stabilization" (Ranson et al 2007, 22). USAID health service provision policy in Southern and Western Sudan (see Health report), is a clear example of how targeting can become subordinated to political considerations, such as state stabilization and conflict reduction goals. Yet prioritizing political goals in targeting service delivery interventions in fragile states can also be seen as risking a skewed service delivery agenda that ultimately runs counter to humanitarian and equity principles. Indeed, as Ranson et al (2007, 22) suggest, "[h]ow effective [USAID] strategy remains to be seen. In the meantime, the health of the populations in southern and western Sudan may have suffered as a result of this policy".

Decentralization
By bringing decision-making closer to the people, support to decentralized modes of delivery is generally perceived as having the potential to provide services that better meet local needs and enhance citizens' voice (World Bank 2004 and 2006). Decentralization is increasingly prominent in the sectoral reform proposals sponsored by major international donors, and the growing trend toward decentralization is especially relevant in the water sector (WASH report). Despite the potential that decentralization may have for improved governance and capacity to deliver services, and in turn for reaching the poorest, the three sector reports have highlighted a common problem that donors should be aware of when supporting decentralized modes of service

delivery. When services are decentralized to local governments, 'elite capture' – where resources are stolen or used to favour the elite at the expense of the poorest – may represent a serious challenge to pro-poor service provision (World Bank 2006, Mcleod, 2002 in Slaymaker and Christiansen 2005, OECD 2008, Meagher 2005) (and see Health and Education reports).

4.2 Demand-side

Strategies to address demand-side issues are usually aimed at generating demand for services, for example by improving coverage and reducing the cost of services (Ranson et al 2007). Working through civil society organizations, seeking to empower communities and enhancing their voice and participation in the provision of services from local government are seen as crucial steps for generating demand for basic services (HLF 2004, Berry et al 2004). In addition, the growing recognition that the poor face significant financial obstacles which prevent or limit their access to basic services, has led major international donors to experiment with innovative instruments, such as user fees and Conditional Cash Transfers (CCTs) to reduce the cost of access to services.

Community-Based Approaches (CBAs)

CBAs are widely perceived as offering great potential for reaching the poorest in fragile states and have been discussed as an important demand-side strategy in all three sector reports. In fragile environments where the public service delivery track is seriously disrupted or inefficient, local or community-based organizations such as parent-teachers associations, health action councils or water user groups, may represent the only way to ensure the availability and continuity of basic services in the short term (OECD 2008). CBAs are also seen as having the potential to strengthen the 'short route' of accountability, and build local capacity through the development of local community structures, civil society actors and social capital (Berry et al 2004, OECD 2008). The promotion of CBAs, however, should be carefully weighed against the possibility that such initiatives may create systems and mechanisms of service delivery that are parallel to, rather than integrated with, the public delivery track (Commins 2005). To avoid the creation of parallel mechanisms and structures that may further undermine state capacity and distort relationships of accountability (see above), donor-sponsored CBAs should be devised so as to be absorbed into the government structure in the long-term (OECD

2008). In order to do so, the literature stresses the importance of incorporating hand-back mechanisms from the very outset of programmes so that initiatives can be linked to and ultimately incorporated into the public service delivery track (Commins 2005, OECD 2008, OECD/OCDE 2006) (and see individual sector reports).

Social funds

Social funds are one of the World Bank's preferred instruments[11] and are increasingly used in fragile states contexts, especially in post-conflict settings, as part of broader reconstruction strategies. Social funds entail the provision of block grants to communities (devolution), to be spent on micro-projects, ranging from infrastructures to social services, selected by the community (participation) (Leader and Colenso 2005, Ranson et al 2007, Slaymaker and Christiansen, 2005). The main advantages of promoting social funds include:

- improving participation and strengthening the relationship between communities and local government;
- enhancing state legitimacy (as grants are seen as coming from the state);
- adapting programmes to the local context thanks to design flexibility while allowing immediate needs to be met;
- providing a coherent framework for national coordination of donors.

Social funds have also been criticized on a number of grounds including:

- the possibility that they may fail to build local and central government capacity;
- poor coordination in the targeting of service delivery interventions;
- the possibility that they may create a parallel structure disconnected from the public delivery track.

(Berry et al 2004, Leader and Colenso 2005, DFID 2004, World Bank 2005, Slaymaker and Christiansen 2005).

User fees

The arguments for and against the removal of user fees for education and primary healthcare have been presented in the relevant sectoral reports. An important issue that donors should keep in mind is that the decision of whether user fees are an appropriate instrument for the specific context and

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[11] The World Bank calls Social Funds "Community Driven Development or Reconstruction (CDD/R)"

sector in question, should be considered in the light of other key factors, such as efficiency in allocation, quality of services, and the ability to guarantee that services can be delivered and sustained.[12] Moreover, the Education report has highlighted that in order to be effective, initiatives to remove user fees need to part of broader social protection schemes where other financial (and non-financial) barriers of access are addressed, such as the indirect costs of education including meals, transport, school uniforms etc., which may equally prevent children from enrolling or staying in school.

Conditional Cash Transfers (CCTs)
CCTs, which have been discussed only in relation to the Education sector, are incentives in the form of funds that are offered to poor households on the condition that (for example) their children are enrolled in school (World Bank 2004 and 2006). CCTs may be an appropriate strategy for expanding enrolment and reducing drop-out rates in post-conflict environments (see Education report). But an issue highlighted in the Education report is that the success of CCT programmes is highly dependent on the existence of institutional and administrative capacity.

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[12] For a helpful tool for assessing the pros and cons of user fees in service delivery see World Bank 2004, Chap 4 pag 71, box 4.4.

Section 5: Conclusion

5.1 Summary of key points

- Improving pro-poor basic service delivery is increasingly a prominent feature of donors' engagement in fragile states. The relationship between state fragility and service delivery is seen as interrelated and mutually reinforcing: state fragility negatively impacts on service delivery; conversely, pro-poor service delivery interventions have the potential to address the root causes of state fragility.

- However, deep institutional and governance failures and protracted periods of violence and crisis that may characterize fragile environments make the support of pro-poor service delivery a highly complex and long-term activity. A 'one size fits all' approach should be avoided: instead a sound and robust political analysis of the specific context and sector should underpin donors' modes of engagement in fragile states.

- The health, education and WASH reports have emphasized that high levels of uncertainty, conflicting policy objectives, difficult choices and trade-offs inevitably characterize donors' engagement in fragile states. A review of the literature has highlighted three major challenges in relation to finding the appropriate balance between:

  1. responding to immediate humanitarian needs and building long-term capacity;
  2. engaging with the public sector and Non-State Providers (NSPs);
  3. supporting and working with central and lower-level institutions (e.g. local government)

- An overarching guiding principle when dealing with the above challenges is that, even in the most difficult scenarios, service delivery is ultimately a public responsibility and donors' interventions should be devised so as restore the public service-delivery track in the long-term. It is therefore important that donors incorporate hand-back mechanisms from the very outset of programmes so that initiatives can be linked to and ultimately incorporated into the public service delivery track.

- The distinctions between relief and development, between state and non-state service providers should not be seen as sharp dichotomies. Instead, donors' design and implementation of service delivery initiatives should be guided by the need to:

  1. address short-term, humanitarian *and* long-term, development objectives simultaneously;
  2. build on existing pro-poor political will and work with lower-level institutions (or within certain ministries) with the aim of integrating initiatives into government processes and structures in the longer-term;
  3. work and partner with NSPs *while* including state agencies and national systems;
  4. strengthen short-route mechanisms *while* finding ways to strengthening longer-term approaches that can help develop the long route of accountability.

- There is a growing recognition of the importance of donors' strategic coherence in fragile environments, and alignment and harmonization are key efforts to further this agenda. The issue of building state capacity is at the very core of alignment efforts: aligning with government's systems and/or priorities reduces the possibility of undermining state institutions by creating parallel mechanisms of service delivery. Efforts to harmonize donors' response are key for making efficient use of resources, reducing transaction costs and fragmentation, where possible under the government guidance and overall policy framework.

- The instruments and funding mechanisms used to finance donors' service delivery initiatives in fragile states should be flexible, predictable, reliable and long-term.

- This is of crucial importance for building state-capacity, a long-term and difficult task, and for ensuring that states are not under-funded during the crucial the transitional phase.

- Donors' efforts in fragile states should aim at reaching poor and vulnerable groups that are mostly affected by state fragility and by ineffective service delivery. Donors' efforts should aim at removing, or at least mitigating, supply- and demand-side barriers of access to services that may limit or prevent those groups from accessing basic services.

5.2 Gaps in the literature

- The health sector is the most researched of the three sectors: examples of interventions, policy recommendations and various approaches and frameworks mainly concentrate on this sector, while the WASH and the education sectors appear to be under-researched.

- The literature reviewed pays little attention to gender issues. The paucity of evidence and research in gender issues is especially significant for the health and education sectors.

- In all three sectors, there is little systematic analysis on what kind of instruments, approaches and strategies are effective in specific types of state fragility. Few studies exist that analyze what approaches work and why in a specific environment.

Appendix 1   Main components of the fragile state agenda of multilateral and bilateral donors

AusAID: While recognizing that all fragile states are different, key features they share are weak governance, failing public institutions, instability or conflict - all of which contribute to dismal growth prospects. AusAID long-term approach to fragile states consists of five elements:
1) Build sustainable government institutions;
2) Strengthen political governance and target corruption;
3) Provide opportunities to stimulate economic growth;
4) Maintain the delivery of services to minimize the impact of system failures on the poor;
5) Investment in analysis

DFID does not limit its definition of fragile states to those affected by conflict and classifies fragile states into four categories:
1. Good performers: with capacity and political will to sustain a development partnership with the international community
2. Weak but willing: states with limited capacity
3. Strong but unresponsive: states that may be repressive
4. Weak-weak: where both political will and institutional capacity pose serious challenges to development

DFID's fragile states agenda is centred on poverty and local insecurity. Focusing on the mechanisms of government, and the potential for government-led aid to address state fragility, DFID work on fragile states is largely state-centric.

USAID: Ineffective and illegitimate governance are seen as the root causes of instability. In 'vulnerable' states, USAID's work focuses on capacity building and reform to improve governance; in 'crisis' states, the focus is on stabilization, enhanced security and the mitigation of conflict and its impact. USAID's aid programme is driven by the broader US foreign policy agenda.

WB LICUS: There are four categories of LICUS states, which are also recognized in four business models that the Bank has developed for working in those contexts:

1) deterioration;
2) prolonged crisis or *impasse*;
3) post-conflict or political transition;
4) gradual improvement.

The WB approach focuses on conflict prevention and reconstruction to enhance and inform the links between peace building, state building, and governance agendas.

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