Aid strategies in 'politically estranged' settings

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

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Introduction

Over the past two decades, fragile and conflict-affected states (FCS) have become a policy priority for international development actors. The global and human consequences of fragility have encouraged new multilateral and national approaches and instruments, focused on upstream prevention; building institutions; generating security, justice and jobs; fostering inclusive national ownership; and strengthening international coordination.

However, in a growing subset of FCS, these principles and practices cannot be applied. **More than 49 per cent of people in FCS now live in situations where relations between major donors and national authorities are 'politically estranged'** (Figure S1). Such situations are no longer the exception. Many affected states are at the forefront of growing geopolitical contestation and fragmentation, as global and regional powers vie for influence and access to resources, especially in the aftermath of Russia's full-scale invasion of Ukraine.

Figure S1. What are 'politically estranged' situations?

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

— States under comprehensive international sanctions over serious human rights abuses, acts of external aggression or political corruption, for which UN investigations may be underway (e.g. Eritrea, Syria);

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

— 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).


There are sound national interest, geopolitical, collective security and ethical reasons for donors to stay engaged in estranged settings. While development aid by itself cannot prevent conflict or instability, its suspension can exacerbate fragility. Suspension of aid can deepen suffering, prompt further displacement of people and strain humanitarian instruments already responding to more than 340 million people in need worldwide. Withdrawal erodes societal capacities and institutions, increases the risk of negative spillovers, especially to neighbouring countries and regions, and can intensify geopolitical competition.

A range of options exists for donors to remain engaged without ignoring the sources of estrangement. 'Business as usual' after coups or large-scale human rights abuses is not an option either for international organizations striving to support constitutional norms and donors committed to aid effectiveness. Proven approaches and modalities can help donors to deliver aid without legitimizing unlawful regimes, fuelling further conflict and human rights abuses or ignoring corruption risks. With some important exceptions, these modalities have not been systematically considered. The reasons for this are both political and practical.

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A new approach is required. NYU's Center on International Cooperation (CIC) and Chatham House undertook a joint study to examine the political and practical barriers to staying engaged in politically estranged situations and propose options for donors and multilateral actors to use in overcoming those barriers. The resulting research paper draws together quantitative analysis, donor interviews and diverse examples from countries where relations between donors and national authorities are or have been estranged. It identifies emerging best practice and strategic shifts in donor approaches to help to reflect this new reality.

Figure S2. Proportion of FCS population living in politically estranged situations
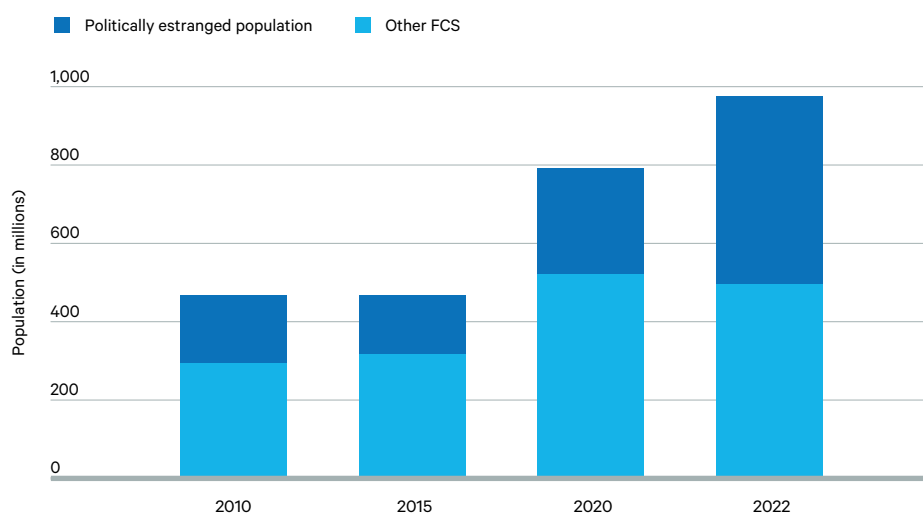
Note: Population figures are drawn from the World Bank's annual list of fragile states and do not include politically estranged states, e.g. North Korea or Russia.

This companion piece summarizes the main findings of the paper, the key principles emerging and recommendations for donor and multilateral organizations' policy and practice in politically estranged situations.

Understanding the challenges of staying engaged

The following four challenges shape decisions on what aid is provided, to whom and how:

Accountability

This challenge arises because, as relationships with national authorities break down, the need for donors to find mechanisms to listen directly to recipient populations increases, often without the mechanisms to do so. At the same time, accountability to donor domestic constituencies becomes more visible and complex. In such instances, domestic pressures mount in many donor countries to withdraw development aid, or to apply tough – and not always feasible – conditions.

Figure S3. Shifting accountability relations in estranged situations
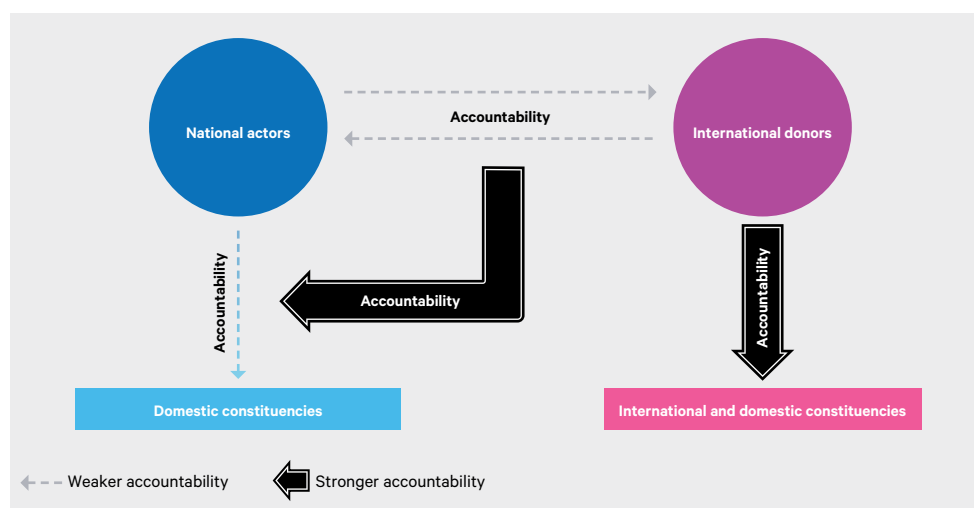
Inclusion

Estranged relations create information and coordination gaps that make it difficult to accurately identify priority needs, recipients and partners. Effective political economy analysis is essential in identifying which institutions, communities and groups can, or should be, engaged in estranged settings and how, as well as to manage risks. Two-step political analysis is important because decisions cannot wait for lengthy, in-depth analysis, despite the fact that initial understandings of the situation are likely to change over time.

Delivery

Aid to estranged settings is usually restricted to a limited number of basic services. But support for key macroeconomic and social functions – such as payment systems, currency arrangements and community-based dispute resolution – are essential for the adequate provision of basic services such as healthcare, education and social protection, and to reduce risks of further spillover from economic collapse.

As estranged situations in Afghanistan, Myanmar and Syria have shown:

i. humanitarian aid cannot be delivered cost effectively without some functioning currency exchange arrangements and payment systems;

ii. livelihoods and private sector job creation are essential to avoid large-scale population displacement;

iii. shifts in accountability increase demands for community dialogue and dispute resolution support; and

iv. preventing further spillovers may require estranged states to continue to meet some international obligations, e.g. refugee management or provision of financial data.

Humanitarian organizations are not well-positioned to design and deliver these activities alone, and require the engagement of non-humanitarian actors such as IFIs and regional and bilateral economic, legal and development actors.

Figure S4. 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 Data

Adaptability
Estranged situations are dynamic. Donors need to respond to opportunities to improve relations, as well as risks of further deterioration. In such contexts, development and humanitarian actors need reinforced capacity to review and adapt programming as circumstances shift, which can be challenging in highly circumscribed settings.

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

— Build and maintain domestic support for engagement;

— Establish and communicate clear expectations with national actors – i.e. sanctioned authorities and civil society and community groups;

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

— Adapt programming rapidly to circumstances.

Figure S5. Assessing accountability, inclusion, delivery and adaptability challenges
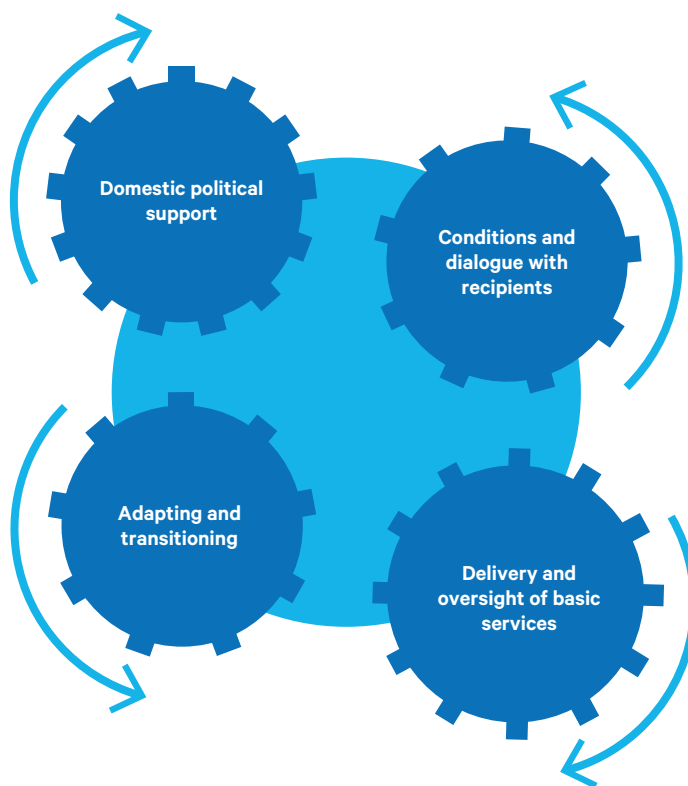
Maintaining donor public support

Four arguments for remaining engaged resonate among donor publics and politicians: **meeting individual human needs; the threat of instability spilling over; the geopolitical importance of some politically estranged settings; and value-for-money.** Some donors have engaged more than others in active outreach to key constituencies using these messages. This is an area where productive exchanges between donors can be useful. Senior officials from multilaterals can also help by briefing at donor domestic meetings, with UN in-country leadership playing a particularly important role.

In addition, the twin concerns of legitimizing abusive governments and fuelling corruption arose frequently in donor interviews. Data from estranged settings on 'legitimacy effects' is sparse, but the paper's main conclusion in this area is that carefully designed modalities of aid do *not* appear to increase the legitimacy of abusive regimes. People appear to distinguish quite well between local basic-service delivery and national-level denial of civil and political rights. There is also some evidence of a boost for donor countries in terms of levels of trust and political reputation of their country with recipient populations.

Corruption and human rights abuses, however, are issues where risks are worsened by lack of contact and access, as well as failure to set reasonable expectations. A proactive approach to addressing risks with donor domestic constituencies

emerged as most useful. 'Zero tolerance' does not mean 'zero abuses'. Rather, it means zero tolerance by donors for inaction in response to abuses. Addressing perceptions around this means building public understanding from the outset of aid provision to an 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?'.

Setting conditions and managing dialogue with estranged authorities

Domestic donor concerns not only shape decisions about if and how to remain engaged, but also options for dialogue and conditions in politically estranged settings. Increased conditions for aid are inevitable in estranged contexts, to answer donor domestic concerns and the demands of populations. This requires heightened consultations over the minimum actions donors require national actors to undertake for aid to flow. Unfortunately, rising complexity of conditions in recent years has produced a lack of alignment and coordination, and also a lack of understanding on which conditions are likely to get most traction.

Rising complexity of conditions in recent years has produced a lack of alignment and coordination.

There are numerous lessons on the design of conditions that can be applied to mitigate this. Initial conditions should focus on simple core issues that are generally common across humanitarian and development actors. These issues 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. Political and developmental counterparts should discuss conditions in advance and at regular intervals to avoid overloading peacebuilding efforts.

Conditions are necessarily linked to dialogue. There are no real conditions if dialogue is not held to discuss them. A longer-term exit from estrangement is impossible without dialogue. Direct political mediation in estranged circumstances often moves at variable speed. Where formal political dialogue is underway with an established international interlocutor – whether from the UN, a regional body or other organization – they must be empowered to create a platform that brings in perspectives from humanitarian and development actors, as well as political views, to help align conditions and priorities. This approach can also help develop the 'guardrails' that maintain some degree of connection in an environment of geopolitical contestation and geo-economic fragmentation. For example, connecting estranged populations with safe corridors for imports and exports of food and other flows needed to maintain basic services.

Where there are entry points with national authorities regarding development and humanitarian issues, these subjects can also open a pathway to peacebuilding in the longer term. UN resident and humanitarian coordinators can play an important role in convening careful dialogue. Regional bodies and South–South cooperation initiatives can be a good entry point to supporting dialogue on development and humanitarian issues, and their links to peacebuilding and governance. In each case, the role of convenor needs to be determined by relationships, trust and knowledge of country context.

Modalities for delivery and oversight – a menu of options

These political dynamics affect the **menu of options of modalities for delivering aid in politically estranged settings** (Figure S6). There is no 'one size fits all' approach. Yet there is a proven set of modalities that can work in meeting urgent needs, preserving local capacity and institutions, and increasing resilience. The greater the willingness of the authorities to compromise on modalities and oversight, the greater the range of modalities possible in different circumstances.

Figure S6. Menu of options for delivery modalities
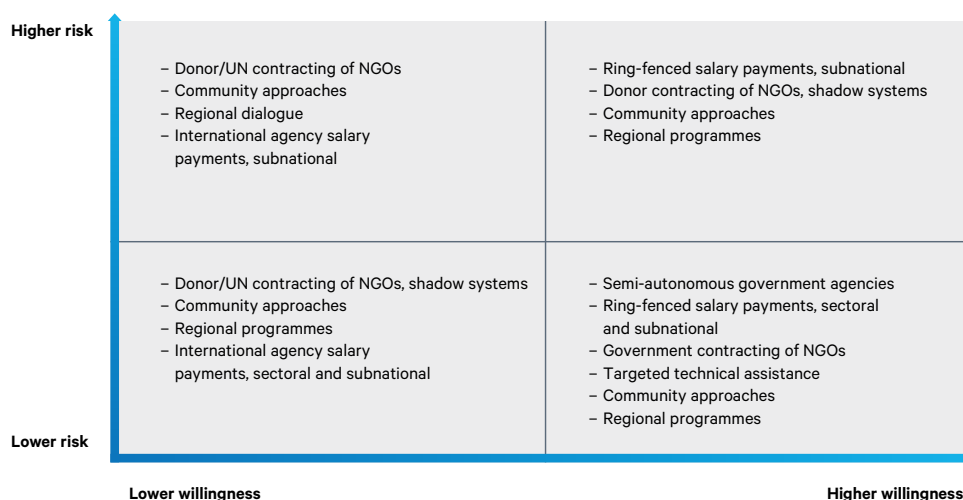
Proven modalities that can be adapted to each country circumstance include community approaches; ring-fencing; international payment of salaries of workers in basic service functions; NGO-contracting under common service standards; semi-autonomous government agencies; and regional programmes. Technical assistance is also a valid instrument in some estranged situations, but should be narrowly tied to functions needed to uphold a country's international obligations or to address the causes of the estrangement and help the country return to a constitutional order. In situations where the source of estrangement is a subnational conflict, these modalities can be applied in the area affected.

There are additional options to address the sources of estrangement in national programmes.

Different modalities may be able to achieve the same development objective and must be considered as options, depending on the political economy of each individual situation in both donor and recipient countries. 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 educational opportunities and avoid increasing pressure to migrate. Options for how to provide coverage of teachers include:

— Supporting the education ministry with tight ring-fencing and monitoring of salaries, which are disbursed into a separate account;

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

— Creating a 'dual-key' system where regional or international personnel are placed in national or subnational educational institutions and sign off decisions around recruitment and the disbursement of funds;

— Incorporating teachers' salaries within a community-driven programme where the funds are disbursed to communities under clear monitoring, and those communities pay teachers;

— Enlisting a UN agency such as UNICEF to pay teachers' salaries and accept responsibility for monitoring;

— Contracting a private company to administer teachers' salaries and accept responsibility for monitoring; or

— Hiring NGOs under standard service agreements to pay teachers' salaries and accept responsibility for monitoring.

Choices between these options relate to politics, costs, capacities and risk. Donors may prefer different options depending on their domestic constituencies, as well as the political economy of the recipient country.

Robust oversight mechanisms are likewise crucial. Third-party monitoring, often through international private sector companies, has emerged as the oversight option of choice. There are greater opportunities to engage local communities and civil society partners in monitoring and oversight, within limits of their security. Monitoring systems should build on local community and CSO capacity, and only supplement this 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, as well as fiduciary issues.

Adaptive 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. Most bilateral and multilateral donors have adopted some aspects of adaptive programming, but none in our interviews felt they had adequately addressed this challenge.

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

Good practice for adaptive programming in estranged situations includes: frequent exchanges with political counterparts and regular updates of political analysis; focusing on adaptation in the overall portfolio, not just individual projects; trialing solutions more in the initial design phase of programming; allowing for the adaptation of project development objectives mid-course; considering zero-based components in projects that can then be scaled up; strengthening delegation to field-based leadership; and looking at incentives to improve the culture of risk.

Recommendations

Donor and multilateral organizations could put many of these principles into practice within existing policies. Useful actions are already being undertaken in some countries – but not consistently – and could be implemented immediately in estranged country situations. These recommended actions include:

— **Undertake a two-step political economy analysis to inform engagement after episodes of estrangement** – a quick risk and resilience assessment and a subsequent deeper analysis.

— **Work together on direct beneficiary analysis and different ways of approaching accountability**. Humanitarian and development actors can come together much more strongly on this issue, with development actors joining the humanitarian efforts to address accountability to affected populations, and humanitarian actors learning from community- and citizen-driven mechanisms to achieve this feedback loop. The multilateral development banks and the UN can join together more closely to work on the links between cash programming and social protection, and those between better accountability to affected populations and community-driven development approaches.

— **Exchange on core conditions between donors and work to simplify conditions.** At the beginning of episodes of sudden estrangement, simple core conditions should be adopted that are generally common across humanitarian and development actors, and can be applied subnationally rather than as national 'red lines'. These can, of course, be elaborated into more comprehensive reform commitments once the situation allows.

— **Build links in dialogue.** Where the UN or regional organizations have a designated political interlocutor, they can hold meetings to bring in perspectives from development and humanitarian actors, and to support development and humanitarian entry points for dialogue. Where standard processes such as discussion of national development plans are not operating, donors could make greater use of Multi-Donor Trust Funds as a platform for coordination of expectations and conditions with national authorities, and an entry point to wider dialogue. South–South and regional cooperation initiatives may also offer useful frameworks to support dialogue.

— **Trial and assess modalities.** The paper lays out reasonable evidence on which modalities work. Many of the approaches described can also be considered more consistently in ongoing programmes. For example, piloting in two or three situations a more comprehensive discussion of which modalities will meet the donor domestic and local political contexts.

The following recommendations set out strategy and policy adaptations that can help facilitate more consistent donor approaches and timely decision-making in estranged settings:

— **Develop principles for engagement in estranged settings.** Based on its work on fragility and the peace-development-humanitarian nexus, the OECD DAC would be well placed to develop general principles for engagement in politically estranged situations (see Annex below for an example).

— **Incorporate a redefinition of basic services and the menu of options for use in estranged circumstances into upcoming development cooperation strategy and policy documents.** Setting out these modalities in bilateral and multilateral development strategies will help policy discussions and practical implementation in specific estranged situations.

— **Develop a limited number of technical guidance tools at the international level.** Useful initiatives would include the ongoing process by the UN to adapt its guidance for exceptional circumstances; efforts by the EU, the international financial institutions and the UN to jointly develop a two-step political-economy assessment tool; and efforts by the UN, the IMF and the World Bank, in consultation with regional organizations, to develop common guidance on development and humanitarian issues as entry points for political dialogue.

— **Review policies and procedures that inhibit adaptive programming,** using best practice from across donors as documented in the research paper.

The paper then identifies areas for further research and policy analysis, including sanctions and conditions, financing instruments and the divisions between humanitarian or development departments and budgets. Finally, it concludes with a list of 'principles' for application in estranged settings (see Annex).

While a great deal can be done to adapt the paper's practical modalities, as the new contours of these estranged situations and their prevalence become clearer, the perpetuation of these situations requires a renewed focus on innovation, both within existing policy parameters and beyond. Estranged relations between donors and aid recipients 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 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 the more contested contemporary 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 programs 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 simple issues that are common across humanitarian and development actors, and should be grounded in the humanitarian principles. 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.

Acknowledgments

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