9. Aid Flows and Donor Coordination

**Highlights**

- The share of overall ODA flows in IDA-only countries has changed in favor of fragile and conflicted-affected states, however, the share of IDA flows to FCS remains much lower than that to non-FCS IDA countries.
- Since 2002, overall ODA per capita to FCS has exceeded per capita ODA to other IDA countries, and ODA to FCS continued to grow.
- Despite the exceptional allocations that supplement performance-based allocations, FCS IDA-only countries still receive less ODA per capita from IDA than countries that are not FCS.
- Multi-donor trust funds are more than a source of finance in FCS and play a central role in donor coordination, policy dialogue, and institution building.
- Multi-donor trust funds with active involvement of recipient governments, clear governance protocols and responsibilities, and complementarity with Bank country programs, as in Afghanistan and Liberia, were more effective than those in Haiti and Sudan.

This chapter analyzes the evolution of official development assistance (ODA) to fragile and conflict-affected states (FCS) and summarizes the findings from IEG’s review of multi-donor trust funds (MDTFs) in FCS. Developing countries, especially FCS, continue to rely heavily on ODA to address their short-term financing needs and support policy reforms toward inclusive growth and poverty reduction. In parallel, MDTFs have grown in importance as a modality of support and exceed IDA flows to Bank-administered programs in FCS. Donor coordination has improved at the corporate and country level, but at the program level successes in some areas have been tempered by difficulties in others.

**Official Development Assistance to FCS**

The share of overall ODA has changed in favor of FCS, but the share of International Development Association (IDA) flows to FCS remains much lower than to nonfragile countries. Prior to the year 2000, aggregate aid to FCS was much less than aid to nonfragile countries. The increase in ODA to FCS over the past decade has resulted in aggregate ODA disbursements to FCS catching up with ODA to nonfragile countries by 2010.

Since 2002, overall ODA per capita to FCS has exceeded per capita ODA to other IDA countries, and it continued to grow. Per capita ODA to FCS surpassed ODA to
non-FCS in 2002 and has more than doubled over 2001–2011. But IDA provided more per capita ODA to non-FCS than to FCS during this period (Figure 9.1). In 2011, FCS received $27.1 billion in overall ODA, disbursements from IDA being about $1.5 billion. Over the same period, ODA from the European Union to FCS grew much more rapidly and in 2011 was more than $2.5 billion, half of its assistance to the IDA-only countries.

The increase in ODA to FCS was primarily driven by growth in bilateral aid from Development Assistance Committee (DAC) countries. DAC countries were the most significant contributor of aid to IDA countries as a whole and to FCS in particular. DAC assistance to FCS increased by more than 250 percent, compared with a 40 percent increase to non-FCS. By 2011, the FCS were receiving 53 percent of aid from DAC countries, compared to 30 percent in 2000. DAC assistance has in effect reversed the trend of performance-based allocation of aid to low-income countries.

Multilateral aid to FCS also grew much faster than aid to other IDA countries, but the increase in financing by IDA was slower than that for all multilaterals. Multilateral aid to FCS increased by 170 percent over 2000–2011, compared to 70 percent increase for non-FCS. Among the multilateral agencies, the contribution of European Union (EU) institutions to FCS was 70 percent more than IDA’s disbursements in 2011 (Figure 9.2).
ODA from all donors to FCS reached 50 percent of the total ODA to IDA-only countries in 2010, while the share of ODA from all multilateral agencies to FCS remained around 40 percent in 2011 (Figure 9.3). The share of EU assistance to FCS increased to 50 percent of its aid to all IDA countries while the share of IDA’s ODA to FCS is under 30 percent of its assistance to IDA-only countries. Including blend countries, IDA to FCS remains about one-sixth of total IDA assistance. Despite exceptional allocations to post-conflict and re-engaging countries that supplement performance-based allocations, the FCS still receive less ODA per capita from IDA than countries that are not fragile.

There was significant variation among donors in ODA to FCS. Among bilateral organizations, France, Germany, Japan, United Kingdom, and the United States...
have historically been the highest contributors to FCS and to non-FCS (Figure 9.4). ODA from these donors to FCS increased in 2006–2011 relative to 2000–2005. Other major donors, such as Australia, Canada, and non-DAC countries (which include Brazil, China, India, the Russia Federation, and South Africa) increased their development aid to FCS very substantially in 2006–2011. China’s aid increased by nearly 30 percent annually during 2004–2009, and China intended to provide concessional loans of $10 billion to Africa in 2010–2012 (OECD 2012). Another example is India which recently established its own global aid agency with an estimated budget of $15 billion for 2012–2017, a large share of which is going to FCS.

**Figure 9.4. ODA by Major Donors (2011 constant prices)**

<table>
<thead>
<tr>
<th>Country</th>
<th>UNDP</th>
<th>Italy</th>
<th>Finland</th>
<th>Australia</th>
<th>GAVI</th>
<th>UNICEF</th>
<th>Non-DAC Countries, Total</th>
<th>IDA</th>
<th>Belgium</th>
<th>Switzerland</th>
<th>Ireland</th>
<th>AsDB Special Funds</th>
<th>Spain</th>
<th>IMF (Concessional Trust)</th>
<th>Norway</th>
<th>Sweden</th>
<th>Denmark</th>
<th>Canada</th>
<th>Netherlands</th>
<th>France</th>
<th>Global Fund</th>
<th>Germany</th>
<th>AfDF</th>
<th>Japan</th>
<th>United Kingdom</th>
<th>EU Institutions</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major donor’s contributions to Never FCS</strong></td>
<td>0</td>
<td>0</td>
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<td>0</td>
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</tr>
<tr>
<td><strong>Major donor’s contributions to FCS</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
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</tbody>
</table>

**Source:** OECD database.


ODA destinations have changed since 2000 with growing donor interest in post-conflict and disaster-affected countries. Among FCS, the highest aid receivers during
2006–2011 were Afghanistan ($34 billion), Democratic Republic of Congo (DRC) ($17.6 billion), Sudan ($13.1 billion), Haiti ($8.5 billion), Cameroon ($6.5 billion), and Côte d’Ivoire ($6 billion). While Afghanistan, DRC, and Haiti received support from many donors, Cameroon and DRC received significant share of ODA from France, reflecting close ties between these countries. Geographic proximity was also relevant, the United Arab Emirates being a major donor to the Republic of Yemen, while Australia was the most important bilateral donor to Solomon Islands and Timor-Leste.

In per capita terms, small countries and islands attracted the largest concessional resources. Solomon Islands had the highest ODA among FCS, while Tuvalu was the top aid receiver among the nonfragile countries (Table N.13). On average, allocations to small islands that were FCS received less aid than those that were not fragile (Tuvalu had nearly four times more ODA than Solomon Islands). In contrast, among other FCS, the countries that have been fragile for many years tended to receive higher volumes of aid per capita.

Among the nine case study countries, aid has been well targeted to Always FCS. Five of the six countries that were always FCS—Afghanistan, Liberia, Sierra Leone, Solomon Islands, and Timor-Leste—received higher per capita ODA than the Partial FCS group. Out of these nine countries, Solomon Islands received the highest average annual ODA per capita ($641), followed by Timor-Leste ($273), Liberia ($228), and Afghanistan ($171).

The Role of Multi-Donor Trust Funds in FCS

MDTFs play a key role in providing essential financing and targeted support to FCS. The ability of MDTFs to quickly mobilize resources and support recovery efforts prior to countries building formal partnership arrangements makes them an important tool in FCS and a necessary bridge to longer-term development. As part of the FCS evaluation, an assessment of the World Bank’s management of MDTFs in FCS was undertaken, looking at the six largest country-specific and the two largest multicountry trust funds.1 The Independent Evaluation Group (IEG) evaluation of trust fund support for development found that Bank-administered MDTFs exceeded IDA as a source of finance in FCS where they play a vital role in supporting countries to rebuild and establish basic services after periods of conflict or disaster (IEG 2011b). The Bank is a well-respected partner and often the preferred custodian for these funds, but there has also been frustration at Bank performance and processes. The review focused on evaluating the performance of MDTFs as a development tool in FCS rather than looking at the results of individual projects funded through the trust funds. In addition to the large MDTFs in FCS, the
reconstruction MDTF in Haiti was included to see how it compared with trust funds more closely aligned to conflict situations.

**The MDTF Case Studies**

The Timor-Leste and Sudan trust funds were set up as post-independence arrangements to fill a gap prior to IDA funds being available to support public services. The Afghanistan and Liberia trust funds followed protracted periods of conflict and helped rebuild services and infrastructure. The West Bank and Gaza trust fund was established to prepare the region for self-government, and the Haiti trust fund was an international response to the 2010 earthquake. In countries such as South Sudan that are not yet IDA eligible, MDTFs help to set up government systems and provide essential services. The review grouped together the Multicountry Demobilization and Reintegration Program (MDRP) and the Transitional Demobilization and Reintegration Program (TDRP) as a multicountry trust fund designed to respond to the security needs of Africa’s Great Lakes region, while the Statebuilding and Peacebuilding Fund (SPF) is included as a multicountry trust fund designed to provide strategic funding to catalytic programs in FCS.

In the case study countries, the MDTF commitments have been larger than the IDA allocations (Figure 9.5), except where the trust fund had a single purpose (e.g., infrastructure in Liberia and reconstruction in Haiti). The MDTFs provided over $7.5 billion in funding over the last 10 years, more than 70 percent of it to Afghanistan. They are an important cofinancing tool for a variety of projects. Financial management received the highest share ($2.8 billion); agriculture and rural development had the largest number of projects (22).

**Figure 9.5. Total Amount of Funding from IDA and Trust Funds per Country (US$, millions)**

<table>
<thead>
<tr>
<th>Country</th>
<th>IDA</th>
<th>TF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>2496</td>
<td>5442</td>
</tr>
<tr>
<td>Liberia</td>
<td>783</td>
<td>166</td>
</tr>
<tr>
<td>Haiti</td>
<td>637</td>
<td>90</td>
</tr>
<tr>
<td>Sudan N</td>
<td>0</td>
<td>281</td>
</tr>
<tr>
<td>Sudan S</td>
<td>0</td>
<td>582</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>58</td>
<td>121</td>
</tr>
<tr>
<td>West Bank and G</td>
<td>0</td>
<td>950</td>
</tr>
</tbody>
</table>

*Source: World Bank databases.*

*Note: IDA = International Development Association; TF = trust fund.*
**MULTI-DONOR TRUST FUND FOCUS**

MDTFs work best when they fit the country context and are strategically linked to the broader donor agenda. Where trust funds were attuned to the specific fragility issues in the country (or region) they have been more successful. In Liberia, the MDTF was set up to respond to a particular government priority. It had a simple structure and clear focus and dealt with the capacity limitations in the country at the time. Where trust funds had open-ended objectives, they have struggled to maintain relevance and deliver against their original mandate. In the case of South Sudan, the trust fund was large and complex, with a large cohort of actors. This made management difficult and the trust fund was unable to deal adequately with significant capacity limitations in the government and with the overwhelming needs outlined in the development plan.

MDTFs work best when they are central to the Bank’s country strategy and are linked to the Bank’s portfolio. MDTFs have played a complementary role in the Bank’s portfolio. MDTFs in Afghanistan and Liberia have successfully established links between IDA allocations and trust funds. In Liberia, IDA funds were used to design and prepare initial project proposals while the trust fund was being set up. In Afghanistan, IDA funds were used to pilot programs, which the trust fund helped to scale up. In Timor-Leste trust funds were used to prepare for a longer-term IDA program. In Africa’s Great Lakes region, the MDRP was used to deliver a demobilization, disarmament, and reintegration (DDR) program that complemented other Bank work in the region and the SPF is supporting operationalization of the 2011 WDR (Box 9.1).

**GOVERNANCE OF MDTFS AS AN AID MECHANISM**

Trust funds worked best where there was an active government voice to direct donor support. This requires government ownership, including influence over its governance arrangements, and an explicit link to the country’s development plan. Where the recipient government was given authority to articulate direction (as in Afghanistan and Liberia), the MDTFs were better able to respond to operational issues. Strong government engagement, robust debate, and clear reporting protocols allowed decision makers to avoid ad hoc demands.

This was not always the case. In Haiti and South Sudan, the trust funds were affected by special interest priorities and were less able to focus on building core government capacity. MDTFs have played a useful role in providing stable and predictable financing in circumstances where there was pressing demand for recurrent costs such as in Afghanistan, Timor-Leste, and West Bank and Gaza (IEG 2010, 2011a, 2012). These MDTFs were also able to identify the most pressing investment priorities and finance gaps in development plans. Crafting the right
approach in these circumstances is important to avoid disparities becoming entrenched. In Timor-Leste this was illustrated by the growing resentment toward overseas advisers and in Afghanistan in the unsustainable public service salaries.

### Box 9.1. Multicountry Demobilization and Reintegration Program and the Statebuilding and Peacebuilding Fund MDTFs

The MDRP was a regional response to the peace agreement in the DRC. It was an innovative DDR trust fund that identified the multi-country nature of the problem and set up a mechanism to deal with it. This was succeeded by the TDRP with a broader mandate to consolidate the results of the MDRP and provide emergency financing for future DDR requirements. These trust funds were a multi-partner coordinated response to DDR that was the most appropriate approach to a regional conflict and offered an effective mechanism for mobilizing and coordinating financial resources and harmonized support.

The SPF supports a wide range of small projects (averaging $2.7 million) and, as acknowledged in its 2012 mid-term review, serves as a catalytic and flexible resource to support operationalization of the 2011 WDR. While SPF projects have shown that they can be innovative and support conflict-sensitive policy, there is only limited evidence that they have informed Bank country strategies, and the current monitoring and evaluation of projects tracks implementation progress rather than outcomes. Recent work in response to the recommendations of the mid-term review is addressing this issue with a new monitoring and evaluation framework focused on the objectives of the SPF in addition to the objectives of individual projects.

Having a structure with clear governance protocols and demarcated responsibilities was central to successful trust fund arrangements. Where the decision-making process was straightforward and coordinated by a management committee of limited size, projects were relevant, better prepared, and complementary to MDTF goals and best able to adapt to changes in context. Where the trust funds were encumbered with multiple reporting lines, various committees and constant requests from donors, progress was slow. In Afghanistan and Liberia, donor roles were clearly specified in the governance arrangements, while in Haiti and South Sudan more flexible management arrangements complicated governance and caused friction between the various parties.

These messages resonate with the findings of a recent review of UN–World Bank partnerships (Demetriou and Morrison 2013). The review found that effective cooperation in MDTFs (e.g., Iraq), projects and programs (e.g., Cambodia Local Governance and Service Delivery) can often be based on parallel, independent funding streams for Bank and UN activities, bound together by common reporting systems and other mechanisms for strong mutual accountability, particularly within a framework that supports and strengthens government leadership.
MDTF Performance

MDTFs have much to offer as a delivery mechanism, but implementation delays can have a negative impact on the reputation of the Bank and cause donor frustration. In most cases, these issues have been the result of unreal expectations about what can be delivered and the speed with which structures and systems can be built. This was particularly apparent in South Sudan where the broad mandate and unrealistic requests stifled the long-term success of MDTF projects. Haiti too faced delays. The Bank was criticized for overpromising and underdelivering. Most of the MDTFs made good progress once the systems and protocols were in place, but getting projects underway takes time. The Bank needs to be more explicit about the length of time it takes to become operational. Donors need to be more realistic in their expectations on results and impact.

Overall, the ability of the various trust funds to report on fund specific issues has been poor. Regular reporting on the progress of projects is adequate but there is little evidence that the specific objectives of the trust funds or the higher objectives of donor harmonization, capacity building, and government system strengthening are being monitored or evaluated. This has limited the ability of the trust funds to adequately measure their success and was particularly relevant to the multicountry funds such as the SPF, which has not adequately examined the catalytic effects of its programs. Quarterly reports of project status were the primary source for measuring trust fund performance. Independent reviews are the only other source of trust fund performance, and these were limited by the lack of data and MDTF documentation.

Transition arrangements for MDTFs are often poorly conceived and do not adequately respond to recipient country needs. Both in interviews with trust fund staff and in the documentation, transition issues appear to have been left until the fund was winding down. There was little discussion about how the trust funds fit into the long-term strategy plans, nor how the funding gap might be filled in the longer term. This was apparent in Timor-Leste where performance in the post-conflict period was good, but the longer-term outcomes were marginal.

MDTFs are essential in the funding of critical recovery activities in FCS and necessitate trust fund structures that foster rather than hinder donor cooperation. In each of the case studies, the Bank was seen as a responsible and trusted partner who had the necessary skills and proficiency to deal with complex financial management and program arrangements. However, careful consideration of the trust fund structure is essential to avoiding inefficiencies and conflict between agencies. In Haiti, the structure of the trust fund as a Financial Intermediary Fund required all implementing partners to comply with the operating procedures of the Bank often with significant delays. In South Sudan, Bank procedures were identified as a factor
in the poor performance of the MDTF and caused friction between partners. Establishing separate trust funds with joint representation on management boards (e.g., in Afghanistan) was an effective harmonization approach, as was the allocation of specific sector roles to different partners (e.g., Timor-Leste partnership with the Asian Development Bank).4

In most cases, MDTFs have not received adequate senior management attention except where there have been problems, as in South Sudan, or the funding is so large, as in the Afghanistan Reconstruction Trust Fund, that it has significant reputational risk. More effective incorporation of trust funds into Bank work and appropriate incentives are required to make trust fund work more visible and important to senior staff. Without the high-level engagement and recognition, trust funds struggle to find high-caliber staff to work with them, and the skill set required remains undervalued.

Knowledge, skills, and understanding of MDTFs are undervalued in the Bank. Trust fund financing has now eclipsed IDA money in many FCS. This is not reflected in the caliber and quality of trust fund staff. External staff brought in to work on trust funds may be technically proficient but have also contributed to delays in operations due to limited knowledge of Bank systems and procurement processes, causing frustration among donors. There have also been issues with the retaining and sharing of knowledge among those working or planning to work on MDTFs. And internal management of the knowledge such as partnerships and donor relations acquired in working with trust funds is not formally retained or disseminated by Bank units, reducing the Bank’s ability to transfer lessons across trust funds to make them a more effective development instrument.

**Donor Coordination**

Donor coordination in FCS occurs at multiple levels—corporate, country, MDTF, and program. Partnerships at the corporate level are manifested in continued support for IDA and in high-level dialog with the UN. At the country level, FCS who are coming out of conflict often have a heavy UN presence for peacekeeping and helping countries arrive at a political settlement. In countries where lingering security remains a concern, partnerships with organizations like the North Atlantic Treaty Organization that play a leading role in security have become more necessary over the past decade. At the trust fund level, as discussed above, MDTFs are an important vehicle for donor coordination but are also a product of donor collaboration. MDTFs can be a highly effective tool for government engagement, harmonization, strategic alignment, and the security of financial flows, but these
outcomes require thoughtful structures and skillful management to ensure the process is not compromised by unrealistic expectations and poor programming.

At the corporate level, both in preparing the 2011 WDR and during subsequent implementation, the relationship between the World Bank Group and the United Nations appears to have improved. This new spirit of partnership is manifested in more frequent contacts at the highest level, including joint statements issued (UN and World Bank 2008) and a joint mission by the UN Secretary-General and the World Bank President to DRC, Rwanda, and Uganda resulting in a commitment of $1 billion in Bank Group financing for regional development priorities. The Bank’s partnership with the UN in FCS is also visible in regular contact and collaboration between the Bank’s Center on Conflict, Security and Development and UN agencies, which is furthered by the UN–World Bank Fragility and Conflict Partnership Trust Fund.

At the program level, partnerships are equally essential but the results are uneven. Significant challenges remain at the country and operational level, and consequently a recent review of the UN–World Bank partnership concludes that progress in strengthening the overall partnership in FCS has been mixed. Attempts to promote closer Bank–UN partnerships through high-level agreements have generally been unsuccessful. There continues to be wide variation at the country level in the nature and extent of partnership, and relationships are still primarily determined by the personalities involved. Furthermore, institutional differences and constraints, insufficiently understood, are a challenge for both. The continuing lack of “interoperability” between Bank and UN systems remains a challenge for the cross- or joint financing of projects. Despite the 2011 WDR priority on security, justice, and jobs, except for a few examples (such as the Liberia Security Sector Public Expenditure Review), there has been little joint work between the UN and the Bank in these areas and little Bank activity at all in security and justice (Demetriou and Morrison 2013).

Collaboration with donors interested in certain sectors, such as those leading to the Millennium Development Goals, is more ubiquitous. In countries where bilateral donors have financed small, stand-alone projects, the on-budget support provided by IDA has sometimes been perceived as a threat, as in the health sector in Yemen, where some agencies felt overwhelmed by the scale of IDA financing. A more difficult challenge arises when other donors are collaborating with each other but the Bank is an outlier. Nepal is a case in point where the Bank declined to join with eight partner agencies and the United Nations Development Programme (UNDP) in supporting the Local Government and Community Development Program. The Bank also withdrew its support from the Nepal Peace and Development Strategy 2010–2015 supported by
13 development partners over relatively minor differences in language referring to the ongoing political dialog and because of the perception that it was led by the UN systems in Nepal, adversely affecting the Bank’s relations with the donor community.

The Bank’s relationship with the UNDP is particularly challenging. In Afghanistan, UNDP administers the Afghanistan Law and Order Trust Fund, since UNDP has a comparative advantage in the political dialog and security sectors, while the Bank administers the Afghanistan Reconstruction Trust Fund. This is a good example of symbiosis with explicit boundaries between the two. However, in the case study countries, IEG also found several examples of rivalry with UNDP. In Afghanistan, the Bank and UNDP have put forward two alternative models of local governance, neither of which has been wholly adopted by the government. In Nepal, the Bank has been dismissive about the years of investment by UNDP and other bilateral agencies in local government. In Haiti, the nature of the trust fund has created competition between World Bank and UNDP. At least some of these tensions could have been avoided.

Conclusions

The analysis of ODA flows reveals how donor flows have changed since 2000 in favor of FCS. While IDA allocations have moved in the same direction, the share of IDA lags noticeably behind that of DAC donors and EU institutions. ODA has privileged a few countries, especially small island states and countries that have persisted on the FCS list. However, not all countries affected by conflict received the same degree of donor support, and resource endowments and growth potential do not appear to have influenced aid allocations.

MDTFs with active involvement of recipient governments, clear governance protocols and responsibilities, and complementarity with Bank country programs were more effective. In Afghanistan and Liberia this was evident, while in Haiti and South Sudan the complexity of the arrangements and limited government participation led to weaker outcomes. In addition, the evaluation found trust fund skills were undervalued, Bank senior management engagement was limited, and while the reporting of MDTF output progress was covered, inadequate attention was given to the consideration of higher-order objectives.

References


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1A background paper on MDTFs was commissioned for the evaluation and covers these issues in more depth. The paper is available upon request.

2For a more detailed description of the issues, refer to the background paper on MDTFs that was commissioned for the report and is available on request.

3The North Sudan MDTF was more successful due to stronger capacity of partners and is covered in more detail in an independent evaluation report (World Bank 2013).

4A third approach not covered in this review is the two-window model used in Iraq which was referred to by a number of interviewees.