

EXECUTIVE SUMMARY

The Need to Engage in Fragile Contexts

Since the mid-1990's, and particularly after the 9/11 events, state fragility and failure have taken an increasing strategic importance and political relevance in world politics.

The economic, security and development consequences (and costs) of state fragility and instability are huge, both at national, regional and global levels. This has led most donors to develop specific strategies to deal with challenges posed by fragility and difficult environments. However, these positive developments in theoretical thinking and policy orientations are in strong contrast to action on the ground: Fragile countries receive less aid than other countries in broadly similar circumstances; aid flows are more volatile (with donors making 'stop-and-go' decisions); about half of the aid received is targeted to debt relief and humanitarian assistance (engagement is often reactive rather than preventive); and most aid tends to be concentrated in a few countries – generally nations in post-conflict situations or considered strategically important for global security – while others are 'aid orphans'. Furthermore, in post-conflict settings, donors tend to decrease aid or start to pull-out precisely when absorption capacity increases and aid could, therefore, become more effective. Non-transparent and inconsistent allocation criteria exacerbate the problems for fragile states by making aid flows unpredictable.

The primary responsibility to avoid failure is widely acknowledged to lie in the country itself, namely in the ability or willingness of the country's leadership to prevent, absorb, manage and overcome potential or real crises. It is also recognised that the international community can play an important role in reinforcing responsible and responsive local leadership and helping prevent rising instability and other fragility factors (such as poverty). There is a strong dilemma on the ways and level of engagement that donors should pursue; but there is a growing consensus on the need to engage in a pro-active manner and at the earliest stages (with strong focus on preventive strategies). The need to engage can be supported at strategic level by several moral, legal, security, development and financial arguments. Pro-active and early engagement can be combined, if necessary, with ad-hoc responses once the crisis has occurred.

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Dynamics and Features of Fragility: the Need for Adapted Responses

Although each context is unique in its causes and problems, the general features of fragility are well-known. They include, among others, weak governance and institutional capacity; lack of authority and control over the territory and or monopoly of the use of force; poor/declining economic performance and uneven development; high corruption levels and lack of transparency; higher risk of political instability and violent conflict (conflict can be simultaneously an outcome of fragility and a driving factor of fragility); lack of a democratic culture; and the presence of regional linkages and implications (fragility can become highly contagious and have spill-over effects in neighbouring countries, affecting development and security). Fragility is neither homogeneous nor determined by state boundaries; therefore it can affect whole states, parts of states or entire regions; it can also affect some policy areas more than others.

It is also a dynamic concept (not a permanent condition or classification), which often results from an incremental process over a long period of time. The 'conflict-cycle' terminology is misleading in a highly volatile environment, where countries face enormous simultaneous short-

term needs and long-term challenges. The dynamics of conflict and fragility are discontinuous and sequential approaches are therefore far less effective than 'joined-up' strategies that combine all policy tools in a coherent package that includes political, security, humanitarian and development instruments. For the European Union (EU), one of the main motivations in using the concept of 'fragility' is to identify the most difficult situations where the Union should increase its attention and engagement, as well as being able to respond to their specific problems in a more integrated, timely and effective manner.

The context of fragile situations and difficult environments is substantially and qualitatively different from other developing countries, having unique features that require adapted policy responses and approaches. The concept is broad, it encompasses very different situations within the 'fragility spectrum' (weak/fragile, failed and collapsed states), and requires differentiated approaches. The difference between a state's capacity/ability and willing/legitimacy issues is also important as it can be used to distinguish between fragile states with weak capacity and difficult partnerships on the one hand, and unwilling states where there is a lack of political commitment on the other. These have several policy implications for donors.

It implies that adequate assessment tools are mainstreamed into donor programming. However, we face a situation where the many assessment tools used result in different country typologies and huge disparities in country rankings. While some of the tools have a structured and multidimensional set of indicators that can improve the quality of assessment, others are less rigorous in their methods, are incomplete, or do not analyse performance over time.

There are many assessment tools at the EU level but they are scattered and sometimes overlapping. They need to be revised and refined to be more qualitative, and to channel their outputs into comprehensive assessments that can guide policy and programming decisions by the European Commission (EC), the Member States (MS), and partner countries themselves. Although Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs) are supposed to integrate all dimensions of external relations in a coherent framework and should guide political dialogue and policies in a given country/region, they often just assemble different perspectives without a common guiding framework. Moreover, the quality of existing assessment tools and their results is very unequal. They are not always well-informed by partner countries perspectives and assessments, and tend not to be shared among EU institutions, raising doubts over their validity and adequacy. Many EU tools could be merged into a single Commission-wide exercise that feeds into EU-wide exercises to assess the root causes of fragility and potential conflict. The CSPs/RSPs seem to be the tool with the greatest potential to do this. However, such an approach presupposes several changes in terms of capacity and information-sharing within the EU.

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State-building, Governance and Democracy

The main focus of EU interventions should be to help national reformers build legitimate, effective and resilient state institutions. However donor approaches (including the EU) to fragility are questionable in many ways, particularly regarding democracy, governance and state-building. State-building is inherently difficult, it entails a long-term process (often with advances and setbacks), and often produces few quick, visible or quantifiable results. Taking into consideration the programming timeframes, mandates and ways of operating (including the pressure for measurable results and visible impacts), external agencies face severe limitations in pursuing this

goal. One of the main challenges for the EU is to find the right timing and sequencing of reforms that can contribute to state-building without fuelling social and political tensions or overloading already weakened institutions. In this context, a sustained and consistent commitment of financial resources has to be ensured, with adaptations being determined by the evolving absorptive capacity of the partner government.

The use of political dialogue mechanisms is fundamental to create openings for reform and an approach that goes beyond technical solutions – to address political incentives and the institutions that really affect prospects for reform. It is desirable that special attention is also given to the partner country's own mechanisms (even at informal level) and organisational and institutional culture, instead of pursuing a state-building model that is based on western institutions and often disregards local dynamics.

Holding elections or the existence of 'acceptable governance' is often a donor's preferred form of conditionality, while other elements – such as a government's commitment to invest in the well-being of its people – are often disregarded. One should distinguish between the normative connotations of democracy and the practical implications a democratisation process may have for human security and the livelihoods of people in a given context. This implies that the EU focus should be on democracy-building as a broad concept, attained by promoting a culture of democratic politics among a wide range of actors.

Strengths and Weaknesses of EU Policies and Instruments

By engaging in specific activities – such as Disarmament, Demobilisation and Reintegration (DDR), Security Sector Reform (SSR), European Security and Defence Policy (ESDP) missions (e.g. in Afghanistan, in Balkans, in DRC, the forthcoming mission in Chad/CAR, to name a few) and development aid – the EU is rapidly gaining valuable experience in many fragile situations. It also benefits from an improved policy framework, increasingly aware of the need to promote coherence and coordination between EU diverse approaches, activities and actors, e.g. policy documents on Policy Coherence for Development (PCD), Code of Conduct on Division of Labour in development policy, the forthcoming European Consensus on Humanitarian Aid, the European Consensus on Development, the communication on Linking Relief, Rehabilitation and Development (LRRD), the forthcoming joint Africa-EU Strategy, the EC Communications on Governance (2003 and 2006), the 2003 European Security Strategy (ESS) as well as concept documents on DDR, SSR and on strengthening African capabilities for crisis prevention, management and resolution. These provide more comprehensive and objective political guidance. There is, nevertheless, a long path to effectively translate these commitments into practice.

For many countries with fragile characteristics, the EC is a good potential partner because of its long-term engagement. When it comes to the EU's ability to play a more effective and positive role in helping these states and societies cope with and reverse the causes and effects of fragility, the issue is not whether the EU has the means and tools available, but rather how the wide range of policies and instruments inter-relate and mingle to make a coherent, needs-based and well-informed strategy and a clearly guided policy. How best can they be optimised and adapted to fit the specific requirements of complex and often volatile and unpredictable situations, where a continuous reassessment of the local situation and the progress of ongoing policies and approaches may be needed.

In recent years, EU policies and financial instruments for external action have been the subject of significant reforms. There are efforts to improve linkages between the various policies and instruments – to make them more flexible, conflict-sensitive, development-friendly, needs-based and integrated in holistic and comprehensive strategies. Progress has been achieved, namely within the EC (increased volume of aid, quicker disbursement rates, and better quality of assistance). These reforms to the EC's financial instruments for external action should allow for greater flexibility and a more rapid funding decision response, thanks to a simplified political and administrative structure. In this context, the Instrument for Stability (IFS) and the geographic instruments – Development Cooperation Instrument (DCI), European Neighbourhood and Partnership Instrument (ENPI) and European Development Fund (EDF) – alongside humanitarian aid and thematic instruments like the European Instrument for Democracy and Human Rights (EIDHR) and the programme on “Non State Actors and Local Authorities in Development”, are particularly important to address fragile contexts.

The IFS has, however, been criticised for not responding to the need of a coherent, consistent, rapid and effective response by the EU to crisis, creating further confusion between development and security objectives and funding, as well as between humanitarian and development mandates. Many questions remain as to how this new instrument will operate, regarding namely the prioritisation of its funding, how demand driven will be the interventions it finances and how will it connect with/complement other – Common Foreign and Security Policy (CFSP), EDF and community – financial instruments.

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On the other hand, the EDF provides an integrated framework for funding development and security-related activities (but no military costs can be covered): it funds activities like DDR, Small Arms and Light Weapons (SALW), SSR, rule of law, policy planning, mediation, early-warning, electoral observation, peace processes and capacity-building in most of these areas, as well as the African Peace Facility (APF). Legal constraints have limited the use of DCI and other regional instruments in conflict prevention and in addressing some problems in situations of fragility. In fact, the EC and the Council have engaged in legal battles about matters of competence and who could do best in what. A common external service could provide some answers to these, but the essential work is much deeper.

Development policies increasingly have to link with ESDP missions (civilian and military crisis management) – and vice-versa – particularly in situations where cross-cutting issues (e.g. human rights, rule of law) and activities (e.g. DDR, SSR) are likely to be as important (or even more so) as traditional areas of EU foreign policy engagement. The EU is also supporting several international initiatives aimed at controlling and regulating activities that have impact on security and conflict, such as the Kimberley process (on diamonds), the Forest Law Enforcement, Governance and Trade (FLEGT, on timber and forests) and the Extractive Industries Transparency Initiative (EITI). While these latest efforts have focused on the need to better respond to and address situations of crisis and post-crisis, effective and timely work on prevention remains the major weakness. There is also much controversy on the coherence of other EU policies in relation to development, such as on trade or migration.

Beyond the fundamental question of political will, the EU faces several institutional and operational constraints, including limitations of EU instruments, internal organisation and decision-making processes, and capacities and ability to fully respond to the specific needs and require-

ments of upstream and preventive policies. Some of the acknowledged obstacles to greater policy coherence and coordination within the EU derive from the institutional set up that defines the roles and competences of each EU organ, resulting in different views and priorities between the various services within the Commission and in a recognised institutional disconnect between the EC and the Council.

The programming process also has some limitations: programming sometimes appears to be disconnected from strategic planning, and practice does not always reflect what was programmed. Factors that further undermine flexibility and effectiveness include poor local and national ownership of the process and outcomes of the programming exercise, as well as poor mainstreaming of cross-cutting issues, lessons learned and impact assessments into programming. Addressing the shortcomings of effective programming of transitional policies and issues (e.g. LRRD) and moving towards integrated approaches that take into account MS and other donors' programmes are difficult tasks, but should remain the main goals of programming exercises in fragile contexts.

Among the many instruments available, political dialogue is a critical preventive and long-term tool for EU external action and it is a good 'sensor' of a country situation, possibly allowing positive and negative trends to be identified. Although it has been neglected in the past, the EU investment in its capacity to engage more effectively in political dialogue – namely by trying to make it a more flexible and multi-actor exercise – is positive. Some ways to improve political dialogue mechanisms entail an increased support to other partners' roles and efforts (e.g. subregional organisations, African Union), and the empowerment of EU/EC institutional actors best placed to engage effectively in dialogue on the ground (e.g. Special Representatives, double-hatted Delegation Heads).

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Working with Several Actors

The EU works with a wide range of actors in the design and implementation of its policies as well as its decision-making process. Beyond engaging with States and State institutions – these are EU 'natural' and primary counterparts, the EU also works with local administrations (decentralised state actors) and local and international non state actors (NSAs) – Non-Governmental Organisations (NGOs), community-based organisations, private sector, media, etc. – and can engage in dialogue with these actors.

Non-state actors are one of the possible entry points to engage in cooperation and support to key areas in development, as well as in governance, justice and security in countries where State institutions are basically non-functioning or have collapsed, or in unwilling countries where political dialogue and official cooperation are reduced to a minimum or halted. This is a proven comparative advantage of the EU with regard to other institutional donors. Beyond the 2005 revision of the Cotonou Agreement – which provides new opportunities by facilitating direct access of NSAs to EC resources – the new financial instruments also aim to increase NSA participation. In conflict prevention and crisis management the EU is increasingly engaged in partnerships with these actors. It is, however, important to stress that such cooperation with NSAs and supporting their capacity is not meant as an alternative to cooperation with governments. The aim is to mobilise critical complementary resources and expertise. Ideally, building capacity in situations of fragility ought to encompass a critical engagement with both State and NSAs and in promoting constructive partnerships between these actors.

Regional organisations are an increasingly important partner for the EU, from political dialogue to the definition and implementation of strategic approaches to address issues of common interest and shared priorities. Many regional organisations – particularly in Africa – are developing their own mechanisms and strategies to address structural problems and they are trying to develop capacities to address short and long-term needs, including early warning, crisis management and peace-building. Many African leaders expect EU players to respect, complement and support the work that the African Union (AU) and other sub-regional organisations (SROs) are already doing to engage with fragile neighbours. Beyond all the positive ongoing support activities (such as institutional capacity-building, the APF, support to the establishment of early warning systems, and others), the idea of the EU working with a country's regional neighbours to jointly address situations of fragility could become a cornerstone of EU policy on this issue. Conflict prevention is a weaker dimension in pan-African action (compared to reactive measures) and the EU can play a major role in this area, namely by reinforcing African governance initiatives and African owned human rights and democracy-building efforts.

Coordination and Division of Labour

Uncoordinated and incoherent interventions are particularly damaging in fragile contexts as they can exacerbate tensions or undermine state-building efforts. These countries are especially vulnerable to donor fragmentation and its potential burden on government capacity, since they are also less capable of leading donor coordination themselves. The EU needs to work with its Member States and with other international partners to develop common approaches and operating principles in fragile states, in particular through efforts to improve coordination and division of labour with organisations leading peace-building efforts, such as the United Nations (UN) and regional institutions.

There are some recent positive developments on EU-MS coordination. The EU increasingly funds projects led by MS, there is a joint identification of training requirements for civilian crisis management operations, and several attempts of joint programming with MS that have a strong presence and interest in a given country. The "EU Code of Conduct on Complementary and Division of Labour in Development Policy" (May 2007) calls for an optimal division of labour in which the number of EU donors present in a country or across sectors is reduced and rationalised. If this is a huge challenge among sectors (some of which are usually more appealing to donors than others), it is even more difficult to achieve concerning geographic rationalisation, since it is linked to bilateral foreign policy interests. In fact, some MS have already started to rationalise their foreign presence, such as the UK or Sweden, but this is mainly due to political and foreign policy priorities rather than concerns to achieve better complementarity. The progress on EU donor coordination is still too slow and some MS perceive it as an EU process that interferes with national policymaking. Division of labour may lead to reduced visibility or loss of opportunities and, therefore, needs to be addressed carefully. In sum, expectations may need to be downgraded on this issue, because it always depends on MS being willing to fill gaps (in sectors or among countries) on a voluntary basis.

Beyond this 'intra-EU' coordination, the question on how multilateral organisations such as the World Bank (WB), Regional Development Banks, UNDP and the EU will harmonize their approaches to come to a functionally convincing division of labour with regard to fragile state is

one of the toughest challenges on the donor side. Multilateral development banks seem to be starting to deal with this issue in a more serious way than before, and the EU should also work on this basis in a more systematic way. A good point to start would be to analyse where concrete comparative advantages of the EU are located in order to advance a division of labour among multilaterals.

The EU-UN coordination is a major priority. The EU is contributing to efforts to reform the system of collective security and peace-building in the UN, including the creation of the Human Rights Council and the Peace-building Commission, both of which have required the EU to adapt to the new institutional set-ups of these fledgling UN bodies. One of the serious limitations at this global level is still the lack of an international common peace-building framework that can guide multiple external and internal actors. This could be an important theme for future EU-UN cooperation. Some recent examples of EU-UN coordination include regular meetings of the EU-UN Steering Committee on Crisis Management, as well as the desk-to-desk dialogue on conflict prevention with integrated UN teams; assessment teams and stand-by arrangements to elaborate joint post-conflict and post-disaster needs assessments; complementary actions in the field of peace operations (Bosnia-Herzegovina, DRC, AU in Darfur, Kosovo-UNMIK); and a strong partnership to support SSR, DDR and other peace-building tasks in several countries.

Most EU-UN cooperation takes place concerning crisis management and post-conflict activities. In fragile states however, conflict prevention and addressing the causes of fragility at the earliest stages is crucial. This necessity is even stronger since the EU and UN both support the reinforcement of African capabilities, mainly through the AU and subregional organisations, having also engaged in tripartite cooperation in peace-support operations. The focus on prevention implies that the EU and UN further engage in other levels of coordination, namely by enhancing political/diplomatic coordination and trying to agree, whenever possible, on a clear single voice. One of the major challenges is also how to translate the ongoing dialogue at strategic level into a stronger cooperation on the ground, particularly on long-term development actions.

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Policy Coherence and the Security-Development Nexus

The EU is very far from having an EU-wide approach to these issues. While work is underway to achieve greater policy coherence for development in 12 policy areas, such as security, climate change, trade, migration, and energy, there are several obstacles to this process. These include a lack of adequate political support, of clarity on the precise intervention areas of Policy Coherence for Development' mechanisms; insufficient information and knowledge, and the lack of resources, capacity and specialised skills with which to argue complex cases in different disciplines.

This study argues that the EU should select the most relevant policy coherence areas in fragile situations and difficult environments (security, trade or migration are clearly more relevant than 'transport' or 'information society') and invest in stronger linkages among these areas. The need to better link security and development actions is acknowledged. The focus on human security, which pursues both 'freedom from fear' (the goal of public safety) and 'freedom from want' (the goal of human development), can be very useful in developing an EU strategic approach.

There are conflicting perspectives on what ought to be the priority areas for international support in situations of fragility, including post-conflict. Security is very often felt by locals as the major problem and restoring law and order the most pressing priority to allow for progress in

other policy areas. On the other hand, it is also acknowledged that focusing only on immediate security does not contribute to long-term security and stability, and there is a need to focus on economic and political governance to sustain the benefits of gains in immediate security problems. The objective would be to develop a more constructive approach in which development and security communities work together. At the operational level, linking the two perspectives is particularly difficult due to institutional constraints (the pillar structure), the discrepancy of mandates, variance in time horizons and the frameworks of missions (military and security interventions tend to focus on short-term actions and limited timeframes while development is regarded as a long-term quest); and to the suspicion with which some parts of the development and security communities regard each other. Therefore, little progress has been made towards proper integration and complementarity of military and development objectives and methods within EU strategies and actions.

There is, nevertheless, space to improve these linkages: by promoting a more integrated and common understanding of how security and development work together through a set of guidelines at EU level; by improving communication and information; and by deploying and training a new generation of staff with holistic understandings of the new range of developmental and security challenges and responses. The adoption of comprehensive strategies for EU external action in certain regions (such as the EU Strategy for Africa) or joint concepts in specific areas (SSR, DDR) could greatly increase the links between security and development, provided that the gaps between the strategies and programming and between policy design and practice are reduced. Within EU Member States, it is also possible to promote the inclusion of security within the global development agenda of all their major ministries, building on the experience of those who are already doing it (e.g. United Kingdom, The Netherlands, Nordic countries).