

**Country Dialogues on Using and Strengthening Country
Systems: A Guidance Note**
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Country Dialogues on Using and Strengthening Country Systems A Guidance Note

1. WHAT IS A COUNTRY DIALOGUE

The concept of “country dialogues” was endorsed by the International Dialogue for Peacebuilding and Statebuilding (IDPS) as a key mechanism for furthering New Deal implementation at the country level. The concept of country dialogues was affirmed at the Abidjan meeting of the IDPS Implementation Working Group (May 22-23, 2015), where three types of Country Dialogues were discussed and agreed upon: the Use of Country Systems; Transparency; and Reflecting on New Deal Instruments and Strategy. Other Country Dialogues were subsequently discussed, such as a civil society – led Country Dialogue on Inclusivity. Country Dialogues (CDs) are a series of inter-connected fora (workshops, meetings, conversations) between Government, CSO, UN and donors at national level about the overall state of New Deal implementation in the country or specific thematic areas of focus of the New Deal. Country Dialogues are intended to bring together different constituencies to discuss key themes, build trust within and across constituencies, and forge a shared understanding of challenges and how to overcome them. They are also intended to promote better coordination within and between constituencies so that they are able to agree upon and arrive at on concrete action plans. **Overall, Country Dialogues should improve commitment to and support of engagement, in line with the New Deal principles, in ways that promote peacebuilding and statebuilding.**

2. PURPOSE

The purpose of this note is to provide guidance on how to do country dialogues specifically on the theme of ‘Use of Country Systems’ and ‘Transparency’, both of which are closely linked. Both constitute key tenets of the aid effectiveness agenda. This note will provide partners with a consistent view of what country dialogue processes on the Use of Country Systems and Transparency might entail, although approaches will have to be tailored to specific country contexts.

3. BACKGROUND AND PROBLEM STATEMENT

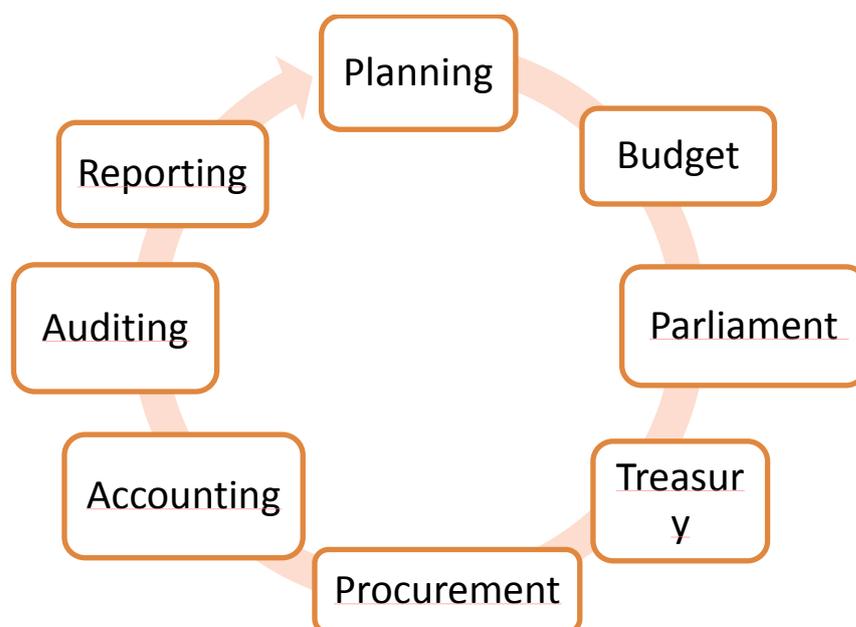
By endorsing the **Paris Declaration on Aid Effectiveness** in 2005, countries in receipt of ODA agreed to strengthen their national systems and donors agreed to use them to the maximum extent possible. These commitments were reiterated in the **Accra Agenda for Action** (2008) and the Busan Outcome Document (2011), where it was agreed that the Use of Country Systems should be the ‘default approach’. Through the **New Deal for Engagement in Fragile States** members of the International Dialogue committed themselves to using and strengthening country systems. On the subject of transparency, similar commitments were made to monitoring, through the DAC, overall resource flows to fragile states and tracking international assistance against individual goals. Countries receiving international support should strengthen national reporting and planning systems that take into account elements such as budgets, transparency portals or

aid information management systems. They should also provide support to domestic oversight mechanisms including national parliaments. In addition to this, they should solicit citizens' views to assess the transparency of domestic resources and aid.

Stronger and more transparent Use of Country Systems can yield positive results that benefit a number of stakeholders. First, government officials can get a more comprehensive view of available resources in order to set policy objectives, plan and invest. Second, donors can better identify how they can support these policy objectives with interventions that can fill critical gaps in public investments and services, but which can then be sustained by domestic expenditures. Using country systems for reporting and evaluating impact helps make a stronger case for value for money of development programmes. Transparent and timely information flow increases the capacity of donors to adapt programmes to expected results. Third, civil society and the broader public can better hold national authorities to account, with greater access to information on public spending, including all forms of development financing. The Use of Country Systems also increases the coherence of joint donor-government efforts in public services from the end user's point of view. Accountability and citizen participation can thus help to restructure state-society relations in favour of greater democracy.

Under these commitments, country systems are defined as national arrangements and procedures for public financial management, procurement, audit, monitoring and evaluation and social and environmental procedures. **While country systems are sometimes thought of in a narrower sense of budget support to host governments, a fuller understanding includes commitments on all sides, to use and strengthen mechanisms for planning, measuring and reporting on progress as well as financing modalities. These efforts should pay specific attention to the transparency of the process, to improve participation in the use and monitoring of these systems.**

The Use of Country Systems approach can be applied throughout the programming cycle:



Box 1: The elements of the Use of Country Systems

Despite commitments made in Busan to the Use of Country Systems as the default approach, g7+ countries report lack of progress and donors face domestic political pressures and competing internal regulations that act as a break on innovative approaches, leading to risk-adverse programming modalities. Development partners report a variety of obstacles to using country systems: limited donor capacity to manage using country systems at the country level and the lack of donors' own internal guidance on how to use country systems¹, weak procurement systems, poor coordination mechanisms and changing donor staff at country level, lack of donor in-country capacity for implementation, all act as significant disincentives.

More specifically in g7+ countries, characterised by state fragility and often by the urgency to deliver results, the weakness of country systems is seen as an obstacle to investing in them. The long term objectives of reinforcing these systems are outweighed by the need to deliver immediate results on the ground. This also leads some line ministries to forge direct links with development partners, and reluctance on their part to follow governmental financial governance systems. Issues of transparency often arise, with limited capacity for budgetary oversight by parliament or independent auditing bodies.

Despite these challenges, there has been some improvement in the Use of Country Systems, since the Paris Declaration in 2005². Some "new" instruments have emerged over the last few years that have contributed to the greater Use of Country Systems in particular domains, such as programming for results. Online portals and innovative tools to increase citizen participation and oversight have been implemented to increase the transparency of financial flows and investments. Some donors have also been willing to experiment with innovative instruments, and have adapted their approaches to risk in fragile contexts. In addition, sustained reforms of parts of the Public Financial Management (PFM) system in some countries have acted as an incentive for the Use of Country Systems. In g7+ countries, the TRUST components have had some leverage to guide the Use of Country Systems, and the mutual commitment of development partners, governments and civil society have to some respect been structured around New Deal principles. In global discourses, there is growing recognition that peacebuilding and statebuilding are strongly linked, and that investment in them can reap long term benefits³. The Use of Country Systems is seen as a key vehicle for this.

4. COUNTRY DIALOGUES: OBJECTIVES AND PROCESS

In this context, country dialogues can foster confidence and trust between actors, through outcome focussed discussions on particular aspects of the New Deal, and on the Use of Country Systems in particular. Continued dialogue between donors, government and civil society helps highlight the constraints each actor faces, and the expectations they have. The clarification and more precise definition of each

¹ Few donors have updated their use of country system policy since Busan to guide country level staff on technical procedures when applying Use of Country Systems to non-budget support/pooled funding. In some cases the policies exist but have not been applied in practice.

² In a report published by CABRI, entitled [Towards a greater use of country systems in Africa: Recent trends and approaches](#), it was found that there has been a proven willingness and momentum towards increased Use of Country Systems (UCS), evidenced by data from the Paris Declaration Surveys of 2005 to 2010.

³ See Building Peaceful States and Society, DFID, 2010

constituency's position contributes to designing and implementing aid modalities that can make real progress towards greater Use of Country Systems.

Country Dialogues on using and strengthening country systems will provide a space for officials from national governments, civil society and the local community of donors to identify key obstacles facing each of the constituencies and for understanding each other's perspectives, discussing challenges and risks in specific contexts and identifying key action points that can be embedded in broader processes of peacebuilding and statebuilding aligned with New Deal principles ('New Deal implementation') in country.

Country Dialogues can provide a safe space, where concrete challenges around the Use of Country Systems are discussed amongst different constituencies with a view to advancing engagement in fragile and conflict affected countries, (of the g7+) in line New Deal principles.

A dialogue on the Use of Country Systems would follow **three broad steps**:

- A. The identification of the issues at stake, identification of the key stakeholders with an interest in the issue
- B. The initiation of a dialogue around issues identified
- C. The finalisation of the process through concrete, New Deal oriented outcomes supported by high level political engagement

A. The identification of the issues: what problem do we want to solve?

Initial mapping research will seek to establish the key bottlenecks in using country systems, and clarify definitions of the different elements mentioned above (see box 1). Key stakeholders will share their understanding of the problems and agree on a joint formulation of the problem statement. Through this consultative process, **country systems will be mapped out and key stakeholders identified**, in order to achieve a consensus on definitions and the coalitions necessary to achieve change. This mapping of the issues to be addressed, a better understanding of the current situation, and of the actors that need to be involved in later stages will, together, outline the scope for the dialogue.

The objective of this initial mapping phase will foster a shared learning process in order to identify how **tangible progress can be made within the existing country reality**. It does not seek to increase the burden on either donors or the government by duplicating initiatives that are already underway, such as donor coordination mechanisms. By necessity, it will take into consideration both donor and partner country contexts. It will identify key entry points into the New Deal process as a whole, where results of the country dialogue can be anchored and fed in.

B. Organisation of a Dialogue

The initial phase will have **outlined the scope for the dialogue**: the expected outcomes, the current processes and the key stakeholders to be engaged. Key stakeholders will then be invited to define their understanding of existing bottlenecks through **intra-constituency dialogues**, in order to clarify existing processes already in use, and define what will be the expectations on the Use of Country Systems.

The move to dialogue between constituencies will be made through repetitive rounds of dialogues shifting from technical to high political level. This will allow the participants to share feedback on reform processes

and achievements. While compiling existing data and producing new evidence, the discussion will move to the **analysis of causes, and the identification of potential strategies to address them**. These strategies should be linked to concrete outcomes, which will feed into the New Deal milestones, such as Fragility Assessments, Compacts (or equivalent agreements) or evaluations.

In particular, the County Dialogues will focus on **identifying current opportunities and constraints** to strengthening and Using Country Systems. This will involve focussing on constraints on the integration of aid into the budget cycle, and **defining joint Government-Donor targets and next steps** for achieving progress on strengthening and using country systems as well as integrating aid on budget. This will constitute a flexible roadmap for progression towards increasing the Use of Country Systems.

C. The finalisation of the process through high level political engagement

The confidence fostered through the process of jointly identifying bottlenecks, problems, their causes and solutions will ensure that all the participants to the final High-level Dialogue are ready to make concrete commitments based on the consensus built throughout the process. This high level endorsement is essential, as it will ensure that the results of the country dialogue are implemented thoroughly amongst participants, and beyond.

Political commitment is widely acknowledged as having been the major determinant of success in country dialogue processes elsewhere⁴.

5. PARTICIPANTS

It is essential that consensus is built across a wide array of actors in order to reflect their views on the process, and ensure that outcomes are widely endorsed. Host country government officials: local donor community; civil society with an interest and expertise in the issue; country practitioners who can share experiences; and international experts and organisations that focus on these issues will be the primary targets for this process. Lessons learned from the organisation of similar dialogues show that the engagement of actors beyond the key, central ones such as lead donors and Ministry of Finance is essential. Some interlocutors may not have the technical expertise to engage meaningfully in all stages of the dialogue, but capacity building of these actors, and identification of entry points for wider outreach beyond the circle of key experts can be factored into the process. Cross-government engagement, parliamentary oversight, and CSO involvement are essential to ensure transparency and buy-in.

Particular attention should be paid to both high level political engagement of key New Deal actors in country, and involvement where feasible of a wider range of stakeholders, all of whom will be tasked with the responsibility of implementing the outcome of the Country Dialogue, or of playing a public oversight role in its implementation. Technical level groups should be supplemented by high level political leadership at the initiation stage as well as throughout the process.

⁴ Effective Institutions Platform experience, 2015

6. NEXT STEPS

The g7+ focal points could help to identify opportunities/entry points around which to organise a country dialogue on the Use of Country Systems; for example, the planned design of a New Deal compact, the evaluation of progress to date, or the redesign of multi-annual development plans (One Vision, One Plan) can all offer windows of opportunity conducive to the development of a country dialogue around working methods and the Use of Country Systems. Specific, sector-based reforms could also be an entry point for such a dialogue, and lessons from reform in one particular sector (health, education, or employment) can offer insights that could be replicated for Country Dialogue processes on the Use of Country Systems. The context of the dialogue is therefore key, and the process can be adapted to make use of such windows of opportunities: sectorial dialogues or sub-national initiatives can be considered if they are widely seen as a way to move forward.

Support can be provided through the Implementation Working Group of the International Dialogue, as well as the International Dialogue Secretariat. They can draw on expertise from inside and outside the Dialogue; notably from the Effective Institutions Platform, which can provide thematic expertise, and experience of organising similar dialogues in other contexts, which can be tailored to g7+ country contexts.