

Progress since Busan: Supporting transitions towards resilience

Preliminary results of global monitoring of the New Deal for Engagement in Fragile States

First High Level Meeting of the Global Partnership on Effective Development Cooperation

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KEY MESSAGES

- Governments, donors and civil society are making progress in implementing their New Deal commitments. But this progress needs to speed up.
- Peacebuilding and statebuilding need a political approach involving more robust dialogue at the highest levels among all parts of government.
- International efforts to implement New Deal commitments need to shift from global dialogue to country-level action.
- A stronger sense of core priorities over the short term is needed to deliver visible results.
- Governments and donors need to be held mutually accountable for results, and civil society has an indispensable role to play.
- Effective monitoring of results – using agreed peacebuilding and statebuilding (PSG) indicators – will be essential to more robust political dialogue and mutual accountability.
- Aid transparency is the starting point for building stronger partnerships.
- Higher risks should change how we engage – and not if we engage.
- Pooled financing can help to strengthen country systems; more momentum in this area is needed at the country level.

GOING FORWARD

- A New Deal monitoring report will be available for the next Minister-level meeting of the International Dialogue on Peacebuilding and Statebuilding in Freetown, Sierra Leone on 17-19 June 2014.

44 countries and organisations have endorsed the New Deal since 2011. Seven countries have nominated themselves as “pilot” countries making the New Deal the centre-piece of their development partnership with the international community and civil society.

“Somalia of today requires bold and courageous steps from our international partners including a shift from the past culture to construct irreversible gains on all fronts” – Hassan Sheikh MOHAMUD, President of the Federal Republic of Somalia, at “A New Deal for Somalia” Conference in Brussels, September 2013

1. SINCE BUSAN, THE NEW DEAL IS HAVING A SIGNIFICANT IMPACT

Since 2011, the New Deal has influenced the discourse and policies of international and national partners, at both global and country levels. While it is promoting greater dialogue and collaboration among partners, it has fallen short of any major shift in the way donors are working on the ground with the exception of a handful of New Deal “pilot” countries, e.g. Afghanistan, Sierra Leone and Somalia. However, the New Deal has served many g7+ governments as a framework for exercising stronger leadership and ownership over their country’s development agenda. Several countries like the Democratic Republic for Congo (DRC), Liberia, Sierra Leone and Timor-Leste have also initiated a conversation (where none has previously existed) among government, local civil society, political parties, business associations, and community groups on “what makes them fragile”. These conversations fed into “fragility assessments” that became the basis for a shared understanding of the main challenges facing the country and a first step to developing one coherent vision of their common future. The real challenge now is to ensure that the findings of fragility assessments are actually used to revise policy and programme design as needed to ensure that they are tackling the real drivers of conflict and fragility.

Compacts¹ have evolved as a useful instrument for building consensus on core priorities among government, donors and civil society. Compacts are helping to align priorities and

*In 2013, **Sierra Leone** and its development partners signed the Mutual Accountability Framework (MAF). This serves as the **compact** within the New Deal framework and sets the terms of the partnership required for successfully delivering on the government’s one vision, one plan: “the Agenda for Prosperity”. A donor assistance database, referred to as the “Dashboard for the MAF” was also developed to track donor commitments. This includes global-level “Busan” indicators and country-specific indicators for tracking progress on peacebuilding, statebuilding and development.*

pledges, on the one hand, with shared mechanisms for mutual accountability, on the other. Afghanistan (2012), Somalia (2013), Sierra Leone (2014) have formulated compacts in order to avoid the pitfalls of uncoordinated and fragmented donor programming, as well as ambitious donor pledges that only raise public expectations but fail to materialise into tangible benefits for the local population. These compacts are increasingly allowing donors to

¹ Compacts are also known as Mutual Accountability Frameworks in many countries.

pool their funds and make their support more transparent and predictable for national government planners.

In Afghanistan and Somalia, Denmark, EU, Finland, Germany, UK, Sweden and others are pooling their funding and using country systems, including each country's Donor Assistance Database (DAD), to make their support more transparent and predictable. In Afghanistan, Denmark and Finland are using country systems to deliver more than 50% of their aid funding; and 80% of their overall funding is aligned to national priorities. The Netherlands channels around 86% of its aid through the Afghanistan Reconstruction Trust Fund (ARTF) and Law and Order Trust for Afghanistan (LOFTA). In Sierra Leone, the MAF allows the UK to provide direct budget support (£15 million/per year), while also helping to improve country systems and track the results that this support achieves.

But, the design of compacts is still work in progress. Despite important progress to date, most compacts have not been designed and developed on the basis of a fragility assessment. This undermines the ability of government and donors to match policy and programme action to the drivers of conflict and fragility. Moreover, most compacts present too many priorities, which are too ambitious given the limited time and resources available. This dilutes the very essence of what a compact is meant to do – *to build consensus on core priorities over the short- to medium-term among key stakeholders whose cooperation is necessary for promoting stability*. This also weakens the ability of government, donors and civil society to hold each other to account (using country-specific PSG indicators) for delivering on these priorities, as well as to account to legislatures and the population as a whole.² Compacts also need to be used more as an instrument for outlining agreed country targets and incremental steps for strengthening and increasing the use of country systems over a set timeframe. So far, this is not happening and opportunities for doing so are not being seized systematically. Whereas Timor Leste reports about 30% of aid received is for capacity building, DRC reports only 3.8 %.

In 2012, Afghanistan and the international community endorsed a New Deal compact called the Tokyo Mutual Accountability Framework (TMAF). The TMAF spells out the results expected to be achieved in five main areas – far fewer than its previous compact of 2006. This narrower focus is a result of lessons learned and an application of New Deal principles. The Government and the donors acknowledge that the TMAF is allowing them to build on the gains of the last decade by improving governance at national and provincial levels.

High-level political dialogue must continue after the endorsement of a compact. Such dialogue is necessary among core stakeholders and donors in order to narrow down the range of priorities while also developing broad national support for them. National ownership must reach beyond the executive branch of government and involve civil society, political parties / groups, parliamentarians and local

authorities – in short, all those whose cooperation is indispensable to achieving its objectives. There may be setbacks but this can be expected in politically-sensitive contexts. In South Sudan, the government undertook a fragility assessment and donors were also conducting their own risk assessments. However, political will and incentives of donors were not strong enough to revise policies / programme interventions on the basis of findings from relevant risk analyses and observations in the lead up to the violence.

² Although Timor Leste does not yet have a compact, it has its own set of PSG indicators that donors are using as reference data for their new country assistance strategies.

Rather, donors must show leadership and rethink how they engage by finding opportunities for working together. Some donors are increasingly showing leadership and helping to forge a shared vision of engagement and mobilise international resources. France is taking a lead in the international humanitarian/recovery efforts in the Central African Republic, while the EU is doing so together with the UK in Somalia. Donors are increasing their collaboration on risk assessment / management: fiduciary risks are being assessed jointly in DRC and Sierra Leone, as well as security risks in Somalia. The UN has also set up a Risk Management Unit in both Afghanistan and Somalia. Yet there is still little – if any – progress in using joint risk assessments to structure a high-level political dialogue with the government in order to agree on the trade-offs they are willing to accept in favour of seizing an opportunity for statebuilding and achieving an overriding strategic goal.

2. BUT THE JOURNEY HAS ONLY JUST BEGUN

Adapting development and security approaches to the needs and challenges of fragile states will take time. That being said, political momentum needs to be maintained and progress on the implementation of commitments needs to speed up and be more visible to partners on the ground, and most importantly, to the local population. This requires government and donors to work on two tracks: deliver quick wins while tackling deeper, structural issues over the medium and long term. New Deal partners are learning by doing “in real time” and so it is important that lessons are captured, shared and applied to the exploration of new ways of working.

Moving forward, New Deal partners need to address the following challenges with sufficient attention and resources:

- **Peacebuilding and statebuilding need a political (and whole-of-government) approach.** Building peace and more responsive states requires a political process for transforming power dynamics and economic relationships. With such transformations, some stand to gain benefits, others to lose power, influence and wealth. Resistance and setbacks can be expected. But they should be offset by supporting champions of reform. This requires adept political dialogue to build trust and manage risks.
- **Transparency for stronger partnerships.** Increasing the transparency of aid funding is the starting point to improving dialogue and partnerships. It is probably the least complex of the New Deal commitments, and yet the most demanded by governments in fragile

Liberia has created one vision and one plan, called “Liberia Rising 2030” and “Agenda for Transformation” respectively. Both reflect New Deal principles and provide donors with a coherent national view of the country’s needs and priorities. A donor assistance database called “The Dashboard” has also been set up so that donors can make their aid more transparent and more predictable.

states. So, it can be seen as a “litmus test” of a partner’s real willingness to change the way they work. Improvements to aid transparency should be matched by national efforts to increase the overall transparency of public finances. Both

are needed to enable legislators, media, and citizens to hold their government to account for an important part of public spending in their country.

- **The higher risks in fragile states should change how – and not if – we engage.** Engaging in fragile states may involve high risks, but the risks of doing nothing may be even higher – and much more costly. We know that peacebuilding and statebuilding can work, and that investment in effective prevention is always better than having to rebuild a country after a devastating conflict. Staying engaged will require efforts to manage risks together, increase the use of country systems – with appropriate fiduciary safeguards in place and consistent with national laws and internationally agreed principles – and to support the building of national capacities, including of civil society in a strong monitoring capacity.
- **If done right, pooled financing can help to strengthen country systems.** Donors may be hesitant to use country systems – particularly for channelling their funding – in many fragile contexts, given the risk of corruption and the increasing domestic scrutiny over their aid spending back home. Yet if aid funding is provided in parallel only, the state suffers in terms of capacity and legitimacy, and the right results are not achieved. Pooled funding holds much promise, but needs to involve the government more in results planning and financial management. Donors need to be creative in how they provide financing and manage risks. This requires changes to the way they work on the ground as well as internally.

*Endorsed in 2013 by the government and the international community, the **Somali Compact** is a sign of progress. It puts New Deal principles at the front and centre, and features a mutual commitment by both government and international partners to strengthen national institutions over time. The Compact's Somalia Development and Reconstruction Facility will bring together several funds under a common governance framework. This will ensure (a) coordination across activities; (b) wide coverage of the peacebuilding and statebuilding goals; and (c) a combination of financing instruments that can deliver on urgent needs as well as laying the foundations for longer-term institutional development.*
- **Coherence needs to be improved on both sides of the dialogue.** Donors need to improve their ability to engage in a more coherent way. First, donors need to link political engagement with their development and security efforts. Second, they should try to speak with a common voice to national authorities on a greater range of issues. Likewise, governments need to build the confidence of donors and this requires better efforts to communicate clear priorities and results with one voice.
- **Feed better analysis into policies and planning.** Both donors and g7+ governments need to improve their abilities to feed the findings of fragility assessments and other such tools into their policies and programmes to ensure that the drivers of fragility and conflict are being addressed. Many donors are conducting risk analyses (even jointly) but the

lack of political will can hamper their ability to adapt their engagements on the basis of their findings *before serious problems occur*, as in South Sudan.

- **Finance under-aided countries.** Aid to fragile states is falling. In 2011, official development assistance fell by 2.4% and signs of reversing this trend are not yet apparent. A closer look reveals that a few countries with high political attention are receiving the major bulk of donor resources, while the larger number of this group seems to be under-aided. A plethora of different approaches, goals and interests produces a complex pattern of resource allocation, which benefits well-performing countries and a small number of low-performing ones that have particular strategic importance for donors. In consequence, many other recipients with low performance and affected by fragility are left behind as donors perceive engagement in these contexts as too risky.

3. CONCLUSION

No one partner has the ability to tackle the problem of fragile states on their own. Working together on key areas of collective action is the only way forward if meaningful results are to be achieved. Therefore, governments, donors, businesses, civil society and communities need to explore creative ways to solve these problems. The New Deal offers a platform for continuous learning and collaboration among partners and stakeholders, who can evolve new types of partnerships and approaches. At its core it promotes inclusive politics to help strengthen state-society contracts, as well as government-donor dialogues to help create frameworks of mutual accountability,

But to do so, donors and governments need to stay engaged at the highest levels. Also, they will need to make continuous efforts to reach out to new groups in other countries, ministries, and organisations (or even within their own ministries / organisations). Without overarching political commitment, we risk falling back on old ways of doing business.

Initial monitoring efforts reveal encouraging signs of progress. But this needs to speed up if real and lasting change and results are to be achieved and seen by local populations. As a living process, implementing the New Deal's commitments will require even more energy, creativity, and dynamism among all partners and stakeholders.