

Using and Strengthening Country Systems in Somalia

OUTLINE OF THE OFFER AND METHODOLOGY

International Dialogue on Peacebuilding and Statebuilding in collaboration with Effective Institutions Platform

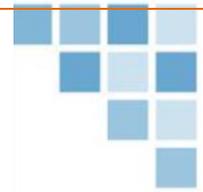
This note outlines how the International Dialogue on Peacebuilding, of which Somalia is a member, in collaboration with the Effective Institutions Platform, two partnerships, both hosted by the OECD, plan to support the Government of Somalia in advancing the Use of Country Systems. The draft includes the form the support could take, the focus areas of the research publication and a tentative timeline for next steps toward a series of country dialogue processes.

This offer is the result of conversations conducted in the first half of 2016, prior to the New Deal Compact Review. Since then, there has been a slight scaling down of ambition on the part of the Somali Government and the wider development community, in the short term, with respect to advancing the Use of Country Systems agenda. This proposal is therefore subject to further modification in the light of demands expressed by the Government of Somalia and Use of Country System's Working Group. More recently, the idea of a short publication to document the nature of progress on Use of Country Systems in Somalia, rather than a benchmarked road map approach, has been discussed. The ID Secretariat offers to assist the Working Group with: 1. Drafting a **Terms of reference** for the publication; 2. **Contributing text to the publication** that places UCS within a global context; III. **Assisting with advocacy based on dissemination of the findings** once they are published at global and country levels (via **Country Dialogues**).

The offer that follows is based on an adaptation of the 'original idea', ie both research and country dialogue processes based on it. It can be tailored and sequenced in the light of evolving demand. It is intended to outline what kind of technical support and expertise the EIP in partnership with the International Dialogue, jointly hosted by the OECD, could provide.

1. Background of the Initiative

As part of the **Paris Declaration on Aid Effectiveness** in 2005, countries receiving aid agreed to strengthen their national systems and donors agreed to using them to the maximum extent possible. These commitments were reiterated during the **Accra Agenda for Action** (2008), where country systems are defined as national arrangements and procedures for public financial management, procurement, audit, monitoring and evaluation and social and environmental procedures. The Use of Country Systems (UCS) has even been stated as the "default approach" in the **Busan Outcome Document** (2011) and improvements are tracked by indicator 9a of the Global Partnership Monitoring Framework. By endorsing the **New Deal**, development partners (DPs) and



g7+ countries, including the Government of Somalia, committed to strengthen, and increase the use of country systems. The g7+, donors and civil society recently reaffirmed the importance of using country systems as a crucial component for country ownership of its development agenda, through its endorsement of the 'Stockholm Declaration', the International Dialogue's outcome document its 5th Global Ministerial Meeting in Stockholm, on 5th April 2016¹. Yet living up to this commitment in post-conflict contexts involves difficult trade-offs between competing objectives such as strengthening operational capability and immediate public sector delivery through parallel structures. Stabilization and legitimacy questions need to guide aid delivery in post-conflict environments. We observe that, driven by pressure for high fiduciary standards and quick results, DPs often over-rely on parallel structures in fragile states, using them almost four times more than in non-fragile countries². This practice raises sustainability questions, including around the path of skills transfer from Technical assistants (TA) to civil servants in fragile contexts.

The IDPS and the EIP: Who are we?

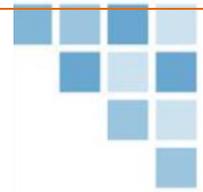
The *International Dialogue for Peacebuilding and Statebuilding (IDPS)* and the **Effective Institutions Platform** are two multi-stakeholder partnerships, that emerged out of the development effectiveness agenda, housed within the same team, one is more political and the other more technical platforms..

The IDPS is a unique partnership of over 40 countries and organisations, comprising the g7+, a group of 20 countries affected by conflict and different types of fragility, OECD DAC donors (members of the International Network on Conflict and Fragility) and civil society organisations (Civil Society Platform for Peacebuilding and Statebuilding), brings a vast convening space, where lessons learnt about how to overcome the challenges associated with using country system in one country can be shared and inform practice in others. Chaired by the Minister of International Cooperation and Deputy Prime Minister of Sweden and the Minister of Finance of Sierra Leone, the IDPS can serve as a prime conduit for advocacy through sharing learning emerging from Somali, to advance progress on this agenda at a political level in Somali but also in other g7+ countries.

Since 2011, the IDPS, that crafted the New Deal, has piloted it as an approach to engagement in 8 countries affected by conflict and fragile situations, including in Somalia. The IDPS plays a key role in supporting improved implementation of the New Deal and will continue to scale this up. Since the Stockholm Declaration was announced, demand for more country dialogues to address a range of obstacles to New Deal implementation, has grown. At the behest of g7+ countries, the IDPS plans to support more country dialogues between aid providers and national governments,

¹ Stockholm Declaration on Addressing Fragility and Building Peace in a Changing World'

² World Bank (2016), *Redefining fragility to end poverty*, preliminary findings. Available at: <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/3/541041427223697468/FCS-FORUM-REBUILDING-PUBLIC-SERVICES-IN-PC-COUNTRIES-2015-2-11-v-NO-QUOTES.pdf>



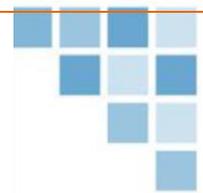
as a means of overcoming the deadlock which has grown up around UCS, particularly when donors have to make decisions over complex competing priorities.

UCS has been identified by several g7+ members as one of the key challenges to New Deal implementation. This was outlined in the recently completed Independent Review of the Dialogue and New Deal and International Dialogue (April 2016) and confirms the observations of the earlier New Deal Monitoring Report (2014).

The g7+ and the Civil Society Platform for Peacebuilding and Statebuilding (CSPPS), two of the Dialogue's three core constituencies, have recently affirmed their interest in prioritising work to advance the use of country systems, by focusing on addressing the political deadlock around it, through the use of evidence based advocacy. In collaboration with ODI, the g7+ secretariat are developing a short paper to be used as an advocacy tool. The paper will draw on seek to inform the Somalia conversations around this theme. CSPPS, also recently re-affirmed (Berlin Declaration, July 2016) their commitment to the Use of Country Systems, appealing to the IDPS as a tri-partite partnership, to ensure that a broad based inclusive definition of 'country' informs thinking and practice on Use of Country Systems, so that civil society oversight features as a criteria for risk management, rather than just public financial management indicators. The International Dialogue in partnership with EIP, will ensure that the whole of Dialogue constituency perspective is reflected in the offer to support this working group led process. The IDPS stands ready to provide this type of tailored facilitation, drawing on the experience of the Effective Institutions Platform, which is a partnership, hosted alongside the Dialogue, within the same team of the OECD.

The Effective Institutions Platform (EIP) is an alliance of over 60 countries and organisations that support country-led and evidence-based policy dialogue, knowledge sharing and peer learning on public sector management and institutional reform. The EIP supports its members in their development of accountable, inclusive and transparent public sector institutions capable of delivering responsive policies, effective resource management, and sustainable public services for poverty reduction and **inclusive** growth. The EIP does this through hosting a different kind of conversation; using collective learning processes to capture innovation, stimulating experimentation and bringing this learning to a wider audience through an influential global network.

The EIP has played an important role in bringing global commitments on UCS to the local level by organising, in response to country requests, Country Dialogues on Use and Strengthening of Country Systems. In each country (Bangladesh, Senegal) the EIP fosters an evidence-based multi-stakeholder dialogue focused on addressing specific bottlenecks to improving the use of country systems. Through these Dialogues, of the high level Busan commitments are translated into frank and open discussion at country level, between Development partners and different branches of the Government.



The process aims to promote the broadening of the definition of UCS, to include other dimensions of national systems beyond PFM, as a means of building consensus on actionable steps that all stakeholders can town, with a view to enhancing the use of country systems.

The EIP secretariat, through its collaboration with the International Dialogue on Peacebuilding and Statebuilding (IDPS), will facilitate the process, by providing evidence and data to support the dialogue process, and bringing in its expertise and knowledge gathered through the similar dialogue processes in other countries.

2. Analysis of the situation

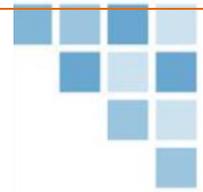
Efforts to Use Country Systems in Somalia: Bridging Perceptions Gap – the main challenge

The Federal Government of Somalia (FGS) and its international development partners have made significant commitments to improve on the Use of Country Systems. In September 2013, the Federal Government of Somalia, and the Development Partners, agreed through the Somali Compact **to deliver aid in line with the government budget cycle and help to strengthen government Public Financial Management (PFM) systems.**

Much work has already been done to document and assess progress on the Use of Country Systems. This sets an important backdrop which the EIP/IDPS's support will draw on and build upon. In order to increase mutual understanding on the Use of Country Systems and to monitor progress, a Technical Working Group was established ahead of the Copenhagen High Level Partnership Forum (HLPF) in November 2014. The goal of the FGS and Development Partners who are members of the Working Group, is to “define a plan that shows a clear pathway towards the use of country PFM systems for donor aid spending”.

An Interim Roadmap for the Use of Country PFM systems was adopted during the HLPF in Copenhagen, when the “national windows” of the Somalia Development and Reconstruction Facility (SDRF) were also established. This roadmap was intended to lead towards the elaboration of a more detailed and comprehensive roadmap in 2016, informed by a PEFA assessment. Regular reports are presented at the High Level Partnership Forum, to measure progress against a set of agreed benchmarks. The report presented in June 2015 notes that ‘progress has been made by FGS and development partners in taking steps to increase the use of country systems.

However, there continues to be a gap between FGS and donor perceptions on what greater use entails and even different assessments of the degree to which progress can be said to have been made. Further work is required to translate the principles agreed to in the Compact to measurable targets and action plans, and to establish agreed mechanisms for achieving benchmarks. The post New Deal Compact Review Process, provides a conducive moment for developing a publication as a first step to shared learning and harmonising perceptions.



The Partnership Principles Review & Use of Country Systems Roadmap, presented at the High Level Partnership forum in February 2016 in Istanbul, reported on the obstacles and progress made towards the UCS measured against the comprehensive set of reform benchmarks outlined in the Interim roadmap in 2014. A new roadmap for 2016 was developed including benchmarks and indicators for Government as well as Development Partners (DPs). In this paper the Federal Government of Somalia calls for “stronger actions from both government and development partners in their commitment to increase the UCS”.

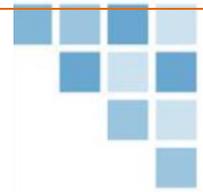
The UCS Working Group is currently assessing whether the ‘road map, benchmarking’ approach is **the most feasible way of advancing progress on UCS**. Support from the OECD hosted EIP/IDPS’s for organising a Country Dialogue on Strengthening and Using of Country Systems, was initially the way in which the request for support from the IDPS/EIP solicited by Somalia UCS working group, was framed for organising. The IDPS/ EIP is eager to explore with the Working Group how support can be tailored, in the short to medium term, in view of the scaling down of short term ambition around a more time bound publication.

3. Objectives

Against this background, **the specific contribution of the OECD-hosted IDPS and EIP** would be to assist the Working Group with: I. drafting a Terms of Reference for the publication; II. Contributing text to the publication that places UCS within a global context; III Assisting with advocacy on the findings once they are published. This dissemination and advocacy could take place through support country dialogues on the use of country systems, in countries in ways that are grounded in solid technical advice and based on the experience of similar dialogues held in other countries. The provision of discreet support to the publication conceptualisation, review and dissemination process, would be a first step. The EIP/IDPS partnership would seek to ensure the publication was used to inform some sort of demand driven Country Dialogue process.

Drawing on the conclusions of the publication, the Country Dialogues will help by:

- i) *Contextualising UCS*: This means identifying what success would look like for enhancing the UCS in Somalia in 2017 and beyond. The country dialogue could help stakeholders analyse the quality of their development assistance through progress on implementation of UCS Benchmarks for Somalia;
- ii) *Identifying an Incremental approach*: This would mean selecting from ongoing reform programmes a priority list of actionable steps that could drive forward the UCS based on capacities and feasibility and sequence its implementation;
- ii) *Assessing costs and benefits* of the funding modalities presently adopted to implement the post Somali Compact (National Development Plan)



iii) *Ending Deadlocks*: enabling and fostering sustained high level endorsement of actionable steps to implement the road map for 2016;

iv) *Disseminate* Somali experiences as a best practice cases for UCS in fragile and conflict affected contexts and beyond. Showcase the experience at the next High Level Partnership Forum in 2017 (May).

4. Steps of the Dialogue

In order to foster a conversation around addressing bottlenecks to reform benchmarks and using country systems (in all their different dimensions); the Country Dialogue (CD) on the Use of Country Systems will use a three-step approach: -

1. **Case study publication**: The *first step* will be to provide initial evidence on the current use of country systems and highlight the persistent obstacles. This evidence will build on existing sources such as: the work of Somali government's UCS working group, the OECD own work on donors' approaches to risk in Fragile and conflict affected states and ODI's Use of country systems in Fragile states report³. The EIP and IDPS could provide input to the drafting of the TOR, provide advisory staff to review the content of the research work conduction, in collaboration with the support from the Somali Government at the UCS Working Group, to identify relevant stakeholders. The EIP in partnership with IDPS secretariat and g7+ secretariat, could also conduct relevant desk research and phone interviews with key stakeholders.

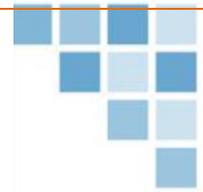
2. **Preliminary Dialogue**: Based on this evidence, the Dialogue could in collaboration with UCS Working Group, help to organise as a *second step* a preliminary meeting in Mogadishu or Nairobi..

Participants: the target audience for this workshop would be the Somali country governments, including representatives of the ministry of finance, aid management unit and most important ODA spending entities; local donor community from both countries. National civil society organisations who can share experiences on public financial management and transparency issues; parliaments (in particular relevant commissions) international experts and organisations that focus on these issues.

Potential themes for the workshop would be:

- An analysis of the situation: understanding the current UCS under the funding modalities presently adopted to implement the Somali Compact and ANDS (mapping of current aid modalities);
- assessing the risks and barriers DPs are facing to further using country systems in each context;

³ <http://www.odi.org/publications/10208-using-country-systems-fragile-states>



- analyse the costs and risks, in terms of statebuilding and development results, associated to aid modalities which don't use country systems;
- investigate the alignment of multi-donors trust funds to national systems and possible transition towards aid modalities using core national systems;
- assess the comprehensiveness of Aid data platform and the capacity of national governments to use them for decision-making and budgeting purposes;

Expected outcomes of the workshop will be:

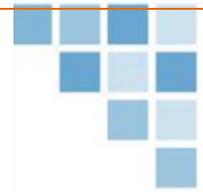
The issues identified in the case study are discussed, until a consensus is reached on their formulation and prioritization;

- ✓ Based on this consensus, the priorities areas for improving aid alignment to country systems will be identified;
- ✓ A feasible and realistic country roadmap will be drafted outlining progress and milestones, within the priority areas that could be achieved in one-year time. The roadmap will be fine-tuned with national priorities, needs and dynamics with respect to public financial management and institutional capacity building;

3. The **next steps** of the dialogue **will be agreed**, including organising a **high-level dialogue** with senior representatives from the Governments and DPs, making firm commitments to respect the roadmap agreed at technical level. The high-level dialogue could happen back-to-back to national high-level events coming up in the next few months (i.e. the next HLPF for Somalia).

Modalities:

- **The EIP could advise / assist the UCS Working Group to facilitate intra-constituency discussions for participants from each country:** intra-donor, intra-government and intra-civil society, where feasible. These “safe spaces” will enable frank exchanges between stakeholders, so that they can feedback on the credibility of past efforts to deliver reforms and enhancing the UCS.
- **Based on the results of these conversations, the EIP could moderate / support moderation of a joint stakeholders’ dialogue,** presenting the challenges and priorities of the different groups. All participants will jointly review, the benchmarks of 2016 roadmap, asses their relevance, select priorities, and develop them into concrete milestones and a timeline that could be technically and politically feasible for 2017, if still deemed relevant.. Equally long-term objectives will be discussed for post 2017
- **This will be done taking into account the lessons learned from the past few years as well as current political opportunities and capacities to implement reforms.** The third day participants will have a joint section to share past experiences with UCS, multi-donors trust fund and illustrate each-other roadmaps, with external participants from other countries with UCS experiences.



- **This event will be the opportunity for peer countries who are interested in UCS to join and learn from each other experience.** For example Afghanistan has developed multi-donors reconstruction mechanisms and expressed to the IDPS its interest for moving towards stronger ownership of international development and could share critical lessons with Somalia, at the moment of reviewing what replaces the New Deal Comact and the place of use of country systems within it.