

New Deal Monitoring Report 2014

Final Version



INTERNATIONAL DIALOGUE WORKING GROUP ON NEW
DEAL IMPLEMENTATION

November 2014

New Deal Monitoring Report 2014

Final Version

TABLE OF CONTENTS

FOREWORD	2
ACKNOWLEDGEMENTS	3
ACRONYMS	4
KEY MESSAGES	5
1. INTRODUCTION	7
2. METHODOLOGY	8
3. VISION FOR CHANGE	8
4. THE CONTEXT	9
5. PROGRESS IN NEW DEAL IMPLEMENTATION SINCE BUSAN.....	11
6. KEY CHALLENGES AND RECOMMENDATIONS GOING FORWARD	25
7. CONCLUSION	30
ANNEX A: SCORING OF SPECIFIC PROGRESS MADE AGAINST NEW DEAL COMMITMENTS.....	32
ANNEX B: CIVIL SOCIETY VIEWS ON LESSONS LEARNED FROM LIBERIA AND SOMALIA	41

FOREWORD

This is the first attempt to monitor the progress on the implementation of the New Deal for Engagement in Fragile States since its endorsement in 2011. It is not a final product, but rather a work-in-progress seeking to present both the progress made, and the challenges faced by governments, development partners, international and local NGOs and civil society in the implementation of their commitments. To take the process forward, stakeholders agreed to adopt a monitoring framework to track both qualitative and quantitative data in a disaggregated manner to promote dialogue, collaboration, learning, and mutual accountability.

To date, efforts have been made in providing disaggregated and quantitative information on donor and g7+ country activities since a “zero” draft of the 2014 New Deal Monitoring Report was first presented at the fourth Global Meeting of the International Dialogue on Peacebuilding and Statebuilding on 17-19 June 2014 in Freetown, Sierra Leone. The available information from partners, tracks the progress of the New Deal implementation since Busan.

We are confident that the Report provides a good foundation for monitoring progress on the New Deal. It also deepens dialogue and partnership among countries and organisations in our efforts of improving the way development cooperation is conducted in fragile and conflict-affected states. This approach is needed now more than ever given the current crises affecting the Central African Republic and South Sudan, as well as the recent Ebola outbreak in Guinea, Liberia and Sierra Leone.



H.E. Kaifala Marah
Minister of Finance and Economic
Development, Sierra Leone
co-Chair of the International Dialogue, and
Chair of the g7+ group of fragile states



H.E. Anne Sipiläinen
Under-Secretary of State
Development Cooperation and
Development Policy, Finland
Acting co-Chair of the International Dialogue

ACKNOWLEDGEMENTS

The New Deal Monitoring Report 2014 was prepared by the International Dialogue (ID) Secretariat. Fiona Davies (independent consultant) was the lead author and Yannick Hingorani (OECD) was the co-author.

The authors are grateful for the financial support provided by the GIZ for the preparation of the Report, as well as to Alastair McKechnie, Claire Leigh and Marcus Manuel at the Overseas Development Institute (ODI) for their advice and feedback on early drafts of the report. Valuable inputs were also made by Donata Garrasi and Kathryn Nwajiaku at the OECD.

A reference group, consisting of Sousan Rahimi (Afghanistan), Tanja Vikki (Finland), Shinta Sander (Germany), Habib Ur Reyman Mayar (g7+ Secretariat) and Nicolas Bouchet (Civil Society Platform on Peacebuilding and Statebuilding), provided guidance on the overall structure of the report.

The ID Secretariat would like to thank Ozkan Ozkardes at the OECD for his help to putting together the datasets drawn from the Creditor Reporting System. Finally, the whole process of monitoring and preparing the report could not have been done without the good efforts of the g7+ countries, members of the International Network on Conflict and Fragility (INCAF), and local civil-society organisations that helped to provide responses to the monitoring surveys.

ACRONYMS

ADB	Asian Development Bank
AITF	Afghanistan Infrastructure Trust Fund
ARTF	Afghanistan Reconstruction Trust Fund
CAR	Central African Republic
CBTF	Capacity-Building Trust Fund
CCF	Complex Crises Fund
CHF	Common Humanitarian Fund
CSO	Civil Society Organisation
DAC	Development Assistance Committee of the OECD
DAD	Donor Assistance Databases
DFID	Department for International Development (UK)
DRC	Democratic Republic of Congo
EU	European Union
g7+	Voluntary association of 20 countries that are or have been affected by conflict
HPF	Health Pooled Fund
HSSP	Health Sector Strategic Plan
IATI	International Aid Transparency Initiative
IDA	International Development Association
IEG	Independent Evaluation Group
IMF	International Monetary Fund
INCAF	International Network on Conflict and Fragility
LOTFA	Law and Order Trust Fund of Afghanistan
LRTF	Liberia Reconstruction Trust Fund
MAF	Mutual Accountability Framework
MDTF	Multi-Donor Trust Fund
MPTF	Multi-Partner Trust Fund
ND	The New Deal for Engagement in Fragile States
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
OTI	Office of Transition Initiatives (USAid)
PFM	Public Financial Management
PIU	Project Implementation Unit
PNG	Papua New Guinea
PSGs	Peacebuilding and Statebuilding Goals
SDF	Somaliland Development Fund
TF	Trust Fund
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNDPF	United Nations Development Fund
UNFPA	United Nations Population Fund
UNICEF	United Nation's Children Fund
WHO	World Health Organisation

KEY MESSAGES

Since its endorsement in 2011, the results of the New Deal for Engagement in Fragile States are mixed. It is helping to improve dialogue among government officials, donors, and civil society at the global and country level. Furthermore, the New Deal is helping to make aid more transparent, while also providing a framework for pooling donor financing. With respect to specific commitments, countries and organisations have made progress in conducting fragility assessments and developing compacts (see rating below). But overall, progress on the ground has to intensify if there is to be a “paradigm shift” in the way development cooperation is conducted in fragile and conflict-affected states.

FRAGILITY ASSESSMENTS	TRANSPARENCY
ONE VISION / ONE PLAN	RISK SHARING
COMPACTS	USE OF COUNTRY SYSTEMS
USE OF PSGs TO MONITOR	STRENGTHENING CAPACITIES
SUPPORT TO POLITICAL DIALOGUE	TIMELY / PREDICTABLE AID

The key messages emerging from this first pilot round of monitoring New Deal implementation are the following:

- **Implementing the New Deal is an inherently a political exercise** requiring top leadership in both g7+ countries and donor governments for organising aid financing around core national priorities on the basis of an agreed collective approach that responds to the sources of fragility.
- **A stronger sense of core priorities over the short term is needed to deliver visible results and build confidence.** Compacts can help to lock in joint commitments to such core priorities, but they can only be effective when they are focused.
- **A whole-of-government approach is needed** – beyond ministries of planning / finance in g7+ countries and bilateral aid agencies in donor governments – in order to make real progress on the ground.
- **Efforts to implement the New Deal need to shift from global dialogue to country-level action.** This should involve the setting of clear targets, the development of agreed roadmaps for implementation, and the joint assessment of risks and monitoring of progress.
- **The Peacebuilding and Statebuilding Goals (PSGs) need to be put at front and centre of dialogue, planning, monitoring, and therefore mutual accountability.**

- **Compacts have shown their value, but not fully.** They need greater focus on a smaller set of priorities, informed by a shared understanding of the drivers of fragility and sources of resilience.
- **Aid transparency is a minimum standard for forging stronger partnerships.** Despite progress in setting up and updating local aid information management systems, they need to be embedded into national planning and budgeting processes, and matched by efforts to improve public finance management.
- **Pooled financing is helping to strengthen country systems.** But more could be done if they were matched by clear targets and agreed plans for strengthening and increasing their use, using a step-by-step approach.
- **Higher risks should change how we engage – and not if we engage.** It will thus be important for partners to hasten progress in conducting shared / joint risk assessments, as a starting point for greater collective action.

1. INTRODUCTION

The New Deal for Engagement in Fragile States, launched in Busan, South Korea in 2011, promised to change the way national and international partners worked together to promote peacebuilding and statebuilding in countries affected by conflict and fragility. It has since been endorsed by 43 countries and organisations, including the g7+ group of 20 fragile and conflict-affected countries.

The main thrust of the New Deal is that without country ownership and leadership, underpinned by inclusive political dialogue, progress is unlikely. It also called on donors to work more transparently and make real progress in pooling their efforts in support of this country leadership, while also using aid to strengthen and use country systems as much as possible with a view to building state capacities. In signing the New Deal, countries and organisations agreed to implement the latter commitments on a pilot basis between 2012 and 2015, and to monitor what changes it would deliver.

This is the first monitoring report of the New Deal. It focuses on *behaviour change* among national and international partners. It does not seek to assess progress towards achieving the Peacebuilding and Statebuilding Goals (PSGs)¹, although it looks at the extent to which they are being integrated into programming at country level. The report addresses two audiences: 1) ministers and senior policy makers from both partner countries and development partners; and 2) practitioners among governments, donors and civil society who seek to improve the effectiveness of development cooperation in countries affected by conflict and fragility.

The process to produce this report and the result seek to promote dialogue around some fundamental questions, such as:

- Have our partnerships significantly changed in line with the commitments and spirit of the New Deal?
- Are we optimising opportunities for dialogue and collaboration in order to achieve the PSGs?
- How can we work together to develop – and learn from -- innovative approaches to achieving the PSGs?
- Are we “off-track” with respect to our commitments; and if so, what corrective measures could we take?

All countries and organisations that endorsed the New Deal were invited to contribute to this monitoring exercise.

¹ The monitoring framework for tracking progress against the PSGs has yet to be fully defined by the International Dialogue.

2. METHODOLOGY

The monitoring process involved the completion of two surveys: 1) the New Deal Country Survey; and 2) the INCAF Member Survey. The former is meant to be country-led effort with the active support and involvement of the local donor community and civil society, using existing dialogue processes, where possible.

The latter focuses on donor-related policies and practices, and the extent to which they are conducive to behaviour change on the ground. Sixteen INCAF² and five Country Surveys were filled out and returned to the International Dialogue Secretariat. Members of the International Dialogue can access all survey responses at:

<https://community.oecd.org/community/newdeal/>³

All participating countries and organisations had three months to organise discussions around the survey questions, collect the needed data and information, and formulate their answers. It should be understood clearly that the analysis and findings of progress and challenges in this report is based only on the survey responses provided by participating countries and organisations in the monitoring process, data pulled out of the OECD Creditor Reporting System, and some follow-up inputs from the Somali Federal Government and local civil-society platforms in Liberia and Somalia (see annex B).

3. VISION FOR CHANGE

“A new development architecture and new ways of working, better tailored to the situation and challenges of fragile contexts, are necessary to build peaceful states and societies,” The New Deal for Engagement in Fragile States

The New Deal was designed to deliver change. Change in “what” is done and change in “how” things are done to support countries transitions from conflict and fragility and the building of peaceful states and societies. What does that mean in practice?

It means three main things:

- Focus on the right priorities
- Transition from fragility must be country-owned and -led
- Resources must be used effectively and build local capacities and systems

This -- according to the proponents of the New Deal and based on years of experiences in conflict affected and fragile contexts -- was not happening⁴. The New Deal aims to reverse the trend.

² Participating INCAF members were: Belgium; Canada; Denmark; European Union; Finland; France; Germany; Japan, Portugal; Sweden; Switzerland; UNDP; United Kingdom, United States; and the World Bank. g7+ countries were: Afghanistan; Democratic Republic of the Congo; Sierra Leone; Solomon Islands; and Timor Leste. <https://community.oecd.org/community/newdeal/>

³ To get access rights to this site, one may write to secretariat@pbsbdialogue.org.

Focus on the right priorities: Resources, actions, and reforms at the country and at the global level must focus on and enable progress towards what matters most to achieve peace and stability: inclusive political dialogue, security, justice, employment and livelihoods, and domestic revenue mobilisation and services. These are the five PSGs. The premise of the New Deal is that no development results can be sustained unless the basics are in place. The PSGs are the breakthrough innovation of the New Deal. Achieving in the PSGs is what will deliver change and the way out of fragility. No funds will be effective, if they are not spent on the right things, in the right way.

Transition must be country-owned and - led: Enable ownership and leadership. If efforts to transition from conflict and fragility are not owned and led by country stakeholders, they are simply not going to succeed. The New Deal outlines the main steps to enable such ownership and leadership, as well as the approaches and mechanisms for partners to engage effectively, such as the “compact”. The steps taken and overall approaches will vary from one country to another. But the ideas behind them should be the same: the problems and challenges need to be better understood and discussed, and then they need to be addressed collectively as much as possible. These principles are the core of the g7+ agenda, and they are a major change that the New Deal is expected to deliver.

Use resources effectively: The New Deal is clear that aid is helpful, but domestic resources, local capacities and systems are what really matter for statebuilding. Using aid to help developing local capacities and systems, no matter how weak they are and no matter how risky it is, is what really needs to happen in conflict-affected and fragile contexts. Using all resources effectively, transparently and accountably is at the core of “statebuilding”. Both national and international partners must change behaviour to make change happen and must enter in new and more effective partnerships based on dialogue, trust and mutual accountability.

This is the vision underpinning the New Deal. Whether and to what extent it is happening will depend on a number of factors, such as the level and strength of **political and institutional commitment** as well as the **incentives** that are created or exist for donors, governments, and civil society organisations. Such factors will also be influenced by the global context within which the New Deal is expected to be implemented.

4. THE CONTEXT

Today, about 1.4 billion people live in fragile states.⁵ Fragile and transitional situations comprise a broad spectrum of contexts – from middle income countries with strong

⁴ [OECD 2011: International Engagement in Fragile States, Can't we do better?](#)

⁵ See OECD's Fragile States Report 2014 “Domestic Revenue Mobilisation in Fragile States” available at <http://www.oecd.org/dac/incaf/FSR-2014.pdf>. There is no internationally agreed definition of a “fragile state”. However, the OECD DAC has noted that “States are fragile when state structures lack political will and/or capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations” (OECD/DAC, 2007a).

institutions such as in the Middle East and North Africa to low-income aid-dependent countries like Haiti and the Solomon Islands. Some appeared to be on a pathway to stability, resilience and development like Sierra Leone and Liberia until the recent Ebola outbreak. Others, however, are caught in the throes of violent conflict, political crisis and humanitarian emergency, like the Central African Republic (CAR), Somalia and South Sudan.

Many fragile states – particularly low-income countries dependent on aid – are lagging behind in making progress towards the Millennium Development Goals. They also risk missing the opportunity to tap into the wider trends of global economic growth and the overall “rise of the South”.⁶ Peace, security and development are heavily interlinked. Societies need a resilient and responsive state with the legitimacy and capacities to deliver basic services, security and justice to the population, and to create an enabling environment for equitable economic growth.

International assistance has a role to play in this regard. This is why many leaders, policy communities, and observers are advocating that “peace” is explicitly reflected in the post-2015 global development framework.⁷ Moving forward, development cooperation has to shift from past donor-to-recipient transfer of models, policies and practices – or using blueprint approaches to institutional reform – to an equal partnership between governments and development partners, based on dialogue and collaboration. Mutual accountability underscores this partnership. The old way of delivering aid simply has not produced the kind of results needed for fragile states to get on a clear path to resilience.

In Dili 2010, G7+ countries, donors, and civil society jointly expressed concerns about:

- A lack of shared vision for change among stakeholders that is based on consultations with citizens and civil society, including a lack of context analysis.
- A lack of trust between developing countries and development partners.
- Too many overlapping plans and weak alignment of donors behind a unified national plan. A lack of agreement on the need to address shifting short-term and long-term priorities at the same time.
- Approaches that engaged only a few central state actors in the executive and focused on a country’s capital city and certain regions, creating pockets of exclusion.
- Insufficient attention to the protection of women and children from armed conflict and to the participation of women in peacebuilding and statebuilding.⁸

The New Deal for Engagement in Fragile States is a landmark global policy framework that seeks to address the above problems. It reflects decades of experience and years of

⁶ See UNDP’s Human Development Report 2013 “The Rise of the South: Human Progress in a Diverse World” available at <http://hdr.undp.org/en/2013-report>.

⁷ See the report of the High Level Panel on the Post-2015 Development Agenda at <http://www.post2015hlp.org/the-report/>.

⁸ Dili Declaration, (10 April 2010) at <http://www.g7plus.org/g7-documents/>

scholarship on dealing with situations of conflict and fragility. It is neither a fad nor a blueprint. Instead, it provides a framework for combining dialogue, resources and efforts in support of national priorities and country-owned solutions. While this may lead to new initiatives, “implementing” the New Deal may simply consist of adjusting and adapting existing ones on the basis of its principles.

5. PROGRESS IN NEW DEAL IMPLEMENTATION SINCE BUSAN

As we approach the mid-point of the five-year period for piloting the New Deal, it is time to assess how well the parties are implementing their commitments, and what corrective action may be needed. This section draws on information provided in the Country Survey⁹ and International Network on Conflict and Fragility (INCAF) Member Survey¹⁰ responses, supplemented by information drawn from other sources¹¹ for those g7+ pilot countries that did not respond to the country survey¹². It presents the three main achievements of the New Deal so far, as well as a summary of key areas of progress in the way governments, donors, and civil society work together.

FRAGILITY ASSESSMENTS	TRANSPARENCY
ONE VISION / ONE PLAN	RISK SHARING
COMPACTS	USE OF COUNTRY SYSTEMS
USE OF PSGs TO MONITOR	STRENGTHENING CAPACITIES
SUPPORT TO POLITICAL DIALOGUE	TIMELY / PREDICTABLE AID

Legend:

Green: substantial progress in line with ND commitments

Amber: some progress in line with ND commitments, but not substantial

Red: insufficient or no progress in line with ND commitments

a. Main achievements

First, more inclusive dialogue among governments, donors, and civil society has improved over the past three years on some countries. This has led to more attention to peacebuilding and statebuilding. Fragility assessments and the process of compact development are playing a key role in steering a more structured conversation among a wide range of national stakeholders – particularly between the government, development partners and civil society – in the Democratic Republic of the Congo (DRC), South Sudan, Sierra Leone and Timor-Leste, where little existed previously. Compacts (or mutual accountability frameworks, as they are sometimes known) are helping to maintain the momentum of high-level dialogue on national priorities, make progress on implementing

⁹ Sierra Leone, Timor-Leste, Afghanistan, DRC, Solomon Islands

¹⁰ Australia, Belgium, Canada, Denmark, Finland, France, Germany, Japan, Portugal, Sweden, Switzerland, UK, UNDP, USA, World Bank.

¹¹ Principally UNDP’s Implementation Overview of the New Deal Support Facility for Q1 2014, but also the Global Partnership Monitoring Report 2014 and OECD Peer Reviews – as pertinent.

¹² South Sudan, Liberia, CAR, Somalia

them and to measure results and performance. In countries with compacts, including Timor Leste, engagement in the New Deal has influenced national as well as agency plans and strategies with more attention to peacebuilding and statebuilding. The mutual accountability framework in Afghanistan aligns with New Deal recommendations in many ways, without being a direct product of New Deal engagement.

In Sierra Leone, a “dashboard” for the Mutual Accountability Framework (MAF) was also developed that uses indicators against which progress in implementing the commitments can be tracked. This includes global level Busan indicators and the PSGs as well as a range of other existing indicators that Government and development partners use to monitor progress in development. What is clear is that the dashboard will make for focussed prioritised discussions between government and development partners and will provide an

Progress on the ground: Six fragility assessments have been conducted; three country compacts are in place; aid is being brought on budget in Timor-Leste (where Australia is starting to provide budget support) and Somalia (where Norway has established an on-budget financing mechanism to support payment of Government salaries); pooled funding is set to play an increased role in managing risks in Somalia.

early indication of progress on specific indicators. This will allow for appropriate actions to be taken in a timely manner where required. Overall, improved dialogue in g7+ countries has led to securing deeper political engagement at country level on how development cooperation can best support national leadership, along with its priorities and systems.

Second, aid is becoming more transparent. The survey findings demonstrate that donors are taking aid transparency seriously, and are improving their global systems and standards for reporting on development assistance. They are also increasingly planning their assistance to fragile states over multi-year horizons. At country level, progress is being made in establishing local aid information management platforms, such as “donor assistance databases” (DAD) by national governments. These are in turn supported and populated with aid information by the donors. But, to be clear, this progress is not yet necessarily translating into a better integration of aid information into national budget processes, due to a range of challenges relating to system configuration and management capacity, and the timeliness and formats of donor inputs. Nor is it systematically leading to better donor communication of forward spending plans to national governments on a rolling basis.

Third, donor financing is becoming more integrated. This result is apparent with many donors co-financing interventions and working with governments to develop new financing approaches – notably in the form of trust funds – in cases where direct budget support is not yet possible. This more integrated financing approach is providing a platform for donors to do more joint work on risk assessment and management, which is otherwise proving difficult to achieve on a standalone basis.

These three main results of the New Deal have contributed to bolstering national leadership and demonstrate some progress in changing donor behaviour. However, they fall short to a significant extent of the “paradigm shift” that is expected out of the New Deal. The change is slow and not systemic.

b. Greater national leadership (FOCUS principles)

Six g7+ countries have undertaken fragility assessments: Sierra Leone, Timor-Leste, South Sudan, Liberia, DRC, and most recently Comoros Islands.¹³ A fragility assessment is an inclusive and participatory exercise carried out by national stakeholders to assess a country’s causes, features and drivers of fragility as well as the sources of resilience within a country. In doing so, it takes a look not only at historical legacies but also at more recent and current drivers of fragility.¹⁴ In all cases, the fragility assessments involved discussions with national stakeholders, including civil society, although the length and extent of the consultations varied.

CAR had commenced preparations for undertaking a fragility assessment, but the process was interrupted when the current crisis broke out. But, since January 2014, the interim government has developed a Roadmap to guide the transition to stability and recovery, and in doing so, it seeks to address all five PSGs. A conference is scheduled for mid-January 2015 and will provide an important opportunity for stakeholders and partners to discuss and plan the political transition, agree on urgent priorities, and discuss the future of the country. The New Deal can help to structure this dialogue on priorities and provide a framework and a set of tools for assessment, planning and financing the implementation of the Roadmap.

The Federal Government of Somalia undertook “pre-consultations” for a fragility assessment before preparing its Compact. But this involved minimal civil society consultations on the drivers of fragility and sources of resilience in few locations in South Central Somalia and Puntland. The Solomon Islands Truth and Reconciliation Process was not conceived as a fragility assessment, but had many elements common to one. Afghanistan has not yet conducted a fragility assessment, but is currently preparing to undertake a ‘New Deal Study’ which will adopt a similar approach to analyse progress in terms of meeting the PSGs.

In most cases, fragility assessments have contributed to the development of country-specific PSGs and indicators in one form or another. However, a major challenge relates to the uptake of PSG analysis and indicators into broader planning and monitoring frameworks, which in turn impacts their potential to influence donor programming in-country. Only

¹³ Guinea-Bissau has recently conducted a fragility assessment but did not participate in this monitoring exercise. See g7+ statement on the New Deal at the First High Level Meeting of the Global Partnership, Mexico 15-16 April 2014, <http://effectivecooperation.org/wordpress/wp-content/uploads/2014/04/g7plusstatementforMexico.pdf>.

¹⁴ Partners can contact the New Deal Help Desk by writing to NewDeal.helpdesk@pbsbdialogue.org in order to seek out guidance and support on conducting fragility assessments.

Sierra Leone has successfully incorporated the both PSG goals and indicators arising from its Fragility Assessment into its national planning framework (Agenda for Prosperity) and associated monitoring mechanisms, including its Mutual Accountability Framework with development partners.

In Timor-Leste, indicators were agreed in the context of the fragility assessment, but are reported to have had limited uptake within broader government frameworks. Some development partners¹⁵ are nonetheless reflecting them in their country strategies and trying to assist with data collection on a pilot basis. In Liberia, the Fragility Assessment informed the national planning framework (Agenda for Transformation) and its monitoring system that is still under implementation.

In DRC, the government and its partners have developed indicators that are part of a framework of peace and security on the basis of PSGs. Yet, their link with the planning mechanisms and broader national monitoring efforts are not clear. That said, awareness at the political level is gradually improving, especially now with the involvement of the Prime Minister in monitoring of implementation of the New Deal and the Global Partnership, led by the Ministry of Planning. Furthermore, it was reported that the commitment of development partners will be strengthened with the official publication of “fragility matrices”.

Liberia has developed draft PSG indicators, and established a New Deal dashboard to track aid disbursements across the five PSGs. But it has not yet established a mechanism for monitoring PSG progress within the context of the national planning framework. In South Sudan, PSG goals were at the heart of the final draft compact that was expected to be endorsed in late 2013. It is also important to note that using PSG indicators is not the sole responsibility of national governments, but also of donors when designing their projects and related monitoring and evaluation plans.

A number of countries report that they have a national planning framework that is recognised as constituting One Vision, One Plan. In Timor-Leste, Afghanistan, South Sudan, and the Solomon Islands, the governments consider their national plans to constitute “One Vision, One Plan”. However, these plans have not been informed by a participatory analysis of the country’s drivers of conflict and fragility, i.e. a fragility assessment, and adopt a more traditional MDG-based approach -- more attention is still needed to the PSGs. This limits opportunities for addressing fragility through national policy making and the delivery of services and programmes. It also undermines the ability to mainstream the PSGs within them. The exception is Sierra Leone, which drew on inputs from the Fragility Assessment when developing the Agenda for Prosperity. Liberia has incorporated New Deal principles into its Agenda for Transformation, which demonstrates how the PSGs map to its objectives.

¹⁵ As per the Timor Leste Survey response, these development partners are World Bank, ILO, UNICEF, Australia, Germany and Japan.

Neither DRC nor Somalia have a unified planning framework that acts as One Vision, One Plan.¹⁶

Compacts have been agreed in three countries: Sierra Leone, Afghanistan and Somalia. In Sierra Leone, the Compact explicitly incorporates New Deal principles, and is focused on delivering the *Agenda for Prosperity*. In Afghanistan, the Compact does not explicitly refer to the New Deal, but has some alignment to its principles. The development of the “Somali Compact” underpins the commitment of Somalia to realising the New Deal principles. It establishes PSG goals in the absence of a unified One Vision, One Plan, and is explicitly designed as an organising framework for the delivery of donor assistance, in line with New Deal principles. However, some INCAF members¹⁷ have expressed concern that the Somali Compact development process was rushed and donor-driven, with insufficient time given to prior assessment of, and discussions on, fragility, and limited inclusion of civil society. Likewise, the Somali Federal Government notes that the Compact (and New Deal principles) are “an utterly new and foreign concept to most Somalis”.¹⁸ Following a brief introductory level presentations on New Deal concepts, the senior leaders of the Federal Government rallied their support for quick implementation action. Subsequently, the New Deal implementation process has been instigated expeditiously before the vast majority of national stakeholders, including the members of the Federal Parliament and the civil society could thoroughly grasp the New Deal objectives and how it could be adopted into the evolving complex social, political and security circumstances.

Compact development is reportedly currently under consideration in Guinea-Bissau, Liberia, Timor-Leste and DRC. South Sudan had made considerable progress in 2013 towards developing a compact, which was built around PSG implementation and New Deal principles. Under the auspices of the Compact umbrella, donors moved ahead with various inter-related innovative aid modalities, which together would serve to advance New Deal principles. These included the European Union (EU) State-building contract (budget support) and a multi-donor pooled South Sudan Partnership Fund, both of which were contingent on a government commitment to an IMF Staff-monitored programme. By the early December Compact launch date, state-level consultations had taken place and a draft Compact document was in circulation. However, the launch of the Compact was postponed as a result of the Legislature’s rejection of an exchange-rate condition associated with the

¹⁶ There are currently several fragmented development plans in Somalia, such as the ERP, the Government Work Plan, the New Deal Priorities and several Regional Development Plans. There is currently no national development plan in Somalia which would have facilitated the anchoring of these plans. Moreover, there is no plan in place beyond 2016 as the New Plan will expire in that year.

¹⁷ See the Denmark survey response. Switzerland also raised reservations over the SDRF, which is a key instrument under the Compact.

¹⁸ See a statement made to the ID Secretariat by the Permanent Secretary, Mr. Abdi Dirshe, of the Ministry of Planning & International Co-operation in consultation with the Vice-Minister, H.E. Abdullahi Ali

establishment of the IMF programme. The current crisis then broke out before the Compact approach could be re-assessed, and political buy-in to it could be strengthened.

The five g7+ countries which submitted survey responses reported number of initiatives aimed at supporting political dialogue and leadership. However, in most cases, these initiatives appear to reflect ongoing political and aid management processes, and cannot be explicitly attributed to implementation of the New Deal. There is little evidence that the New Deal has played a formative role in shaping political priorities around the PSGs, or informing the political vision for country-led transformation from fragility to resilience. It is also of concern that the New Deal principles are playing almost no role in shaping discussions between the government, opposing factions, development partners and civil society in the two g7+ pilots currently affected by crisis: CAR and South Sudan. Yet in Somalia, the Federal Government suggests “there is a broader dialogue among the Federal Government, Development Partners, the Regional Authorities and the Civil Society regarding the Peacebuilding- and Statebuilding Goals of Somalia.”¹⁹

c. Changing donor behaviour (TRUST Principles)

INCAF members have reported a number of initiatives aimed at promoting aid transparency. At the global level, these relate to implementation of reporting standards

Key New Deal implementation gaps: formal commitments to increase the use of country systems and reduce parallel implementation approaches are rare; capacity building efforts fall short of a co-ordinated, systematic approach to institutional transformation; progress in PSG implementation is not being systematically monitored either within or across countries; Governments are still struggling to obtain timely and predictable aid information in a format that can be integrated into the national budget.

linked to a common, open standard. At country level, they relate to the provision of aid information to in-country aid databases managed by Government. All g7+ pilot countries have an aid database of some form. However, it is clear that these systems continue to face a number of functionality problems, which limit their ability to provide

timely and appropriate aid information to the annual government budget planning process. Some of these problems are reported to relate to capacity of government to manage the system (Solomon Islands, Sierra Leone, Somalia), and to the functionality of system configuration (South Sudan and Somalia). Others relate to the format of the donor data provided, which is not entirely compatible with the format required for preparation of the Government budget (DRC, Solomon Islands, Timor Leste). Problems also persist with other government institutions by-passing the system and generating parallel data requests directly to donors (DRC, Sierra Leone). Finally, in most countries, the timeliness of donor

¹⁹ Ibid.

submissions to the system continues to be a challenge, limiting their uptake into the national budget.

Figure 1: Donor Efforts to Improve Aid Transparency

Donor	IATI	AIMS Data Provision							Solomon Islands
		Afghanistan	DRC	Liberia	Sierra Leone	Somalia	S. Sudan	Timor Leste	
Australia									
Belgium									
Canada									
Denmark									
EC									
Finland									
France									
Germany									
Japan									
Portugal									
Sweden									
Switzerland									
UK									
UNDP									
USA									
World Bank									

The Solomon Islands reports that as of as of December 2013, Australia, New Zealand, EU, Japan, World Bank, and WHO have provided sufficient updates to their aid funding. However, Asian Development Bank, South Korea, PNG, UNDP, UNFPA, UNICEF, UN Women, UK, and USA have not done so. In addition, it reports that New Zealand has developed an implementation schedule to meet compliance with the internationally agreed Transparency Common Standard by December 2015.

Progress on risk-sharing is mixed. As per the New Deal, high risk should not determine if donors should engage, but how. It recognises that, first, the risk of non-engagement in fragile settings can outweigh most risks of engagement; and second, the risks of engagement should be managed collectively as much as possible. Risk can go both ways: donors can create risks for the government in the way they engage, just as much as the reverse may be true. Dialogue on shared risks is necessary to shed light on and mitigate contextual and institutional risks, where possible. No one partner or stakeholder can address them effectively on their own.

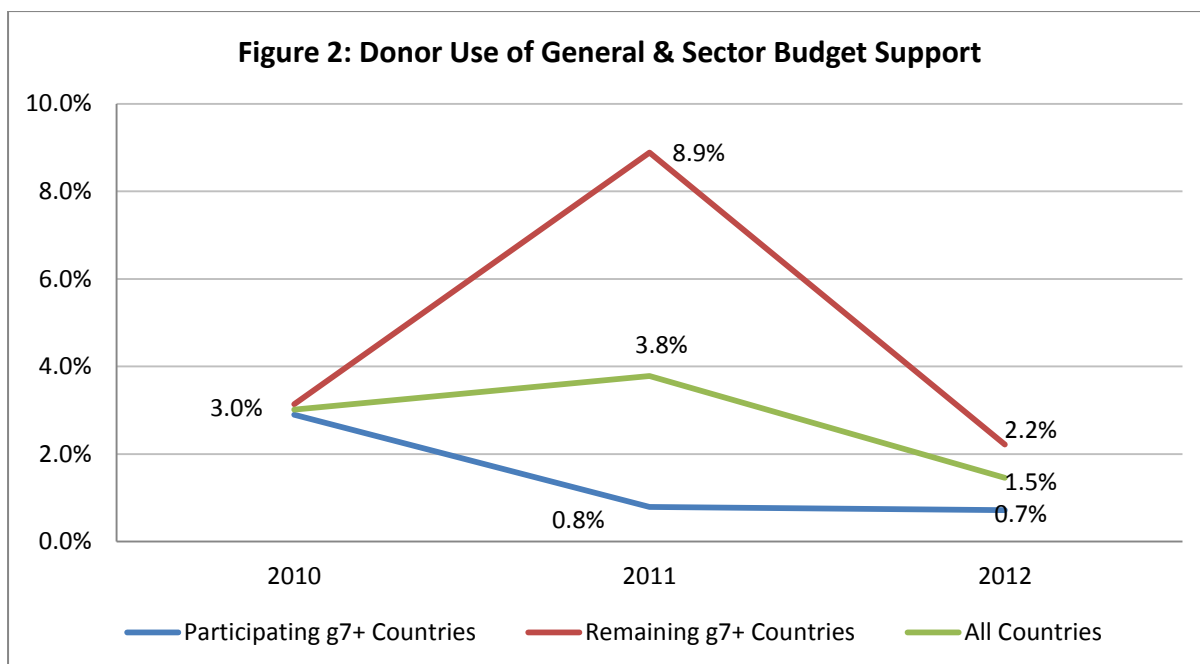
Several INCAF members²⁰ have made significant progress in revising their global policies on risk management in fragile contexts. They are making extensive use of the analytical

²⁰ As per the RAG table: Australia, Canada, Denmark, EC, Germany, Portugal and the World Bank. For Portugal, risk assessment is integrated consistently in the design of all of their “Strategic Cooperation Programmes”.

framework provided by the 'Copenhagen Circles'²¹, and in some cases drawing directly on New Deal principles. However, these shifts in risk policy at headquarters level do not appear to be translating systematically into an adjustment to their approaches to risk at country-level. There are few, mainly informal, examples of joint risk assessments outside of the fiduciary sphere, and limited work appears to have been undertaken to help countries develop the capacity to manage risk events. Some INCAF members have provided support for the establishment of joint UN risk management units (for instance, in Afghanistan and Somalia), but the UN reports that securing other development partners' commitment to these systems remains a challenge. It appears that donor staff may have more opportunity (or space) for developing new approaches to risk than is actually used. This may be a question of incentives.

Increased use of country systems is weakened by a lack of attention to and knowledge about mixed modalities and a gradual approach. No country or donor reported on the existence of a plan for making gradual, step-by-step progress on strengthening and increasing the use of country systems. Such a plan can provide an alternative to using parallels systems, on the one hand, and moving towards immediate full budget support, on the other. As per Figure 2, budget support provided by donors in fragile states has declined since 2011 from 3.8% to 1.5% in 2012. The most notable exceptions to this trend appear to be Australia's establishment of a budget support programme in Timor-Leste, Norway's development of an on-budget financing mechanism to support payment of Government salaries in Somalia, the United States' shift towards provision of direct Government financing in certain cases (Afghanistan, Timor-Leste, Liberia) and the World Bank's increasing use of ex-post audits rather than ex-ante controls. The EU is also planning to provide sector budget support in Timor-Leste.

²¹ OECD 2011, The Price of Success? Aid Risks and Risk Taking in Fragile and Transitional Contexts, p. 24, available at <http://www.oecd.org/dac/incaf/48634348.pdf>.



[Source: OECD Creditor Reporting System 2014]

However, in many cases, donors are designing programmes where there is a partial use of some government systems, including for instance government budgets, auditing mechanisms, results reporting and accounts -- but not all. As a preliminary step towards greater use of country systems, many development partners are opting to put “aid on budget” as opposed to using national treasury systems from the outset. In several g7+ countries, including Afghanistan, Liberia, Sierra Leone and South Sudan, increasing amount of aid has been brought “on budget” in recent years, based on aid tracking systems, without necessarily being channelled through treasury systems. While in the Solomon Islands, “aid on budget” between 2012 and 2013 remained at 22%, progress has been made in Afghanistan (see Figure 3 below) and Sierra Leone. For the latter, aid on budget increased in 2013 to 19.25% from 16.05% in 2012. Putting aid on budget can be part of a broader, mixed approach to increase the use of country systems gradually against set targets. However, these mixed approaches are rarely registered and tracked, and this makes it difficult to set joint targets. It also suggests that greater clarity and nuance is needed about what use of country systems actually involves and how to monitor early steps towards their greater use.

Figure 3: Aid on Budget in Afghanistan

Development Partners	Current Status	Development Partners	Current Status
Australia	87%	Norway	96%
Canada	88%	Netherlands	73%
EU	70%	Sweden	91%
France	84%	UK	86%
Finland	96%	USA	82%
Germany	95%	World Bank	100%
Italy	88%	ADB	100%
Japan	80%		

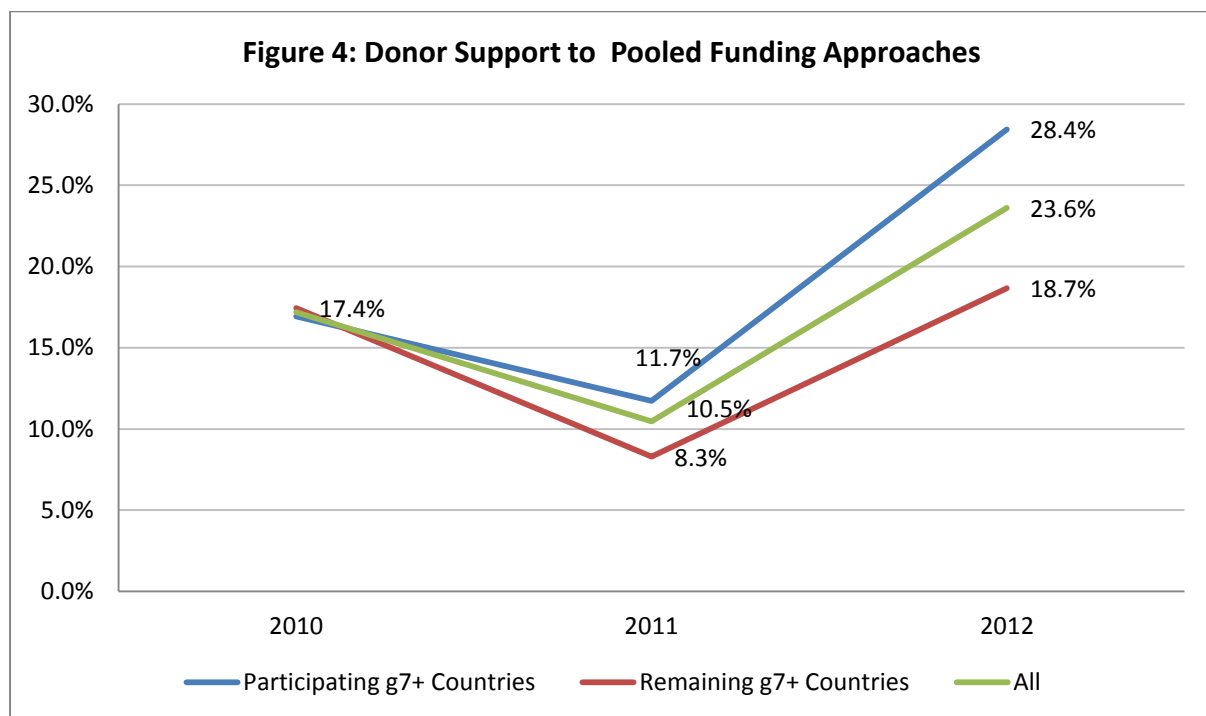
[Source: 2014 Afghanistan Country Survey Response]

In principle, most INCAF members’ policies permit them to make use of country systems in fragile states, and enable system strengthening support. However, in general, there are few examples of mutually agreed targets between governments and development partners for an increase in system use, while donors can be hesitant to increase system usage without concrete undertakings from government that reflect their commitment to system strengthening. The exceptions are Sierra Leone and Afghanistan, which set targets in their Compacts. These two countries also provide the most substantive examples of country system usage (the Afghanistan Reconstruction Trust Fund and the multi-donor budget support programme in Sierra Leone), although both of these mechanisms pre-date the New Deal. However, as noted above, there are also other more recent examples, which are encouraging: Norway is using country systems to help pay government salaries in Somalia, and Denmark and Sweden are co-financing an on-budget World Bank project for local government service delivery in South Sudan. That being said, the Somali Federal Government notes that while government leadership and using the country system are principles in the Compact, many projects by the development partners are designed and implemented without government leadership and coordination.²²

In general, though, direct country-systems use appears to be more difficult for bilateral INCAF members, than if their money is passed into a pooled fund. This suggests that pooled funds offer a valuable pathway towards greater use of country systems in fragile states by sharing risk, although there should still be possibility for transition from pooled funding to direct budgetary support when system capacities warrant. Pooled funds can help facilitate joint capacity and risk assessments, and a common understanding between

²² See *supra* note 18.

governments and donors of country capacities, risks thresholds and mitigation opportunities. As shown below in Figure 4, there has been a sharp increase in donor use of pooled funding since 2011 in g7+ countries. In this vein, a number of donors supported the design of a new Partnership Fund in South Sudan in 2013, which aimed to channel more donor funding through country systems by establishing links between “system strengthening” and “system use” in line with New Deal principles. However, the design of the Fund has been put on hold due to the current crisis.



[Source: OECD Creditor Reporting System]

The surveys report a range of different donor initiatives to strengthen capacities, including of country systems. However, these initiatives appear to be fragmented, and are not generally set within the context of a country-level consensus on what capacity development is, how it should take place, the role of international assistance, and the measurement of results. This gap appears highly significant in the context of New Deal implementation, given that institutional development lies at the heart of the transition from fragility to resilience. It also has the potential to undermine the sustainability of attempts to move away from parallel approaches to implementation towards greater use of country systems. To tackle this problem, Afghanistan has even issued a decree to reduce the number of programme implementation units (PIUs). While there has been progress, it did not translate into a strategy for gradual reduction of PIUs in the government. The DRC government has also raised this concern, and that PIUs must be accompanied by an appropriate capacity strengthening plan.²³

²³ As reported in the INCAF Survey response by the World Bank, a recent review by the Independent Evaluation Group (IEG) found that the World Bank has not sufficiently focused on strengthening the

Figure 5: Support to Multi-Donor Trust Funds²⁴

Donor	Afghanistan	DRC	Liberia	Sierra Leone	Somalia	South Sudan	Timor Leste
Australia	ARTF						HSSP
Belgium							
Canada	ARTF					MDTF CBTF HPF	
Denmark	ARTF						
EC	ARTF LOTFA				SDF CHF		
Finland	ARTF						
France	ARTF						
Germany	ARTF	2 funds	LRTF			MDTF	
Japan	ARTF AITF LOTFA						
Portugal							
Sweden	ARTF	CHF					
Switzerland	LOTFA					HPF	
UK	ARTF				SDF MPTF		
UNDP					MPTF		
USA	ARTF AITF		PFM & Civil Service Reform Funds				
World Bank	ARTF						

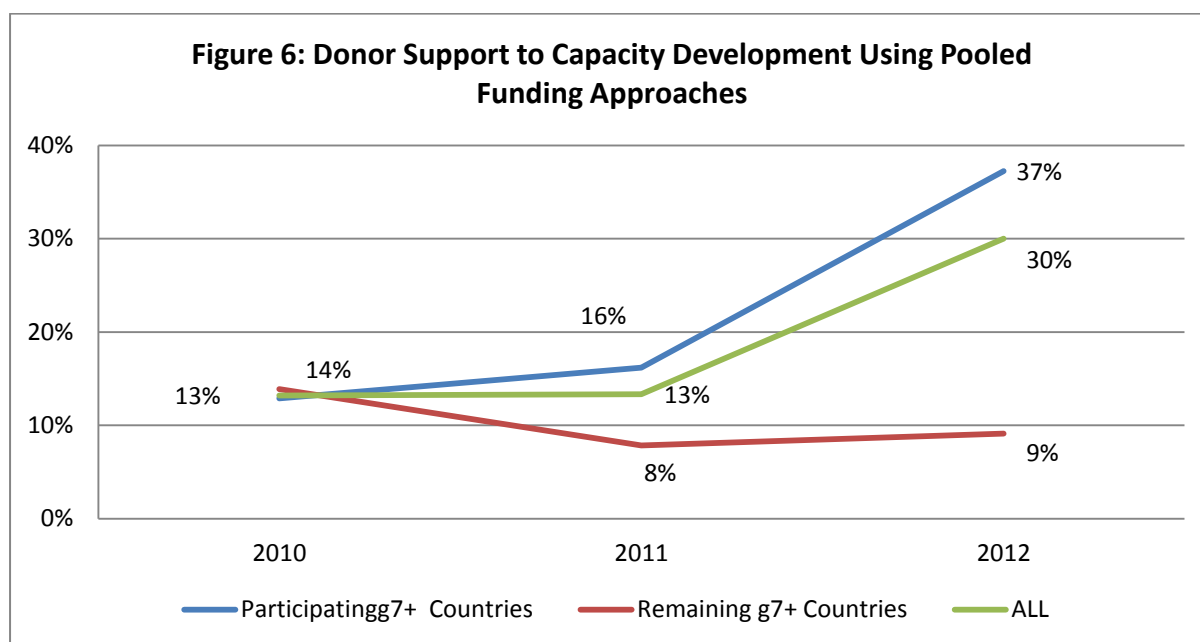
[Source: 2014 INCAF Member / Country Survey Responses]

Donors, however, appear to be increasing their use of pooled-funding facilities to channel aid to capacity building activities. Under the New Deal, they committed to “increase the proportion of funds for capacity development through jointly administered and funded pooled facilities. As per Figure 6 below, there has been an increase in donor use of pooled

procurement systems of governments and using them for the delivery of IDA resources.²³ It also found that the Bank’s efforts to strengthen national capacity continue to be hindered by PIU use. For example, it found that as of 2013, there were 295 projects using PIUs for implementation in Sierra Leone. Nonetheless, the surveys present some evidence of a move towards PIU rationalisation in a number of countries (Sierra Leone, DRC, Timor-Leste), and the World Bank’s new country assistance strategy for DRC commits that no new PIUs will be created, and all existing ones will be phased out. However, concrete commitments of this kind appear to be rare amongst Development Partners.

²⁴ The Solomon Islands also reports that they receive pooled funding from Australia, EU, UNDPF, UNCDF and UNDP.

funding facilities for channelling assistance to the capacity-building of public-sector institutions.²⁵



[Source: OECD Creditor Reporting System]

Donor commitments to timely and predictable aid appear to have seen the greatest results in the area of rapid response, particularly for humanitarian emergencies, although these improvements may not necessarily be directly linked to the New Deal. A number of INCAF members have policies and mechanisms that enable them to respond rapidly in the event of disasters, crises and conflicts, usually in a matter of days or weeks. On the development side, the World Bank has taken steps to update its operating procedures, to enable implementation of exceptional arrangements in situations of urgent need or capacity constraints. These include special procurement arrangements, postponing certain safeguards, and using alternative legal and operational project implementation arrangements.

Figure 7: Donor Use of Quick Response Mechanisms in g7+ Countries

Donor	Quick Response Mechanisms
Australia	Humanitarian Partnership Agreement for rapid-onset humanitarian emergency responses. Australian Civilian Corps for providing stabilisation and recovery expertise.
Belgium	Delegated co-operation the quickest way – financing the programmes of multilaterals
Canada	START programme is a quick response mechanism for stabilisation and reconstruction. Humanitarian assistance programming has a number of tools for responding in a timely manner.
Denmark	Afghanistan – makes use of the flexibility of the Peace & Stabilisation Fund and humanitarian funds. Somalia & S. Sudan – contributes to CHF.

²⁵ The codes used to track aid flows to “capacity building” are: 11110; 12110;13010;14010; 15110; 15111; 15112; 15113; 15130; 15210; 16010; 16020; 16030; 21010; 22010; 23010; 24010; 24020; 31110; 31210; 31310; 32110; 32210; 32310; 33110; 33210; 41010; and 51010. See the OECD DAC Directives on Statistical Reporting Directives for the Creditor Reporting System at [DCD/DAC\(2013\)15/ADD1/FINAL](#).

EC	Possible in situations of crisis, if a 'crisis declaration' is approved. Instrument for Stability and Peace has a short-term component which is flexible and rapid. It can help prevent and respond to crises for up to 30 months with a possibility of extension.
Finland	Has an internal fast-track mechanism to make quick decisions on approving, committing and disbursing funding.
France	Yes, particularly for food aid, and crisis and post-crisis support.
Germany	Most funds are committed to standard development co-operation instruments. But have an instrument for development-oriented structural and transitional aid enables quick response, and provision for rapid response to disasters, crises and conflicts.
Japan	Yes, for disaster-recovery, peacebuilding, epidemics and economic crisis.
Portugal	Has had the flexibility to re-channel assistance to NGOs in Guinea-Bissau since the 2012 coup. Also, it has signed a Short Term Emergency Assistance Plan (Nov. 2014 to June 2015) to provide immediate assistance to Guinea-Bissau.
Sweden	Recent strengthening of internal controls has made quick decisions and disbursement more difficult. No quick response mechanisms in place in any of the g7+ pilot countries.
Switzerland	Can respond to peace promotion needs within a few weeks.
UK	DRC – pioneering a new approach of flexible and reactive programming through the new Eastern DRC Conflict Prevention and Stabilisation Programme and a new Private Sector Development Programme. Rapid Response facility enables DFID to commit humanitarian funding to pre-qualified partners within 72 hours of an emergency. UK Conflict Pool has an Early Action Facility to respond rapidly to early warnings and emerging opportunities to prevent conflict. DFID currently developing Fast Track Procurement procedures to enable rapid response to situations of extreme urgency.
UNDP	Thematic Trust Fund for Crisis Prevention and Recovery allows for quick, flexible funding for country offices. There is a New Deal support facility under this TF. UNDP's fast track policy enables more flexible recruitment and procurement in crisis situations. Has a surge mechanism that enables HQ to deploy additional staff to country offices in crisis situations.
USA	<p>USAID's internal policies allow for the issuance of awards without competition when it is critical to the objectives of the foreign assistance program or in cases where the provision of disaster relief, rehabilitation or reconstruction assistance is urgent and compelling. In g7+ countries, USAID/OTI has a system of program design and implementation allowing for a high degree of speed and flexibility. New country programs can be launched within 90 days of approval and, for existing programs, decisions on targeted local activities can be executed within weeks of initial activity design.</p> <p>The Complex Crises Fund (CCF) enables the U.S. Government to respond quickly during critical windows of opportunity by providing resources to address unforeseen political, social, or economic challenges that threaten stability, and support sustainable programs to foster long-term development. The goal is to seize opportunities to advance peaceful transitions, democratic governance, and development progress.</p> <p>Since its creation CCF has funded \$150 million for programmes in 19 countries, including Burundi, CAR, Cote D'Ivoire, Guinea, Somalia, and Yemen. Programmes have addressed a variety of issues including atrocity prevention, conflict mitigation, post-conflict recovery, as well as responding to new opportunities including support to nascent democratic institutions, providing peace dividends as well as support to overall peace processes.</p>
World Bank	Yes. OP 10 enables special considerations for projects in situations of urgent need or capacity constraints: special procurement arrangements, postponing certain safeguards, using alternative legal and operational project implementation arrangements. Considering applying alternative implementation modalities in Somalia.

[Source: 2014 INCAF Member Survey Responses]

Nonetheless, g7+ countries continue to experience significant problems in accessing reliable forecasts on future assistance, even though a number of INCAF members have

multi-year planning frameworks. For example, Timor-Leste reports that while 10 out of 12 donors are currently able to provide estimates for 2014, only 8 can provide estimates for 2015, and 5 for 2016. Even when donors have multiyear planning frameworks, these may be less useful if the framework does not roll forward each year – in year three of a fixed four-year frame there is information for only one year ahead. The Global Partnership Monitoring Framework reports that annual aid predictability in DRC in 2013 was 83%, but in the medium term, forward expenditure plans provided by donors to the government cover only 35% of estimated total funding.

6. KEY CHALLENGES AND RECOMMENDATIONS GOING FORWARD

Gaining attention and buy-in across the whole of government is an issue in some g7+ countries, in spite of processes such as the development of fragility assessments and compacts. This points to the need to broaden New Deal implementation across all policy communities, including those traditionally not active in development, in order to enhance political understanding and ownership at country level, and promote mutual accountability for reform.

The most integrated approach to New Deal implementation has occurred in Sierra Leone, a country that was already recognised as being amongst the strongest performers during the 2011 review of the implementation of the Fragile States Principles. Even then, Sierra Leone has not realised a major post-New Deal shift in donor approaches to risk, transparency and use of country systems.

In other countries, New Deal implementation has at best been partial, with key gaps in critical elements such as the understanding of fragility, or stronger alignment with the PSGs, lack of inclusivity. Positive developments in areas such as approaches to risk and use of country systems have occurred on an ad hoc, country-specific and even donor-specific basis.

The survey results point to a number of ways in which the New Deal implementation may need to be adjusted going forward, if it is to support a major transition from fragility to resilience in fragile and conflict affected states. Key areas for action, going forward, on the basis of these monitoring findings may be:

- i. **Both g7+ countries and INCAF members need to do more to promote the uptake of New Deal principles in country.** Good work in undertaking Fragility Assessments is not automatically translating into an enhanced political focus on the PSGs. There is an onus on the government institutions responsible for the New Deal to take a lead in sensitisation and advocacy across government, so that the goals are owned at political level, and translated into country priorities across the board. New Deal implementation also needs to be consistently placed on the agenda of donor-government co-ordination meetings, so that donor representatives are engaged as early as possible in the process. Likewise, INCAF members who are committed to the New Deal

need to do more to ensure that field staff are aware of the shift in approach that the New Deal entails, and have incentives to operationalise it in their procedures, so that country programmes and approaches to risk can be adjusted accordingly. In addition, field staff should be empowered to advocate for the New Deal approach in countries where there is limited awareness.

- ii. **More attention needs to be given to sequencing of New Deal actions and harmonising them with existing processes**, so that initiatives that are undertaken in the name of the New Deal lead to a shift in approach and results on the ground. At present, there is a risk that New Deal implementation will turn into a box-ticking exercise against elements of the FOCUS and TRUST principles, without allowing country-led processes to take root, or enabling the PSGs to be mainstreamed into country programming and budget allocations. Equally, there is a risk that New Deal implementation will generate parallel initiatives in already fragmented environments, as appears to be the case in DRC.
- iii. **Robust and inclusive Fragility Assessments should be central to informing national programming (One Vision, One Plan), mutual commitments (Compacts) and donor alignment.** If these processes are not underpinned by analysis on the drivers of conflict and fragility, their transformation potential is likely to be limited. In addition, the participation of civil society and wider sections of the population, particularly those excluded from participation in national social, political and development activities would strengthen the impact of fragility assessments. Greater attention should be given to how the fragility assessment process can also support country-wide sensitisation, communication and outreach. This in turn requires patience on the part of donors, more effective facilitation of country-led processes, and a willingness to invest in the time and financial support a country needs to undertake an inclusive fragility assessment, as a pre-cursor to identification of mutual goals and commitments.
- iv. **The New Deal approach to Fragility Assessments needs to give due recognition to the political sensitivities their findings can generate**, particularly on issues related to PSG 1 (Legitimate Politics), such as political space and inclusion. Further dialogue may be needed between g7+ Governments, civil society organisations and development partners as to how these sensitivities are best addressed, so that the Fragility Assessment outcomes are able to provide an objective analysis of existing political dynamics, and can influence PSG programming accordingly. In addition,

greater importance needs to be attached to the way in which Fragility Assessments are conducted, so that they maximise the scope and space for inclusive dialogue. The value of a Fragility Assessment lies as much in the process undertaken as the outputs achieved. Fragility Assessments must also fit realistically into the political timetable of fragile states – where elections, rainy seasons, and other key events are important to plan around.

- v. **Further thought is needed on the design of Compacts.** This includes their relationship to fragility assessments and country-level outcomes, and the respective roles of conditionality and mutual accountability. Compacts are still very much a work in progress. South Sudan provides a clear example where underlying, root causes of conflict and fragility were not genuinely addressed by the draft South Sudan Compact. While an initial fragility assessment informed its development and drafting, its launch was contingent on South Sudan qualifying for an IMF staff-monitored programme. The government's inability to meet the IMF's conditions exposed both the lack of government consensus on reform and the fundamental fragilities that must be genuinely addressed for a Compact to succeed. Afghanistan's compact is not informed by a fragility assessment, although analysis was shared during its development, and is more oriented towards donor requirements than donor accountability. The Somali compact has becoming the starting point for donor-government engagement, rather than representing the culmination of an extensive and transparent dialogue process around the PSGs and aid effectiveness and the SSA was also not informed by a fragility assessment. Compacts should be rooted in national plans and aid policies to deliver results and must be consulted upon throughout all regions and stakeholders including civil society.

- vi. **There is a need for more attention to the reporting on progress towards compact benchmarks and targets.** This reporting is lagging behind in the three countries that currently have compacts, and part of the reason is lack of government capacity to collect, process and disseminate the relevant data or a perceived reluctance to share information beyond an elite circle. Furthermore, in all three countries, the compacts commit the parties to additional follow-up work to develop a basic framework, including the selection of relevant indicators. Clear, relevant and focused progress reporting will be at the heart of strengthened mutual accountability and will be crucial to the ability of compacts to promote change in behaviour and more effective delivery.

- vii. **More robust mechanisms are needed for monitoring PSG progress.** Monitoring needs to take place across several dimensions. This includes cross-country monitoring of PSG achievements, as well as in-country monitoring of how donors are adjusting their programming on the ground to meet the needs of the PSGs. While the approach adopted by the g7+, in which individual countries identify their own context-specific PSG indicators, may not allow for a comparable global assessment, this is in keeping with recognition of the unique process of transition underway in each fragile state. Common and country level indicators should inform global assessments on progress.

- viii. **A shift is needed in the New Deal focus on risk.** The current focus on enabling joint risk assessments appears to be gaining little traction, while distracting from the identification of several more important outcomes at country level with respect to risk. These include translating individual donors' global policy advice on risk into practice on the ground, enabling an enhanced focus on managing programmatic and contextual risk, and developing country capacity for managing risk events. A more pragmatic approach at this point would be to focus on improving dialogue and agreement on risks and their management, which can mutually benefit all partners in their risk strategies, and strengthen donor-government mutual commitments on system strengthening.

- ix. **There needs to be a step change in the design and management of pooled funding mechanisms,** to ensure that they enable country ownership and promote a common understanding of risks and capacity needs, while also delivering timely results. Pooled funding clearly represents a viable pathway for sharing risk and providing aid through country systems, particularly for bilateral partners who might not provide such funding directly. However, pooled funds are at times viewed as being driven by large donors rather than led by country governments, and their performance to date in fragile and conflict-affected situations has been highly variable, and they are often not able to deliver support across all the five PSGs in an integrated manner. Current attempts to design new funds taking into account New Deal principles are encouraging, but the performance and accountability of the multilateral organisations administering them needs to be strengthened.

- x. **Clearer agreement is needed in-country on how partners can effectively support institutional development.** The transition from fragility to resilience depends on countries developing their own credible and effective institutions, but present support for capacity building often seems ad hoc, incoherent, and

not aimed at observable goals. Without a coherent approach to capacity building, it may also prove hard to meet a number of other key New Deal objectives, including increased use of country systems, and the elimination of parallel implementation approaches.

- xi. **An improved approach to institutional development is needed since past approaches have been high cost with at best mixed results.** A joint approach might involve a frank assessment of what works and doesn't work in the country context, setting priorities for building institutions in relation to their impact and political feasibility, agreeing related steps on civil service reform, recruitment of advisors and salary top-ups, and systematically targeting coherent international support.
- xii. In the meantime, **New Deal partners should commit to just one common PIU per government agency (where one may be needed and requested by the government).** This can provide common programme implementation and coordination management for all donor- and government-funded projects and programmes. The surveys provide limited evidence that donors and governments have adopted a systematic approach to PIU reduction, or set clear targets. Likewise, g7+ governments should be clear about their commitment to system strengthening reforms that can enable donors to shift away from parallel implementation approaches and enable greater use of country systems.
- xiii. **The New Deal's aid transparency objectives should be focused on the timely provision of country-level aid information in a format that can be integrated into national budgets.** In spite of the many laudable efforts that donors are making to adhere to the common open standard, and to provide country-level reports to national aid information systems, these efforts still appear to fall short of enabling Governments to get the relevant information they need for their own planning and budgeting purposes. Further work needs to be done to ensure the functionality of these systems, in particular by strengthening the capacity of Governments to manage them and aligning their data formats to meet national budget needs, supported by serious donor efforts to provide data in the required formats in a timely fashion.
- xiv. **The New Deal's objectives on timely and predictable aid should be focussed on the provision of rolling multi-year forecasts.** Even those donors that provide forecasts of financial support often do so as a part of a fixed 3-5 year plan. To be useful, forecasts need to be provided on an annual rolling basis, and be linked to the recipient country's budget cycles. Partners whose

legislatures decide country aid commitments on an annual basis need to find a mechanism for supporting recipient country forecasts of future assistance.

7. CONCLUSION

The monitoring surveys indicate that New Deal implementation is very much work-in-progress. A wide range of New Deal-related activity has taken place since 2011, both at the global level, and in-country. But, in most cases, this activity has not added up to systematic shifts in the way donors support fragile states, or how fragile states themselves try to lead their transition from fragility to resilience.

The current approach to New Deal implementation presents a number of risks, including: lack of country ownership beyond the lead New Deal institutions; development of processes and instruments that are donor-driven rather than country-led; proliferation of parallel processes in environments that are already highly fragmented; and, lack of adaptation to the varying contexts faced by g7+ countries, including situations of conflict and extreme fragility.

At present the three greatest challenges facing effective New Deal implementation are:

- First, orienting political dialogue, country plans and implementation modalities towards the PSGs;
- Second, agreeing on a few desired results for building core national capacities for the immediate and short term;
- Third, linking desired results to new approaches for identifying and managing risk jointly on the ground.

This report has identified a number of ways in which New Deal implementation could be strengthened to overcome these challenges and risks, based on lessons learned from the past three years. These include:

- Strengthening fragility assessments and using them to inform national programming (One Vision, One Plan) and mutual commitments
- Revisiting the design of Compacts, including their relationship to conditionality, fragility assessments and country-level outcomes
- Bringing in civil society and the public into the process and creating a sense of “country” rather than state ownership
- Ensure capacity for timely and relevant reporting on in-country progress towards Compact benchmarks and targets.
- Linking dialogue to an agreement on risks and their management, which should feed into mutual commitments
- Strengthening the performance and accountability of multilateral organisations managing pooled funds and ensure that they can provide support across all five PSGs in an integrated manner

- Establishing a clear agreement in-country on how partners can effectively support institutional development, accompanied by clear government commitment to system strengthening reforms
- Focusing aid transparency objectives on the timely provision of country-level aid information in a format that can be integrated into national budgets
- Providing rolling multi-year aid forecasts to national governments.

The report also provides initial thoughts on how the New Deal can play an instrumental role in guiding the post-conflict transition in states currently affected by conflict. These include starting planning for peace before the conflict ends, building the PSGs into peace agreements, giving sufficient attention to PSG 1 (Legitimate Politics) in the immediate post-conflict period, clear prioritisation of post-conflict interventions and stronger co-operation with non-State actors who have been undertaking vital support roles during the conflict.

ANNEX A: SCORING OF SPECIFIC PROGRESS MADE AGAINST NEW DEAL COMMITMENTS

F – Fragility Assessments (GREEN)

<p><i>We will conduct a periodic country-led assessment on the causes and features of fragility and sources of resilience as a basis for one vision, one plan. The assessment will include key national stakeholders and non-state actors and will build upon a harmonised methodology, including a fragility spectrum, to be developed by the g7+ and supported by international partners.</i></p>	
Green	<ul style="list-style-type: none"> Sierra Leone conducted a fragility assessment in 2012. Participatory consultations were held over a five day period, with workshops for each PSG. Attendees included representatives from central & local government, Parliament and civil society. The draft report was presented to development partners in a validation workshop, and their feedback was integrated into a final report. Timor Leste conducted a fragility assessment in 2012, through a participatory process that took place over a month, including national level and district level discussions. Civil society, academia, government and development partners were all involved. DRC held a national consultation on the New Deal, and civil society was involved in the preparation of the fragility matrix. Thematic working groups were established for each of the PSGs. Indicators for New Deal implementation were identified. The outcomes of the consultation were subsequently approved in a validation workshop. Fragility assessments have also been conducted in South Sudan (before the current conflict), Liberia and Comoros
Amber	<ul style="list-style-type: none"> Afghanistan plans to undertake a New Deal study in 2014, which will use the key principles and approach of a fragility assessment to analyse country progress in meeting the PSGs and identify the extent to which the PSGs are reflected in existing national strategic plans and frameworks In the Solomon Islands, many of the lessons relating to fragility were captured in the truth and reconciliation process and the ensuing Truth and Reconciliation Commission (TRC) report soon to be tabled in Parliament Somalia undertook a ‘light’ fragility assessment before preparing its Compact, involving grass-roots consultations on the drivers of fragility and sources of resilience in selected locations
Red	<ul style="list-style-type: none"> Preparations for a fragility assessment in CAR were interrupted by the outbreak of conflict

O – One Vision, One Plan (AMBER)

<p><i>We will develop and support one national vision and one plan to transition out of fragility. This vision and plan will be country-owned and -led, developed in consultation with civil society and based on inputs from the fragility assessment. Plans will be flexible so as to address short-, medium- and long-term peacebuilding and statebuilding priorities. The country-led plan will be the guiding framework for all country-led identification of priorities. They will be monitored, reviewed and adjusted in consultation with key stakeholders on an annual basis.</i></p>	
Green	<ul style="list-style-type: none"> Sierra Leone’s Agenda for Prosperity drew on the lessons learned from the previous development plan, inputs from the Fragility Assessment & outcomes from a national Transformation and Development Conference. Development partners are aligned to the Agenda for Prosperity, and budget support donors (UK, World Bank, ADB, EU) held consultations with Government on the development of their country strategies.

	<ul style="list-style-type: none"> Timor-Leste recognises the Strategic Development Plan (2011-2030) as the 'One Vision, One Plan'. Although it was formulated before the New Deal, its development process was highly participatory, involving five months of consultations in all 65 sub-districts of Timor-Leste. Development Partners have signed up to it, and Australia and New Zealand have concluded strategic agreements with Government which identify specific SDP goals to be achieved through their co-operation.
Amber	<ul style="list-style-type: none"> New Deal principles are incorporated into Liberia's Agenda for Transformation, which demonstrates how the PSGs map to its objectives. Afghanistan's National Development Strategy (2008) was translated into 22 National Priority Programmes (2010) which act as the 'One Vision, One Plan'. However, their formulation pre-dates the New Deal. A donor self-assessment shows that 13 out of 15 donors are already more than 80% aligned to the NPPs. The Solomon Islands' National Development Strategy (2011-2020) is recognised by the government as the 'One Vision, One Plan'. Its implementation is supported by a five year rolling Medium Term Development Plan (2014-2018) which sets out NDS priorities for implementation. Generally, development partners' country strategies are broadly consistent with the NDS, but further work is needed both to align partner strategies and the government budget to the NDS.
Red	<ul style="list-style-type: none"> DRC and Somalia do not have a unified national plan in place

C – Compacts (GREEN)

<p><i>A compact is a key mechanism to implement one vision, one plan. A compact will be drawn upon a broad range of views from multiple stakeholders and the public, and be reviewed annually through a multi-stakeholder review. Recognising differences in fragility and national contexts, and that a compact may take different forms at different points in transition out of fragility, a compact will ensure harmonisation and donor co-ordination, reduce duplication, fragmentation and programme proliferation. A compact can guide the choice of aid modalities, and can provide a basis to determine the allocation of donor resources aligned to the country-led national priorities, in line with good aid effectiveness principles. A compact can also be used as a short-term key transitional mechanism to guide country-led priorities while establishing one vision one plan, but always country-led. After the Fourth High-Level Forum on Aid Effectiveness in Busan, Korea (29 November – 1 December 2011), the g7+ and international partners will develop an agreed definition of a 'compact' in fragile states for deeper understanding and socialisation, will issue policy guidance on its use, and will consider a peer review mechanism between member countries and international partners to support their implementation.</i></p>	
Green	<ul style="list-style-type: none"> Sierra Leone's Compact (the 2014 Mutual Accountability Framework) is explicitly based on New Deal principles, and is focused on delivery of the Agenda for Prosperity. Extensive discussions were held between Government, Development Partners and civil society before it was finalised. It has a results dashboard that tracks progress in implementing commitments. Afghanistan's Compact (the 2012 Tokyo Mutual Accountability Framework) has nine donor commitments on implementing aid effectiveness, and 16 government commitments in five thematic areas. Somalia's Compact (2013) establishes PSG goals in the absence of a unified One Vision, One Plan, and is explicitly designed as an organising framework for the delivery of donor assistance, in line with New Deal principles. Some INCAF members have expressed concern that the Somali Compact development process was rushed and donor-driven, with insufficient time given to prior assessment of, and discussions on, fragility, and limited inclusion of civil society.
Amber	<ul style="list-style-type: none"> Timor Leste is planning to develop a Compact in 2014

	<ul style="list-style-type: none"> Guinea Bissau, DRC and Liberia are also reportedly considering Compact development
Red	<ul style="list-style-type: none"> South Sudan had made considerable progress in 2013 towards developing a compact which was built around PSG implementation and New Deal principles. Under the auspices of the Compact umbrella, donors moved ahead with various inter-related innovative aid modalities, which together would serve to advance New Deal principles. These included the EU State-building contract (budget support) and a multi-donor pooled South Sudan Partnership Fund, both of which were contingent on a government commitment to an IMF Staff-monitored program. However the launch of the Compact was postponed as a result of the Legislature’s rejection of an exchange rate condition associated with the establishment of the IMF programme. The current crisis then broke out before the Compact approach could be re-assessed, and political buy-in to it could be strengthened.

U – Use PSGs to monitor (RED)

<i>We will use the PSG’s targets and indicators to monitor country-level progress</i>	
Green	<ul style="list-style-type: none"> Sierra Leone has established country level indicators for measuring progress against each of the five PSGs. The PSG indicators have been included as one of the building blocks in the Mutual Accountability Framework dashboard.
Amber	<ul style="list-style-type: none"> In Timor-Leste, indicators were agreed in the context of the Fragility Assessment and approved by Cabinet. However, a specific mechanism for collecting data against each of the indicators and monitoring progress has not yet been established. Germany has supported collecting related information in a limited area on a project basis. Some development partners (World Bank, ILO, UNICEF, Australia, Germany, Japan) nonetheless have or will use the PSG indicators as a reference data in their new country strategies. Liberia has developed draft PSG indicators, and established a New Deal dashboard to track aid disbursements across the five PSG. However, it has not yet established a mechanism for monitoring PSG progress within the context of the national planning framework. In South Sudan, PSG goals were at the heart of the final draft compact that was expected to be endorsed in late 2013. DRC’s PSG indicators remain in draft form. They have not been disseminated to donors, and therefore are not being used in their country strategies and results frameworks.
Red	<ul style="list-style-type: none"> Solomon Islands has not established PSG indicators. Afghanistan has not established PSG indicators. Its upcoming New Deal study will be used as an opportunity to consider whether specific country-level indicators for the PSGs are required, in addition to the existing indicators in the Tokyo Mutual Accountability Framework. Donors are reported to have indicated that they are not keen on the suggestion of new indicators.

S – Support political dialogue and leadership (AMBER)

<i>We will increase our support for credible and inclusive processes of political dialogue. We will support global, regional and national initiatives to build the capacity of government and civil society leaders and institutions to lead peacebuilding and statebuilding efforts. We will ensure that specific support is targeted to promote youth and women’s participation in political dialogue and leadership initiatives.</i>	
Green	<ul style="list-style-type: none"> The Solomon Islands Truth and Reconciliation Commission created an avenue where

	<p>people at all levels could dialogue and participate in the healing process after the ‘tensions’. It is reported to have created a more conducive environment for peacebuilding work, and a National Peacebuilding Policy has been established.</p> <ul style="list-style-type: none"> • South Sudan’s consultations on the New Deal compact enabled over 1,000 people from Government, civil society and development partners to come together in over 80 events across the country, to identify their peace and statebuilding priorities. Since the December 2013 crisis, IGAD has taken a lead in supporting peace talks between the Government and the opposition, which also provide a voice for civil society. • In DRC, both the government and the National Elections Commission have established formal dialogue mechanisms with civil society (‘cadre de concertation’) • In Sierra Leone, all stakeholders including Government, civil society and development partners meet to discuss issues relating to elections and governance. Civil society also participates in the quarterly co-ordination and dialogue meetings between Government and development partners.
Amber	<ul style="list-style-type: none"> • The Solomon Islands indicates that while progress has been made in enabling dialogue between Government and Development Partners, challenges exist at sectoral level, especially in terms of establishing quality dialogue that engages political leaders on cross-sectoral issues. It also notes that there could be improved/increased use of media in supporting dialogue between the state and its partners. • Afghanistan reports that steps to lay foundations for credible and inclusive processes of political dialogue and leadership have principally taken place through international conferences for Afghanistan. The Tokyo Mutual Accountability Framework provides a mechanism for dialogue between Government and development partners at operational level. • In Timor Leste, the Government organised seminars on the preparation of the 2014 State Budget with the participation of civil society, although some participating civil society organisations stated they were not given opportunities to influence the budget process. Dialogue between political leaders and communities, including social leaders and the youth, is supported through development partner initiatives (USAID, Germany). Periodic co-ordination and dialogue meetings take place between Government and Development Partners.

T – Transparency (AMBER)

<p><i>We will ensure more transparent use of aid (ODA and non-ODA). We will monitor, through the DAC, overall resource flows to fragile states and will track international assistance against individual goals. Locally, countries with international support will strengthen, or, where necessary, support the creation and development of national reporting and planning systems (e.g. budgets, transparency portals, aid information management systems) and provide support to domestic oversight mechanisms including national parliaments. We will support the greater transparency of fiscal systems in a manner consistent to capacity and context, drawing from good practice from the g7+ and agreed international benchmarks on transparency of aid resources in a manner consistent with International Aid Transparency Initiative (IATI) compatible standards. We will solicit citizen’s views to assess the transparency of domestic resources and aid. These commitments build on the Paris Declaration and Accra Agenda for Action.</i></p>	
Green	<ul style="list-style-type: none"> • All g7+ pilot countries have aid databases in some form • Most INCAF donors are participating in the IATI • Other initiatives to promote aid transparency include: <ul style="list-style-type: none"> ○ The EU aid transparency guarantee, which commits EU members to disclose all information on their aid programmes

	<ul style="list-style-type: none"> ○ The Open Aid Partnership facilitated by the World Bank Institute, which aims to promote the transparency of development assistance by mapping and making available sub-national datasets combining information on aid, poverty and human development. ○ Sweden’s Open Aid Database, which provides information on Swedish development co-operation to all interested stakeholders ○ The UK is working towards full traceability of funding, including requiring implementing partners to publish information on what they are doing with DFID funding. ○ Portugal has been providing information – reporting period 2011 to 2016 – to the AIMS Data provision System in Timor-Leste since 2013.
Amber	<ul style="list-style-type: none"> ● The aid databases in many g7+ pilot countries continue to face a number of functionality problems, which limit their ability to provide timely and appropriate aid information to the annual government budget planning process. These include: <ul style="list-style-type: none"> ○ Government capacity to manage the system (Solomon Islands, Sierra Leone, Somalia) ○ System configuration (South Sudan) ○ The formats in which donor data provided, which is not entirely compatible with the format required for preparation of the Government budget (DRC, Solomon Islands, Timor-Leste). ○ Other government institutions by-passing the system and generating parallel data requests direct to donors (DRC, Sierra Leone).
Red	<ul style="list-style-type: none"> ● g7+ countries still experience difficulty in obtaining donor information on a timely basis, in order to feed it into the annual budget process: <ul style="list-style-type: none"> ○ Sierra Leone struggles to receive information from non-OECD/DAC donors ○ Timor Leste reports that six donors did not report their assistance as required in 2013 ○ Solomon Islands reports that ten donors had not reported their information as requested by the end of 2013 ○ DRC reports that only four donors provide timely aid reports in a locally agreed format ● Donors do not always submit their country data in countries in which they have limited or no physical representation

R – Risk Sharing (AMBER)

<p><i>We accept the risk of engaging during transition, recognising that the risk of non-engagement in this context can outweigh most risks of engagement. We will identify context-specific, joint donor risk-mitigation strategies, which will require different approaches to risk management and capacity development. We will conduct joint assessments of the specific risks associated with working in fragile situations and will identify and use joint mechanisms to reduce and better manage risks so as to build the capacity of, and enhance the use of, country systems, step up investments for peacebuilding and statebuilding priorities, and reduce aid volatility.</i></p>	
Green	<ul style="list-style-type: none"> ● Several INCAF members have worked on revising their global policies on risk management in fragile contexts since 2011 (Australia, Canada, Denmark, EC, Germany, Portugal, World Bank) ● Development partners continue to demonstrate willingness to make use of pooled-funding mechanisms. INCAF members participating in the survey increased their pooled funding in fragile states by 68% between 2010 and 2012. Overall, pooled

	<p>funding from all OECD/DAC donors in fragile states increased by 38% over the same period.</p> <ul style="list-style-type: none"> • Before the December 2013 crisis, steps were underway to develop a new pooled funding mechanism in South Sudan (the Partnership Fund), with the aim of bringing more donor funding through Government systems. INCAF members have also expressed interest in contributing to one or more of the new pooled funds being established in Somalia, under the co-ordinating framework of the Somalia Reconstruction and Development Facility, which is supported by the Somali Compact. • A number of individual donor initiatives demonstrate a willingness to take risks in fragile states. <ul style="list-style-type: none"> ○ Australia is establishing a budget support programme in Timor-Leste ○ Norway has developed an on-budget financing mechanism to support payment of Government salaries in Somalia ○ The United States is providing direct Government financing in certain areas in Afghanistan, Timor-Leste, and Liberia ○ The EU is also planning to provide sector budget support in Timor-Leste.
Amber	<ul style="list-style-type: none"> • Some INCAF members (Denmark, Germany, UK, Switzerland), have provided support for the establishment of joint UN risk management units (Afghanistan, Somalia, Nepal), but the UN reports that securing other development partners' commitment to these systems remains a challenge.
Red	<ul style="list-style-type: none"> • While donors encourage dialogue and information sharing, there are very few examples of joint risk assessments between donors outside of the fiduciary sphere and joint programming mechanisms. Reported examples include: <ul style="list-style-type: none"> ○ A joint risk management workshop between development partners in Afghanistan in 2013, led by the US. ○ Regular informal discussions between development partners in South Sudan. ○ A joint security risk assessment in Somalia. ○ A joint risk assessment on an election programme in Afghanistan ○ Joint conflict analysis workshops between UNDP, the World Bank and the EC, sometimes involving country nationals. ○ Joint fragility analysis between the World Bank & France in Ivory Coast, and joint political economy analysis between the World Bank & the UK in Sierra Leone

U – Use and strengthen country systems (RED)

<p><i>We will jointly identify oversight and accountability measures required to enhance confidence in and to enable the expanded use and strengthening of country systems. Recipient governments, with support from international partners, will take all reasonable measures to strengthen their public financial management systems from the ground up and be transparent in this process. In doing so, we will build related fiduciary and administrative capacity within country institutions at the national and local level. International partners will increase the percentage of aid delivered through country systems on the basis of measures and targets jointly agreed at the country level. Recipient governments will seek to increase the proportion of public expenditure funded by domestic revenues.</i></p>	
Green	<ul style="list-style-type: none"> • Afghanistan and Sierra Leone have set targets for the percentage of aid delivered through country systems in their mutual accountability frameworks. Sierra Leone reports that 19.25% of its aid was on-budget in 2013. • Individual donors report they are willing to provide support directly through country systems in certain circumstances <ul style="list-style-type: none"> ○ Australia has recently commenced a four year budget support programme worth \$25m in Timor Leste

	<ul style="list-style-type: none"> ○ 54% of Danish support in Afghanistan used country systems in 2013 ○ The EC has Statebuilding Contracts in place in Ivory Coast, Mali, Haiti, Sierra Leone & Togo. A Sector Reform Contract (for Health) is planned for Timor Leste. ○ The UK provides \$15m in annual general budget support in Sierra Leone. ○ Belgium uses the national procurement system in Burundi. ○ The US provides on-budget funding for specific projects in Afghanistan ● A number of specific initiatives to strengthen PFM capacity are reported <ul style="list-style-type: none"> ○ Support to the IFMIS (Denmark) & PFM capacity strengthening (World Bank) in Somalia ○ Support to PFM (Sweden) & PFM risk assessments of Government institutions (US) in Liberia ○ PFM reform project in Afghanistan (World Bank) ○ Procurement Reform Action Plan in South Sudan (World Bank)
Amber	<ul style="list-style-type: none"> ● Most donor's policies/procedures enable them to make use of country systems when certain underlying conditions are in place, but in many cases bilateral donors prefer to provide funding through pooled mechanisms rather than through direct budget support. <ul style="list-style-type: none"> ○ OECD/DAC donor funding to pooled mechanisms in fragile states increased by 38% between 2010 and 2012. At the same time, budget support as a percentage of ODA in 21 fragile states fell from 3.5% to 1.5%. ● The World Bank's Investment Lending instrument uses country financial management arrangements, but the World Bank's procurement guidelines. OP 10 provides for the use of special procurement arrangements in situations of urgent assistance or capacity constraints, which must be combined simultaneously with efforts to strengthen the country's medium term implementation capacity. However, discrepancies remain between policy and practice – the IEG found that the Bank has not focused sufficiently on strengthening national procurement systems and using them for the delivery of IDA resources.
Red	<ul style="list-style-type: none"> ● DRC and Timor Leste do not have jointly-agreed country level measures and targets in place for the percentage of aid delivered through country systems ● The EC's financial regulations do not enable the use of partner country procurement systems, although it can pool funds with other donors.

S – Strengthen capacities (RED)

To ensure efficient support to build critical capacities of institutions of the state and civil society in a balanced manner, we will increase the proportion of funds for capacity development through jointly administered and funded pooled facilities. We will substantially reduce programme implementation units per institution and will target the use of external technical assistance, ensuring they report through to the relevant national authority. We will work towards an understanding on remuneration codes of conduct between government and international partners for national experts. We will facilitate the exchange of South-South and fragile-fragile experiences on transitions out of fragility.

Green	<ul style="list-style-type: none"> ● Between 2010 and 2012, pooled funding rose from 13% to 37% of total governance funding in fragile states amongst INCAF members participating in the survey. ● In 2012, 37% of disbursements through recipient-executed trust funds administered by the World Bank were in fragile states. ● The EU's Statebuilding Contracts, which provide budget support, are often accompanied by institutional support for system strengthening – e.g. in Togo, support is provided to public finances and statistics, while in South Sudan, the Statebuilding Contract was to be accompanied by support for PFM strengthening at State & County
-------	--

	<p>level</p> <ul style="list-style-type: none"> • The objective of the South Sudan Partnership Fund, which was being designed before the December 2013 crisis, was to increase the use of government systems in line with the achievement of specified PFM results
Amber	<ul style="list-style-type: none"> • Some progress is reported in PIU rationalisation <ul style="list-style-type: none"> ○ In Timor Leste, there is a single PIU in the Ministry of Public Works, covering ADB, JICA and World Bank projects ○ In Sierra Leone, single PIUs have been established in the Ministry of Finance, Ministry of Health and Ministry of Agriculture ○ In DRC, the World Bank has committed that no new PIUs will be created, and all existing ones will be phased out • Only DRC reports that it has a country strategy for reducing the number of PIUs in government institutions – this has led to one PIU being closed, while another is about to be. • Some donors have individual policies that prevent the provision of salary top-ups to counterparts (Denmark, Germany)
Red	<ul style="list-style-type: none"> • No g7+ countries reported that they had an agreed country-level approach to strengthening capacities, including through the remuneration of national advisers. • There are reported to be 295 projects using PIUs for implementation in Sierra Leone. • In 2013, the IEG found that the World Bank’s efforts to strengthen national capacity continue to be hindered by PIU use.

T – Timely and Predictable Aid (AMBER)

<p><i>We will develop and use simplified, accountable fast-track financial management and procurement procedures to improve the speed and flexibility of aid delivery in fragile situations, and review national legal frameworks to support our shared objectives. We commit to increase the predictability of aid, including by publishing three-to-five year indicative forward estimates (as committed in the Accra Agenda for Action), and to make more effective use of global and country level funds for peacebuilding and statebuilding. Where national legislation may prevent this, development partners will seek to address these aid delivery challenges to allow them to better deliver on these commitments. We will provide necessary data to the Development Assistance Committee (DAC) to enable regular reporting on volatility.</i></p>	
Green	<ul style="list-style-type: none"> • A number of INCAF members have policies and mechanisms that enable them to respond rapidly in the event of disasters, crises and conflicts, usually in a matter of days or weeks. • On the development side, the World Bank has taken steps to update its operating procedures, to enable implementation of exceptional arrangements in situations of urgent need or capacity constraints in order to speed up implementation. These include special procurement arrangements, postponing certain safeguards, and using alternative legal and operational project implementation arrangements. • Some INCAF members have made progress in their ability to make long-term commitments: <ul style="list-style-type: none"> ○ Belgium commits to remaining within a country and its chosen sectors for at least 3 programming cycles of at least four years, so engagements are long-term and predictable (at least 10-12 years) ○ The EC’s programming cycle covers seven years, Finland’s planning cycle covers 5 years and France’s financing agreements usually cover five years ○ Denmark is moving towards five year programming, Sweden’s aid is based on 3-5 year strategies, Switzerland’s co-operation strategies usually cover four years and Portugal’s co-operation covers 3-4 years
Amber	<ul style="list-style-type: none"> • Some INCAF members acknowledge that they have further work to do to improve

	<p>their internal procedures for sharing forward spending plans in a timely manner (Australia, Canada, France, Germany, Switzerland, USA)</p> <ul style="list-style-type: none"> • Even when donors have multiyear planning frameworks, these may be less useful to a partner country if the framework does not roll forward each year – in year three of a fixed four-year frame there is information for only one year ahead. • Amongst some INCAF members, recent strengthening of internal controls has made quick decisions and disbursements more difficult (e.g. Sweden)
Red	<ul style="list-style-type: none"> • g7+ countries report that they continue to experience significant problems in accessing reliable forecasts on future assistance, even though a number of INCAF members have multi-year planning frameworks. • For example, in Timor Leste, for the year 2012: <ul style="list-style-type: none"> ○ The estimate for 2012 in 2010 was \$27m ○ The estimate for 2012 in 2011 was \$112.7m ○ The estimate for 2012 in 2012 was \$188.9m (and actual disbursement was \$214m) • Timor-Leste reports that while 10 out of 12 donors are currently able to provide estimates for 2014, only eight can provide estimates for 2015, and five for 2016. • The Global Partnership Monitoring Framework reports that annual aid predictability in DRC in 2013 was 83%, but that medium term predictability is only 35%.

ANNEX B: CIVIL SOCIETY VIEWS ON LESSONS LEARNED FROM LIBERIA AND SOMALIA



Liberia

Input from CSPPS Focal Point Lancedell Mathews - New African Research and Development Agency (NARDA). Since Liberia subscribed to the New Deal Process, the Government has made efforts to ensure that most of its reform processes and development frameworks are reflective of the ideals and principles of the New Deal on peacebuilding and statebuilding. The Poverty Reduction Strategy (PRS 2008), Agenda for Transformation (AfT 2012) and the Liberia Rising (Vision 2030) are all reflective of the principles and ideals of the New Deal. There are some recorded gains made by Liberia as far as working to ensure the implementation of the New Deal is concerned. The fragility assessment is complete, indicators on each of the PSGs jointly developed and agreed, joint Technical Task Force formed, the national development framework aligned with the ideals and principles of the New Deal and the commencement of the construction of the Compact.

However, despite these efforts, the actualization of integrating these principles and ideals into the Liberia institutional frameworks remains a serious challenge. To start with, most of these national documents and instruments mentioned above are put together with very heavy influence from either the development partners themselves or hired external consultants (the fragility assessment was written by an external consultant (USAID), the Compact is being led by an external consultant, the Technical Task Force is dominated by the UN and international organisations). In the process, these principles are lifted and included simply as means of ensuring that these instruments meet internationally accepted standards and are subsequently treated as background literatures to those who are responsible for implementation (usually government institutions). The practice has served to undermine the way and manner in which the principles of the New Deal are perceived and internalised by public officials in the whole of Government. Currently, not all of the Government institutions can speak of ensuring the integration of the New Deal principles in the roll out of their institution's development and reform frameworks with conviction and believe.

Because of the above challenge, the talk of the New Deal process has been narrowed to a few government Ministries and Agencies that are directly responsible for leading the formulation of these national agendas (Ministries of Planning and Economic Affairs, Finance, Foreign Affairs and the Governance Commission). Even amongst the few government Ministries and Agencies, there is no cohesive approach and clear message that drives the process amongst government functionaries. This is undermining not only the pace and progress of the planned work on the New Deal process, but also inclusive, participatory and accountable governance in Liberia.

Beyond the shores of Monrovia, one would expect that the basic principles of the New Deal would be reflected in government's decentralisation and developmental agenda. Unfortunately, 'Inclusive Politics' seems to be more rhetorical and apolitical. In a fragile country as Liberia, after 14 years of brutal war that destroyed all major infrastructures, the government reconstruction roadmap should be holistic and illustrative of the tenets of ND. Instead, we have increasingly seen the adaptation of failed neo-liberal development approaches, which tend to marginalise under populated counties and give more attention to vote-rich counties. The Liberian government focus on investing in a "development corridor" of five counties representing the greatest population numbers has resulted

in limited assistance to more remote areas, in particular the southeast. Such prioritisation is not only contrary to the principles of ND but has the tendency to break open old social cleavages that could undermine the country's reconstruction process and potentially relapse to conflict.

Cognisant of the challenges face by civil society and other actors to adequately engage the whole of government, in order to assess actual and accurate progress on the status of implementation of each of the Peacebuilding and Statebuilding Goals, the Civil Society Organization Country Team has planned as a priority to mobilise and raise awareness of the entire New Deal process in order to raise the profile of the process, increase engagement and participation and increase the pace of the process in Liberia.

Somalia

Input from CSPPS Focal Point Noor Mohamed Noor - Puntland Non-State Actors Association (PUNSAA)

Overview

The ND implementation in Somalia is in limbo due to the lack of regional representation and representative civil society participation, lack of trust among stakeholders, poor information sharing, lack of coordination, too many stakeholders involved, development partners not limiting their action to process support, lack of CS inclusivity, and divisions among line Ministries and CSO.

We suggest that the New Deal implementation process is renewed in Somalia to arrive at a full regional representation in all existing structures. The line ministers should take the lead of the New Deal implementation process effectively without intervention from high-level leadership, by seconding staff from their offices. Coherent engagement of the Somali civil society is also required, and deemed an important step for the New Deal's success. Civil Society calls for trust-building in public financial management by appointment of a trustworthy committee in which the development partners and civil society are members. SDRF meetings should rotate regionally in order to facilitate effective regional participation and build societal ownership over the New Deal process.

The fragility assessment in Somalia

The Fragility assessment was not done properly when conducted throughout Somalia. As long as the fragility assessment is biased and not done properly it will not have any impact on the ground. The fragility assessment outcome would have produced significant impact in national policies, if it had been conducted nationally and had set common local indicators.

The Compact risks not being grounded on an understanding of the full range of factors influencing fragility in Somalia and is therefore not addressing these. It has been accepted ahead of the agreement of the Compact at Brussels that the fragility assessment would not be done, but there were some commitments to reviving this process after the conference. No progress has been made on this front.

When the New Deal was endorsed the country was divided into three independent administrative zones namely South Central Somalia, Puntland and Somaliland. South Central and Puntland formed loose federal systems, while Somaliland claimed a standalone national status. Civil society was not actively involved in the fragility assessment and only Government appointed civil society engaged.

The Government of Puntland believes that one national fragility assessment cannot be adopted as each administrative zone has its fragility spectrum. South Central is more fragile than any other zone

and is in a recovery stage while Puntland is in a developmental stage. The outcome of this fragility assessment does not actually represent a national effort but merely is an expert composed, prepared and written document to fill the gaps of the required steps for the fragility assessment. No fragility assessment is static however and is to be seen as a continuous process which can only be conducted properly if national partners are serious about reviving the spirit of New Deal and developing a fragility assessment and related indicators and consulting with their citizens.

Moreover there is no common national fragility spectrum as there is no single or integrated national planning document or framework developed. It is difficult, if not impossible, to have a common plan for a nation divided into three different political zones.

National partners did not agree on the main way to conduct the fragility assessment and therefore did not develop a “one plan” with a shared vision that would speak to the national context and address the peace building and teambuilding priorities identified in the fragility assessment nor the consensus developed through political dialogue.

Development partners did not support the country strategies and are aware of what went wrong in the implementation of ND in Somalia.

The Somalia New Deal Compact

There is no agreed compact at the national level that reflects the PSGs. Puntland’s existing five year plan was not incorporated into the national Compact. Somaliland has been given a special New Deal Compact arrangement. The opinion of the Puntland government and its civil society on the Compact submitted in Brussels on 16 September is that it only represents the views of the Federal Government of Somalia. The document was prepared by experts hired by the government and by ministry senior officials without consultation of the civil society. The compact content therefore does not reflect shared national PSG priorities and uses fragmented special area priorities.

Until now the development partners did not release the funds requested by the government in the compact. This seems to signify that development partners are aware of problems in compact development and implementation. Yet improvements are still pending months after compact agreement was reached.

No country-level indicators for monitoring progress have been proposed so far or agreed upon to confirm or not the PSGs.

Strengthening the political dialogue and leadership

The government has tried to conduct a political dialogue between the state and citizens but it has mostly failed, as citizens seem to have lost their trust in the Government. Government leaders are not in good terms among themselves and there are on-going conflicts between the President and the Prime Minister. The relationship between the Puntland authorities and the Federal government has been formally suspended for more than a year. Trust among citizens has also been lost since the civil war. There have been a few peace initiatives that did not become operational as the scars of the civil war have still not healed. The government should design a strategy to promote peace among citizens and should start acknowledging the importance of a real peace settlement. This can be reached by starting with the restitution of land property taken by force and still illegally occupied by some citizens in South Central.

Development partners and the government are in good terms. This might result in widening divisions among leaders and citizens.

The Federal government has appointed a Governor for the Central Bank of Somalia. However, the governor resigned after three weeks in office due to misuse of public finance by the leaders of the government. The development partners lost their trust in the Government, and the funds committed to supporting the Compact are still pending.

Next steps

- Conduct multi-stakeholder consultations on monitoring the New Deal
- Strengthen the capacities of all stakeholders, especially civil society, to monitor the progress of the New Deal
- PSG priorities should be revised periodically against the set of indicators and on the basis of agreed measurement instruments and processes
- Bring about a new mechanism that delivers aid transparency in order to ensure effective local resource management