



Report

The new deal in Somalia

An independent review of the
Somali Compact, 2014-2016

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Cover photo: A Somali girl walks down a road at sunset in an IDP camp near the town of Jowhar on December 14. Fighting between clans has displaced more than twelve thousand people near the town of Jowhar, Somalia. Many have sought temporary shelter near an African Union military camp in the area, who are currently providing security for the IDPs. Credit: AU UN IST PHOTO / Tobin Jones.

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Acronyms

AMISOM	African Union Mission to Somalia
CSO	Civil Society Organisation
DP	Development Partner
FGC	Financial Governance Committee
FGS	Federal Government of Somalia
FMS	Federal Member State
GEMAP	Governance and Economic Management Assistance Program (Liberia)
GPEDC	Global Partnership for Effective Development Cooperation
HLPF	High-Level Partnership Forum
IFI	International Financial Institution
IMF	International Monetary Fund
MAF	Mutual Accountability Framework
M&E	Monitoring and Evaluation
MPF	Multi-Partner Fund (WB administered)
MPTF	Multi-Partner Trust Fund (UN administered)
NDP	National Development Plan
OCHA	Office for the Coordination of Humanitarian Affairs
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PAR	Public Administration Reform
PFM	Public Financial Management
PP	Partnership Principles
PSD	Private Sector Development
PSGs	Peacebuilding and Statebuilding Goals
SDG	Somalia Donor Group
SDRF	Somalia Development and Reconstruction Facility
SMP	Staff-Monitored Programme
SSA	Somaliland Special Arrangement
SSF	Somalia Stability Fund
SWOT	Strengths, Weaknesses, Opportunities and Threats
TMAFA	Tokyo Mutual Accountability Framework for Afghanistan
ToR	Terms of Reference
UCS	Use of Country Systems
UNSC	United Nations Security Council
WB	World Bank
WGs	Working Groups
WHS	World Humanitarian Summit

Executive summary

Our research highlighted nine key findings from the experience of compacts in other post-conflict countries: (i) the compact must fit the country context; (ii) country ownership and participation in designing the compact increases the chance of success; (iii) the level of national, sub-national and international capacities to manage and implement should be factored into compact design; (iv) compacts need to be understood and supported by the leadership, the legislature and other key locations of power; (v) prioritisation and focus that balances vision and achievability is key; (vi) compact commitments and benchmarks should be specific, concrete, monitorable and balanced; (vii) mutual accountability needs to be two-sided; (viii) specific actions and support to strengthen government institutional effectiveness should be included, with the focus of effort onto compact priority areas synchronised with the approved plans of government; and (ix) while compacts generally improve coordination, this can come with high transaction costs.

The experience of other countries makes clear that the Somali Compact has been a bold experiment in an extremely challenging context. Many of the ingredients for success, based on lessons from other countries, were not present. The scope and the timelines of the Compact were ambitious. The security challenges limited Development Partners (DP) presence in Mogadishu. This, combined with the political changes within the Federal Government of Somalia (FGS) in the early years, hampered efforts to build effective working relationships. For a number of reasons, there were clearly some misunderstandings, while expectations on both sides were unrealistic.

In this context, some frustrations and failures around the Compact are unsurprising. Given the context, it is striking that the Compact has endured and been generally positively received. Everyone consulted was clear that the current position is better than before and the alternative of no compact would have been worse. Many also noted that progress with the Compact has been much faster in the last year or so.

In terms of the 12 specific questions set for the review, one striking result is the difference in views between the FGS and DPs. This report has set out these views in some detail (but kept them anonymous) in a separate paper, 'Summary of FGS, DP and CSO consultation'. This snapshot of perceptions of current key FGS and DP actors is intended as a useful reference document for future discussions and debates about any new Partnership Agreement. Views of various stakeholders also differed

on the Somaliland Special Arrangement (SSA). The Terms of Reference for this review requested an assessment of the SSA. The different stakeholders' views, and the review team's own conclusions, are also set out in another document.

Key achievements of the compact include a comprehensive approach, seeking to fully engage with all five peace and statebuilding goals. In terms of inclusion, the new architecture has been most successful in responding to emerging Federal Member States (FMS). The Compact has helped to build trust. It has provided a valuable, clear transparent framework for mutual accountability between FGS and DPs and the fundamental requirements for any successful Government-Development Partner dialogue. There has been clear progress on many of the New Deal FOCUS and TRUST principles, in some cases, this progress has been impressive. Many DPs cited the Compact as being a key factor in their decisions to sustain increased levels of long-term development funding. Aid flows in aggregate have already significantly exceeded the headline figure announced in the Brussels Somalia conference. The Compact also appears to have played a role in the re-engagement of International Financial Institutions (IFIs), and beginning the process of obtaining debt relief. The Somali Development and Reconstruction Facility (SDRF) is becoming an effective new funding mechanism, though donors are not using it to the fullest extent possible.

The challenges of the Compact include concerns about its effectiveness and progress on the multiple milestones. Humanitarian and development efforts need to be more coherent. The dialogue processes of the Compact are viewed as unduly burdensome and fail to provide space for real engagement with Somalis. Paradoxically, multiple parallel coordination fora jeopardise efficiency and effectiveness. Progress has been too slow on tackling core financial governance issues such as Public Financial Management (PFM), corruption and the imperative of increasing domestic revenues. Aid flows seemed to have plateaued at around 2013/2014 levels and are expected to decrease slightly in the future. On a per person basis, they are expected to remain significantly below some other post-conflict countries. DP use of country systems is still very limited. Progress on arrears clearance has been very slow. The private sector and civil society have been insufficiently involved in the Compact. Despite gender being one of the four cross-cutting issues in the Compact, the evidence of significant impact in this area is patchy at best. The same can be said for capacity development. The

Compact has, unfortunately, become the public focus for concerns about lack of tangible improvements in ordinary people's lives. However, the SDRF has only just started to work at scale and the degree of commitment to the mutual accountability framework is unclear on both sides.

Many of the lessons are similar to the key findings in other countries. Context matters: progress is hard in the absence of basic security and a stable political settlement. Compacts generally improve coordination but with high transaction costs and slow movement towards coherence of policies involving development, humanitarian, security and political actors. Success in one of these areas is unlikely to be sustained without success in the others. In Somalia, a longer time to prepare would have given the chance for greater country ownership and broader participation. A narrower list of agreed priorities and shorter timelines, focused on the issues of greatest concern and the linkages among them, might have increased the relevance and effectiveness of the Compact.

Despite the exceptionally challenging context, the overriding lesson is that the Somali Compact has proved useful and all parties want to continue with some form of Partnership Agreement. At the most basic level, the National Development Plan (NDP) could readily incorporate a set of Partnership Principles and/or a list of mutually agreed priorities. There is also a good case for a Mutual Accountability Framework (MAF), a higher level and broader document jointly agreed between the Government and DPs. The Compact itself already provides a rich agenda and this report's assessment of the twelve questions set for this review will help the FGS and DPs decide on the future focus. One of the key challenges, based on experience elsewhere, will be to ensure that the MAF is appropriately balanced between the FGS and DPs.

One question is whether to go beyond the NDP and Partnership Principles. The team's reading of the evidence from other countries – and from Somalia's own experience – is that there is a strong case for having an additional higher level framework, despite the challenges involved.

A successful transition from fragility to resilience in Somalia goes beyond just development and will require a comprehensive, coherent and coordinated approach across different policy communities. Such a framework needs to be strongly Somali-owned. It will take time to develop, not least to ensure ownership by FMS, the Legislature and, ideally, civil society and traditional authorities.

The team also noted four other key areas for any new Partnership Agreement(s):

1. Stronger focus on private sector issues; in particular, a possible compact with the private sector to enable Somalia to escape the current low-level equilibrium trap whereby the Government has insufficient revenues due to a low tax base and cannot deliver effective services such as infrastructure.
2. Renewed focus on ensuring all efforts are integrated and coherent – especially on humanitarian and development efforts, security and working across all NDP pillars.
3. Faster progress on core financial and governance issues – especially on improving PFM coherence and coordination, tackling corruption, prioritising across all sources of finance and agreeing a roadmap for arrears clearance and debt relief. The last issue is key to increasing access to external financing for large-scale infrastructure. To avoid false expectations developing, it should be clear what additional amounts of finance would be available to spend in Somalia.
4. Improved consultation processes to ensure the right balance between large consultative groups, supported by much greater investment in the translation of documents and smaller groups for ongoing honest exchange. The experience from other countries is that while challenging, consultation is critical to success. Better consultation would be further enhanced by stronger monitoring and evaluation systems. This is also important for engaging with Somali civil society more effectively.

1. Introduction

1.1. Review background, purpose and approach

The Terms of Reference (ToRs) for this review clearly set out its background and purpose.

The Somali Compact was agreed in September 2013. It was based on the “New Deal for engagement in fragile states” agreed at Busan in 2011. Its aim was to provide “... an overarching strategic framework for coordinating political, security and development efforts for peace and state building activities” ... Since then, the Federal Government of Somalia has decided to craft a National Development Plan. A revised and updated partnership agreement between Somali and the international community will be required to support delivery of the new plan.

To assist in the process of formulating a new agreement, the Somali Government and the international community have agreed to review how far the current Compact has delivered against its objective of creating “A new beginning for a sovereign, secure, democratic, united and federal Somalia at peace with itself and the world, and for the benefit of its people”. The review should identify the key achievements, challenges, and lessons learned and set out options for agreeing a post-2016 partnership and cooperation framework that will be central to International Community support for implementation of the NDP.

The ToRs also set out the approach the review should take. The focus is on 12 detailed questions. The review also includes a summary assessment of the lessons learned from the Somaliland Special Arrangement (SSA), which is outlined in a separate paper, ‘Assessment of SSA’. The methodology of the review is based on a desk review of documents, interviews with key informants, a small set of focus group discussions in Mogadishu, and three case studies. While it was not in the ToRs, the team also prepared an interim report that was circulated to the

Federal Government of Somalia (FGS) and Development Partner (DP) members of the Somali Donor Group (SDG) in August, and to the Federal Member States’ (FMS) representatives in October. The interim report gathered many comments, which have strengthened this final report.

As a result of the keen interest from all stakeholders, the team have been able to interview 37 people and meet 15 members of the SDG; 20 members of the Somali NGO consortium and 30 participants of focus groups in Mogadishu. The team has been able to consult representatives of 12 FGS ministries/agencies, 18 DPs and 14 other institutions. The full list of organisations consulted are set out in Annex 1.

1.2. Report overview

Section 2 of the report briefly sets out the experience of compacts in other countries. Section 3 outlines the team’s assessment of each of the 12 questions in the ToRs. It draws both on the key findings from other compacts and the views expressed in the extensive set of interviews and meetings held by the team for this report. These individual interviews were held on a confidential basis. Section 3 concludes with a summary of the achievements, challenges and lessons of the Compact and an analysis of options for the format in any future partnership. Section 4 sets out the more urgent and challenging issues that any future partnership will need to address. Finally, Section 5 offers the key conclusions.

A Somali version of the main report and three additional separate background papers are available on request from ODI,¹ including:

1. ‘Annexes to main report’, which includes the full set of documents consulted, additional material on compacts in other countries, corruption and private sector development and three case studies (Infrastructure, Public Financial Management and Security)
2. ‘Assessment of Somaliland Special Arrangement’
3. ‘Summary of FGS, DP and NGO consultations’.

¹ Please send your enquiries to odi@odi.org.uk

2. Lessons from other compacts

Somalia has over 10 years of experience from compacts in other countries to draw on as it reflects on the lessons from its own Compact. (See Box 1.)

The review team considered this experience, drawing on helpful reviews of transition compacts by Bennett (2012), and Locke and Wyeth (2012). (See Box 2.)

The review team has also looked in more detail at Liberia and Afghanistan's experience of Compacts (see Box 3).

Drawing on these reviews and the team's own research and reflections, we highlight nine key findings for any compact to be successful. These have informed both the backward-looking assessment in Section 3 of this review, and the forward-looking recommendations about any new Partnership Agreement in Section 4.

1. Context matters. A peace agreement or stable political settlement and basic security should be in place or in the process of being established.
2. Country ownership and participation in designing the compact are key, including that of local regional actors and civil society. Compacts should be endogenous processes that lead to strengthening bonds between state and society. Ownership implies that constraints imposed by political and public appetite for reforms are considered.
3. Level of national, sub-national and international capacities to manage and implement should be factored into compact design.
4. Compacts need to be understood and supported by the leadership, the legislature and other key stakeholders. Without such support, implementation of a compact will be difficult, particularly when the country context changes.
5. Prioritisation and focus should balance vision and achievability. Compacts were effective when based on a narrow set of agreed priorities, a focused agenda for reform and short timelines.
6. Compact commitments and benchmarks should be specific, concrete, monitorable and balanced. There should be provision for their implementation, oversight, performance monitoring and enforcement. Compacts should reinforce, not add to, conditionalities of multilateral organisations.
7. Mutual accountability needs to be two-sided. Compact obligations have mainly fallen on the government, with little concrete commitment or accountability taken on by donors e.g. on delivering financing.
8. Specific actions and support to strengthen government institutional effectiveness should be included, with effort focused on synchronising compact priority areas with the approved plans of government.
9. Coordination arrangements have been bureaucratic, understaffed and often added little value. Compacts generally improve coordination, but this can come with high transaction costs. Coordination works best when government is in the lead, has been provided with capacity to do so, and there are sufficient funds available to support necessary consultation.

Box 1: The history of compacts

Pre-New Deal compacts:

- 2005 Liberia GEMAP
- 2006 Afghanistan Compact
- 2007 International Compact with Iraq
- 2007 Democratic Republic of the Congo
- 2008 Timor-Leste Compact
- 2009 Juba Compact, South Sudan
- 2011 Rwanda Mutual Accountability Framework
- 2012 Yemen Mutual Accountability Framework

Ongoing formal New Deal compacts:

- 2012 Afghanistan Mutual Accountability Framework
- 2013 Somali Compact and Somaliland Special Arrangement

New Deal Compacts that have been halted/are being planned:

- Sierra Leone Mutual Accountability Framework (halted due to Ebola crisis in 2013)
- South Sudan (halted due to hostilities in 2013)
- Central African Republic (halted due to hostilities)
- Guinea-Bissau
- Liberia
- Timor-Leste

Box 2: General review of compacts

Bennett (2012) carried out a general review of transition compacts based on case studies for Liberia, Afghanistan, Iraq, the Democratic Republic of the Congo and Timor-Leste. The review then identified a range of recommendations covering the timing of compacts, inclusive ownership, balancing aspirations and monitorable achievability, coordination, inability to meet goals and impacts, lack of donor accountability, and the role of the UN, including legitimisation of compacts by the UN Security Council (UNSC).

Locke and Wyeth then summarised the results of a seminar of practitioners that was convened to discuss this general review. The key conclusion was that compacts were useful, particularly to overcome weak institutional relationships within countries as well as with their international partners, to generate greater prioritisation and to lessen fragmentation of efforts. Compacts are difficult to implement before violence has subsided, not least because government and its partners are distracted with short-term issues. Inclusive processes to agree compacts have been linked to success. Compacts in Afghanistan and Iraq were foisted on the governments and momentum faded. While in Timor-Leste, greater ownership was linked to successful implementation. Development partners were criticised for not using country systems and cutting off funding rather than changing the modalities for aid delivery when fiduciary or other shocks took place. The participants concluded that the ‘mutual’ needed to be put back into ‘mutual accountability’ – compacts were not meant to be one-sided conditionality. The UN had a role to play in bringing national parties into an inclusive dialogue during compact preparation, and in strengthening its capacity to fulfil its secretariat role. The workshop discussed how compacts could affect the legitimacy of government and how to broaden inclusion beyond civil society organisations (CSOs). Participants also discussed, but did not conclude on, how non-traditional partners like China and Brazil could participate in compacts.²

2 In the case of Somalia, non-traditional donors include Turkey and the United Arab Emirates.

Box 3: Compact experiences: Liberia and Afghanistan

Liberia's Governance and Economic Management Assistance Program (GEMAP) was the first of the formal transition compacts. GEMAP had a narrow focus on public financial management, revenue collection, expenditure controls and government procurement and concession practices. In 2010, GEMAP and USAID (2010) concluded the programme as successful in making corrupt practices more difficult, including in resource extraction concessions with the international private sector, as well as raising revenues, which increased by 150% during the first three years of the programme (Gujadhur, 2010). While GEMAP was effective in improving the quality of PFM when advisors were in place, there was still a considerable capacity-building agenda that remained untackled. Programme metrics were predominantly about process benchmarks for putting systems and procedures in place rather than measuring impacts or sustainability. GEMAP was an effective coordination platform for key development partners. However, there was resentment about the loss of sovereignty that GEMAP involved, particularly in the legislature and to a lesser extent in the judiciary (USAID, 2010). The lack of buy-in within Liberia was counteracted by the commitment of the President. Yet ultimately GEMAP was unsustainable.³

Afghanistan has been a pioneer with two New Deal type compacts over several years, which makes its experience of particular interest. The first Afghanistan Compact was agreed in 2006 at an international conference in London, endorsed by the UNSC. The Compact was notable in going far beyond the conventional development agenda to include three critical and interdependent areas of activity: (i) security; (ii) governance, rule of law and human rights; and (iii) economic and social development. The Compact lacked prioritisation or focus, partly because the Afghan Cabinet was divided and each ministry, development agency and donor wanted its programme included in the Compact to safeguard its own funding. Because of the need to maintain support for the extraordinary international support to Afghanistan, problems received little attention even though security was deteriorating. While most monitoring indicators were considered on track since they consisted of targets to be met in the final year of the Compact.

The Tokyo Mutual Accountability Framework for Afghanistan (TMAFA) in 2012 corrected some of the deficiencies of the original Afghanistan Compact. It was prepared at a time when the international military presence was being scaled back and when Afghanistan was beginning a difficult transition to greater security and financial self-reliance. Unlike the previous Compact, the security sector was barely mentioned in the TMAFA. TMAFA was organised under six main headings: (i) democratic elections; (ii) governance, rule of law and human rights; (iii) integrity of public finance and commercial banks; (iv) government revenues and budget execution; (v) inclusive growth and development; and (vi) international commitments to improve aid effectiveness. While TMAFA is more selective than the previous Compact, it has been criticised for leaving out key determinants of stability and poverty reduction in Afghanistan, such as private sector development and employment, justice and limiting corruption. On the other hand, the political consensus in Afghanistan to implement some of the items that are important to donors might not extend far beyond the senior leadership.⁴ Since 2015, the TMAF has evolved into the Self-Reliance through Mutual Accountability Framework (SMAF) by merging with the Afghanistan Government's proposed framework for reform, i.e. 'Realizing Self-Reliance: Commitments to Reforms and Renewed Partnerships'.

3 For more information, see Annex 3, 'Annexes to Main Report'.

4 For more information, see Annex 3, 'Annexes to Main Report'.

3. Assessment of the Compact and options for future partnership

This assessment is structured around the 12 questions set in the ToRs. The questions have not been changed but have been slightly re-ordered for ease of analysis. The responses to these questions by all those interviewed are summarised in a separate paper, ‘Summary of FGS, DP and NGO consultations’. The following assessment draws on these interviews and the review team’s experiences in other countries, as well as wider research. This section concludes with an assessment of the achievements, challenges and lessons learnt and the final question of the ToRs: what are the options for renewing the partnership between Somalia and the international community?

3.1. Overall framework

3.1.1. What progress has been made through the Somalia Compact in establishing an effective and comprehensive framework for the achievement of Somalia’s peacebuilding and state-building goals?

When compared with many other countries, one striking finding is that the Somalia Compact has lasted its full term. Despite all its faults and frustrations, the strong feedback from interviews is that FGS, DPs and CSOs have valued the Compact for providing a transparent framework with clear goals and milestones. While the FGS has firmly expressed its concerns about the Compact, one of the strongest findings from interviews/meetings is an obvious desire for some form of partnership agreement to continue.

There seems little doubt about the comprehensiveness of the Compact. It did clearly seek to fully engage with all the five peace and statebuilding goals. With hindsight, the only major omission from the original Compact was the role of the FMS. However, Compact structures adapted to their growing role and have provided some basis for dialogue between FGS, the emerging FMS and DPs.

There are many concerns about the effectiveness of the Compact and progress on the multiple milestones. The ambitious and comprehensive nature of the Compact was always going to be a challenge for implementation. A frequently voiced and fundamental concern was that the

Compact was just a ‘talking shop’ and that there was no real change on the ground, which resulted in the frequent public references to ‘no deal’. Other concerns relate to financing (including lack of interaction with humanitarian funding and other funding outside the coordination arrangements under the High Level Partnership Forum (HLPF), very limited use of country systems as agreed in the Compact, and patchy progress on many of the milestones. These issues are considered in more detail below.

The most critical overarching issue affecting effectiveness has been the exceptional context. It is clear that the structures which existed in Somalia before the Compact were much weaker and embryonic than what has now emerged. The development of the Compact was rushed through in 2013 with limited stakeholder consultation, contrary to the clear lessons learnt from other countries. The initial expectations around the Compact were unrealistic e.g. on the rate of progress on securing budget support. Unlike other New Deal countries, there was no National Development Plan (NDP) to provide the foundation for the Compact. Interaction with DPs was also severely constrained, with most continuing to be based in Nairobi with infrequent and short visits to Somalia. FGS engagement was hindered by political instability which experienced three prime ministers and five cabinets during the Compact period. Several high-profile corruption scandals early on also undermined trust with DPs. At the same time, many participants noted that there have been many more substantive and sustained efforts to implement the Compact in the recent period of relative political stability starting from early 2015.

The challenging context is important to bear in mind. As noted in the previous section, the context of any compact is a critical determinant of its success. There is a need for a stable political settlement and basic security; time to establish country ownership and participation and compacts to be understood and supported by the legislature and other key locations of power. The challenging context was identified in an early assessment of the Compact in 2014, which highlighted the need to

allow time for political processes to unfold (Hearn and Zimmermann, 2014).

The most substantive and repeated FGS concern about the Compact has been the lack of visible impact in terms of new infrastructure.⁵ Although infrastructure has been a priority, little actual investment has taken place, with disbursements only slowly increasing to \$65 million in 2015. The mobile telephone sector is the only exception where private investors have created a competitive self-regulating market. In other sectors, there has been little change. What investment has occurred has typically been small scale, dispersed and linked to other programmes. In other post-conflict settings, it has been possible to implement at least simple rehabilitation projects, such as road upgrading and removing port bottlenecks (Manuel et al., 2015).⁶ Three key reasons for inadequate investment in Somalia are lack of security, limited government implementation capacity and limited finance. Risk avoidance may have also played a part and poor links to humanitarian investments. Certainly, arrears to international financial institutions (IFIs) have precluded access to larger scale IFI financing. Furthermore, the Somalia Infrastructure Trust Fund (SITF) was only established in September 2016, just as the Compact was due to conclude.⁷

Despite its faults, the Compact has provided the fundamental requirements of any successful Government-Development Partner dialogue.⁸ It has also provided a valuable platform for dialogue, especially between FGS, emerging FMS and DPs. It has offered a framework for information sharing and a forum for processing some programmes and projects, but clearly not all. What is less clear is whether the same results could have been achieved with less complex and burdensome mechanisms for managing the dialogue. It is also possible that the FGS-DPs compact may have delayed the development of an FGS-Private Sector compact.

3.1.2. Has the Compact proven itself to be an effective tool in ensuring coherence in the pursuit of political stability and improved security on the one hand, and economic recovery on the other?

Coherence has been a significant weakness of the Compact. There has been some progress on the political settlement and security over the last three years. At the same time, there is further to go on both fronts and views differ

on the extent of the progress and how to get there.⁹

There has been a steady modest economic recovery (IMF, 2016) but Somalia has yet to experience a rapid period of growth that has happened in other post-conflict countries, possibly because of a low rate of investment which would have produced Keynesian multiplier effects on growth. There is also little evidence that the Compact has supported a coherent approach across these three fronts of political settlement, security and development, as well as coherence with humanitarian activities towards, ultimately, the integration of humanitarian service delivery into the institutional structure of the country. Successful counter-insurgency requires a comprehensive and coherent approach, yet the linkage between security and the other objectives seems to have been particularly weak.¹⁰ There is clear evidence that a more coherent approach would have been useful e.g. through the rapid provision of infrastructure in areas secured by the Government and African Union Mission to Somalia (AMISOM) forces. Despite efforts to coordinate, there is little evidence of effective links between the groups engaged in economic recovery and those dealing with security and stabilisation.

3.1.3. To what extent has the Compact succeeded in strengthening gender integration and women's active participation in peacebuilding (implementation of UNSCR 1325 and related resolutions)?

While gender has been one of the four cross-cutting issues in the Compact, the evidence of significant impact is patchy at best. Gender is a complicated issue in Somalia given the cultural context and the nature of the ongoing insurgency; it needs a practical approach that elevates the conditions and rights of women and girls. The Compact has resulted in gender being raised in individual Peacebuilding and Statebuilding Goals (PSG) fora as well as the overall Compact discussions. Most FGS respondents noted that gender is now a higher priority for the Government, although most DPs considered there has only been limited progress. The recent NLF commitment to 30% of seats for women is generally regarded as a positive sign, although this was not necessarily directly related to the Compact. CSO participants noted that an earlier commitment to a quota was disregarded and that over time, female politicians were substituted for by male clan members. A fuller assessment of the progress to date and views on how

5 This is clear from the interviews conducted. See 'Summary of FGS, DP and NGO consultations' for more details.

6 Large-scale projects – such as rehabilitation of hydroelectric power stations and development of basic national road networks – have taken five or even 10 years to happen in Sierra Leone, Liberia and South Sudan.

7 See the 'Infrastructure case study' in 'Annexes to Main Report' for more details.

8 This is another clear conclusion from the interviews conducted.

9 For example, contrary to the Compact Progress Report, the latest SEMG (2016) 'Report of the Monitoring Group on Somalia and Eritrea pursuant to Security Council resolution 2244 (2015) Somalia' on 31 October 2016 contends that the security situation has not improved.

10 See 'Security' case study in 'Annexes to Main Report' for further details.

to accelerate progress on gender issues are helpfully set out in a study commissioned by UNDP (UN, 2015).

3.1.4. To what extent has the Compact helped establish trust and transparency between the Somali Government and the public, and promoted community empowerment and participation, including of women and youth, in the reconciliation, recovery and development process?

While the Compact has provided a valued transparent framework, it has also become the public focus for concerns about the lack of tangible improvements in ordinary people's lives. All government officials stated that the Compact has improved trust and transparency. CSOs were also clear that the Compact was helpful in providing a transparent framework. But there is a consensus among DPs that the direct impact of the Compact on trust between the Government and the public had been very limited. There are strong negative public views across the board about the Compact in terms of its ability to 'deliver'. These are partly a result of unrealistic expectations about both the Compact itself and the length of time it would take for the Government to provide basic services across the country. More generally, continued reports of corruption and low levels of transparency have undermined efforts to build trust. Some donor projects have deliberately targeted community empowerment and participation but it is quite possible that such projects would have been developed even without the Compact.

3.2. Specific aid architecture/ Development Partner issues

3.2.1. How effective is the aid architecture set up under the Somalia Development and Reconstruction Facility (SDRF), in support of achievement of Somalia's peacebuilding and state-building goals? What are its current strengths and weaknesses?

The Somalia Development and Reconstruction Facility (SDRF) is potentially a highly effective mechanism but has only just started to work at scale. It was unfortunate donors did not put into practice lessons learnt from previous experiences in other post-conflict countries. As a result, it has taken too long to fully operationalise the new financing mechanisms in Somalia. This is also due to a combination of security constraints to international staff working in the country and the slowness of international partners to adapt their procedures to conditions in Somalia. It was particularly unfortunate that arguably the most important mechanism in terms of visible

delivery – the infrastructure fund – has been the slowest to become fully operational. The need to incorporate pre-existing legacy projects, the continued limited access to IFI direct funding and the reluctance of some DPs to use the SDRF have also limited the effectiveness of the SDRF. The perceived key strengths of the structures to date are information sharing, bringing international support under a single framework and encouraging DP dialogue with both FGS and FMS. The perceived weaknesses are common to most countries and, as elsewhere, will need to be addressed before full potential can be achieved. Consistent participation from FGS, FMS and DP representatives at the appropriate level of seniority will be key. This will help FGS become fully confident about engaging with DPs and when to say 'no' to certain interventions. This will also help with sequencing of projects, ensuring there is real debate and broadening focus away from just projects to policy framework issues and sector-wide approaches as anticipated in the upcoming NDP. Streamlining the structures will help ensure sustained engagement from all sides. As in many countries, continued effort will be needed to ensure appropriate CSO engagement and understanding. The HLPF chaired by the President of the Federal Republic of Somalia and co-chaired by the UN Special Representative of the Secretary-General, has provided a useful platform for dialogue on some of the interrelated thematic areas and Compact implementation and oversight.

3.2.2. How inclusive has the new architecture been, including in incorporating and meeting the needs of Somalia's existing and newly emerging federal member states, and ensuring a voice for civil society, women and key interest groups, including the private sector?

In terms of inclusion, the new architecture has been most successful in responding to emerging FMS. Much support has been provided to the federal state formation process and the Compact has provided a forum for dialogue between FGS, DPs and emerging FMS representatives, with some financial support to enable consultation mechanisms. This continues to be a work in progress and the negotiations around the new constitution have been slow. There have been deliberate efforts to engage women and civil society but these have been limited. Part of the problem has been the practical challenges of ensuring effective participation. As was clear from the consultations, the greatest weakness has been on effective private sector engagement. Although some representatives have started to attend some meetings, there is no real sense of the private sector acting as a strategic partner.

3.2.3. To what extent has the Compact succeeded in building trust between Somalia and its donors, and establishing a shared set of goals and values to support the country's recovery and development?

The Compact does appear to have helped to build trust, although this is still a work in progress.¹¹ Compared to the period immediately after the Compact was signed, there is now a much better mutual understanding by FGS, the FMS and DPs of what is possible and how to achieve it. While there has been progress in setting common goals, targets and milestones, much more work needs to be done together on identifying and overcoming the implementation challenges. There is also a greater recognition that sound PFM processes are required to build trust.

3.2.4. What progress has been made in operationalising the FOCUS and TRUST principles that underpin the New Deal?

There has been varying success in operationalising the five FOCUS and five TRUST New Deal principles, but overall progress has been impressive (Hearn and Zimmermann, 2014).¹² In terms of the five FOCUS principles, there has been no progress on conducting a country-led Fragility Assessment but the development of the NDP demonstrates clear progress on 'One vision, One plan'. For the other three principles, Somalia is one of the world's leading examples in utilising a formal 'Compact', 'Using PSGS to monitor progress' and 'Supporting political dialogue and leadership'.

Concerning the five TRUST principles, Somalia has good systems for analysing aid flows and so ensuring 'Transparency' of aid flows. The Norwegian Special Financing Facility was the precursor to projects scaled up under the World Bank Multi-Partner Fund and was one of the most ambitious experiments attempted at 'Risk sharing'. Increasing the 'Use of country systems' has been the top priority of FGS (as is the case in many g7+ countries). But all parties recognise there is much more progress to be made here. The Norwegian Facility revealed what could be done but also the challenges involved. The limited progress is perhaps unsurprising¹³ given the very limited PFM capacity at the outset of the Compact (no assessment for more than 10 years), the absence of an IMF programme that normally sets the timetable for a PFM reform programme and provides a focus for multi-donor

efforts, and the continuing evidence of fundamental weaknesses in the system.¹⁴ The Somalia Compact Progress Report 2015 noted less than 10% of development aid was channelled through the federal treasury. However, the creation of a working group on use of country systems seems to have helped increase focus on the issue while the impressive Somali Roadmap has also increased the use of country systems and clearly sets out the actions needed by FGS and DPs.¹⁵ However, the degree of collective DPs' ownership commitment to the roadmap is unclear. While the Compact provides a clear focus on what was needed to Strengthen capacities, milestones in capacity-building have not been achieved and most FGS and DP representatives interviewed referred to these efforts as being unsuccessful. The strategic objective to 'strengthen basic sectoral and core government functions in support of the establishment of a responsive, inclusive and accountable public sector' has proved particularly elusive, demonstrating the very long-term nature of rebuilding the public sector. Evidence on the timeliness of aid in Somalia is also patchy. The partial GPEDC assessment notes that the year-ahead predictability of aid in Somalia is close to 90%, which is better than the global average, while the medium-term predictability in Somalia is better than in Ethiopia and close to that achieved in Sierra Leone (see Table 1).

3.2.5. To what extent has the Compact been successful in establishing a framework of mutual accountability between the Somali Government and the international community, and ensuring that all parties deliver their commitments under the terms of the deal?

The Compact and the Partnership Principles (PPs) within it provides, on the surface, a clear formal framework for mutual accountability between FGS and DPs. Compared with other countries (GPEDC, 2016), the only possible gaps relates to involvement of non-executive stakeholders¹⁶ and full publication of the results. While incomplete, there has been some monitoring and publication of the results of the Compact and Monitoring Principles, with two annual progress reports circulated, the latest of which included the assessment of the PPs.

What is less clear is the degree of commitment to the framework by both sides. The FGS is clear that there needs to be a more meaningful consultative process and remains

11 This is clear from the interviews conducted. See 'Summary of FGS, DP and NGO consultations' paper for more details.

12 The paper notes there has been a paradigm shift in DP rhetoric and identified some new practices being introduced to give effect to this.

13 The results from the latest Global Partnership for Effective Development Cooperation (GPEDC) survey for 2015 are, unfortunately, not very useful here as the survey was only able to cover less than half of all development aid flows.

14 For example, Fartaag Research and Consulting (2016); Breaking Point in Somalia, SEMG (2016).

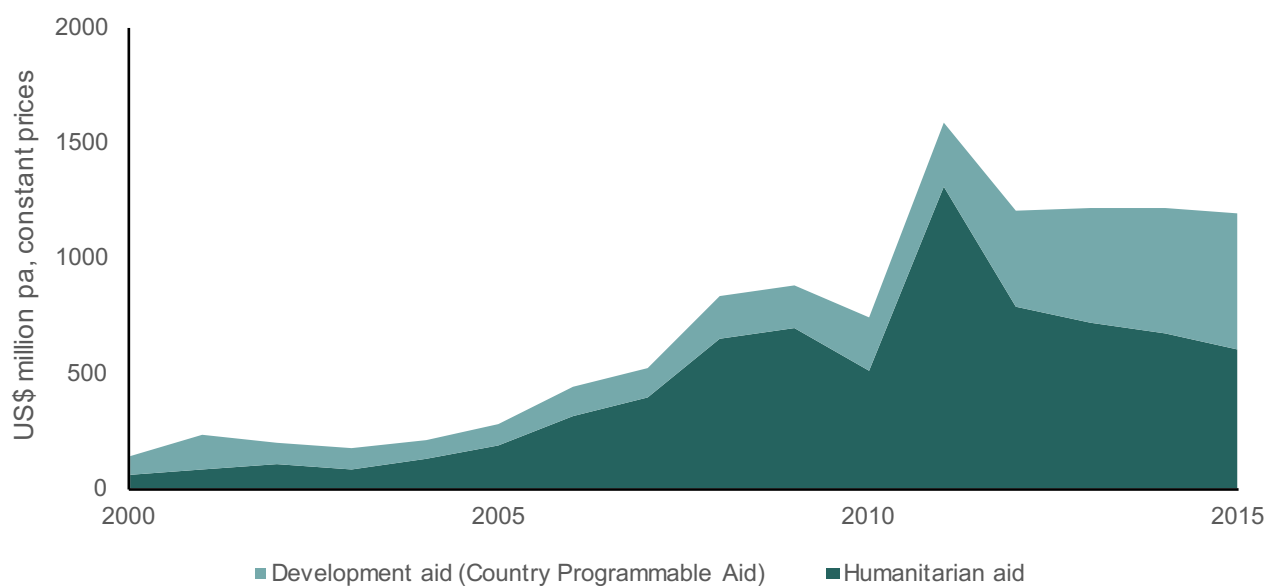
15 Latest internal projections suggest an increase to 13% in 2016 (which is close to the target of 15%). Some increase is expected due to new on-treasury spending by Saudi Arabia, the EU and UN, and continued disbursements from the WB MPF.

16 For a definition, see GPEDC Monitoring Survey 2016.

Table 1: Assessment of progress on FOCUS and TRUST principles

New Deal Principle	Rate of progress				
	Worst				Best
	Significantly less than expected	Less than expected	As expected	Better than expected	Significantly better than expected/global leader
Fragility Assessment	■				
One vision, One plan			■		
Compact					■
Use of PSGs to monitor				■	
Support political dialogue					■
Transparency				■	■
Risk sharing				■	
Use and strengthen country systems		■			
Strengthen capacities		■			
Timely and predictable aid			■		

Figure 1: Levels of humanitarian and development aid over time



Source: ODI calculations based on UN OCHA and OECD data.

to be convinced that DPs are willing to be measured by results.¹⁷ And while DPs are clear that there have been positive moves towards mutual accountability, precise lines of accountability within FGS remain unclear.

3.2.6. How successful has the Compact been in attracting donor financing for Somalia's recovery, providing this in a form best suited to Somalia's needs and creating the conditions for increasing domestic revenues, inward investment and re-engagement with the International Financial Institutions?

Many DPs cited the impact of the Compact as being a key factor in their decisions to sustain increased levels of long-term development funding. They note that the annual meetings have focused high-level political attention on Somalia, and the Compact reports have helped highlight the progress Somalia has made. Aid flows have significantly exceeded the headline amounts pledged at the Brussels conference.¹⁸

Since the Compact started, there has been no discernible change in overall volume of aid, but an increasing share has been provided in the form of long-term development aid. Over the last 15 years, there was a large increase in aid to Somalia, increasing six times in real terms since the early 2000s. Aid volumes have plateaued more recently. In the past, much of the increase has been in the form of humanitarian aid, with a spike in 2011 in response to the crisis that year. Recently, the increase was in forms of aid focused on long-term development. The most useful measure of this is country programmable aid.¹⁹ This only includes aid that can be programmed within the country and/or is spent within the country. It excludes humanitarian aid, debt relief, donors' administration costs and support for students/refugees in donor countries. It is encouraging to note this form of aid now nearly matches total humanitarian aid (see Figure 1). While it is difficult to assess the role of the Compact in this change, such a change is consistent with the hypothesis that the Compact has resulted in increasing confidence of DPs to engage more directly with the FGS.

Even in 2015, when global levels fell by 10%, country programmable aid flows to Somalia still increased. Country programmable aid flows are now \$55 per person, just above the average (median) for all low-income countries.

However, latest OECD projections show a 10% decline on average over the next four years. The reasons for this are not clear but may in large part reflect falling global levels of aid. As a result, aid flows to Somalia will still be much lower than some post-conflict countries that have received flows of more than \$100 per person (see Figures 2 and 3).

In contrast, progress on increasing domestic revenue has been much slower. Unlike other countries, there has yet to be a marked pick-up in revenues as a proportion of GDP. This partly reflects the long duration of conflict in Somalia and its geographical extent. Further complications include ongoing corruption and the yet to be concluded constitutional discussions needed to establish and define revenue sharing arrangements. The low level of support from donors is also problematic. As a consequence of all these challenges, there is little in the way of a coherent revenue generation strategy. Until there is clarity on strategy, revenue sharing and other key fiscal decisions, there is a risk that the potential benefits from investment in oil and gas, fisheries and the associated public and private investment strategies will not be maximised.

Progress on inward investment is less clear. Latest figures suggest that both remittances and foreign direct investment have been sizeable and relatively constant over the period of the Compact, although some increase is expected in 2016 and 2017 (IMF, 2016). What is striking is that foreign direct investment has been slightly higher than development aid throughout the period of the Compact. Even more notable is that remittances have been twice as large as development aid, averaging \$1.3 billion per annum. The combined total of private flows has been close to \$2 billion per annum every year, considerably more than the total aid flows, including humanitarian aid. This is in marked contrast to other countries that have just emerged where aid flows tend to be much larger than private flows.

The Compact would appear to have played some role in the re-engagement of the IFIs. Some DPs are clear this has been a critical factor in their engagement in SRDF mechanisms. The Compact has provided evidence to IFIs of FGS and DP commitment to a declared programme. Whatever the extent of the role, the pace of their financial re-engagement has been slow. An IMF Staff Monitored Programme was only agreed in April 2016 and there is still no clear agreed timetable for the critical issue of clearing arrears. Until this happens, Somalia's access to IFI financing will be severely constrained.

17 For example, a timetable for delivering new financing mechanisms.

18 Total pledges at the Brussels conference in September 2013 amounted to 1.8 billion euro, equivalent to \$2.4 billion using the exchange rate at that time. The pledges covered the four-year period 2013-2016. In the first three years, total aid flows have been \$3.6 billion and the total for the four years is expected to exceed \$4.2 billion. Source: <http://eeas.europa.eu/archives/new-deal-for-somalia-conference/about.html> and OECD/OCHA aid data (covering both CPA and humanitarian aid flows).

19 Country programmable aid only refers to official transfers and so does not include private transfers such as remittances.

3.3. Looking to the future

3.3.1. To what extent has the current Compact helped Somalia prepare for a longer-term development architecture?

There is a general recognition that the Compact has proved useful in terms of Somalia's future development architecture. All FGS respondents stated that the Compact has helped the Government prepare for long-term developmental progression, particularly with an increase in institutional capacity. Respondents stated they had learned a lot in the process. While most noted that the value of the architecture put in place has the potential to increase as 'we are now seeing the fruits of the various systems'. All DPs noted that the Compact has had positive impacts on preparation for longer-term development architecture, including: setting the basis for sectoral coordination, creating working groups, scheduling discussions on a monthly basis, fostering regional participation, setting common goals and linking to the consolidated financing structures through the Multi-Partner Trust Funds (MPTFs). CSOs also thought that the Compact has helped with learning about processes and consultation. But delivery is still a work in progress.

More broadly, the experience of the last three years with the Compact gives Somalia a unique understanding of the impact of such an arrangement. The key achievements, challenges and lessons learnt are summarised and outlined in Box 4.

3.4. Options for the format of a renewed partnership

3.4.1. Based on the progress made with the current Compact, the challenges identified and the lessons learned, what options are available for the renewal of the partnership between Somalia and the international community from 2017 onwards and, based on a SWOT analysis, what are the pros and cons of each?

The experience of the Compact suggests there is a strong case for renewing the partnership drawing on the NDP as the key new element. The NDP has long been the missing element of the New Deal in Somalia. New Deal Compacts were always intended to be linked to a country's 'One vision, One plan'. Most FGS respondents agreed with the current aid coordination structure, but stressed the importance of a renewed partnership allowing the Government increased space and leadership to decide

on priorities, as well as focusing on and investing in the NDP and the government's own decision-making bodies. All the DP respondents noted the importance of building on the successes and lessons of the Compact. Most DPs stressed the importance of focusing on the nationally defined priorities set out in the NDP. Almost all partners have accepted that a new partnership arrangement would be helpful. Moreover, the FGS, DPs and CSOs have all identified areas that merit further consideration and/or improvement in any new partnership arrangement. These areas are discussed in more detail in Section 4.

The NDP covers all sectors and identifies priorities within these sectors but has not yet sought to identify which priorities, across all the sectors, could be afforded over the next few years. The NDP is linked to several other documents, including specific sector strategies (health, education), the IMF-staff monitored programme (SMP), PFM Action Plan, Use of Country Systems Roadmap, the Humanitarian Response Strategy, multiple security plans, the Wadajir Framework²⁰ and other emerging initiatives. These initiatives are not all perfectly in synch: for example, the IMF SMP runs from May 2016-April 2017, the HRS runs from 2016-18. None of these documents offer a single place for all the highest priority interventions agreed by all to ensure the country stays on the path to long-term peace and state-building during the ongoing political and economic transition. The new agreement could help solve this problem. Additionally, it could continue to identify the key elements of the partnership approach framing the relationship between the Somali people, their representatives and the international community. All the activities referenced in the NDP have yet to be prioritised within the context of the likely financial resources. Undertaking such a prioritisation process is a challenge in all countries, and is rarely achieved in a country's first plan. Indeed many countries use a medium-term budget process to prioritise the NDP, at least for the first years of the plan.

Another feature of the NDP is that it has a very different balance across the sectors compared to the Compact. While it does include security, the references to it are relatively brief²¹ and mainly cross-referenced to the National Security Strategy/Policy. Other compacts e.g. in Afghanistan, have similarly not achieved coherence between security and other sectors, and one could argue that this has contributed to both lower security and slower development than if a more connected approach had been adopted. One risk in Somalia is that security and development could end up being treated through separate documents and processes at a time when ensuring coherence is arguably even more important than in the past.

20 The Wadajir Framework is the first national government programme to be fully planned and prepared by the Somali Government. It is a holistic community-owned and led process leading to the formation of permanent administrations at both the district and regional levels.

21 The second Peace and Statebuilding Goal, security, is covered in four pages. The fourth and fifth are covered in 81 pages.

While the NDP should clearly be a new key element, there are a range of options as to the precise relationship with a new partnership agreement. The three stylised options below are not designed to act as detailed blueprints but to illustrate the possible range and reveal some of the relative strengths, weaknesses, opportunities and threats (SWOT) of each.

One option is for the partnership agreement to be just a relatively short, focused set of partnership principles and development commitments embedded in the NDP. While the content would need to be jointly agreed by FGS and DPs, it could then be included as part of an update of the NDP. As a result, ownership of the agreement would clearly rest with the Ministry of Planning. Successors to the PSG working groups, which could be more closely linked to key sectors and thematic areas, could enable FGS and its partners to agree short-term priorities for investment and policy and adjust these flexibly as conditions change.

A second option is to have a separate Mutual Accountability Framework (MAF) that sits alongside the

NDP. This could be a side partnership agreement between FGS and DPs that sets out how both parties intend to work together and would include specific mutual accountability commitments. As this would be a more wide-ranging document, it would involve a wide range of ministries and might therefore need to be coordinated by the Prime Minister's office. The core of such a new Partnership Agreement might consist of:

- The NDP, suitably updated post-election and politically endorsed to provide a foundation for the Partnership Agreement and a mutual commitment to its overall objectives to be agreed. The new Agreement would therefore draw its highest priorities from the Six Pillar Programme of the FGS, and further refine these priorities through further consultation. The objective would be to ensure clarity on how the FGS and the DPs can best maintain focus and track progress on the political 2020 and security tracks.

Table 2: Options for the format of a new Partnership Agreement

Illustrative options for the format of any new Partnership Agreement(s) SWOT analysis	
Strengths	Weaknesses
NDP-embedded Partnership Principles: emphasises government leadership and ownership; keeps focus on NDP and seamless integration; avoids multiple plans, strategies and parallel donor plans and agreements.	NDP-embedded Partnership Principles: focus on aid would likely limit direct engagement in politics and security or humanitarian and development coordination. Many countries have allowed PPs to lapse. Without specific commitments and benchmarks, they can be too vague. Not yet clear what the level of support from emerging FMS is for the NDP.
Separate MAF agreement: emphasises mutual accountability with clear commitments and timescales; can be revised whenever both parties consider this appropriate; strong emphasis on use of country systems, and national capacity development; more nuanced understanding of the 'mutual' in mutual accountability.	Separate MAF agreement: may lack sufficient ownership at highest level within FGS/emerging FMS; may be too technically focused with insufficient focus on top political priorities; FGS lacks any redress if DPs do not deliver on commitment; only focuses on relationship between FGS and DPs.
High-level Compact-style agreement: emphasises need for high-level political commitment; can leverage formal detailed commitments in New Deal by 50 DPs (including all UN agencies); could focus attention on limited number of priorities with clear milestones; engages with much wider group of Somalis than just FGS.	High-level Compact-style agreement: breadth risks overly complex dialogue structures and becoming a talking shop; difficulties in negotiating limited priorities with all stakeholders.
Opportunities	Threats
NDP-embedded Partnership Principles: include lessons from many countries to draw on; may be able to increase ownership for both the PPs and the NDP by bringing in the FMS.	NDP-embedded Partnership Principles: donor fatigue with such principles in general, a feature of pre-Busan approaches to aid, tied to the success of the NDP and level of FMS/DP commitment to NDP.
Separate MAF agreement: new engagement/coherence on humanitarian and development; can integrate NDP and budget processes; able to translate well-agreed general principles of aid coordination into operational solutions adapted to Somalia; could incorporate/reference other agreements/plans e.g. IMF programme and PFM Action Plan, PEFA reviews and AMISOM withdrawal.	Separate MAF agreement: can be interpreted as a conditionality and a western imposition or a one-sided contract; difficulties in reaching consensus among DPs may result in a long list of priorities.
High-level Compact agreement: provides high-level forum for debate and dialogue; provides transparent framework at highest level; opportunities to increase engagement of civil society; new government and new parliament in 2017; can oversee progress on MAF and PPs; allows risk tolerance and risk management to have a higher profile.	High-level Compact-style agreement: associated with 'fragile' states and past perceptions of lack of delivery under old Compact; may not get cooperation from humanitarian community (although they are formal signatories to the New Deal); prioritisation will be challenging; associated with outgoing UN Secretary-General.

- Agreement on a limited number of Partnership Principles and commitment to the use of national country systems.
- Renewed commitment to the SDRF financing structures and any newly desired funding mechanisms.
- Predicted Aid Flows and commitments thereto, noting that the aid flow analysis provides data for monitoring PPs, including Use of Country Systems (UCS).
- Revisions to the Aid Coordination/Management structure (HLPE, SRDE, NDP Pillar WGs) and some new forms of engagement with parliament, civil society and the private sector.

A third option is to have a broader Compact-style agreement that encompasses the full breadth of FGS, emerging FMS and DPs partnership. This could be a relatively short document which sets out a few very high-level goals and which could place much greater relative emphasis on political and security issues than the NDP currently provides. It would be designed to ensure that it could be readily communicated with the Somali public. It could also more easily tackle humanitarian coordination issues, where governance reasons limit the extent to which these can be controlled through the NDP. The responsibility for delivering on this within the FGS could rest with the Presidency.

Any high-level agreement should not be bound by the New Deal framework, although this might provide a useful checklist. The value of the agreement is contingent on the content being entirely Somali-led and Somali named. To be effective, it will take some time to emerge. Two issues are already clear from the elections: the need for overall political settlement and security. Two more are clear from the repeated emphasis in past FGS-DP dialogues: finance (especially debt relief) and corruption. The standard New Deal recommendation would be for the content to emerge from a country-wide fragility/resilience assessment. While the precise process is a judgment call to be made by the new FGS. Given the challenges that other countries have faced in translating fragility assessments into policies and

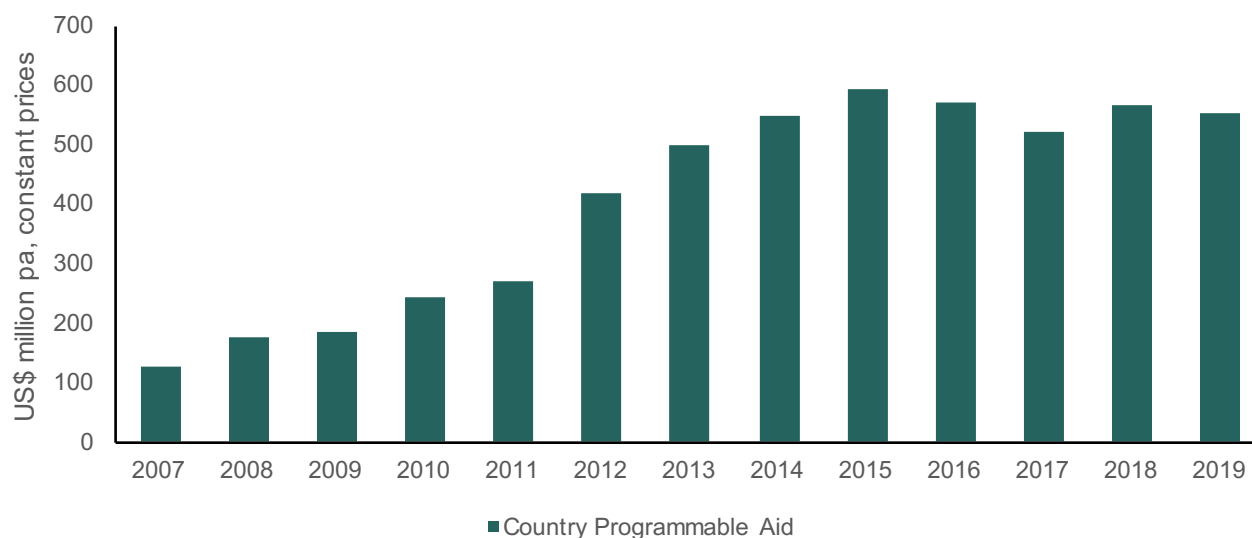
the extent of past assessments in Somalia, albeit mainly conducted by external actors, the new FGS may not judge a fragility/resilience assessment to be a priority.

While the content can only be Somali-led, DPs would be expected to engage on its scope. Ideally, the high-level agreement should capture the two or three most pressing issues from DPs' perspective for any dialogue at the highest political level. On the basis of past dialogue, prioritising concerns into only two or three issues will be challenging. In the past, these have included issues as diverse as taxation, service delivery, corruption, counter-terrorism and migration. It would be helpful to be clear at the outset of the process that any high-level agreement would not be a matter of negotiation and is not to be understood as a contract with conditions. The high-level agreement would be a mutual agreement on issues to review progress and for discussion. Any commitments would be ones that the FGS had already committed to the country based on its assessment of what was realistically achievable. The long history of aid shows that conditionality does not work. No amount of aid can buy fundamental reform, especially at the level of political settlements and sharing of resources. Aid can only support reform. Pressing too hard simply risks 'isomorphic mimicry' – systems that only have the appearance of what was committed but do not deliver on the function required.

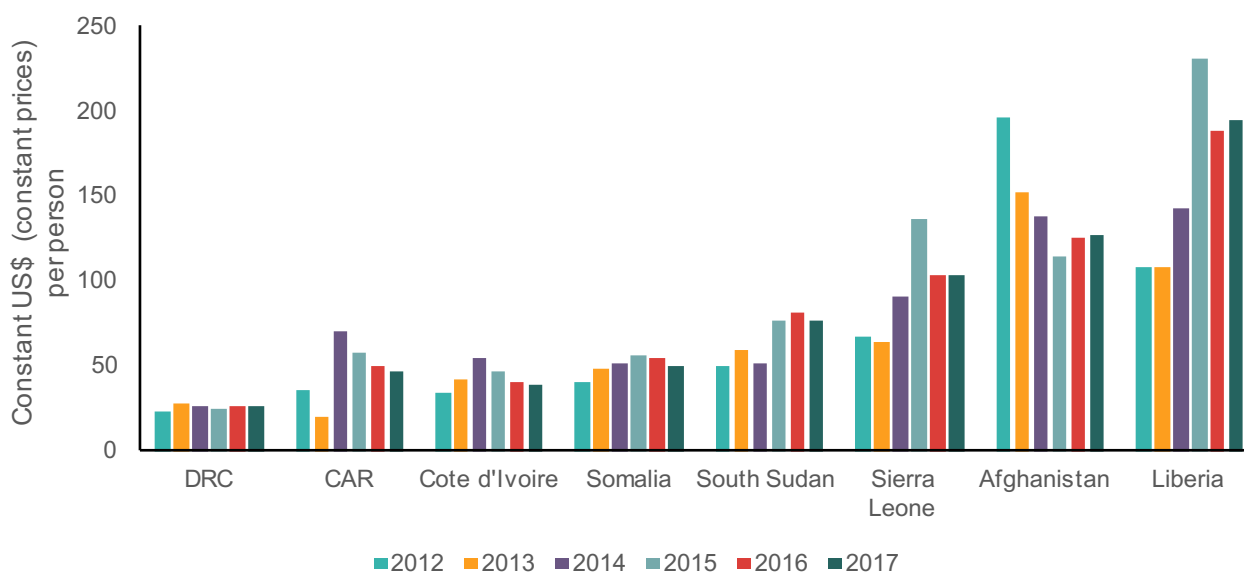
These three stylised options for a future Partnership Agreement are not mutually exclusive. Indeed, it would be possible to have all three in some combination. Their relative strengths, weaknesses, opportunities and threats (SWOT) are set out in Table 2. Whatever the precise content, one of the team's key proposals is to disaggregate the current Compact. This one document has had to cover too much, as evidenced by its 20 priorities and 54 milestones. It would be better to have three documents that speak directly to three levels of future engagement by DPs: (i) support for NDP implementation; (ii) all forms of support to Somalia; and (iii) dialogue on key issues at the highest political level.

Figures 2 and 3: Predicted levels of country programmable aid over time and in comparison to other post-conflict countries

Development aid to Somalia has increased, but no further increases are expected



Somalia development aid compared to other post-conflict countries
(Country Programmable Aid)



Source: ODI calculations based on OECD data.

Box 4: General review of compacts II

Achievements

- Unlike many other countries, the Somalia Compact has lasted its full term.
- The approach of the Compact has been comprehensive, seeking to fully engage with all five peace and statebuilding goals.
- In terms of inclusion, the new architecture has been successful in responding to emerging FMS.
- The Compact has helped to build trust. It has provided a valuable and transparent framework for mutual accountability between FGS and DPs, and the fundamental basic requirements of any successful Government-Development Partner dialogue.
- All parties agree that the Compact processes are much better than the position before. There has been clear progress on many of the New Deal FOCUS and TRUST principles, and in some cases this progress has been impressive.
- Many DPs cited the impact of the Compact as being a key factor in their decisions to sustain increased levels of long-term development funding.
- The Compact appears to have played some role in the re-engagement of the IFIs, and in beginning the process of obtaining debt relief.
- The SDRF is becoming an effective new funding mechanism, despite donors not using it to the fullest extent.

Challenges

- Concerns about the effectiveness of the Compact and progress on the multiple milestones.
- The most critical overarching issue affecting effectiveness has been the exceptionally challenging context.
- The most substantive and repeated concern has been the lack of visible impact in terms of new infrastructure.
- Coherence and over-ambition have also been significant weaknesses, especially in humanitarian and development efforts.
- The dialogue processes of the Compact are viewed as unduly burdensome and fail to provide space for substantive real engagement.

- Progress has been too slow in tackling core financial governance issues such as PFM, corruption and increasing domestic revenues.
- Progress on arrears clearance has been very slow.
- DP use of country systems is still very limited.
- The private sector and civil society have been insufficiently involved in the Compact.
- Although gender and capacity development have been cross-cutting issues in the Compact, evidence of significant impact in these areas has been uneven.
- The Compact has become the public focus for concerns about lack of tangible improvements in ordinary people's lives.
- The SDRF has only just started to work at scale.
- The degree of commitment to the mutual accountability framework is unclear by both sides.

Lessons

- Many of the lessons are similar to the key findings in other countries.
- Context matters. Progress is hard in the absence of basic security and a stable political settlement.
- Compacts generally improve coordination but with high transaction costs and slow movement towards coherence of policies involving development, humanitarian, security and political actors.
- Success in any one of one of these areas is unlikely to be sustained without success in other areas.
- In Somalia, a longer time to prepare would offer the opportunity for greater country ownership and broader participation.
- A narrower list of agreed priorities and shorter timelines, focused on the issues of greatest concern and the linkages among them, might have increased the relevance and effectiveness of the Compact.
- The overriding lesson is that despite the exceptionally challenging context and all its frustrations, the Somali Compact has proved useful and all parties want to continue with some form of partnership agreement.

4. Additional issues for any new Partnership Agreement

Whatever the format of any new Partnership Agreement(s), a key challenge will be to decide which issues to focus on. The Compact itself already provides a rich agenda. Based on the team's analysis of the Compact and lessons from other countries, four other key areas have been identified:

1. Stronger focus on private sector issues, especially infrastructure, private sector development and domestic revenue mobilisation.
2. Renewed focus on ensuring all efforts are integrated and coherent, especially humanitarian and security issues, but also across PSGs/new NDP pillars.
3. Faster progress on core financial and governance issues, in particular PFM, corruption and debt as well as prioritisation across all sources of external support.
4. Improved consultation processes, especially resolving current tensions and developing stronger monitoring and evaluation processes.

The rest of this section summarises the case for these four different areas, the potential issues relating to each, as well as possible ways of addressing them. The issues and the possible ways of addressing them are presented as a menu of options. The choice of which issues to include and how to address them can only emerge from a period of reflection by Somalia in dialogue with DPs. One of the key lessons from other countries and from analysis of Somalia's own experience, is the importance of being highly selective about which issues to include in any PA.

4.1. Stronger focus on private sector issues

4.1.1. Stronger prioritisation of infrastructure²²

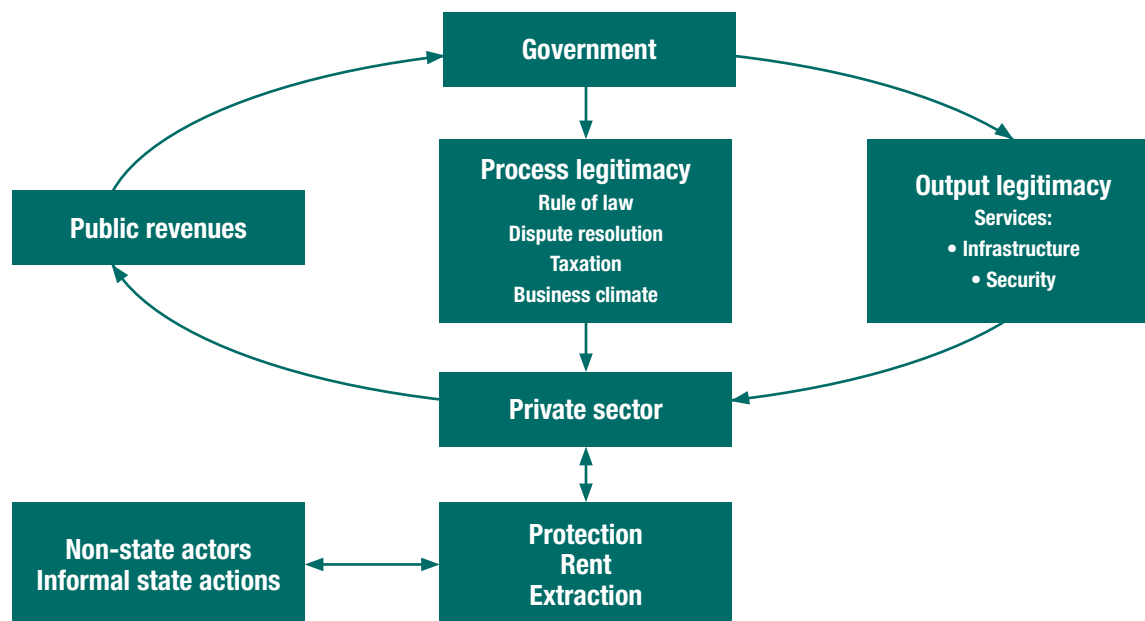
Despite being a priority in the Compact, there has been insufficient progress on infrastructure. The NDP will help provide a better basis but additional changes will still be needed. Possible new ways for better developing infrastructure are set out in detail in the 'Infrastructure case study' and include:

- Developing a strategic system-based and Somalia-wide approach to infrastructure prioritisation, which acknowledges security and political stability objectives as well as development.²³
- Identifying the first set of projects that are affordable within a realistic five-year financial envelope. The needs assessments imply \$364 million will be needed each year, but only a fraction of this amount is likely to be available in the early years.
- Focusing more on delivering immediate sustainable infrastructure services, including through use of novel (e.g. non-state) modalities for project design and implementation, and engagement with the private sector.
- Focusing more on simple arrangements for getting things done, such as lining up sufficient finance and establishing common programme management units for key ministries (and focusing less on transferring institutional structures that are not appropriate in Somalia's current context).
- Identifying 5-10 priority or flagship projects on a fast-track basis with regular high-level oversight by FGS and DPs to ensure adherence to timetables.

22 For more detail, see full case study in 'Annexes to Main Report'.

23 Building on African Development Bank's current Strategic Infrastructure Fund Pipeline.

Figure 4: Initial low-level equilibrium



4.1.2. Deepening engagement with private sector development²⁴

The PSD programmes within the Compact have been well-designed and should broadly continue. However, there are several issues that merit attention in the future:

- Working with the grain of the political economy of PSD. As highlighted in a recent ‘Independent Evaluation Group’ paper (World Bank, 2013), investment climate reforms are necessary but not sufficient conditions for PSD in post-conflict contexts. In practice, such reforms have proven difficult, not least because of the economic interests created during conflict.
- Focusing legal and regulatory reforms on where there are substantial efficiency and health and safety gains, which also support peace. This implies a problem-driven, problem-solving approach to reform that looks at the kinds of issues that Somalia faces e.g. mobile phone interconnections between operators, animal health to promote livestock exports, assuring the quality of fish going to domestic or export markets, and broadening access to impartial, predictable and low-cost dispute resolution.
- Getting the private sector up to scale. The likely impacts from the current programme are significant but still small in relation to the challenges faced by Somalia. Several million new jobs are needed to consolidate peace – not simply a few thousand. Design of current programmes needs to be adjusted in light of experience and then taken rapidly to full scale. Project results and experiences need to be reviewed in real time so that successful projects can be quickly scaled up with finance that is seamlessly available.
- Developing the capacity of the local private sector.
- Developing a more coherent approach to PSD might involve a more strategic dialogue among the Government, private firms and development partners, a more unified approach to creating a national programme for PSD, and a special coordination arrangement for PSD (e.g. a PSD thematic coordination group) that brings the key actors to the table and feeds into other coordination processes.
- Giving special attention to private sector investment in infrastructure.
- Mobilising more private finance for small and medium-sized enterprises. Investment financing by diasporas could be as much as \$460 million per annum. At present, most remittances support the consumption of households – as many as 40% of households in Somalia are dependent on remittances – and about a third of remittances go to investment.²⁵ It would seem worthwhile to consider what additional steps could be taken by the Government and its partners to increase the flow of remittance money for investment, especially through measures to lower the political and security risks to diaspora investors and to lever these funds through matching grants and other financial instruments.

²⁴ For more detail, see the full case study in ‘Annexes to Main Report’.

²⁵ For more detail, see full case study in ‘Annexes to Main Report’.

4.1.3. Stronger prioritisation of domestic resource mobilisation

Somalia's level of domestic resource mobilisation is exceptionally low. More and better aid is part of the solution. Past experience shows that relatively modest international support for a developing country's tax authority can have a dramatic impact on its ability to raise revenues. This is not just a question of raising revenue. The tax system should also promote inclusiveness, encourage good governance and promote investment and job creation.

However, the real challenges for domestic resource mobilisation are not technical but political. One immediate challenge is to clarify the respective roles of the FGS and the FMS. There is a need to reach preliminary agreements on revenue sharing and natural resource management, as well as harmonise regional and federal revenue policies and principles. The fundamental challenge is the willingness of taxpayers to contribute. Taxpayers are more likely to contribute if they can see the government is committed to delivering the services they see as a priority. Progress on improving PFM and tackling corruption is, therefore, critical as taxpayers want to have confidence that their payments will result in better services. Taxpayers will also take note of the extent to which DPs are using FGS/emerging FMS payment systems. If DPs do not trust the systems, taxpayers are unlikely to either.

4.1.4. Compact with the private sector

At present, Somalia is caught in a low-level equilibrium where the government has insufficient revenues due to a low tax base and cannot deliver effective services such as infrastructure. The tax base is inadequate because potential taxpayers in the private sector do not wish to pay taxes for non-existent or low-quality services. Some services, such as protection of property, are provided informally in return for economic rents from the private sector (see Figure 4). Breaking out of this low-level equilibrium could involve the compact between the private sector and the government for payment of taxes and fees in return for services. However, the virtuous cycle shown in Figure 5 cannot take place unless the private sector starts paying taxes in expectation of better public services in the future. This may not be a credible bargain however, and therefore some outside party such as an IFI could provide finance to jump-start investment in critical areas, such as infrastructure. However, IFI financing would require clearance of Somalia's arrears to the IFIs, which in turn is connected to increased government revenues. All of the issues – taxes, revenues, service delivery, investment and IFI

arrears clearance – are related, and without a compact that involves all the parties this complex problem is unlikely to be resolved.

One way out of this trap would be to develop a formal compact between the government and the local business sector. A risk of transition compacts like the Somali Compact is that the effort of the Government is oriented towards agreement with international partners, and that critical dialogue with local stakeholders is given a much lower priority. Given the legacy of predatory government in Somalia (Menkhaus, 2007) and the apparent success of the government-private sector compact in Somaliland,²⁶ consideration could be given to a dialogue between the government and the local business sector to bring about a compact between them. Such a dialogue would seek agreement on removing key regulatory, administrative, and financial and infrastructure constraints on business activity, as well as tackling broader issues of taxation; payment for services; regulatory compliance and harassment; legal, regulatory and administrative reforms; and delivery of public services. The outcome of such a dialogue could be an agreement with mutual obligations and accountabilities (North et al., 2009).²⁷ Ideally, such a compact would be agreed by Somalis alone. A compact with the private sector could underpin future public revenues since the business sector and elites account for a significant proportion of tax revenues, duties, fees and user charges. It would be a building block of the social compact or political settlement that underlies the new Somali state. Civil society organisations beyond the private sector should be included in such a compact, as well as in any higher level agreement that follows the existing Compact. A compact with the private sector could be critical in sectors such as electricity, ports and civil aviation where there are high investment and operating and maintenance costs. Conceptually, such a compact would be similar to the agreement reached in Somaliland between business and other elites and the Government, although the political economy of agreeing such a compact in Somalia as a whole will be more complex.

4.2. Greater focus on integration and coherence

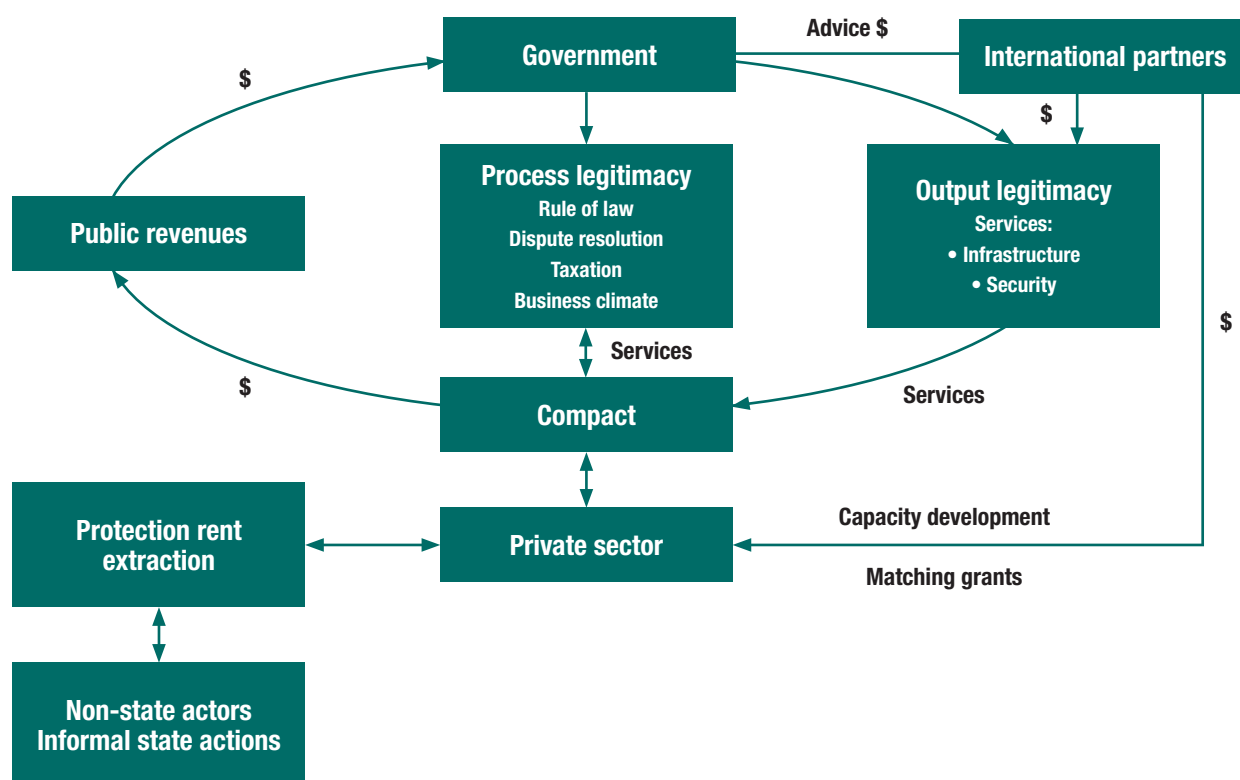
4.2.1. Coherence and connecting of humanitarian and development efforts

Many countries are seeking to improve the coherence of humanitarian and development efforts. This is a particularly pressing issue in Somalia where humanitarian

26 See <http://www.cgdev.org/publication/peace-building-without-external-assistance-lessons-somaliland-working-paper-198>.

27 Essentially, this would be an elite bargain. It could also contribute to 'rule of law among elites', one of the three doorstep conditions of the paper for transition to an open order polity.

Figure 5: Revenue and services – the virtuous cycle



assistance still accounts for nearly half of the total aid received. At the May 2016 World Humanitarian Summit (WHS), participants committed to bringing coherence to humanitarian and development efforts. All the principal UN humanitarian organisations committed to the Agenda for Action put forward by the UN Secretary-General. Including humanitarian assistance in the post-Compact architecture arrangements would be consistent with the WHS Grand Bargain, while the Compact monitoring arrangements would improve the transparency and accountability of humanitarian provision of services that would, ultimately, transition into the regular institutional framework of Somalia.²⁸ One of the key drivers is the central issue of humanitarians delivering public services in ways that are currently unsustainable without donor funding. Continued progress on stability and the transition to a more regular economy will require humanitarian actors to think about how they work with development actors; how they hand over responsibility of service delivery to national, sub-national and local actors; and how service delivery that uses donor finance is included in the budget. All this will be difficult if humanitarian organisations operate in their own silos. The positive trend towards greater coherence across

humanitarian-development-peace issues requires piloting new delivery platforms and approaches that focus on supporting resilience at both the country and local levels. Somalia is a prime candidate for testing how the humanitarian caseload can be reduced by linking the most vulnerable people to developmental solutions. Existing humanitarian platforms that could be reconfigured and consolidated, and should be encouraged to do so with the cooperation of the government and local authorities.

One practical challenge that will need to be navigated is how any change in humanitarian activities fits with International Humanitarian Law, particularly the principle of independence, as the Somali state takes on its responsibilities related to service delivery. This will require detailed consideration that is beyond the scope of this review. DPs have identified that resilience-building and disaster-proofing may be possible approaches; this requires a credible and supported government partner. Other options include using innovative new practices such as the UN MAPS initiative and piloting projects that aim at joint analysis and planning of humanitarian and development efforts for ‘collective outcomes’ of the Sustainable Development Goals (SDGs). Displacement and durable resilient solutions could function as a ‘pilot’ topic.

²⁸ Financing of sudden onset crisis response e.g. to natural disasters, could be done through normal coordinated appeals.

A new partnership agreement could be rooted in an assessment of how the FGS, humanitarian and DPs will:

- Use resources and capabilities better, improving SDG outcomes for Somalia in situations of risk, vulnerability and crisis, clarifying what currently is development and not humanitarian, and thus shrinking humanitarian needs over the long term, while simultaneously increasing development aid.
- Galvanise new partnerships and collaboration, such as through the private sector, local actors or Multilateral Development Banks, which provide additional capabilities and resources in support of achieving collective and measurable outcomes for Somali communities. The FGS needs to continue to provide a supportive environment for NGOs while not reducing the space within which independent civil society can operate.
- Operationally put mechanisms in place to enhance: (i) pooled and combined data, analysis and information and MEL; (ii) better joined-up planning and programming processes; (iii) effective leadership for collectively agreed outcomes; and (iv) financing modalities to support those collective outcomes.

4.2.2. Maintaining security as a key part of any new partnership arrangements²⁹

There is a clear case for security to continue to feature in any new partnership agreement. Security has been one of the most challenging aspects of the Compact. Although one option is to drop security from any future partnership agreement, the ‘Security’ case study argues that security should continue to feature because:

- other sectors continue to have vital interest in security;
- at the margin there are security trade-offs between investment in development and security sector investment, i.e. it is better to ‘win hearts and minds’ where possible than resort to military force;
- progress on security – as in many other sectors – will depend on effective relations between FGS and FMS and their emerging political settlement;
- it may be difficult for some aspects of security to be appropriately covered through the structures around the NDP;
- financial issues will be key to any successful transition to sustainable and effective FGS security institutions; and
- many of the challenges in the security sector are political, not technical and will need agreement at the highest level for progress to be made.

All aspects of security do not need to be covered in any new PA. Different aspects are already covered by specific plans for the Somali National Army and Police. The AMISOM withdrawal is also likely to require a specific transition plan to be developed. The ‘Security’ case study would suggest it might be worth prioritising the following security elements in any future partnership agreement:

- security issues that are critical for the protection of civilians;
- security issues that are critical for political developments;
- security issues that are critical for PSD;
- security issues that are critical for enabling government to demonstrate it can provide basic infrastructure, basic services, and enable humanitarian action;
- policing issues; and
- a comprehensive consistent approach to finance issues to ensure all forms of support to Somalia are fully deployed to maximum effect.

4.2.3. Delivering more effective working across all PSGs/NDP pillars

Despite past efforts, effective working across the PSGs has proved difficult to achieve. While all PSGs are discussed at the High-Level Partners Forum, key stakeholders have flagged that there has been little debate on the interaction across the PSGs. There is clearly a case for more coordination/collaboration that achieves results greater than the sum of the individual inputs. To be effective, this will mean developing coordination along sectors and policy issues rather than simply projects. One outcome needs to be better priority setting by the SDRF Steering Committee across PSGs. There were also common problems across PSGs, including operational difficulties in working with the government. Many project-implementing partners state they do not have a ToR that includes cross-sector work. More systematic evidence would really help here to know what areas need improving the most. At the highest level, it would also seem useful to engage and debate strategic issues such as the role of service delivery and impact on the political legitimacy of the Government.

PSG chairs and co-chairs (FGS and DPs) have clear views on desirable changes, as was clear from even the limited number of interviews the team had time to conduct. This included improving qualitative outcomes and identifying improvements in sector coordination and cross-sectoral work. It might be useful to undertake a more dedicated and comprehensive set of interviews on this issue following establishment of the NDP Pillar working groups.

29 For more detail, see full case study in the ‘Annexes to Main Report’.

4.3. Faster progress on core financial governance issues

4.3.1. Public financial management and the wider public administration modernisation agenda³⁰

Greater focus on PFM and wider financial governance issues will be essential to contribute to the overall impression that governance is ‘improving’ and beginning to work for citizens. However, there needs to be agreement on the key indicators that can demonstrate this progress adequately. This means going beyond PEFA indicators and the SMP benchmarks. Top priorities include:

- synchronising support across the FGS and FMS and identifying funding gaps;
- rationalising the multiple and competing priorities; and
- focusing on fiscal stability and a strategic approach to revenue mobilisation, including through improving tax compliance, debt management, budget planning and execution, and fiscal federalism (including defining a more strategic approach to exploitation of natural resources).

The timing is likely to be better now for some DP pooled funding arrangement around a clear set of agreed priorities set out in the NDP, the PFM Reform Action Plan, and the Financial Governance Committee (FGC) reports. Contributors to a pooled fund will surely seek strengthened government fiduciary systems. Therefore, a closer look at pooling the resources earmarked for PFM and associated tasks could provide flexibility in use of resources, plug the acknowledged gaps in funding, coordinate better, help donors share risk, make more funds available for PFM, and potentially offer improved value for money.

Slow progress on the rest of the PAR agenda jeopardises progress on PFM. The other elements of PAR including civil service and administrative reform and policy management reform, must be considered as part of any overall PAR agenda or they will be left behind.

Additionally, it will be helpful to identify concrete targets through the PA on increased use of country systems, building on the work of the UCS roadmap, and focusing on the issues that will unlock aid that could then be delivered on treasury. To progress discussions on UCS, a joint FGS-DP forum should work jointly on agreeing the fiduciary risks, assessing costs and benefits of certain approaches and addressing them from the outset. This can be achieved by better assessing where risks are manageable and acceptable, where country systems can be used, and then better mitigating risk through improved programme

design and specific safeguards that can allow expanded use of government systems.

4.3.2. More effective engagement on concerns over corruption³¹

Corruption is unfortunately embedded in the politics and economics of Somalia. Economic rents obtained through political protection or derived from corruption can have some positive as well as negative impacts on stability, state formation and development.³² In addition, some Asian countries have had high rates of economic growth and poverty reduction despite moderately high levels of corruption. Overall, corruption is of concern to both Somalis and their international partners since it weakens the legitimacy of the state, especially if corruption is perceived as unfair or abusive in the eyes of the population. It can weaken willingness to pay taxes and thus reduce government revenues needed to maintain services. It can also encourage funds to go into investment abroad rather than in Somalia. Corruption undermines the confidence of international partners that their finance will go to intended purposes, while exposing partner agencies to reputational damage that undermines their domestic support. Aid thus flows through higher cost channels parallel to the state that substitute for and retard the development of local capacity.

Understanding the relation between corruption, society and the economy and operating with a sense of realism about what can be achieved in the short term could be the starting point for deciding how corruption should be addressed in the future. Analysis of rents from corruption and market distortions, and their distribution, could help identify priorities for reducing corruption if integrated with the fragility assessment that underlies national and partner strategies. Since corruption is a problem that has to be addressed primarily by Somalis themselves, partners should engage in a problem-solving dialogue to agree immediate steps that would significantly lower corruption in areas where there is political traction. In addition, development partners should seek instruments for their support to Somalia that are consistent with their appetite for risk. These should also balance fiduciary risks with the risks that programmes will not be delivered, and the risk of wider strategic failure in Somalia.

Key elements of a corruption reduction strategy could include:

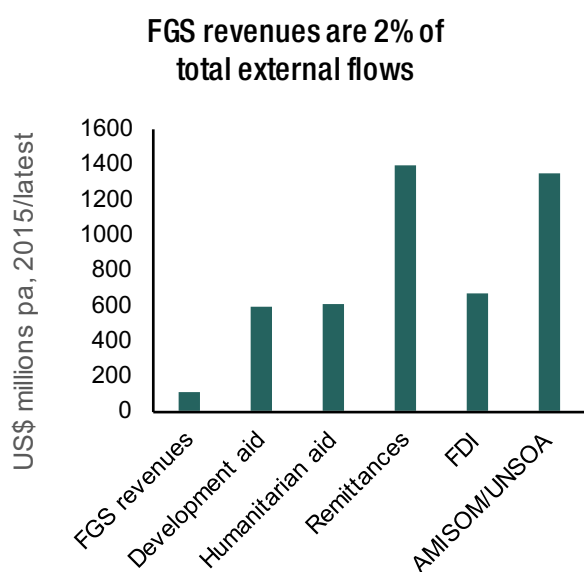
- Continuing the current approach of being selective and embedding anti-corruption as a cross-cutting theme that is pragmatic in the Somali context.

30 For more detail, see full case study in the ‘Annexes to Main Report’.

31 For more detail, see full case study in the ‘Annexes to Main Report’.

32 For example, see de Waal (2015:109-129) and Menkhaus (2007).

Figure 6: FGS revenues and sources of external support



Sources: IMF Country Report, World Bank/UN Somalia Security and Justice Public Expenditure Review. Anti-piracy costs of \$6 billion per annum are not included.

- Avoiding creating legal frameworks and organisations that are unlikely to be effective (e.g. independent anti-corruption commissions) for several years until the overall political and institutional environment is stronger e.g. an improved justice sector and deepening of rule of law.
- Continuing to focus on PFM strengthening, which not only reduces fiduciary risks for funds within the Treasury system but also creates the conditions for greater use of country systems by partners.
- Taking decisive confidence-building action to implement accountability and to repair any systemic weaknesses identified when evidence is found of corruption, fraud, collusion and abuse of power that involves funds provided by DPs.
- Exploring extending the anti-corruption agenda along the identified priorities through elite bargains e.g. with private businesses collectively to reach agreement on formal taxes, duties and fees, service delivery and transparent accounting of public revenues.

4.3.3. Agreement on roadmap for arrears clearance and debt relief

Debt relief has been a key political issue in many countries (e.g. Nigeria and Liberia) and is likely to be a key objective for the new Somali Government. If so, it would be useful to clarify the roadmap early on to avoid false expectations

Box 5: Liberian debt relief

Liberia faced a similar level of arrears when President Ellen Johnson-Sirleaf was inaugurated in January 2006. Liberia started an IMF Staff Monitored Programme one month later and all IFI arrears were then cleared by March 2008. This was achieved through a combination of African Development Bank loan/grant, a World Bank Development Policy Operation, and unusually high level of access to IMF funds, most unusually drawing simultaneously on both sources of long-term support (PRGF and EFF). Arrears clearance also required an exceptional level of frontloading: 90% of disbursements were made at the beginning of both IMF and World Bank programmes to pay off the arrears. The actual flow of new funds in subsequent years was only 10% of the total amount. In the case of the World Bank, Liberia swapped the arrears for a very long-term loan. In the case of the IMF, the arrears were swapped for a shorter term loan that had to be repaid over the following ten years. Liberia was judged to have reached the HIPC debt relief decision point at the same time as arrears were cleared, and finally reached completion point in June 2010.

and any perceptions that goalposts are being moved and/or that Somalia is not being treated equitably.

As for other countries emerging from conflict, and many heavily indebted poor countries (HIPC) – debt relief may not lead to significant changes in Somalia's external flows as these countries are only making very limited debt service payments. In Somalia's case, no debt repayments are currently being made. The absence of debt relief does not necessarily rule out creditors providing new loans as they can be ring-fenced and excluded from any agreement to relieve past debts. The process of agreeing debt relief to Somalia is likely to be particularly slow given the prior challenge of constructing a comprehensive record of debts that is fully reconciled with all creditors, and the fact that significant amounts are likely to be owed to non-Paris Club creditors.

In Somalia's case, the greatest short-term impact on access to external financing would be through clearance of arrears to IFIs. IFI arrears are estimated around \$1.5 billion and until these are cleared, access to new resources will be extremely limited. But even here, the gains may be less than might be immediately apparent. The clearance of the arrears will also take a large proportion of IFI funds that Somalia is currently entitled to access (from the IMF) or has earmarked for it (in World Bank and African Development Bank concessional funds), which could reduce new flows for investment that benefit Somalia. However, in some cases arrears clearance can be funded from special separate windows or special arrangements

to access ‘above normal’ allocations from normal funds. Liberia was able to benefit from various special arrangements (see Box 5).

If only to avoid false expectations, developing the roadmap would be helpful for the FGS and all DPs to be clear about what additional amounts of finance would be available after arrears have been cleared.

Somalia has yet to start the HIPC debt relief process. In order to receive full and irrevocable reduction in debt available under the HIPC Initiative, a country must:

- Establish a further track record of good performance under programmes supported by loans from the IMF and the World Bank;
- Satisfactorily implement key reforms agreed at the decision point; and
- Adopt and implement its PRSP for at least one year.

Currently, Somalia does not have the required track record in implementing desired/agreed reform, and the NDP, which is designed to act as an interim PRSP, has not yet been recognised as such.

A possible innovative feature in the case of Somalia would be to review the extent to which Somalia has not benefitted from development aid in the past and seek to make special provision in future aid allocation processes to compensate for this.

4.3.4. More focus on prioritising across all sources of finance

Some donors are already supporting a multi-year budget framework for their humanitarian programmes. With a new NDP under preparation, the Government is naturally expecting a similar commitment for development expenditure. Prioritisation of expenditures requires them to be set within a financial envelope. This is with the objective of getting assistance prioritised and on-budget, even if putting a significant amount through the budget is not possible in the short term. This financial framework needs to be a multi-year, integrated expenditure exercise going through government, SDRF and other channels, while also integrating humanitarian, development and security expenditures. Most compacts offer predictable funding as the commitment voluntarily entered into by DPs.

In Somalia, there is also the case for reviewing the potential for prioritising across all the sources of external support, which are many times larger than the FGS’s own revenues³³ (see Figure 6).

4.4. Improved consultation process

4.4.1. Tackling current concerns with consultation

The interviews with FGS and DPs revealed three broad common concerns with the Compact’s current consultation processes that all stakeholders would like to see improved. These processes involve:

1. More streamlined structures for decision-making
2. Greater space for honest and frank dialogue
3. Increased effective engagement of local stakeholders.

These concerns are common to all countries that have some form of government-donor dialogue structures. Some of these concerns could be addressed through the structures being set up around the NDP. Streamlining the PSG working groups to align with the NDP pillars should help many of the sectors groups maintain focus and, in turn, facilitate more strategic in-depth discussions. A consistent theme emerging from the interviews is the lack of a space for real discussion on priorities, policy and cross-sectoral working. Within the revised PSGs/Pillar WGs and the SDRF, revised thematic focus would also help streamline and focus attention where it is needed. Additionally, the key area of promoting resilience needs a much stronger working relationship between the working groups from the development and humanitarian clusters. There would also appear to be a need for a smaller high-level group to encourage ongoing honest exchange. If the steering committee continues to consist of 60 plus participants, the SDRF can never be a forum for frank dialogue.

There is also an inherent tension between these three concerns. The first two point to smaller groups; while the third, to larger groups. One way of managing this tension would be to accept that in many aspects of the dialogue there will need to be two types of group – a small group for dialogue and decision-making and a large group for consultation, while avoiding one single group to cover all functions. Over the period of the Compact, some groups have expanded to become ‘big tents’ and some new smaller groups have been created (such as the S6). Explicitly recognising that two sizes will be required makes clearer the need to ensure effective relationship between the two groups. Transparency has a key role to play here. An improved effort/investment in strategic communications is also likely to be required. This might also help with broader concerns about communication within Somalia. Poor communications around the original Compact have, indeed, not been helpful. Increased investment in translation would also be required – most Compact materials have only been in English.

³³ This chart excludes anti-piracy costs of \$6 billion per annum, comprising increased insurance premiums and costs of the naval cordon. If only a small part of these could be redeployed, the benefits to Somalia, the ship-owners and the governments that provide the naval cordon could be sizeable. This would require an exceptional grand bargain to be negotiated.

As noted in Section 2, the experience from other countries is that while consultation is challenging, it is also critical to success. The Bennett review (Bennett, 2012), in particular, noted that the most successful compacts were those that engaged civil society in their conception and implementation and went well beyond a public communications exercise. As noted earlier, with regards to improving integration of efforts across PSGs/NDP pillars, it was clear that the FGS and DPs have clear ideas on how to better configure current consultative structures. It might be useful to undertake a more comprehensive set of interviews on just this issue.

4.4.2. Stronger monitoring and evaluation systems that stress learning and adaptation

More effective consultation would be further enhanced by stronger monitoring and evaluation (M&E) systems. As with most fragile states, the evidence base for what works is limited. Both the FGS and the DPs recognise that existing information is poorly organised and largely unavailable to all. The Somali Government's capacity to undertake its own research, data gathering and analysis is also severely limited. A concerted effort must be made to

substantially upgrade the current capability and start to invest significantly in research and data for the long term; this is particularly important to meet the Interim Poverty Reduction Strategy Paper (IPRSP) requirements. The team understands that discussions are ongoing to identify a more results-oriented approach that could substantially increase M&E on the ground with the expressed intention of also achieving learning. This would thus increase the empirical basis for programme design and encourage programmes and projects to adapt in response to new knowledge. The objective has to be the development of a research data management policy with clear objectives.

The Partnership Agreement could seek to make a commitment to building the capacity of the FGS statistics capability for the longer term, while simultaneously supporting development of an Open Access Policy to the use of research. The aim of this policy would be to increase the uptake and use of findings from research funded through all the donors and by the trust funds. The primary indicators would be: increase in the number of research outputs that are open access; increase the number of joint analysis studies, joint assessments, and new technology solutions to share information; and improved value for money in data acquisition.

5. Conclusions

Somalia's Compact has been a bold experiment in an extremely challenging context. Many of the ingredients for success, based on lessons from other countries, were not present. The scope and the timelines of the Compact were ambitious and would have been challenging even for a stable, long-established government working with well-established DPs in a secure and more benign environment.

In this context, some of the frustrations and failures around the Compact are unsurprising. At the highest political level, there has been disappointment on both sides. The FGS has noted the lack of visible infrastructure and the slow progress on budget support as obstacles to success. While DPs have noted the continuous security challenges and the lack of progress on the formal constitutional settlement and tackling corruption. At the lowest technical level, Somalia's experience is aligned with one of the key findings in other countries: 'Compacts generally improve coordination but with high transaction costs'.

Given all this, it is striking that the Compact has endured. Everyone consulted is clear that the current position is better than before and the alternative of no compact would have been worse. The Compact has built understanding between FGS and DPs, and increasingly with FMS, on what is possible. Over the least three years, there has been at least some progress in many of the key areas of the Compact.

The clear consensus from the consultation is the desire to continue with some form of a new Partnership Agreement. The NDP could readily incorporate a revised set of Partnership Principles. There is also a good case for a Mutual Accountability Framework, which is a higher level broader document jointly agreed between

the Government and DPs. The precise content of this has yet to be identified. The Compact itself already provides a rich agenda and this review team's assessment of the 12 questions outlined in the ToRs will help the FGS and DPs decide what to focus on in the future. One of the key challenges, based on experience elsewhere, will be to ensure that the Framework is appropriately balanced between the FGS and DPs. It is worth noting that DPs regard the current 10 Partnership Principles as imbalanced, while the FGS has the opposite view of the 54 milestones contained within the Compact.

One question is whether to go beyond Partnership Principles and/or a Mutual Accountability Framework. The team's reading of the evidence from other countries – and from Somalia's own experience – is that there is a strong case for having an additional higher level framework, despite the challenges involved. A successful transition from fragility to resilience in Somalia goes beyond just development: it will require a comprehensive, coherent and coordinated approach across different policy communities. Such a framework needs to be much more strongly Somali owned and with a Somali name (and no longer called a 'compact'). This will take time to develop, not least to ensure ownership by FMS and the Legislature.

The team also highlighted four other key areas worth considering in any new Partnership Agreement(s):

- Stronger focus on private sector issues;
- Renewed focus on ensuring coherence across all efforts, including humanitarian interventions;
- Faster progress on financial and governance issues; and
- Improved consultation processes.

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Annex 1: List of organisations interviewed

Federal Government of Somalia

- 1) Aid Coordination Unit (ACU)
- 2) Disaster Management Agency
- 3) Human Rights Commission
- 4) Ministry of Education
- 5) Ministry of Finance
- 6) Ministry of Internal Security
- 7) Ministry of Planning and International Cooperation
- 8) Ministry of Public Works
- 9) Ministry of Water
- 10) Ministry of Women and Human Rights
- 11) Office of the President
- 12) Office of the Prime Minister

Development partners

- 1) AfDB
- 2) Canadian High Commission
- 3) DANIDA & Danish Embassy
- 4) EU
- 5) Finnish Embassy
- 6) GIZ
- 7) Italian Cooperation
- 8) Japanese Embassy
- 9) Norwegian Embassy
- 10) OECD DAC
- 11) Swedish Embassy/SIDA
- 12) SDC
- 13) UK DFID and Foreign & Commonwealth Office
- 14) UNDP
- 15) UNICEF
- 16) UNSOM
- 17) USAID and Embassy of US
- 18) World Bank

NGOs

- 1) BUDO
- 2) Daryeel Bulsho Guud (DBG)
- 3) Education for All Somalia (EFASOM)
- 4) Formal Education Network for Private Schools (FENPS)
- 5) Integrated Education and Development Programme (IEDP)
- 6) Somali Community Concern (SCC)
- 7) South Central Non-State Actors (SOCENSA)
- 8) SOPPEN
- 9) Somali Women Development Association (SOWDA)
- 10) Women Association for Society Development Organisation (WASDO)
- 11) YOYDA

Other

- 1) Somali Chamber of Commerce and Industry
- 2) Somali Business Women Association
- 3) g7+ Secretariat

Contacted on repeated occasions but unable to schedule an interview

- 1) Chinese Embassy
- 2) Dubai Port World, UAE
- 3) Embassy of UAE
- 4) Turkish Embassy

Total number of organisations: 44

Total number of individuals involved in interviews/meetings: 70



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Cover photo: A Somali girl walks down a road at sunset in an IDP camp near the town of Jowhar on December 14. Fighting between clans has displaced more than twelve thousand people near the town of Jowhar, Somalia. Many have sought temporary shelter near an African Union military camp in the area, who are currently providing security for the IDPs. Credit: AU UN IST PHOTO / Tobin Jones.

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