Aid instruments for peace- and state-building: Putting the New Deal into practice
Disclaimer

The booklet is a product of the g7+ secretariat and not individual member states. The views expressed in this paper are those of the authors and do not represent any official position of the g7+ or of contributory organisations.

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About the g7+

The g7+ is a voluntary association of countries that are or have been affected by conflict and are now in transition to the next stage of development. The main objective of the g7+ is to share experiences and learn from one another, and to advocate for reforms to the way the international community engages in fragile and conflict-affected states.

To find out more about the g7+ visit www.g7plus.org.
Aid instruments for peace- and state-building: Putting the New Deal into practice

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Overview
The New Deal and its implementation

In November 2011, at the 4th High Level Forum on Aid Effectiveness in Busan South Korea, the international community endorsed “A New Deal for Engagement in Fragile States”, an agreement advocated for by the g7+ group of conflicted affected countries and developed through the forum of the International Dialogue for Peacebuilding and Statebuilding. The New Deal aims to provide a framework to guide international cooperation to support countries affected by conflict and fragility. It does so by identifying principles and related commitments for action across three pillars, as detailed below:

Important progress has been made in implementing the New Deal since its inception. Eleven fragility assessments have been conducted in eight countries; Somalia has adopted a national development plan based on the New Deal, which was also used to guide a donor pledging conference; and Sierra Leone has developed a mutual accountability framework. As reflected in the case studies presented in this report, progress has also been made in a number of countries at the level of individual programmes and instruments which are playing a strategic role in helping g7+ countries to progress from fragility to stability and development.

Box 1: New Deal Elements and principles

Aid instruments for peace- and state-building: Putting the New Deal into practice
Despite this progress, g7+ countries report that in general the results achieved through the New Deal’s implementation are far below what was expected at the signing of the New Deal in Busan. It is therefore clear that constraints have emerged which are holding back New Deal implementation, which may in turn be undermining confidence that the New Deal can deliver on its goals.

The purpose and focus of the New Deal case studies

The case studies presented in this Report aim to contribute to efforts to address some of these challenges that have emerged in relation to pursuing implementation of the New Deal. They focus on a range of innovative aid programmes and instruments which are in line with the New Deal principles and commitments. Five of the case studies focus on programmes in individual countries, with an additional case study focussing on an aid instrument being implemented by one donor in a range of countries affected by conflict and fragility.

Each of these case studies presents an overview of the background and operations of the programme/instrument being featured, the factors that facilitated its emergence, its impacts and the lessons learnt from its implementation. In presenting this analysis it is hoped that these case studies will help to strengthen confidence in the New Deal as a vehicle for change and provide practical illustration for how its implementation can be taken forward by both development partners and g7+ member countries. This will in turn hopefully inspire development partners and g7+ members to work together more effectively to address the constraints relating to implementation of the New Deal.

Overall, these case studies show that – from both a government and a development partner perspective – with political will and committed cooperation it is possible to develop innovative support modalities and programmes to support the New Deal principles, even in some of the most challenging development contexts. Furthermore, they illustrate that it is worth investing time and effort to take such initiatives forward as they can lead to more effective, country-owned and sustainable results.

The table overleaf provides a brief overview of the programmes and instruments covered by these case studies.

The rest of this overview chapter presents 10 lessons which emerge out of these case studies, which can help to inform the efforts of development partners and g7+ members to take forward the New Deal and pursue more effective cooperation in fragile contexts:

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| Central African Republic    | Ezingo Fund                    | As of November 2015, $24m in funding had been disbursed to the Ezingo Fund, with contributions including: the US Government’s Bureau of International Narcotics and Law Enforcement Affairs/INL ($11.2m), the Government of the Netherlands ($6.2m), the UN Peacebuilding Fund ($4.6m), and the Government of Norway ($2m). | • Immediate Impact Projects  
• Short to medium term transitional strategic priorities in the short to medium term  
• Support to pursue Peacebuilding and State-building Goals through helping government provide basic services |
| Liberia                     | Donor support to Government for health worker payments during the Ebola outbreak | World Bank (c$20m), USAID ($10m) and African Development Bank ($4.5m)                                                                                                                                                                                       | • Financing of the basic salaries of health workers (USAID)  
• Financing of hazard pay for health workers (AfDB and World Bank)  
• Help in curing the disruption of trust between government, health workers and citizens in this situation of crisis |
| Somalia                     | The Special Financing Facility (SFF) | Government of Norway ($30m was pledged)                                                                                                                                                                                                                      | • Regular payment of civil service salaries  
• Direct Government delivery of simple development projects of value to local communities |
| South Sudan                 | Donor support to Government service delivery (three projects – i) Local Governance and Service Delivery Program (World Bank); ii) Girls Education in South Sudan project (UK Government); iii) Budget Strengthening Initiative (UK Government) | GESS - £60m UK Government; LGSDP $99m - World Bank; BSI - c£6m UK Government                                                                                                                                                                                  | Focuses on three projects:  
• LGSDP – Supports counties through 4 components: i) Block grants for service delivery; ii) Community engagement; iii) Institutional strengthening; iv) Project management support  
• GESS – Four components: i) incentives to households to offset the cost of keeping girls in schools; ii) cash grants to schools to improve the learning environment; iii) mobilisation of parents and communities to retain girls in school and iv) behaviour change communication in collaboration with government, non-state and private sector actors  
• BSI – Acts as a semi-autonomous provider of advice to the Government, focussing mainly on: i) supporting public finance management reform; ii) support to the planning and budgeting process; and iii) efforts to improve aid coordination and develop aid modalities using Government systems |
| Timor Leste                  | Donor support to the Ministry of Finance | Australian Government ($16m) and the European Union ($9.5m)                                                                                                                                                                                                      | • Financing to support the Ministry of Finance (MoF) to develop its capacity and improve performance (disbursements linked directly to performance indicators)  
• Technical assistance to strengthen MoF systems and improve performance |
| Various                     | State-Building Contracts (SBCs) | The European Commission (€1.37bn disbursed to date to 15 countries)                                                                                                                                                                                         | • Financing direct to Governments to deliver national programmes (with a portion of disbursements based on meeting performance conditions) and strengthen service delivery  
• Technical assistance to strengthen state systems and improve programme delivery |
Key lessons for development partners

Lesson 1: Respond rapidly and flexibly to crises

In fragile contexts where crises are a frequent challenge, these case studies show that political will from development partners to provide rapid and flexible support can be highly impactful, both developmentally and politically.

The Somalia Special Financing Facility was the first major donor programme to provide support directly to the Federal Government of Somalia (FGS). This programme began shortly after the FGS was formed (following the expiration of the mandate of the Transitional Federal Government). It was initiated in just 8 months and therefore played a critical role in supporting the FGS to project its authority and ability to deliver as it began to function. This outcome was in part facilitated by the flexibility shown by the SFF’s funder – the Government of Norway (GoN) – in negotiations over the design of the SFF, in which it agreed to disburse funding directly through FGS institutions rather than through a financial mechanism co-managed by the GoN and the FGS as had been first proposed.

The European Commission’s (EC’s) State Building Contracts (SBCs) have been designed as instruments that can provide rapid support to countries dealing with crises. The characteristic is clearly illustrated by Mali’s SBC, which was identified, designed, adopted and disbursed in just five months. This rapid response allowed the SBC to support the July 2013 election, which was vital to promoting stability in the country. The SBC also eased the budget constraint on the Government caused by the instability, allowing it cover its arrears to suppliers, expand planned spending and maintain basic functions.

The Ezingo Fund in Central African Republic (CAR) also provided a rapid response to the instability that emerged in CAR following the outbreak of fighting in 2012/13. A critical element of this response was the Ezingo Fund’s support to pay the salaries of gendarmerie and police, to register members of the security services and to upgrade the barracks of the security services. This targeted and strategic response may have played an important role in avoiding a depletion of the security services, an outcome which would have led to a further deterioration in the security situation.

The Liberia health worker support programmes were initiated at a critical phase in the response to the Ebola outbreak. When these programmes began in September 2014 the number of Ebola cases in Liberia were increasing at their fastest rate, and analysis suggested that infection rates could accelerate (CDC 2014). In the end Ebola transmission rates peaked in that month and fell sharply thereafter. These programmes may therefore have been a critical part of this outcome. It is though important to note that in general the overall donor response to Ebola has been judged as slow (ODI 2015). The first cases of Ebola in Liberia were detected in March 2014, but these major donor programmes to support the Government to respond to the outbreak were not mobilised until many months later. It is possible that a quicker response to this crisis may have limited the impact of the Ebola outbreak on Liberia.
Lesson 2: Align support with Government programmes, and use dialogue to strengthen collaboration on systems

The case studies illustrate how the alignment of donor support with government programmes can help to ensure that systemic challenges are addressed, that local ownership is promoted and that sustainable impacts can be achieved. They also show that an open dialogue with governments on systems can help to strengthen collaboration on the challenges to be addressed in using them.

The Liberia health worker support programmes were delivered directly through the Government of Liberia’s health systems, which not only helped to support the Government’s response to Ebola, but also to ensure that longer term impacts were achieved in terms of strengthening these systems. This point is best illustrated by USAID’s financing of health worker salaries, which was made conditional on formalising the health worker payment system and the auditing of payments. This approach led to ghost workers being removed from health worker payrolls and improved systems for processing health worker payments, outcomes which will help this system to function better in the future.

The Australian Government’s support to the Ministry of Finance (MoF) in Timor-Leste has involved providing direct financing to the MoF on the basis of its achievement of performance targets. These resources can then be used flexibly by the MoF to support further improvements to its systems and efforts to strengthen performance. This form of financing has allowed Timor-Leste’s MoF to take a lead in contracting systems strengthening support and to take stronger ownership of this process.

Making progress in supporting national programmes and systems does though require open dialogue with governments, so as to identify and address constraints and find mutually acceptable approaches. This point is best illustrated by the experience of the donor programmes supporting Government service delivery in South Sudan. Following independence, the Government of South Sudan called on donors to utilise budget support for the delivery of aid. However, through their dialogue with the Government, donors made it clear that while they were not ready to provide aid in this way, they could consider supporting alternative aid instruments which engaged directly with Government systems. This outcome helped to open up space for work to develop such instruments to begin, although the oil shutdown and outbreak of conflict eventually led donors to take a step back from delivering aid through these instruments.
Lesson 3: Develop long term partnerships and avoid stop-and-go approaches

The case studies illustrate that the development of long term partnerships between donors and Governments can be critical to achieving progress in fragile states, and that stop-and-go approaches can undermine the impacts of such cooperation.

A number of major political crises emerged during the course of implementing the donor programmes supporting Government service delivery in South Sudan, including the dispute over oil transit payments with Sudan in 2012 (which led to the suspension of oil production) and the outbreak of civil conflict late 2013. Despite these crises, donor cooperation to support Government education and other services was maintained, albeit on the basis of evolving its focus away from developing aid instruments to a focus on strengthening service delivery systems. As a result of this cooperation, the Government of South Sudan was able to make significant progress in developing its service delivery systems and in expanding access to services in regions less affected by the conflict during this challenging period.

By providing significant levels of financing directly to the budgets of Governments, the EU’s State Building Contracts (SBCs) provide an opportunity for donors to engage in high-level dialogue with recipient Governments around systemic challenges, thereby helping to promote sustained cooperation. The SBC in Mali provides an illustration of this point and the potential benefits that can emerge. During implementation of Mali’s first SBC, issues emerged relating to problematic procurement contracts and the purchase of a Presidential airplane. The EU led the donor response to these issues, and through dialogue with the Government helped to secure its agreement to cancel some of the exceptional contracts and strengthen procurement regulations. This type of solution would not have been possible without high level commitment to a long-term programme of engagement by the EU.

Although the Somalia Special Financing Facility made a vital contribution to financing civil service salaries and supporting important small-scale development projects, its implementation was characterised by significant delays to payments for these activities. These delays were partly caused by the practical challenge of finding a viable banking route for transferring payments to the Central Bank of Somalia [a Somali Government demand] in a way that satisfied Norway’s concerns relating to anti-money laundering compliance. However, a major contributing factor was a weakening of political support for the SFF from the Government of Norway (exacerbated by a change in Government and the failure of other donors to share the burden of risk in supporting the SFF). This stop-and-go approach to implementing the SFF resulted in civil service salaries going unpaid for a month and significant delays to the initiation of the development projects. These impacts in turn were reported to have undermined the reputation of the functioning of the FGS.
Lesson 4: Pursue risk-sharing approaches

Ensuring that the risk analysis of donors incorporates an understanding of the risks that partner countries face from the non-intervention of donors can help to facilitate a more comprehensive approach to risk and secure donor support to fragile states.

The EC’s State-Building Contracts represent one of the most advanced and ambitious efforts across donors to share risks with country partners in the provision of aid. In the process of making decisions on the deployment of SBCs, the EC and the EU member states explicitly recognise the risks resulting from non-intervention (i.e. how the country will be affected by a decision not to provide aid) alongside those relating to their provision of support. This approach to assessing risk has facilitated the approval of SBCs to fifteen fragile states (totalling €1.37 billion in funding) since 2013, and led to SBCs emerging as a significant channel of external funding for many of these countries in recent years.

The risks that were facing Liberia from a breakdown in state health services during the 2013/14 Ebola outbreak were reported to have been the major factor which helped to secure support from AfDB, USAID and the World Bank to provide support for employing Government health workers. In the case of USAID, appreciation of these risks facilitated an unprecedented (certainly in its recent history) commitment to finance the basic salaries of health workers.

Lesson 5: Recognise the role of multilateral organisations

Multilateral organisations have been prominent in supporting the programmes and instruments addressed by these case studies, helped by their strengths in working in fragile contexts and their role in helping donors to manage political risks involved in providing aid in challenging contexts.

The EC’s State Building Contracts have been developed and scaled up in a context in which European member states (MSs) have been cutting budget support. This trend suggests that EU MSs value the EC’s capacity for delivery in fragile states, its political role in engaging with Governments and its ability to insulate them from the risks involved in providing budget support.

The Ezingo Fund in CAR is managed by UNDP, which has extensive experience in managing trust funds in fragile states. UNDP’s role in implementing and overseeing this fund will therefore have been critical in attracting donor support to this Fund.

The World Bank has extensive experience of working in Liberia and a strong country presence. This experience and capacity was reported to have been important in supporting it to play a role in the dialogue between health workers and the Government over hazard pay scales and delivery channels.
Lesson 6: Donors harmonization and efficiency in executing aid

Collective provision by donors of aid to countries affected by conflict and fragility can help to leverage the impact of aid programs, with specialised pooled funds also able to make an important contribution and promote harmonization.

The EC’s State-Building Contracts have allowed rapid provision of large volumes of support to countries in crisis, an outcome which would be unlikely to have been achieved had individual European Government pursued their own programmes of support. Collective support from EU member states also helped the EC to generate the leverage it required to elicit a response by the Malian Government to concerns about irregularities in procurement contracts and the purchase of a Presidential jet during the course of the SBCs implementation.

The Ezingo Fund in CAR helped to mobilise a coordinated response to addressing concerns about the morale and strength of the security services, and benefitted from UNDP’s strong presence on the ground which bilateral agencies would have struggled to match.
Key lessons for g7+ partners

Lesson 7: Develop a clear set of strategic priorities to guide donors

Where countries have developed strong and coherent strategic approaches to their cooperation with donors, this can help to secure donor commitment to respond to their priorities.

The Government of Timor-Leste has been working for a number of years to secure commitment from its donors to strengthen the role of Government ministries in managing technical assistance. This strategic focus may have helped to secure commitment from the Australian Government to deliver funding for strengthening Timor-Leste’s Ministry of Finance through the MoF’s systems.

The President of the FGS was reported to have been able to secure commitment from the Government of Norway to fund the Somalia Special Financing Facility through national institutions partly on the basis of a clear strategic emphasis on the importance of donor support promoting the authority and credibility of the FGS.

Lesson 8: Progressively strengthen systems, so as to leverage their use by donors

Sustained and committed efforts from Governments to strengthen their systems can help to leverage their use by donors.

The case study on the Government of Australia’s support to the Ministry of Finance in Timor Leste suggests that this funding was secured largely on the basis of significant improvements in the MoF’s systems, which helped to reduce the inherent fiduciary, developmental and reputational risks in providing financing directly to the MoF’s budget.

USAID reported that its willingness to provide support for Government health workers salaries in Liberia in response to Ebola was facilitated in part by recent progress the Government of Liberia has made in pursuing civil service reform.

It therefore appears from our case studies that where governments are able to make a visible effort to invest in their own long-term capacity, donor staff are more able to argue for increased use of country systems.
Lesson 9: Understand and respond to donor political constraints

The period since the New Deal was adopted has seen aid budgets cut and come under increased scrutiny in many OECD countries, affecting the willingness of donors to take risks. The case studies therefore suggest that it is important for g7+ members to recognise these political constraints in their dialogue with donors, so that mutually beneficial approaches for cooperation can be identified.

In working with donor programmes supporting service delivery in South Sudan the Government has had to adjust its demand for budget support to respond to the resistance of donors to provide this form of aid to the country. The Government of South Sudan has instead been working to secure commitment from donors to work through alternative aid instruments which use country systems but apply stronger safeguards to satisfy donors.

Similarly, the Government of Timor-Leste has been able to secure commitment from the Government of Australia (GoA) for flexible financing to support the strengthening of the Ministry of Finance on the basis of agreeing to adopt a performance-based model. Such an approach helps to satisfy the GoA’s interests in better scrutinising aid programmes and reporting on their impacts to its own institutions.

Lesson 10: Make the New Deal more visible in dialogue with donors

The case studies suggest that the New Deal can be a critical tool for helping to secure donor support in fragile contexts, but that g7+ members could be doing more to make this agreement visible in their dialogue with donors.

The President of the FGS was reported to have also used the New Deal principles to leverage commitment from donors to fund Somalia’s Special Financing Facility through national institutions.

The case study on Timor Leste also found that the New Deal language and principles helped to facilitate dialogue and agreement on the provision of budget support to the Ministry of Finance in Timor-Leste from the Government of Australia. The leverage the New Deal provided was strengthened by existing high level commitment from the Government of Australia to this agreement.

Liberia’s Ebola recovery plan doesn’t explicitly mention the New Deal, but is consistent with many of the New Deal principles (especially the focus on economic recovery - PSG 4) and may well have been inspired by these principles. It was though reported that the Government of Liberia could have done more to explicitly make the New Deal commitments visible and a tool for leverage in its dialogue with donors regarding the response to Ebola.
Conclusion

The New Deal is still a highly relevant approach. While the principles of New Deal have been empirically proved to be valid, this case study has attempted to further collect the evidences it has produced in the early days of its implementation in g7+ countries. The world is presently faced with trying to respond to a number of complex fragility and conflict situations, which require innovative approaches and instruments not a continuation of the old “humanitarian” and “development” approaches. It is hoped that this booklet highlights examples of such responses which have already emerged, and will therefore inspire further efforts to engage in / with fragile and conflict-affected states in this way.
New Deal case study

The European Union’s State Building Contracts (SBCs) for providing budget support to fragile states
1. Budget support and EU State Building Contracts – Background and context

During the 2000s budget support – financial assistance direct to a government’s budget – became an increasingly common instrument for providing aid to developing countries. This expansion in its use emerged due to concerns about the ownership, sustainability and impacts of project aid, as well as in response to the imperative of helping to finance the scale-up in spending required to achieve the Millennium Development Goals (MDGs) and other development priorities.

Budget support as an aid instrument has attracted a great deal of debate. On the one hand its aid effectiveness credentials have been confirmed (at least in part) by a range of evaluations, and it has supported a significant scale-up in service delivery (IDD and Associates 2006; Lawson 2014). On the other hand, its critics have been eager to highlight its vulnerability to corruption, and evaluations have identified its limited contributions to date in helping to improve governance (IOB 2011) and the quality of service delivery (Williamson and Dom 2009).

In recent years, concerns about the effectiveness of budget support have come into sharper focus due to constraints on donor public finances and aid budgets following the global financial crisis. As a result a number of donor governments have cut their bilateral budget support programmes. However, European member states have continued to provide budget support multilaterally through the European Commission (EC). The EC's budget support fell by just over 20% in 2011, but has since remained stable and its budget currently constitutes around 50% of the total budget support provided by OECD Development Assistance Committee members (OECD 2015).

Fragile states have been amongst the largest beneficiaries of budget support from the EC. Under the 9th European Development Fund (2001-07) half of budget support commitments1 were made to twenty countries on the current OECD list of fragile states. These countries were also programmed around 40% of budget support under the 10th European Development Fund (2008-13) (ECA 2010). This assistance has built on the EU’s long-standing political commitments to support fragile states, initiated by its 2001 Programme for the Prevention of Violent Conflicts.

2. Introducing the State Building Contracts (SBCs)

SBCs are an instrument the EC has introduced to guide its provision of budget support to fragile and conflict-affected countries. The EU utilises this instrument alongside Good Governance and Development Contracts (GGDC), which provide general budget support (support to the general budget) to countries with stronger institutional and policy environments, and Sector Reform Contracts (SRCs), which provide sector budget support (support to sector budgets) in pursuit of sector development priorities (EC 2012).

A number of characteristics distinguish SBCs from traditional budget support programmes:

- **Focus on countries facing fragility** – these countries are identified on the basis of assessing the nature of their fragility, a process which also helps to guide implementation and assist efforts to ensure that SBCs are strategically oriented towards supporting state building objectives.

- **A flexible and forward-looking approach to assessing fundamental values and eligibility criteria** – GGDCs require a positive assessment of adherence to the fundamental values of human rights, democracy and the rule of law, as well as other eligibility criteria (e.g. the strength of financial management systems); in contrast SBCs require that there merely be signs that progress can be made in these areas in the future (e.g. commitment to relevant reforms); such an approach recognises the political and institutional challenges inherent in situations of fragility.

- **Short-term duration and rapid deployment** – SBCs were initially to be implemented over the course of 1-2 years, with the possibility of extension for a similar period (GGDCs and SRCs are typically in operation for 3 to 6 years); SBCs have also been deployed relatively rapidly in order to ensure they can respond to the urgent political and developmental challenges found in fragile states.

Another important element of the EU’s reformed approach to budget support is a strengthened approach to assessing and managing risk.

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1 Data on EU budget support disbursements across these countries are not readily available and may differ from commitment figures; in addition, not all of these countries would have been considered FCAS throughout this period, so these figures are not a totally accurate picture of the historical trends in EU budget support.
including formal recognition of the risks of inaction from donors. Recognising such risks represents a unique innovation of SBCs amongst budget support instruments.

Other important characteristics of SBCs [as well as GSDCs and SRCs] include the use of variable as well as fixed tranches, with variable tranches linked to programme conditions; and funding for complementary technical assistance.

As of the end of 2014 SBCs operations had been approved in 15 countries, 10 of which were in sub-Saharan Africa. Funding disbursed through these operations totalled €1.369 billion, equivalent to around 12% of total EC budget support since the introduction of the new instruments. The average level of funding provided through individual SBCs has to date been €91.3 million, which is considerably larger than the average budget support instrument (at €47.5 million). In 2015 an additional eight SBCs are planned for approval, seven of which will be in west and central Africa (EC 2015).

3. What were the drivers of the introduction of SBCs?

Following the global financial crisis in 2007/8 and the subsequent squeeze in public spending across donor countries, aid budgets have come under greater scrutiny and been cut in many cases. This context has also led to greater scrutiny over and cuts to budget support operations, including amongst European Governments, who have historically been amongst the strongest supporters of budget support (Tavakoli and Hedger 2012). Questions about the EC’s budget support operations have also been fuelled in part by a 2011 European Court of Auditors (ECA) Report on the EC’s management of general budget support, which concluded that this aid instrument had not been effectively adapted for use in diverse country contexts, such as fragile states (ECA 2011).

In response to this scrutiny in 2011 the EC introduced a new policy framework to guide the management of its budget support – ‘The Future Approach to EU Budget Support to Third Countries’. One of the main objectives of this policy framework is to ensure that the EU’s budget support is better adapted to country contexts, including fragile situations. This objective was pursued through the introduction of State Building Contracts (SBCs) to provide budget support to fragile and post conflict states, alongside GSDCs and SRCs (see section 2).

4. How the instrument addresses the New Deal principles

SBCs address a range of the New Deal principles, especially those in the TRUST pillar, as outlined below:

- **Risk-sharing** – By applying a risk assessment process for SBCs which takes into account the risks facing partner countries from donor decisions not to provide assistance alongside the risks for the donor in providing assistance SBCs support a strong (and somewhat unique) approach for promoting the sharing of risk in the provision of development assistance

- **Use of country systems** – In providing budget support through SBCs these instruments make maximum use of country systems, helping to facilitate efforts to strengthen them

- **Strengthen capacities** - A key element of the SBC package is technical assistance which is targeted at supporting countries to strengthen government systems and institutions

SBCs have also attempted to promote many of the peacebuilding and statebuilding goals, largely through the conditions attached to the variable funding tranche in these areas. Almost all of the SBCs implemented to date include conditions relating to revenue and services (mainly through strengthening public financial management and promoting domestic resource mobilisation), five include conditions related to promoting justice and three include conditions related to promoting security.

Finally, it is also important to note that amongst the pre-conditions for South Sudan’s SBC (which was ultimately postponed due to the outbreak of conflict) was agreement on the countries’ New Deal Compact. This approach was pursued in an effort to ensure that these processes complemented and leveraged each other.
5. Impacts of SBCs

The first SBCs began disbursing in 2013 and this instrument therefore has some (albeit limited) track record of implementation from which to identify some initial general impacts of SBCs. The following insights on the initial impacts of SBCs draws on both official (EC 2014) and external (Hauck et al 2013; Bernardi et al 2015) reviews of early implementation of this instrument.

The first point to note is that SBCs have provided very significant levels of funding in fragile high risk contexts, where most donors have been unwilling to provide substantive support, especially through governments. SBCs have also been important vehicles for pursuing the New Deal for engagement in fragile states, especially in addressing the TRUST principles. SBCs therefore add notable value to the international community’s response to the challenges facing fragile countries.

The EC has also displayed the ability to relatively rapidly (certainly compared to other donors) approve, design and begin implementation of SBCs, which has provided it with the opportunity to respond quickly to emergencies and crises. For example, in the case of Mali only five months elapsed between the initial identification mission and the first disbursement. This allowed the SBC to support the Malian Government to maintain civil service pay and hold successful elections, both of which were vital to stabilisation efforts (Bernardi et al 2015).

In addition, the Mali case also illustrates that the ambitious levels of funding provided by SBCs to countries in emergency situations provide an opportunity for the EC to leverage reforms vital to improving the effectiveness of and accountability of governments. Following a corruption scandal which emerged during the early stages of implementing the SBC, the EC was able to secure reforms to the public procurement code and commitment to a formal follow-up process, measures which will help to improve accountability for public spending into the future (Bernardi et al 2015). The experience of budget support does though suggest that in general deep and sustained governance reforms may be beyond the reach of SBCs (IOB 2011).

6. Lessons learnt

This section also utilises official and external reviews of the initial experiences with SBCs to identify lessons for improving the design and implementation of this instrument. It is hoped that these insights will also be useful for informing implementation of other similar support programmes in fragile states. The following lessons emerge from the initial implementation experience of SBCs:

- **Pursuing shared approaches to risk** – SBCs have helped to promote a shared approach to risk by incorporating a focus on the risk to the partner country of non-intervention. This principle of “sharing risk” has been promoted in a number of international aid forums, but this is one of the few practical examples to emerge of donors pursuing it.

- **Pursuing short and long term objectives coherently** – The Mali and South Sudan SBCs attempted to address both short term goals of promoting stability, as well as longer term goals relating to state-building and governance. There has been some degree of tension between these goals, which has created challenges for better focussing their implementation (Bernardi et al 2015). This experience highlights the importance of budget support/aid programmes addressing immediate development challenges within a complimentary long-term strategy and partnership.

- **More objective and transparent approaches to the selection of recipients** – It has been noted that there is limited clarity on the criteria which are used to select countries to receive SBCs, and that developing clearer and objective criteria for country selection will help to build confidence in this instrument and more effectively target its support (Hauck et al 2013).

- **Better targeting of technical assistance** – The technical assistance component of SBCs is vital given the weak levels of human capacity in many fragile contexts, and it is therefore important that SBCs routinely provide significant levels of support to building such capacity. However, technical assistance hasn’t yet been adequately deployed across all phases of the SBC programme cycle.
(Hauck et al 2013). Analysis of the Mali and South Sudan SBCs also found that the levels and content of technical assistance wasn’t adequately tailored to the specific challenges being faced in each of these countries (Bernardi et al 2015).

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New Deal case study

Ministry of Finance of Timor-Leste
budget support and capacity building by Australia and the EU
1. Timor-Leste – Background, aid context and New Deal progress

In May 2002, Timor-Leste restored independence after 25 years of Indonesian occupation during the period of the 1975-1999. The international community has since provided very notable levels of development assistance to TL to support its stabilisation, rebuilding and development. Over the last decade TL has received an annual average of $273 million [in 2012 dollars] in Official Development Assistance (ODA), making it the seventh most aided country in per capita terms (OECD 2016). ODA levels in proportion to the Government’s budget have though fallen rapidly over this period (from 80% in 2002 to 16% in 2012), largely due to the fast growth in oil and gas revenues (Valters et al 2015). Australia has been TL’s largest donor over the last decade, providing 36% of total ODA; the EU was the fifth largest donor (after Australia, Portugal, USA and Japan) providing 8% (OECD 2016).

Around half of the ODA received by TL over the last decade has been provided in the form of technical cooperation, which is increasingly focussed on public policy, administration and financial management (OECD 2016). ODA to TL has though largely been delivered and managed outside of the Government’s systems, with only 7% using Government financial management and procurement systems in 2012, down from 17% in 2010. Only around two-thirds of TL’s ODA is currently integrated into Government budgets and donors aren’t yet systematically reporting on their disbursements. Aid predictability is though relatively high and has been improving (GPEDC 2014).

As is the case with regard to its aid effectiveness components, implementation of the broader New Deal principles and commitments in TL has also been gradual and patchy. A fragility assessment to benchmark the status of the PSGs was completed in 2012, and a second fragility assessment was undertaken in the second half of 2015 (MoF 2015). The Government has made major strides in promoting transparency by introducing publicly accessible budget [and aid] transparency portals.

2. Introducing the DFAT/EU Timor Leste Ministry of Finance capacity and budget support programme

This programme aims to strengthen the financial management and performance systems of Timor Leste’s Ministry of Finance, thereby helping to improve aggregate fiscal discipline, allocative efficiency and operational performance – leading to better service delivery. It is a four year programme (2014-17) with a budget totalling $25.5 million.

This funding is used primarily to provide support directly to the budget of the Ministry of Finance to support its efforts to strengthen Public Financial Management (PFM) systems and improve performance. The level of funding provided to the Ministry of Finance is linked to the achievement of Key Performance Indicators (KPIs) for assessing Ministry of Finance performance, which are based around the Ministry of Finance’s five year plan and agreed jointly by the Ministry of Finance and the donors involved. In the case of DFAT, the amount of funding (to be disbursed [for use in the year that follows that being assessed] is determined based on two separate components linked to the KPIs:

- Fixed component: Up to AUD 1 million is disbursed based on achieving an average overall (adjusted raw) score for the KPIs of at least C+;

- Variable component: Up to AUD 3 million is disbursed based on the average score of donor-selected priority KPIs as per table X below:

<table>
<thead>
<tr>
<th>Adjusted Average of all KPI's</th>
<th>Percentage of Variable Component to be Paid</th>
<th>AUD Variable Component to be paid (using $3m Variable Component)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>100%</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>A</td>
<td>100%</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>B+</td>
<td>90%</td>
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<tr>
<td>B</td>
<td>80%</td>
<td>$2,400,000</td>
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<tr>
<td>C+</td>
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<td>C</td>
<td>50%</td>
<td>$1,500,000</td>
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<td>D+</td>
<td>25%</td>
<td>$750,000</td>
</tr>
<tr>
<td>D</td>
<td>10%</td>
<td>$300,000</td>
</tr>
</tbody>
</table>
The EU also provides funding of EUR 1m–EUR 2m per annum; the EU’s progress assessment method is more binary.

Once the funding is disbursed, it goes into the budget of the Ministry of Finance, which can then determine how it is used to address weaknesses in meeting the KPIs. In practice, much of the money covers technical assistance provided throughout the Ministry, with delivery through the Ministry budget ensuring that this TA is embedded and reports to the Ministry rather than funders, as per the Ministry’s policy on technical assistance. The Ministry of Finance provides a procurement plan as to how they will spend the money, and approved jointly by the project steering committee which includes DFAT, the EU and Ministry of Finance before the money is released. If DFAT or the EU have any concerns about how the money is being allocated, this is discussed and has to date always been easily resolved. To date AUD 3.5 million out of a total of AUD 4 million has been disbursed to The Ministry of Finance, relating to performance in 2014.

In addition to providing this financial assistance, the programme also funds embedded technical assistance (TA) and some short-term advisers to help deliver each of these components.

3. Programme emergence and drivers

This section details how this programme emerged, including any previous cooperation it built upon, and the key drivers that facilitated its emergence. Such an analysis is not only of interest for understanding how this programme can be successfully implemented, but can also help to guide political and technical collaboration between Governments and donors to develop innovative programmes in comparable contexts.

This programme builds on over a decade of Australian support to the Public Financial Management (PFM) system in Timor-Leste, most recently through the World Bank’s Public Financial Management Capacity Building Project (PFM CBP) to which Australia contributed $11.9m (WB 2014). In 2012, as the original end of this project approached, the Ministry of Finance requested a new modality of budget support to support the next phase of Public Financial Management strengthening. The Ministry of Finance proceeded to design its own system of Key Performance Indicators and a new program around it. The PFM CBP was extended to 2014 to allow the project to transition smoothly. DFAT and the EU were the first donors to sign up to the Ministry of Finance’s program.

The main challenge the Government reported facing was resistance from donors committed to old programs every time it tried to move to a more advanced modality in line with its own needs. Nevertheless, as part of the preparatory phase the system of KPIs was developed and the first round of assessment was undertaken in March 2013. The results that emerged have provided the baseline for the KPI assessments that have taken place through the budget support programme.

In interviews carried out to produce this case study, DFAT confirmed that the programme of budget support which is now being implemented has been made possible due to the strengthened policy environment in The Ministry of Finance and increased maturity of Ministry systems. The Ministry also reported that emphasising the need for joint discussion and idea-sharing up-front – rather than discussing pre-prepared donor ideas – was a significant factor in this change. In 2012 a joint fiduciary risk assessment (GRM/Ausaid 2012) was conducted by The Ministry of Finance, Australia, the EU and the World Bank, which found that:

- Systems were improving relatively fast, reducing inherent fiduciary, development and reputation risks.
- Strong commitment was demonstrated from Ministry of Finance leadership to reform and institutionalise capacity building.
- Traditional methods of delivering development assistance to The Ministry of Finance were unlikely to deliver reduced exposure to fiduciary risk, and in fact could increase development risks.
- Plans to established budget support for The Ministry of Finance would help deliver stronger reform plans.

In addition, the Ministry of Finance emphasised in interviews that many standard donor conditions for budget support had already been met, which helped to support their push to use this modality. Ministry of Finance officials emphasised that these conditions included having a credible public policy and PFM reform plan [reflected by the range of strategic Ministry of Finance documents that have recently emerged].
a credible and relevant macroeconomic stability policy and political commitment to aid and budget transparency [exemplified by the Aid and Budget Transparency Portals]. The Ministry officials also felt their increased ownership and ability to engage with donors improved the partnership. The Ministry of Finance had its own standards, building on the existing framework of the New Deal principles.

DFAT also cited being pushed towards this facility because it is genuinely seen to be in keeping with best practice principles of PFM and would therefore deliver better value for money. To that end, it is quite possible that this support would have come about without the New Deal. However, the New Deal provided a language and a focus on principles that donors cannot ignore, and that also had high level political support. For instance, in the case of Australia, former-Prime Minister Kevin Rudd’s support for the New Deal in Timor-Leste was cited as an important piece of the puzzle in enabling budget support.

4. How the programme addresses the New Deal principles

This section identifies the primary New Deal principles addressed by this programme and how its design aimed to support their implementation.

One vision, one plan – This programme aligns to government plans by supporting development of KPIs to help achieve their priorities and by providing budget resources to Ministry of Finance to allocate (with some DFAT and EU oversight) in line with their plans.

Transparency – Although the programme doesn’t directly focus on interventions related to transparency, it introduces a transparent process for assessing KPIs, including a standardised methodology, open consultation with donors to verify the facts reported on the Transparency Portal, a joint Ministry of Finance-donor process for undertaking the assessments and a commitment to publishing the results.

Risk sharing – The Ministry of Finance and donors conducted a joint risk assessment in 2012; this programme builds on the learning from that assessment. Currently, budget support does not go beyond the Ministry of Finance as it is felt other Ministries are still too risky.

Use of Country Systems – The DFAT/EU support is channelled through the Ministry of Finance budget and is timed to coincide with the Timor-Leste financial year. Also, all technical assistants are recruited through and report to the Ministry of Finance, and payments of their salaries are made through Ministry of Finance systems. In general, these donors have taken much more ambitious steps to use country systems than other donors, who have generally been reducing their use of country systems in recent years.

Strengthening capacity – The project is explicitly about improving performance management, which is intimately connected to capacity building. Capacity is being developed by encouraging the development of rolling five year plans and annual action plans, as well as meaningful KPIs. Where Directorates are found to be underperforming, support is also channelled towards these teams to enable them to perform better in future, thus focusing on strengthening capacities.

Timely and predictable aid – The calculations for how much budget support will be received for the Jan – Dec financial year is determined in October. This should in theory, allow this decision to feed into the Ministry of Finance’s internal budgeting processes, which take place in October/November. However, in the programme’s first year it actually took much longer than this, largely because the system was new. There are also currently delays in the process of assessing the KPIs and selecting the KPIs for the next phase due to political changes in Timor-Leste (including the resignation of the Prime Minister and Minister of Finance). In interviews the Ministry of Finance did though not express any major concerns with these delays, as they felt they had sufficient time to plan, and their resourcing had not yet been undermined.

5. Programme impacts and challenges

The programme was only initiated in June 2014 so it is very early to comment on the programme’s impacts. A mid-term review is planned for 2016, and this should provide some useful insights into how well the programme is meeting its objectives. It is though
possible to see signs of improved performance in the Ministry of Finance since the programme began, which is indicated by improvements in the Key Performance Indicator scores since the first assessment in 2013.

However, it is important to note that these improvements in performance between 2013 and 2014 may in some way point towards challenges in the process of setting and assessing standards in an objective way. To date the Key Performance Indicator assessments have relied up self-reporting (which is then validated through quality control and testing by external experts), an approach which has been seen as vital to building internal knowledge and support for the system. More independent approaches (e.g. using pre-agreed criteria to judge grades) are also being explored.

There have also been challenges in managing the significant time and capacity demands in carrying out the KPI assessments, which typically take 2-3 weeks to undertake. Nonetheless, this is far less than, for example, a Public Expenditure and Financial Accountability (PEFA) assessment; hence can be considered a more efficient assessment mechanism which (crucially) builds on Government systems.

A system for managing the data produced has been introduced, but is taking time to fully develop. Ensuring continuity of the experts supporting the Key Performance Indicator assessments is also relevant, although this may be less of binding constraint as Ministry of Finance officials and departments become more familiar with the process.

6. Lessons learnt
The process through which this programme emerged, its initial impacts and continued challenges to be addressed in its implementation point towards the following lessons learnt for promoting effective, progressive and innovative Government-donor collaboration to pursue the New Deal:

- **Building mutual Trust**: Progressive and innovative collaborations take time to emerge and require experimentation and adaptation – Programmes such as this can’t be planned neatly upfront and then simply be implemented, they involve slow processes to build the relationships, learn the systems, etc. Buy-in grows throughout the process on all sides, and initial inadequacies can be addressed through patient dialogue, which ensures that ownership is promoted throughout the process. Importantly, this means this kind of programme doesn’t lend itself to the quick-win ‘in my term in office’ kind of approach that donors often like; they need to be willing to see this as a long-term partnership. As a result, it’s important to have good continuity of staff on both the government and donor side.

- **Identify Champions**: It may be helpful for a senior management champion (or a range of more junior champions) to lead the reform process and satisfy donors that this is a serious undertaking – In Timor, this was initially former-Minister of Finance Emilia Pires; the new Minister (former Deputy Minister) is also clearly committed and even the new Prime Minister (who was previously an Advisor to the Ministry of Finance) mentioned performance management as a priority in his speech following his appointment.

- **Identify priorities for Planning**: Government needs to have clear plans that donors can align to so that they can’t insert their own priorities – Having a fully articulated plan helps Governments to stay in the driving seat and ensure the donors to tailor their support to Government (rather than the other way round).

- **Clear principles on Partnership**: Government needs to be clear on the principles on which its partnerships with donors are based – In the case of Timor, this is very clearly the New Deal principles. It is known in Dili that the Ministry of Finance isn’t interested in donors unless they are going to operate according to New Deal principles.
Ministry of Finance of Timor-Leste budget support and capacity building by Australia and the EU

Bibliography


New Deal case study

Donor efforts to strengthen service delivery by the Government of the Republic of South Sudan
Donor efforts to strengthen service delivery by the Government of the Republic of South Sudan

1. South Sudan1 – Background and context

The Republic of South Sudan is the world’s newest country, having come into being on 9 July 2011 following an independence referendum in January 2011, in which its population voted overwhelmingly for independence from Sudan following decades of conflict. At its independence South Sudan was one of the poorest countries in the world, with 51% of its population living in extreme poverty, an under-5 mortality rate of 135/1,000, only half of children in primary school and an adult literacy rate of 27%.

Over 90% of the Government’s revenues come from the oil sector. This dependency has created instability for South Sudan’s revenues and service delivery efforts for two main reasons. Firstly, oil prices have fallen sharply in recent years, from around $110 a barrel in mid-2014 to $45-$65 a barrel during 2015. Secondly, as South Sudan relies on the pipelines of Sudan for exporting oil the sector has been affected by sustained political tensions between these countries. This situation came to a head in early 2012 when South Sudan suspended oil production (until April 2013) following the failure of talks to agree on pipeline transit fees to be paid by South Sudan to Sudan. This shutdown led to a major fiscal crisis.

At independence South Sudan’s government and service delivery infrastructure were severely underdeveloped. The 2005 Comprehensive Peace Agreement with Sudan led to the establishment of a decentralised system of ten states, below which seventy-nine local governments were formed. The 2005 Constitution and the 2009 Local Government Act then laid out the functions and responsibilities of each level of government, although these were broadly defined and often conflicting. Transfers to State Governments began almost immediately after the CPA, and mainly covered salaries for teachers and health workers, but also for the large Police, Prison and Fire Brigade units which had been created to facilitate the demobilisation of rebel soldiers.

Since independence South Sudan has experienced ongoing conflict with Sudan, although its own internal conflicts have been most disruptive. In July 2012 President Salva Kiir sacked his entire cabinet, including the Vice-President Riek Machar. This led to political tensions which ultimately culminated in violence breaking out in December 2012 and large part of the national army defecting to the rebel side. Although the capital Juba was affected early in the conflict, fighting has been confined largely to three of South Sudan’s ten states. Several ceasefires were signed between the government and its opponents, but none held. A peace agreement between the government and opposition was finally signed in August 2015.

2. Introducing the main donor programmes supporting Government service delivery

This case study focuses on a number of donor programmes3 supporting service delivery through the Government’s administrative systems, including:

- **Local Governance and Service Delivery Program** (funded by World Bank, with co-financing from Governments of Denmark, Netherlands, and Norway) – Funding of $99.5 million over the period 2013-18; being implemented by the Ministry of Finance, in collaboration with the Local Government Board; this project aims to improve local governance and service delivery in participating counties in South Sudan; it has four components: i) Block grants to counties for Payam (the second-lowest administrative division) development, ii) Community engagement, iii) Institutional strengthening, iv) Project management support (World Bank 2013).

- **Girls’ Education in South Sudan (GESS) project** (funded by UK Department for International Development/DFID) - Funding of £60 million over the period 2013-18; being implemented by a consortium of organisations led by Mott MacDonald; this project aims to increase

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1. Sections 3-6 of this report drew heavily on Hart and Williamson [forthcoming]
2. These totalled over SSP 4 billion (roughly $1 billion) during the period 2006-11
3. The programmes addressed by this case study do not constitute the full set of prominent donor programmes which have contributed to strengthening Government service delivery in South Sudan. Other relevant programmes include the multi-donor Capacity Building Trust Fund (CBTF), the European Union’s State-Building Contract (EU-SBC) and the Health Pooled Fund (HPF). The decision not to include the CBTF in this case study was taken on the basis that its implementation began before agreement on the New Deal. The decision not to include the EU-SBC was taken largely because this programme was not implemented. The decision not to include the HPF was taken on the basis that this programme is not supporting the Ministry of Health to deliver services but to oversee the work of NGO providers.
access and the capacity for Girls’ in South Sudan to stay in school and complete primary and secondary education; it: i) provides incentives to households to offset the cost of keeping girls in schools; ii) provides cash grants to schools to improve the learning environment; iii) mobilises parents and communities to retain girls in school until end of their secondary education; and iv) delivers behaviour change communication in collaboration with government, non-state and private sector actors (DFID 2012).

- The Budget Strengthening Initiative, Sudan (funded by DFID South Sudan) – this programme is hosted by the Overseas Development Institute (ODI), and acts as a semi-autonomous provider of advice to Governments in fragile states; in South Sudan it has been supporting the Ministry of Finance since 2010; its main focus has been on i) supporting public finance management reform; ii) support to the planning and budgeting process, and deepening sector-based policy planning and budgeting cycle; and iii) efforts to improve aid coordination, and develop aid modalities which use government systems in support of infrastructure and service delivery (Agulhas 2013).

These programmes have collaborated closely in supporting the Government of South Sudan to develop its policies, systems and processes for providing support to sub-national structures for delivering services.

3. What were the drivers of these programmes and efforts to coordinate them?

The dominant mode of donor funding for service delivery in South Sudan at independence used systems parallel to the Government’s (e.g. through UN agencies and NGOs), as incipient Government structures were deemed too weak and too corrupt to be trusted to handle donor funding. As a result donors were doing little to strengthen Government systems for delivering and coordinating services, creating challenges for promoting the sustainability and cost effectiveness of service delivery.

In an effort to address some of these challenges, following independence the Government began expressing its desire (including through early drafts of its aid policy) for donors to provide their assistance for service delivery through direct support to its budget. This policy was reportedly driven in part by expectations for a new approach to aid emerging from the New Deal and South Sudan’s selection as a pilot country for this process.

However, there was a disconnect between Government and donor views on aid modalities and the Government’s requests for budget support were met with resistance from donors. In response to this impasse the BSI programme began supporting government to develop an innovative aid instrument that could meet the Government’s objective of aid using government systems, and could also address the concerns of donors about the weakness of those systems. The result was the proposal to introduce a “Local Services Support Aid Instrument [LSSAI]”, which would have windows to support sector-specific expenditures, and would include safeguards to ensure funds were correctly spent. The LSSAI was subsequently incorporated into the Government’s aid strategy as the preferred way for donors to start using government systems.

The LSSAI was initially conceived as covering primary education and healthcare, with a window for community-driven infrastructure and development. This additional window was included in an effort to encourage the World Bank to deliver a community-driven development project it was developing (the Local Governance and Service Delivery project/LGSDP) through local Government rather than outside of local Government directly to communities. This led to the World Bank incorporating the LSSAI into the concept note for the LGDSP, and subsequently using this project to initiate a new development transfer - the Payam Development Grant - to be implemented by Counties (rural local governments). Initiation of the LSSAI, and to some degree the LGSDP, was disrupted by the suspension of oil production in January 2012 (see the introduction). A number of donors expressed their opposition to this suspension and resulting concerns about the sustainability of the Government’s finances by taking a step back from pursuing efforts to directly finance Government service delivery. However, with the prospect of donors financing Government service delivery programmes worsening the government’s focus turned towards addressing the challenges of strengthening its own systems. This led to intensive efforts to develop a range of policy, planning and

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4 Booth (2013) categorises BSI as an “arms-length” provider of advice to Governments, in that it is donor-funded but operates with some degree of autonomy from the donor; such an approach allows a more demand-led and flexible engagement to emerge, that has the potential to better address challenging institutional issues.
delivery systems (the most significant of which are detailed in the box below), with the BSI programme playing an important facilitation and technical role in their development.

The effort to develop stronger systems allowed for tangible progress on these projects to be made in the second half of 2013 as the relationship with donors improved following productive negotiations with Sudan and resumption of oil exports in early 2013.

Another donor project that was incorporated into this expanding framework of interventions supporting the Government’s service delivery systems was DFID’s Girls’ Education in South Sudan (GESS) project, which began in early 2013. Due to fiduciary concerns GESS does not use Government systems to transfer capitation grants to schools. However, BSI and the project’s lead agency on technical systems, Charlie Goldsmith Associates (CGA), worked together to ensure that the capitation grants GESS provided to schools complemented those from Government5 and that a common reporting systems for schools was applied to both Government and GESS grants. This “shadow alignment” approach ensured that CGA technical assistance to support school reporting for the GESS programme also helps to strengthen the Government’s school reporting system. It also means that when the Government takes over full funding of the system the transition process should be relatively simple as schools will already be used to the systems for managing and reporting on grant funds.6

At the same time that donor projects were being designed, government was increasing investment of its own funds in local service delivery. The 2013/14 budget included allocations for service delivery transfers, including the funding of primary school capitation grants. With support from external advisors, the Government was also addressing vital human resource issues and work had started on developing social accountability mechanisms. However, the outbreak of civil conflict in December 2013 led to a further disruption to government efforts to initiate donor financing for Government service delivery.

Despite these disruptions and the ongoing fighting the Government used the new systems for transfers (County block transfer, County education, health and water operating transfers and capitation grants for primary schools) to states unaffected by the fighting from March 2014. In addition, the LGDSP began its transfers to Payams and technical assistance from BSI and the World Bank [as well as the EU] got back underway in March 2014.

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5 It was agreed that the government would fund capitation grants for primary schools and GESS would fund capitation grants for secondary schools.
6 Schools manage the funds themselves. This is in contrast to donor support in the health sector, where typically NGOs provide in-kind support to government health facilities (pay for staff, goods or services) and so the government facility plays no role in managing the funds.
4. How these programmes addressed the New Deal principles

These programmes supporting the Government of South Sudan’s service delivery efforts have addressed a range of the New Deal principles, especially the TRUST principles. The links between these programmes and the New Deal are illustrated below:

**Use and strengthen country systems** – These programmes have placed a significant emphasis on strengthening the Government’s service delivery systems, thereby helping to encourage donors to begin to use these systems. Important progress has been made in building PFM systems at both central and local government level; in developing systems for planning service delivery, and addressing delivery constraints; and in addressing human resource and general policy systems. As systems have begun to develop, donors have begun to take steps towards using these systems, e.g. through support to local government institutions (LGSDP) and shadow alignment (GESS).

**Strengthen capacities** – As a part of their effort to strengthen government systems, these programmes have placed an emphasis on building human capacity to address service delivery challenges. The LGSDP project has provided technical assistance in planning, budgeting, accounting and investment management to the first eight counties to be selected for the project. The GESS project has been providing technical assistance to schools to support their efforts to report on project expenditures and outcomes, as well as reporting for government programmes. In addition, the Local Government PFM Manual, developed through the Capacity Building Trust Fund (not a focus of this case study) with support from the BSI programme, has been used to train local government staff in all ten state capitals.

**Risk-sharing** – Whilst these programmes have not led to donors notably increasing their tolerance of risk in terms of the types of aid modalities they are prepared to use [e.g. no donor has yet provided budget support] they have helped to make questions about risks more explicit and visible, as well to promote a concrete dialogue on addressing them. For example, discussions on the LSSAI provided a platform to discuss donor concerns related to fiduciary risks and identify benchmarks for donor use of systems. This dialogue in turn stimulated the development of the Fiduciary Risk Management Strategy.

5. Impacts and challenges

This section provides some insights into the impacts of the programmes supporting Government service delivery addressed in this case study, as well as the challenges which have been involved in implementing them.

One of the most important impacts of these programmes has been the emergence of a more coherent Government agenda for supporting service delivery. Initially buy-in to the reforms and actions required to improve service delivery existed largely within a small cohort of officials and administrative units. However, the significant and sustained investments made through these programmes in promoting inter-Ministerial cooperation and the building of capacity during the period 2012-13 helped to deepen and broaden Government commitment to strengthening service delivery. This commitment is exemplified by the Government’s allocation of $100m in funding for local Government service delivery in 2013/14 and disbursement of these funds in early 2014 despite the outbreak of conflict.

These programmes have also helped to promote a more constructive dialogue between Government and donors on aid modalities, through their efforts to make the key challenges more explicit, promote dialogue on addressing these challenges and identify intermediate steps for donors to take towards use of government systems. For example, the GESS project’s adoption of the Government’s reporting procedures for secondary schools will help to facilitate any future transition towards use of government systems for the delivery of donor financing of the sector. The progress that has been made in taking aid approaches forward is also illustrated by a quote from a recent evaluation of the BSI programme, which stated that in South Sudan the programme had “helped to break the cycle of donors funding services through parallel mechanisms such as NGOs...” and made “…a highly strategic contribution to state-building” (Agulhas 2015, pii).

Much of the funding mobilised for local service delivery has focussed on the education sector. This support...
has helped to facilitate a significant increase in the number of children enrolled in school. According to a recent press release from the Government and the GESS project, as of July 2015 the number of children enrolled in primary and secondary school had reached 1 million, and is projected to reach 1.2 million by the end of 2015 (GESS 2015).

However, one of the biggest challenges for expanding service delivery is reaching the estimated 2.25 million people who have been displaced by the fighting that has taken place since late 2012 (UNHCR 2015). These figures include 800,000 children, half of which have been forced out of school (STC 2015). There is continued instability in South Sudan, as fighting has continued to flare-up despite the signing of a peace agreement in August 2015. The countries’ economy has also deteriorated, partly due to the instability, but also the collapse in oil prices and increasing inflation. If these conditions worsen then the achievements made in strengthening service delivery systems and expanding services will be threatened.

6. Lessons learnt

This section highlights some of the key lessons that have emerged out of this set of programmes and their efforts to strengthen the government’s delivery of services.

Progress can be made on state-building even in fragile contexts – This case illustrates that it is possible for external assistance to help facilitate progress in areas as challenging as institutional reform and systems strengthening even in a fragile context. Achieving these outcomes in such contexts requires bottom-up, context-driven and flexible interventions, as highlighted below.

Working in a bottom up, context-driven and flexible way is vital to success - These programmes have helped to deepen local commitment and capabilities for strengthening service delivery by identifying and building on existing political support and capacity and pursuing strategic opportunities for expanding them. In a fragile and rapidly changing context such as South Sudan, it has also been important for donors to take a flexible approach to programme delivery, so that adjustments can be made in response to contextual challenges and strategic opportunities as they emerge.

The value of an explicit dialogue on donor concerns – The progress that has been made in moving towards aid modalities which more effectively supports Government leadership and oversight of service delivery has been helped by donors making their concerns about Government systems explicit. This in turn has helped to focus technical assistance and inter-Ministerial cooperation on addressing the most pressing issues blocking progress on the strengthening of systems and their progressive use by donors.

The contribution that an arms-length provider of advice and technical assistance can make to improving Government-donor and cross Government cooperation - One of the most critical roles that the BSI programme has played has been its efforts to support more constructive and productive dialogue between the Government and donors, as well as across Government ministries. BSI has been supported in playing this role by its arms-length relationship with its donors, allowing it to operate in a neutral and independent way to address challenging issues.
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New Deal case study

Norwegian financing of the Somalia Special Financing Facility (SFF)
1. Somalia – Background, aid context and New Deal progress

After the fall of the Siad Barre regime in the early 1990s, successive transitional governments in Somalia gained a widespread reputation for financial mismanagement and corruption, while failing to establish an effective central administration. The resulting power vacuum led to territorial fragmentation, as individual regional and local administrations sought to impose order within their respective areas, as large areas of South Central Somalia increasingly came under the control of Islamic militants from 2000 onwards.

After numerous efforts to re-establish a Government during the 2000s (including the formation of a series of transitional Governments), concerted efforts by African Union forces led to a relative improvement in the security situation in 2011, which in turn facilitated the formation of the Federal Government of Somalia (FGS) in late 2012.

The majority of aid to Somalia throughout the period since the 1990s has consisted of humanitarian assistance – including in response to regular food crises and famine - delivered predominantly through the United Nations and a range of NGOs. Even since the formation of the FGS donors have avoided delivery of aid through the Government due to lingering concerns about its capacity and accountability.

In an effort to identify clearer national peace-building and state-building priorities and to strengthen international support for pursuing them work began in 2012 on a New Deal-inspired Somali Compact to be agreed between the FGS and the international community. This Compact was adopted in 2014 (FRS 2014) and was accompanied by pledges of €1.8 billion in external assistance and commitments to engage more closely with FGS institutions in delivering this assistance (Reuters 2013).

2. Introducing the Special Financing Facility (SFF)1

The SFF is a facility which was initiated by the Government of Norway (GoN) in 2013 to provide rapid funding to support the new FGS to address social and economic challenges and to bolster its credibility and legitimacy as it consolidated its presence. It was conceived as a temporary bridging facility, which would provide funds to FGS in advance of the establishment of a larger, multi-donor facility administered by the World Bank.

The SFF’s support has been focussed in two main areas:

i. Regular payment of civil service salaries

ii. Direct Government delivery of simple development projects of value to local communities

The basic facility design was fairly simple. It adopted a revolving disbursement model, whereby GoN provided an initial advance to the FGS, who then submitted subsequent eligible expenditures for reimbursement through a Withdrawal Application (WA). An independent Monitoring Agent (MA) contracted by GoN was responsible for assessing whether the expenditures being claimed by the FGS were eligible, and for advising GoN on whether and to what extent the Government’s Withdrawal Application should be reimbursed. GoN also contracted a separate Administrative Agent (AA), whose role it was to receive SFF donor funds and disburse them to the SFF operational account held by the Central Bank of Somalia (CBS). In addition, GoN appointed a consultant Supervision Team to carry out regular project supervision on its behalf. This design therefore attempted to balance the FGS’s interest in national systems being used and GoN’s fiduciary concerns [see next section for more].

The SFF established a range of formal procedures for funding delivery and implementation. In order for salary payments to be made the SFF required FGS employees to be individually registered so that they could access their salaries using a biometric identification system. To ensure local ownership of development projects, the SFF established a process for community consultation and project identification, involving regional Government officials and civil society representatives.

Two temporary SFF units were established in the Ministry of Finance to support SFF operations. The Financial Management Unit (FMU) was responsible for ensuring the compliance of SFF contracts and payments, while the Temporary Implementation Unit (TIU) was

1 This description is based on insights from interviews and SFF (2013)
responsible for management of the SFF projects component. The Monitoring Agent had an additional function of providing capacity support to these units, as well as to the other Government departments integral to effective SFF operations, including the Accountant General’s office, the Civil Service Commission and the Central Bank of Somalia.

Although the initial plan was for the SFF to be up and running within four months (from when it was proposed, in December 2012), it ultimately took eight months (to August 2013) to become operational mainly due to delays on the GoN side related to the development of the Grant Agreement and the procurement of the Facility’s fiduciary agents. The first Government salary payments under the SFF took place in August 2013. The payments were pre-financed by an advance from Government, as the mechanism for transferring the SFF advance to the designated account in the Central Bank was not yet in place.

3. Programme emergence and drivers

This section details the key drivers that facilitated this programme’s emergence. Such an analysis is not only of interest for understanding how similar initiatives can be taken forward in Somalia, but can also help to guide political and technical collaboration between Governments and donors to develop innovative programmes in comparable contexts.

Following the re-establishment of the 2012 FGS, the international community was eager to re-establish cooperation with it. In initial discussions on financing modalities to provide such cooperation, donors had expressed a preference for a ‘Joint Financial Management Board’ approach, whereby provision of direct financial assistance would be contingent on donor co-management of the Government’s Public Financial Management (PFM) system. They viewed this as the most effective way of managing fiduciary risks. However, this approach was rejected by the new President of the FGS, on the grounds that it impinged on national sovereignty and risked de-legitimising the new Government in the eyes of the Somali population.

Amongst the donors GoN was the only one prepared to consider a more FGS-led financing mechanism, although it retained significant concerns about fiduciary risk. The design of the SFF was therefore driven by efforts to balance the FGS and GoN positions.

In identifying a design for the SFF which would meet both FGS and GoN needs the design team drew on previous World Bank operational designs for early post-conflict support. They also reportedly found inspiration from the 2011 World Development Report on Conflict, Security and Development in identifying the main functions of the SFF.

4. How the programme addresses the New Deal principles

This section identifies the primary New Deal principles addressed by this programme and how its design aimed to support their implementation.

SFF financing was explicitly designed to support a country-led transition out of fragility. Its main objective was to assist the government to receive the funds that could be used to build political legitimacy, through regular payment of salaries and the delivery of simple development projects of value to local communities, while meeting international standards for transparency and accountability to donors.

The way in which the SFF was designed directly also addressed three of the New Deal TRUST principles, namely: risk-sharing, use of country systems, and strengthening capacities. The innovation within the country context was to provide financing direct to Government for delivery through Government systems. Where existing systems proved inadequate, support was provided to help strengthen existing processes (as occurred with the salary payment mechanism). Where existing systems were non-existent, support was provided to design new ones (as occurred with the establishment of capacity to identify, design and manage project implementation, as well as the development of an associated procurement process).

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2 The main inspiration for the SFF design was reportedly the Holst Fund, which provided emergency salary and recurrent cost support to the Palestinian Authority from 1994.
5. Programme impacts and challenges

This section presents an overview of the impacts the SFF has had in Somalia, both in terms of funding civil service salaries and development projects.

Over the period August 2013 to June 2014 the SFF supported ten months of Government salary payments. There were though considerable delays in these salary payments, initially due to slow progress in finding a route for transferring payments through the Central Bank (an FGS demand) in a way that satisfied GoN concerns relating to money laundering (which took until October 2014). Then, following the first transfer of funds the Governor of the Central Bank resigned citing concerns over corruption, which led to payments being suspended until an alternative transfer route was in place in March 2014. These bureaucratic issues were also complicated by a change of Government in Norway in the early phase of the SFF’s operations.

Despite these challenges the SFF supported a considerable improvement in the salary payment system, which had previously involved Spending Agencies paying their staff in cash with no ex-post verification of whether salaries had reached the intended recipients, or whether those being paid were legitimate civil servants. The previous system therefore created significant opportunities for leakage and resulted in salary payments being very erratic.

On the projects side, it had been intended that these would be implemented in all twelve of the regions of Somalia. However, their implementation has been significantly delayed by a range of factors, including underestimation of the time it would take to develop and procure projects, insufficient support from the Monitoring Agent (partly due to insecurity restricting movement), and severe liquidity problems brought about by delays in disbursements from GoN. As a result, projects have been implemented in only three regions – Banadir, Hiiraan and Galgaduud [see box below] – and it is not clear if further projects will be implemented. Details of the projects implemented in these three regions are presented in the table below. Most of these projects were completed very recently and it is therefore not yet clear what their impacts have been. Projects have not been initiated in a further 9 regions, as was originally intended, as the GoN decided not to continue the projects component of the SFF once the salary component was handed over to the World Bank.

In delivering and overseeing funding through Government while limiting exposure to fiduciary risk (the SFF’s first year received a clean audit), the SFF has demonstrated that it is possible to make use of the FGS’s systems. It is hoped that the demonstration effect of the SFF may help shape wider donor support in the coming years.

A practical illustration of this effect has already emerged, in that the SFF has already helped to develop a set of procedures and policies to be utilised by successor funding instruments. For example, the World Bank-managed Recurrent Cost and Reform Financing Facility (RCRF), which has taken over the payment of

<table>
<thead>
<tr>
<th>Region</th>
<th>No. projects</th>
<th>Type of project</th>
<th>Estimated cost in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banadir</td>
<td>6</td>
<td>Road rehabilitation (3 projects)</td>
<td>1 Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Installation of solar street lights (3 projects)</td>
<td></td>
</tr>
<tr>
<td>Hiiraan</td>
<td>3</td>
<td>Rehabilitation of regional administration buildings</td>
<td>0.75 Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction of two markets</td>
<td></td>
</tr>
<tr>
<td>Galgaduud</td>
<td>3</td>
<td>Rehabilitation of regional administration buildings</td>
<td>0.75 Million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction of one livestock market. Bush Clearing</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td></td>
<td>2.5 Million</td>
</tr>
</tbody>
</table>

FRS (2015)

3 Despite initially committing to provide reimbursements within 10-20 days, on average GoN took 100 days to approve the reimbursement of the first seven Withdrawal Applications, and a further three WAs were outstanding for 180 days. Due to these delays the FGS had to pre-finance salary payments in a number of months and salaries were not paid at all in December 2013.
Government salaries (since July 2014) using the same system instituted under the SFF. This facility is currently able to process salary payments more quickly than the SFF, and has therefore learnt important lessons from the SFF’s experiences. The World Bank has also shown an interest in taking forward the SFF’s projects component on a modified basis, in order to use the lessons learned in the design and implementation of future infrastructure programmes.

Finally, it is important to note how the SFF has fed into broader policy and strategic developments related to financial management and aid. The insights gained through the capacity building support of the MA have helped inform the development of the donor-government roadmap to greater use of country systems, including plans for technical assistance in areas such as payroll, banking, financial management information systems and procurement. The lessons learned from establishment of the two temporary SFF units (TIU and FMU) have also helped shape the design of the External Assistance Fiduciary Section (EAFS) within the Ministry of Finance, which is intended to coordinate the management of donor assistance disbursed direct to Government.

6. Lessons learnt

The experience of the SFF shows that it is possible to make adapted use of Government systems in a highly challenging environment without incurring excessive fiduciary risk. Key design features included use of a tested model that permitted sufficient operational flexibility as implementation challenges emerged, the provision of high-quality (and relatively costly) in-field fiduciary monitoring and capacity support, and the employment of a field supervision team well-versed in managing operations of this type in unstable environments.

However, the experience of the SFF also shows that successful programme implementation in fragile states (and elsewhere to a degree) is not contingent on effective design alone; it needs to be accompanied by donor willingness to increase and sustain their risk exposure. GoN initially demonstrated this willingness, by moving ahead of other members of the international community to make a commitment to using country systems. However, other donors lacked the risk appetite to join Norway in funding the SFF, even when it became clear that the SFF was playing a valuable role in providing a pathway for the implementation of the World Bank’s Multi-Partner Fund, to which they were committed. This left the Government of Norway shouldering the risks of using Government systems on its own. GoN commitment to the risk exposure engendered by the SFF became harder to sustain in the face of events such as the resignation of the Governor of the CBS and a change in political leadership in Norway, hence the considerable delays in effecting reimbursements.

Bibliography


New Deal case study

Donor support for health workers’ salaries during the Ebola outbreak in Liberia
1. Background to the Liberia, the health sector and the 2014/15 Ebola outbreak

Following two periods of civil war (1989-96 and 1999-2003) an August 2003 Peace Deal and elections which followed in 2005 brought new-found stability to Liberia. The period since has seen Liberia make important strides in rebuilding its basic infrastructure and administrative capacity and in achieving development progress. Amongst the areas where progress has been made in Liberia is with regard to health. During 2000-2013 under-5 mortality in Liberia declined from 21 / 1,000 to 10 / 1,000, and maternal mortality declined from 1,100 per 100,000 live births to 640. This progress has in part been driven by improved investments in health sector. Liberia’s 2007 National Health Policy suspended user fees at primary and secondary level and committed the Government to increase health spending. This period has also seen donors significantly increase their spending on the health sector (DuBois and Wake 2015). However, despite this progress Liberia’s current health statistics are still amongst the worst of any country and its health sector remains fragile. The WHO estimates that health care spending of $86 per person is required to provide a minimum basic package of health services. It also recommends that there be at least one health care worker (doctor, nurse or midwife) for every 439 people in a country. According to the most recent data Liberian Government spending on health is currently equivalent to $16 person and there are 3472 people for every health worker (DuBois and Wake 2015).

This was the fragile health and broader context in which the 2014/15 Ebola crisis took place. Following the first cases in Guinea in December 2013, its spread to Liberia was confirmed on 31st March. The number of cases increased rapidly in the months that followed and the Liberian Government declared a State of Emergency on 10th August 2015 after Ebola reached the capital Monrovia. The impact of this Ebola outbreak on day to day life in Liberia was significant, with people’s movement restricted, major constraints emerging on access to healthcare beyond Ebola-related services, food and fuel running low and the economy slowing (from a growth rate of 5.9% pre-Ebola to 2.2% in 2014 - WB 2014b).

By August 2015 the rapid increases in Ebola cases and then the State of Emergency had stimulated a full blown response from the Government of Liberia and its donors. This response focussed largely on effectively mobilising and resourcing health workers (the focus of this case study), constructing and resourcing specialist treatment centres and efforts to trace Ebola cases.

Following the scale-up in the response to Ebola in Liberia, the number of Ebola cases peaked in September 2015 and the country was declared Ebola free for the first time in May 2005. Following a small outbreak in July 2015, Liberia was again declared Ebola free in September 2015.

2. Introducing the main donor programmes supporting the Liberian Government to manage health workers during the 2014/15 Ebola crisis

As already indicated, one of the most important contributions that donors made in response to Ebola in Liberia (and the other affected countries) was to provide financial assistance to support efforts to mobilise and resource health care workers. A range of governmental and non-governmental actors provided this type of support, including UN agencies and NGOs who were amongst the first to provide such assistance in the first half of 2014. However, reflecting its focus on donor efforts which are consistent with/inspired by the New Deal principles, this case study focuses on those programmes which provided assistance directly to the Liberian Government to support its efforts to mobilise and resource health care workers. The main donor programmes which provided such support included:

- USAID (Emergency Ebola Response Support) – Beginning in September 2014 the US Government (through USAID) provided $10 million in funding to cover the basic salaries of health-workers over the following 12 months. This support focussed on health workers paid through their bank accounts (rather than in cash). The funding for this project was provided to the Ministry of Finance on a reimbursable basis, with payments made from USAID following verification (involving Uganda’s General Auditing Commission and spot checks of facilities) of health worker payrolls and payments being made to health workers. As of December 2015 payments up until
April 2015 had been made, and payment for May-July was being processed (USAID 2015).

• World Bank [Ebola Emergency Response Project] – This project was approved in September 2014, and provided $105 million in grant support to Guinea, Liberia and Sierra Leone to respond to Ebola. The funding for Liberia totalled $52 million, with around $20 million allocated for providing hazard payments (i.e. to incentivise them to remain in post during the crisis) to a wide range of public and private health workers, as well as for covering indemnities in case of death in service. These resources were provided directly to the Government through the Ministry of Finance’s financial management unit (World Bank 2014a).

• African Development Bank [Strengthening West Africa’s Public Health Systems Response to the Ebola Crisis/SWAPHS] – This project began in September 2014 and provided $60m to Guinea, Liberia and Sierra Leone to respond to Ebola. The funding for Liberia totalled $20m, with $4.5 million provided for hazard payments to a wide range of health workers. The funding was channelled through the WHO to the Ebola Trust Fund which then disbursed funding to the Government of Liberia (AfDB 2014b).

In addition to providing funding to cover Government health worker salaries and hazard payments the World Bank and African Development Bank projects supported the financing and resourcing of expatriate medical doctors, nurses and other medical personnel to support the response effort. These health worker support activities are not the focus of this case study, as they did not directly involve Government health workers and were managed largely outside of the Government’s systems.

3. What were the drivers of these programmes?

The financing of health worker salaries has been a long-standing challenge in Liberia with their unions regularly calling for pay increases and strikes. In responding to these pressures the Liberian Government has been constrained by concerns about sparking pay demands across the civil service, low levels of Government revenue and the reluctance of donors to cover such costs.

The 2014/15 Ebola outbreak deepened the challenges relating to health worker pay from two main directions. Firstly, its drag on growth levels led to revenues falling, with total revenues an estimated $86 million lower as of end 2014 compared to pre-crisis projections (World Bank 2014b). Lower revenues have in turn created challenges for resourcing the public sector, including health workers.

Secondly, health workers faced significant risks in carrying out their work during the outbreak (80 health workers died from the virus by August 2014 – World Bank 2014b), which led to discussions about using financial incentives to encourage them to remain in post. These incentives included top-ups to their salaries (referred to as ‘hazard pay’) and compensation to be paid to the families of health workers should they die in service. The Liberian Government first used hazard pay early in the outbreak for health workers in Lofa County, where the initial cases were detected. As a result of this policy, demand for hazard pay quickly grew across the health sector as word got out about these payments and the virus spread across the country. By the middle of 2014 there were genuine concerns that the risks facing health workers and unrest over hazard pay would lead to a damaging depletion of health workers, and it was realised that a sector wide approach to hazard pay was required. The result was therefore a further expansion of the resourcing required for health care workers when the Government was least prepared to provide it.

These programmes (collectively worth around $35 million) therefore emerged at a time when severe pressures were being placed on the Liberian Government to adequately resource health workers in response to Ebola. USAID’s programme allowed the Government of Liberia to continue paying basic salaries to health workers, and the World Bank and the African Development Bank assisted in meeting Ebola-related demands for hazard pay.

4. How did these programmes address the New Deal principles?

It is important to note that none of the projects addressed in this case study explicitly identified (in their project documents) the New Deal as a driver. However, the design and implementation of these projects was
consistent with the New Deal’s principles [mainly in the TRUST pillar as outlined below:

- Use and strengthen country systems – These programmes all used the Government’s systems for implementation. Use of these systems also helped to strengthen in a number of important respects. Firstly, the accountability and oversight involved in USAID’s payment of salaries has helped to bring health workers into the formal pay system, and also to remove ghost workers for the payroll. Secondly, the delivery of hazard payments through the Government and using its hazard pay scales helped to harmonise the hazard pay system.

- Revenue and services – These programme were critical in helping to maintain health services (to address Ebola and other health issues) during the Ebola outbreak. A wide range of health workers were supported, including the Government’s medical staff, the staff of Emergency Treatment Units (ETUs) and first responders to cases of Ebola. Without this support there may well have been a damaging collapse in levels of service delivery, due to limited local resources and an unwillingness of health workers to remain in post.

One factor which may have contributed to the limited influence of the New Deal over these programmes is that it was reported that the Government did not effectively bring attention to New Deal commitments during the dialogue with donors over the Ebola response.

5. Programme impacts and challenges

These programmes have collectively reached a very significant number of health workers and there are also indications that they may have played a role in reducing Ebola infection rates.

Based on data received from USAID, the number of health workers whose salaries were paid through its Emergency Ebola Response Support project increased from 3,710 in its first month to over 4,000 per month by the end of the project. The project was able to reach an increasing number of health workers as additional health workers were added to the formal payment over the course of its implementation. This is an outcome which was incentivised by USAID’s decision to only support health workers who were paid through their bank accounts. In addition, the audits carried out to verify payroll numbers and payments to health workers resulted in the elimination of a number of ghost workers (including 50 in one month alone) from the health payroll. These outcomes will have made a modest contribution to efforts to improve the accountability and sustainability of health worker pay.

The World Bank’s Ebola Emergency Response Project and the African Development Bank’s SWAPHS project are reported to have provided hazard payments to 7,500 health workers [World Bank 2014b]. The World Bank also played an important role in supporting the Government of Liberia to negotiate the system of hazard pay with health workers, which in turn

It is also the case that these programmes may have made an important contribution to reducing and eradicating Ebola. These programmes began at the peak of the crisis [in terms of the number of cases], following which cases declined. There is no evidence currently available linking these programmes to the decline in cases. However, given the central role health workers played in the Ebola response these programmes are likely to have made a significant contribution to this outcome.

Finally, it is important to reference some of the challenges that were faced in effectively implementing these programmes. Firstly, as has been highlighted with regard to the Ebola response in general [DuBois and Wake 2015], it is relevant to note that these programmes only began six months after the first Ebola cases were detected in Liberia, and therefore could have made a more timely contribution to tackling Ebola if they had emerged earlier. Secondly, there were some delays in making hazard payments, which were only completed in September/October 2015, following protests from health workers in response to these delays. These delays were caused by bureaucratic challenges on the side of both the Government and donors.

6. Lessons learnt

The experiences of this project provide important lessons for other projects being implemented in fragile states:
• Timely responses - It is important for development partners to respond in a timely way to development challenges, especially in the context of emergencies such as Ebola. More timely responses require a clear articulation of demand from recipients, and development partners to closely monitor local context, work flexibly with their available funding channels and reduce the bureaucracy relating to project development.

• Promoting the New Deal - Partner governments need to more effectively raise the profile of the New Deal and use it to leverage change in the policies and practices of donors.

• There are always opportunities to work through and strengthen systems – USAID’s approach to supporting health worker salaries illustrates how it is possible to use and strengthen systems even in fragile states in the context of an emergency. Working in this way ensures that long term impacts are pursued alongside addressing emergency needs.

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New Deal case study
Central African Republic (CAR)
Multi-Partner Trust Fund (Ezingo Fund)
1. Central African Republic (CAR) - Background, aid context and New Deal progress

CAR is a country which has been marked by chronic socio-economic, political and security challenges. As a result in 2013 CAR was ranked 187 out of 188 countries on the human development index (HDI 2015), with around two thirds of its population living on less than $1.25 a day (WDI 2015). Due to its frequent outbreaks of conflict and related political crises, CAR is categorised as a fragile state and is a member of the g7+ Group.

CAR has long been an aid orphan, as it receives amongst the lowest level of Official Development Assistance (ODA) amongst fragile countries in Africa. Historically few donors have been present in the country with the largest being France, the EU, the UN and the World Bank.

Since late 2012 CAR has been dealing with a new outbreak of widespread conflict. It began when members of a number of rebel groups [who came together in an alliance or ‘Seleka’) overran the North and centre of the country, reaching the capital in March 2013 and overthrowing the Government. Following the coup, security deteriorated further as fighting spread between communities supporting the Seleka and opposing it [Anti-Balaka]. As a result by the end of 2013, an estimated 2.2 million people were in need of humanitarian assistance and over 800,000 had fled their homes [Barbelet 2015]. This led the UN to deploy a large peace-keeping operation in 2014 which took over leadership of an existing African Union mission, also working alongside French troops. Peace talks and efforts to form a transitional Government [and agree a strategic roadmap to guide the transitional period, the ‘Feuille de Route de la Transition’) have since helped to calm the conflict. However, there is still frequent fighting and community tensions remain high.

CAR’s crisis has attracted international attention, although this was slow to emerge. By the end of 2014, over 100 humanitarian organisations had set up operations in the country and $337m had been raised in response to the UN’s appeal for funding [Barbelet 2015]. The UN’s efforts to support CAR have been guided by the UN Secretary General’s six point initiative to restore security, support critical state-building, political and reconciliation priorities, and promote recovery [UNSG 2014].

CAR is a member of the g7+ Group of fragile states and is also one of the New Deal pilot countries. However, this period of conflict led to New Deal processes being put on hold, although donors have been keen to emphasise the importance of its principles in taking forward their programmes.

2. Introducing the Central African Republic Multi-Partner Trust Fund (Ezingo Fund)

The Ezingo Fund was established by the UN as multi-donor facility to support the financing of a coordinated response to stabilization, peace consolidation and recovery efforts in CAR.

The Ezingo Funds aims to channel assistance towards three priority areas:

- Immediate Impact Projects based on the UN Secretary General’s six point initiative in support of state authority; reconciliation and mediation; early recovery; and economic revitalization

- Transitional strategic priorities in the short to medium term based on the Government’s Feuille de route and Programme d’Urgence [Roadmap and Emergency Programme]

- Peacebuilding and Statebuilding Goals (PSGs) in support of the New Deal: PSG 1 - Inclusive Politics; PSG 2 - Security; PSG 3 - Justice; PSG 4 - Economic Foundations; PSG 5 - Services and Revenues

The Ezingo Fund has two operational windows to channel assistance: i) A UN Window – for UN agencies to access funding; ii) A National Window – for funding direct to and through government [see more details below]. It is stated that operating in such a way allows the Government to “balance the need for rapid response and reduce risks with the need to ensure government ownership and capacity development” [UNDP 2015].
representatives from United Nations, donors and civil society. The main role of the Steering Committee is to make funding decisions and oversee project implementation.

As of November 2015, $24m in funding had been disbursed to the Ezingo Fund, with contributions from a range of international agencies, including: the US Government’s Bureau of International Narcotics and Law Enforcement Affairs/INL ($11.2m), the Government of the Netherlands ($6.2m) the UN Peacebuilding Fund ($4.6m), and the Government of Norway ($2m).

## The funding windows of the Ezingo Fund

<table>
<thead>
<tr>
<th>UN Window</th>
<th>National Window</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participating UN Organizations (UN Agencies and MINUSCA) and the IOM are eligible to receive funding from the Ezingo Fund and channel funds to national and sub-national institutions and international NGOs. A Fast Track Modality, where funds are transferred to UN agencies based on a simplified project document and fast-track approval process, is available in order to meet urgent or unforeseen priorities.</td>
<td>Direct Budget Support: Funding is channelled directly to government entities, thereby using and strengthening country systems. It is thus ‘on plan, on budget, on treasury and on report’. Mitigation of fiduciary risk will be provided through the establishment of a Cash Management Committee (CMC) with the support of the World Bank and African Development Bank.</td>
</tr>
</tbody>
</table>

Source: UNDP 2015

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## Status of Ezingo projects, as of November 2015

<table>
<thead>
<tr>
<th>Project</th>
<th>Funding</th>
<th>Implementing agency (and funding window)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of salaries to police and gendarmerie (May-September 2014) - to provide emergency assistance to the CAR Government for the salaries of the police and gendarmerie (COMPLETED)</td>
<td>$4.50m</td>
<td>Government of CAR (National Window)</td>
</tr>
<tr>
<td>Support to rehabilitate barracks and registration of security services (September-December 2014) – to support the security sector by: i) creating a security sector registration system, and: ii) rehabilitating two large barracks in Bangui (ONGOING)</td>
<td>$1.10m</td>
<td>UNDP [UN Window]</td>
</tr>
<tr>
<td>Fight against violations of human rights and the revival of Justice in CAR (October 2014-September 2017) – to provide in Bangui and a range of other cities: i) Institutional support to strengthen the capabilities of the judicial system to provide an appropriate response to the current situation and the numerous violations of human rights; (ii) Community support to strengthen the safety and protection of communities (ONGOING)</td>
<td>$11.1m</td>
<td>UNDP [UN Window]</td>
</tr>
<tr>
<td>Bangui Unit for holistic care of victims of rape and violence (12 months) – to provide holistic care of rape victims in Bangui, addressing issues relating to sexually transmitted infections [e.g. HIV / AIDS], unwanted pregnancies and psychological trauma and stigma (ONGOING)</td>
<td>$0.91m</td>
<td>WHO, UNFPA and UNICEF [UN Window]</td>
</tr>
<tr>
<td>Support to the rehabilitation of health facilities in conflict affected areas – helping to build the capacity of health facilities in Basse Kotto and Ouaka to enable them to operate beyond humanitarian assistance (COMMITTED, begin Jan 2016)</td>
<td>$1.08m</td>
<td>UNDP and PAM [Un Window]</td>
</tr>
<tr>
<td>Support to reduce the vulnerability of teenagers and youth - education and vocational training program for teenagers and youth in Boda, Ya-loke, Sibut, Mbres, Grimari, Kouango and Bambari [COMMITTED, begin Jan 2016]</td>
<td>$1.29m</td>
<td>UNDP and FAO [UN Window]</td>
</tr>
</tbody>
</table>

Source: UNDP 2015
As can be seen from the table above, as of November 2015 $17.6m (in addition to the $0.4m in running costs for the CAR MPTF Secretariat) had been transferred to implementing organisations for the delivery of four projects. Funding for an additional two projects – on health and youth vulnerability – has been committed and will begin being disbursed in January 2016. Of these six projects one (payment of police salaries) has been implemented through the National Window, with the others utilising the UN Window.

3. Programme emergence and drivers

This section details how this programme emerged, including previous cooperation it built upon and the key drivers that facilitated its emergence. Such an analysis is not only of interest for understanding how this programme can be successfully implemented, but can also help to guide political and technical collaboration between Governments and donors to develop innovative programmes in comparable contexts.

The Ezingo Fund was established in early 2014 at the height of the crisis in CAR, following a needs assessment and based on joint agreement between the UN and the CAR government. At the time of its establishment, it was the first major channel for funding interventions beyond humanitarian priorities, which were being addressed by the UN Common Humanitarian Fund.

In discussions during the design phase, the CAR Ministry of Planning emphasised to the UN the importance of the Ezingo Fund supporting implementation of the New Deal, especially alignment with government priorities and systems. The New Deal is therefore addressed extensively in the project documents, and the role of the Government in co-chairing the Fund as well as the Fund’s National Window are practical expressions of the New Deal approach to aid.

One of the imperatives for getting the Ezingo Fund up and running was the delay in the payment of salaries to the police. The police (and civil servants in general) had not been paid for a long time and low morale and the potential for a breakdown in the security services was considered a factor which risked exacerbating the conflict. The funding of police salaries was therefore the first intervention of the Ezingo Fund (see table in section 3).

4. How the programme addresses the New Deal principles

This section identifies the primary New Deal principles addressed by this programme and how its design aimed to support their implementation.

Peace-building and State-building goals (PSGs) – The terms of reference of the Ezingo Fund state that it aims to address all of the PSGs during its lifetime. To date the projects which have been funded have directly contributed to addressing PSG 2 – justice (through a large programme of support for rebuilding the justice sector) and PSG 3 – security (through financing police salaries, rehabilitating army barracks in Bangui and creating a register of security service providers). Amongst the pipeline of projects still to be financed through the Fund are further project addressing these goals, but also for PSG 4 – economic foundations (economic support to returnee women and youth, and reintegration of ex-combatants) and PSG 5 – services and revenues (a range of health and education interventions) (UNDP 2015).

Use of Country Systems – This approach to providing funding has been pushed by the Government and been clearly addressed in the decision to include a National Window for channelling the Fund’s assistance. So far one project has utilised this channel – the payment of police salaries – which has represented around one-quarter of disbursed funds to date. The Ezingo Fund’s use of country systems (and its engagement with the Government) contrasts with that of an EU Trust Fund recently established in CAR which does not deliver through Government institutions.

Risk sharing – The use of the National Window in support of police salaries was justified on the basis of the risks of non-intervention on the integrity of the security services in CAR. It is reported that this is the first time that UN funding has been used to pay the salaries of national security services. It is also clear that that the pooling of funding through the Fund helps donors to mitigate the risks involved in funding interventions such as support to the police.

One vision one plan – The transitional Government’s Feuille de route and Programme d’Urgence (Roadmap and Emergency Programme) are stated in the Ezingo Fund’s founding documents as the framework guiding...
interventions. The Government’s role in co-chairing the Fund’s Steering Committee also provides it with an opportunity to keep donors focussed on national priorities. However, this research was not able to test the degree to which the Government is able to assert its ownership of this programme in practice.

The Ezingo Fund therefore primarily supports efforts to pursue the PSG pillar of the New Deal, whilst also supporting some critical elements of the FOCUS and TRUST pillars.

5. Programme impacts and challenges

The Ezingo Fund began its operations in mid-2014, and as a result only one project has been completed and fully reported on – “the payment of salaries to police and gendarmerie” [see table above]. This project has supported the Government to carry out a census of these security services to ensure its payroll is up to date, and then to pay the salaries of between 3,811 police and gendarmerie across the period May to August.

Perhaps the main challenge the Ezingo Fund has faced is accessing adequate and predictable funding from donors in order to resource planning activities. There is currently a pipeline of ten projects that have been submitted and approved [UNDP 2014], but which have not yet been funded due to inadequate levels of resourcing from donors. This issue is partly a result of the fact that the European Union has initiated its own Trust Fund in CAR which is pursuing funding from many of the same donors. It is also related to the CAR’s long-standing experience of being neglected by the aid community.

There have been also been challenges posed by the security situation and lack of infrastructure, which has made it difficult to convene the Steering Group, for monitoring projects and for project implementation. The launch of the largest project funded to date – that focussed on the Fight against violations of human rights and the revival of Justice [see table above] – was delayed due to ongoing security challenges.

6. Lessons learnt

As already suggested, given that the Ezingo Fund has only recently begun its operations it is too early to be making full conclusions about the lessons which can be learnt from its work. However, it is useful to reflect on some lessons which have emerged during its initial operations, including:

1. The benefits of operating a UN window and a national window - this approach provides an opportunity for funders with differing appetites for risk and engagement with the Transitional Government to support the Fund, with the UN Window available to those funders showing greater reluctance to pursue such options.

2. The importance of developing a division of labour across donor initiatives - although there are continued challenges in coordinating donor activities across the issues they are addressing the Ezingo Fund has helped to address these challenges by looking beyond the significant humanitarian and development challenges being addressed by other actors and primarily addressing security and justice issues.

3. Coordination across relevant actors requires significant capacity, especially in post-conflict contexts – illustrated by how the lack of donor and Government capacity on the ground has held back progress on coordination across the various activities being supported by the international community.
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