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CENTER ON INTERNATIONAL COOPERATION



**A New Deal for Somalia? : The Somali Compact
and its Implications for Peacebuilding**

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Introduction

In this brief,¹ we analyze the process that led to the “Somali New Deal Compact,” the framework’s potential effectiveness as a peacebuilding tool, and potential ways to strengthen it.

We find that the New Deal compact in Somalia does appear to have created a paradigm shift in international policy rhetoric around Somali ownership and leadership. However, the process to develop the compact has also revealed a series of difficult trade-offs between political and technical imperatives for both Somali and external actors. Actors need to continually and consistently address these trade-offs to avoid the onset of strategic drift and premature loss of mutual confidence. We highlight three major trade-offs, related to the issues of process, risks, and implementation of the Compact:

- **Process:** A linear technical process to develop and implement an aid framework vs. a non-linear Somali political process which will confront setbacks;
- **Risks:** Somali elite² imperatives to make deals and build political confidence vs. donor domestic imperatives to disburse and account for the results of aid; and
- **Implementation:** The need for a substantial realignment of aid and donor practices to Somali objectives vs. maintaining programs aligned to existing commitments and strategic objectives.

We find that actors approach these trade-offs from unique organizational and interest group perspectives, which lead them to different conclusions and actions. These various approaches reflect a lack of shared understanding of how external actors affect Somalia’s current political processes and the prospects for peacebuilding. This is amplified by the fact that the *learning* that informed the design of the New Deal at the global level is confined to a small number of individuals and entities, with a far wider range of people and organizations now involved in implementing the Compact.

In balancing these trade-offs, we highlight the need for Somalis to articulate priorities (not just programs, but also processes) to advance confidence building. Low trust among Somalis, and between Somalis and donors, will stymie cooperation on any reform agenda, because trust and confidence are the foundations for the viable development of more formal institutions and more legitimate politics. Any reform agenda addressed in the Compact – security sector, electoral institutions, revenue collection, etc. — risks becoming a destabilizing force unless actors take into account the calculations of those whose incentives may drive them to subvert reform until they believe a positive outcome is possible. The context for implementing the Somali New Deal Compact is especially challenging because the priorities identified have significant implications for elite trust building around the country’s current constitutional negotiations. A number of decisions on the basic form of the state (including the depth of federalism and decentralization) have yet to be adopted by Somali leaders.

For external actors, we highlight the need for a more explicit common understanding of these trade-offs and for greater change to implementation practices to reflect on the politics of reform. External actors need to be as interested in the processes by which priorities are identified in Somalia as they are in the project results. Similarly, theoretically optimal institutional designs cannot be directly transplanted into Somalia. The World Bank World Development Report 2011 argued strenuously for “best fit” rather than “best practice” solutions that are pulled from contexts very different from those of fragile states. Norwegian and World Bank efforts to create risk-tolerant pooled funds to support early Somali “best fit” priorities do constitute strong examples of a step change in donors’ flexibility and risk tolerance.

Finally, we suggest that there may be an important gap in international support to interim peacebuilding efforts. External and Somali actors need to maintain parallel progress on political processes and on demonstrating concrete results. This is a difficult balancing act for Somali and external actors to pull off, and it is not clear that they have a common mechanism. The World Bank’s planned

pooled fund will deliver important socioeconomic and public financial management support. However, there is a need for expanded interim assistance (potentially through the Norway-supported Special Financing Facility) to provide program support to confidence-building measures and to weak political, security, and justice institutions, without locking in deeper commitments that strengthen one or more political groups or that take de facto constitutional decisions for Somalis.

The Somali New Deal Compact

Process

On September 16, 2013 the Federal Government of Somalia (FGS) and the European Union (EU) hosted a conference in Brussels to endorse the New Deal Compact. The Compact promised “a new political, security and development architecture framing the future relations between Somalia, its people, and the international community.”³ This agreement, backed by pledges of € 1.8 billion, was intended to increase the alignment of international assistance to Somalia’s own national peacebuilding and statebuilding priorities, and to enshrine the principals of mutual accountability for delivery on the commitments made between Somalia and its development partners.

These commitments followed two major shifts – within Somalia and within the international development policy community. First, the international development policy community had recognized the flaws in traditional development assistance in fragile states. Too often, aid had failed to create an environment conducive to local confidence building, which in turn undercut efforts to build strong and effective institutions. This recognition culminated in the 2011 “New Deal for Engagement in Fragile States” – a set of principles agreed between OECD donors and the g7+ group of fragile and conflict-affected states to align aid to “country-led and country-owned transitions out of fragility.”

Second, in Somalia, the election of President Hassan Sheikh Mohamud in 2012 generated optimism in Mogadishu and donor capitals about the prospects for peacebuilding, which increased international appetite

for backing the fledgling government. The newly-elected FGS sought to assert governmental authority over the country’s political and aid priorities in an attempt to break with years of dependency on supply-driven aid and humanitarian assistance. Prior to the Compact, the Somalia Reconstruction and Development Program (RDP) was the primary development framework in Somalia. The RDP was considered to be well designed and to accurately identify needs,⁴ but Somali ownership and donor coordination were extremely limited. From the Somali perspective, these shortcomings made the RDP symptomatic of what was wrong with international aid. After the RDP expired in 2012, President Mohamud called on donors to more closely coordinate with the FGS. In December 2012 Emilia Pires, Minister of Finance of Timor-Leste (former Chair of the g7+ and Co-Chair of the International Dialogue on Peacebuilding and Statebuilding), visited Mogadishu and encouraged President Mohamud to pilot the New Deal initiative. Thus, Somalia became one of the first fragile states to partner in the development of a New Deal compact.

Successful exits from violence start with trust in elite pacts (such as peace agreements, constitutions or more informal mutual agreements on the political and economic rules of the game).⁵ In Somalia, the focus is on the finalization of its provisional constitution by 2016 to fill this role. For this reason, the decision to proceed with the development of a Compact at a rapid pace was a politically sensitive decision for the FGS and its donors to take, because the priorities identified, and their implementation, have significant implications for elite trust building around constitutional negotiations. Indeed a number of decisions on the basic form of the state (including the depth of federalism and decentralization) have yet to be taken by Somalis through constitutional negotiations. This contrasts with other New Deal signatories like Sierra Leone, which is more than ten years advanced from conflict, and similar circumstances in South Sudan, where it was decided that it was premature to pursue the development of a New Deal compact.

To develop the Somali New Deal Compact, the President established a High Level Task Force (HLTF) responsible for developing the substance. The HLTF was chaired by the

Somali Minister of Finance and included representatives from the offices of the President and Prime Minister, the Aid Coordination Unit, the Ministry of Finance, the g7+ Focal Point, the UN Resident Coordinators Office, and the EU, which had announced its commitment to host a conference on the Compact in Brussels in September 2013.

The Somali New Deal Compact consists of the five New Deal Peacebuilding and Statebuilding Goals (PSGs), and subsets of three to four priorities per goal. The five PSGs are: (1) legitimate and inclusive politics, (2) security, (3) justice, (4) economic foundations, and (5) revenue and services. The summer before the Brussels Conference, five corresponding PSG working groups were established, made up of representatives from the FGS, civil society, MPs, and donors. Each working group had one lead donor. The working groups produced the Compact on a compressed timeline in order to be completed in advance of the September Brussels Conference. The timing also corresponded with a political crisis over the formation of the Interim Jubba Administration in South-Central Somalia, which inevitably took the attention of the country's political leaders.

As part of the process to develop a compact in different countries, the New Deal Framework prescribes a "country-led fragility assessment" and civil society consultations as important foundations for shaping national priorities. In the case of Somalia, the FGS was suspicious of any priority setting that was not directed by Mogadishu, and it lacked the capacity and access to either execute broad consultations or conduct the fragility assessment. The FGS feared that another assessment carried out by external actors would undercut Somali ownership. Multiple institutions had already conducted studies on Somalia and there was no consensus that a new study would generate new analysis. As a result, no fragility assessment was undertaken.

The EU insisted that some form of consultations were important, thus the FGS organized three consultative sessions in Mogadishu, Baidoa and Garowe. Each had very limited civil society participation and the inclusivity of these consultations has been called into question,

particularly by Puntland state. The session in Puntland took place against the backdrop of souring relations between the Puntland government and the FGS, and was pitched as a "pre-consultative workshop" targeting civil society. This experience left officials in Garowe believing that the consultation process was insufficient, and that their own goals and priorities had been ignored. The EU's invitation to Puntland President, Abdirahman Mohamed Farole, to attend the Brussels Conference improved Puntland's disposition toward the process but did not fundamentally address Puntland's concerns.

Somaliland state, with the support of the FGS, secured its own Somaliland Special Arrangement (SSA) within the Somali Compact, arguing that Somaliland had very different long-term development requirements from the rest of Somalia. Somaliland had already undertaken its own consultative process to produce its National Development Plan, which it used to form the basis of its SSA.

The international community's limited presence in Mogadishu and beyond also hampered regular interaction and dialogue between Somalis and donors during the development of the Compact. Donors' security rules and lack of infrastructure inside the country prevented a sustained presence and access to a broad base of Somali officials and other interlocutors. This kind of day-to-day engagement is necessary for building confidence and common understanding of priorities between Somalis and the international community, and its absence made cooperation more difficult. These security and physical challenges are widely recognized by Somalis and the international community, but not all donors have found ways to either relocate to Somalia and/or to regularly operate within the country. This dynamic will inevitably constrain all joint Somali and international efforts for the foreseeable future, even with the security approaches that donors have developed.

Notwithstanding the challenges, the FGS core leadership was broadly committed to the New Deal Compact concept at the time of its development and to the speed of its formulation in the months leading to the September 2013 Brussels Conference. The FGS believed that the New

Deal Compact would result in rapid donor alignment and “on-budget” support to the FGS’ immediate political and security priorities following its endorsement in Brussels.

Some external actors also argued that an aid framework did need to be put in place quickly or it would risk becoming mired in political wrangling. While local consultation and consensus building about national priorities remained a widely shared priority, these actors argued it could be better achieved within the framework of an agreed Compact, rather than as part of its development. Other donors were skeptical about the pace and lack of consultation with Somali interest groups at the regional and local level, but acquiesced to the timelines in the belief that it was important to maintain political momentum in Somalia and in donor capitals.

Implementation to Date

Implementation of the Compact after its adoption initially stalled for a variety of reasons. First, a Somali Central Bank scandal rocked donor confidence. This resulted from a highly critical report of the UN Monitoring Group on Somalia and Eritrea that charged the Bank “effectively functioned as a ‘slush fund’”⁶ for government officials. This was followed by the public resignation of the newly appointed Central Bank Governor who complained of corruption and threats to her life. Second, the appointment of a new Prime Minister and Cabinet followed political upheaval and revolt in Parliament. These events inevitably focused Somali attention on political deal-making and led to the appointment of new ministers who were unfamiliar with the Compact and the New Deal, which reduced the FGS’ capacity to advance implementation in the near term. Third, when rapid donor budget support and realignment of aid programs did not immediately follow the Brussels conference, FGS confidence in the Compact and donors took a blow. A lack of clarity on how quickly aid programs would align with the new framework created this space for misunderstanding.

Beginning in March 2014, after the dust settled from the Cabinet reshuffle, Somalia began to see renewed progress on implementation. The FGS launched its Vision 2016 strategy to reach agreement on a final constitution and

elections (“PSG 1” in the New Deal), and the Prime Minister presented the FGS’ 2014 Work Plan to Parliament.

A major area of focus since adoption of the Compact has been to align finances and programs with priorities. In Brussels, the FGS and donors agreed that the Somalia Development and Reconstruction Facility (SDRF) would be “the preferred vehicle through which greater alignment of international aid, reduction of fragmentation and increased Somali ownership will be achieved.”⁷ The SDRF is a centerpiece of the Somali Compact and is intended to serve as the mechanism by which the FGS guides peacebuilding and statebuilding activities in Somalia. The SDRF is directed by a common Financial Governance Committee (FGC). The FGC was established in the aftermath of the Central Bank scandal to restore donor confidence in the FGS’ capacity and willingness to tackle corruption. The purpose of the FGC is to support the FGS in improving financial governance, to provide oversight, and to ensure integrity. The SDRF is currently composed of four “financing windows”: the Special Financing Facility (supported by Norway), the UN Multi-Partner Trust Fund, the World Bank Multi-Donor Trust Fund, and the African Development Bank.⁸

- Preceding the New Deal Compact, the **Special Financing Facility (SFF)** was established to provide urgent financial support to the FGS and was conceived as a bridging mechanism to the establishment of multilateral pooled funds. The SFF was initially apportioned into two-thirds recurring costs and one-third short-term quick impact project costs for the FGS. Norway pledged \$30m. The SFF consists of one Norwegian and one FGS account. Upon verified proof of expenditures (overseen by independent auditors), the FGS is reimbursed in tranches of up to \$3m. To date the fund has only reimbursed recurring costs, but FGS quick impact projects are also in the pipeline. By October 2014, the \$30m will have been disbursed, and Norway’s intention is for the World Bank pooled fund to take over. Norway and the FGS encouraged other donors to contribute to the fund. None emerged, however the SFF appears to have created a pay-off in demonstrating early that risk tolerant funds are possible in the Somali context.

- The **World Bank’s Multi-Donor Trust Fund (MDTF)** is under design. Funds will be on-budget and will be dedicated to socio-economic service delivery and public financial management. The World Bank’s objective is to build Somali ownership of priorities through the provision of on-budget support to Somali-led decision-making processes. To this end, the MDTF will not accept preferenced or earmarked funds from donors. Part of the fund will finance government recurring costs and another portion will finance priority projects. A number of outstanding political decisions on public financial management will constrain the fund in the near term. Until a final constitution is agreed upon, there remains a lack of clarity over which funds should be disbursed at the national and local levels and which public servants will be on federal or local payrolls. An oversight committee for the fund is intended to include both national and regional officials, and as such, can act as an enabling mechanism for Somalis at the table to negotiate priorities. This level of risk tolerance around elite deal making is unprecedented for the World Bank and indicates a recognition of the centrality of confidence building as a foundation for development.
- The **United Nations’ Multi-Partner Trust Fund (MPTF)** is operational. It has been aligned to the five PSGs, with a focus on “immediate delivery, building resilience and capacity development, as a comparative advantage in relation to the other [funds].”⁹⁹ The MPTF will disburse funds through UN agencies and eligible NGOs, with the possibility of some funds being disbursed through Somali systems. It is the only window to focus on security and justice expenditures, and the first program is dedicated to the rule of law. The UN does accept earmarked and preferenced funds from donors but is attempting to minimize them. To date there has been no observable change in donor preferences for earmarking and the attribution of results to earmarked donor funds. The MPTF faces the same constitutional constraints as the MDTF when disbursing resources.
- The **African Development Bank’s (AfDB)** fund will be built around its Somalia Enhanced Program (SEP), which finances the Bank’s Drought Resilience and Live-

lihood Program, supports strengthening of Somalia’s governing capacity, and facilitates the “re-engagement process of Somalia with the international community.”¹⁰ The AfDB is planning with the FGS to bring its existing funding mechanisms and the SEP under the SDRF’s common governance and monitoring framework.

Trade-offs

The Somali New Deal Compact has enabled a paradigm shift in the international development policy rhetoric around Somali ownership and leadership of priorities, and has enabled the FGS to assert some degree of authority over aid allocations, at least with regard to multilateral institutions. We found a notable shift toward an emphasis on “ownership” and the importance of aligning aid with “Somali priorities” in the donor discourse. At the same time, the process of developing and implementing the Compact has highlighted three primary trade-offs.

Process: A linear technical process to develop and implement an aid framework vs. non-linear Somali political processes.

Donors need aid frameworks to justify and report on funds domestically. Both the FGS and its donors want greater alignment of aid and recognized that supply-driven assistance risked undercutting Somali political efforts. Donors also recognized that the nascent FGS had only a fragile grip on power in the country, and thus commitments to aid for central statebuilding processes in Mogadishu are geared towards shoring up this emerging federal authority to give it a chance of success. The Compact and the SDRF have the potential to put the FGS in a position to assert federal authority in identifying and implementing priorities.

However, the compressed timeframe for identifying priorities in advance of the Brussels Conference narrowed Somali (political and civil society) leaders’ engagement with its development and created perceived winners and losers. Somalia’s states, nascent regional authorities, and civil society were not deeply consulted by the FGS and donors, and not all ministries and ministers are familiar with the New Deal’s basic principles. Many of these actors,

including service delivery organizations, regional political and clan leaders, and the private sector have longstanding direct relationships with international donors and aid and thus may perceive that they have the most to lose from a centralized aid framework. As a confidence-building exercise development of the New Deal Compact was more oriented towards building confidence between the FGS and its donors than amongst Somalis. Greater donor confidence in the FGS will provide an important pay-off if it holds, but the potential price is low consensus and trust in the process and its outcomes among Somali elites.

This important omission will need to be rectified when planning for reforms and institution building within the framework of the Compact. When actors do not believe that they can positively influence outcomes, reforms and institution building can destabilize politics, not to mention result in project failures and wasted resources. Processes in Somalia will need as much, if not more emphasis, on confidence building than project results. This challenge applies particularly to Somali elites in immediate efforts to reduce violent conflict, but to escape from fragility, society as a whole will have to develop confidence in state institutions.¹¹

These challenges point donors towards the need to pursue more inclusive Somali processes going forward. A heavy emphasis has been placed throughout the New Deal Compact process on building Somali “ownership”, but external actors should exercise caution that their definition of ownership is not restricted to Somalis taking ownership of donors’ technical processes. As conflict continues in the country, external actors will need to demonstrate tolerance for the time it takes to build political confidence and to accept the high level of risk and frequent setbacks associated with elite deal-making in the aftermath of conflict. Elite stakes around implementation of the Compact will be especially high compared to other New Deal signatories because the Somali Compact leads into planned agreement on a final constitution in 2016. In this context, the risks of failed reforms and mutual Somali and donor disillusionment are high. A focus on expenditures and the linear achievement of project results over the pursuit of a political process will decrease the likelihood

of the Compact process reinforcing any elite pact, and indeed could result in increased friction. Political processes can and must be owned by Somalis first and foremost. It remains to be seen whether consultation on the Compact’s priorities after its adoption will make the job of Somali consensus building easier or harder.

Risks: Somali elite imperatives to make deals and build political confidence vs. donor domestic imperatives to disburse and account for the results of aid.

The SDRF is designed to serve as the primary channel for aid. This has strong support from the FGS because they hope it will enable the government to exact greater oversight on the allocation of aid and to play a larger role in directing the distribution of resources. As FGS capacity develops, a larger percentage of the SDRF is intended to disburse through Somali government systems.

In order for the FGS to establish domestic credibility, there must be a political process of negotiation over the distribution of resources driven by Somali political elites. The SDRF offers the potential for the FGS to negotiate and to guide priorities and the distribution of aid resources. In the absence of the SDRF’s resources, there is little motivation for actors to negotiate with the FGS over priorities within the Compact and fewer means through which the FGS can lay the foundations for institutions.¹²

However, there will be a delicate balance between the political needs of the FGS and the needs of donors. Somalis will require flexibility to negotiate priorities and allocate resources within the context of a shifting political landscape. No formal institutions are strong enough in Somalia to govern the rules of the game around priorities and resources, and no such strong institutions can emerge without first building trust.

Donors require a degree of predictability on priorities, accountability, and the ability to demonstrate developmental results in order to maintain public support for continued assistance. Some donors have shown a greater appetite for risk, most notably Norway and the World Bank through the SFF and the MDTF, but there has

been little movement toward the kinds of direct, politically time-sensitive funding the FGS had hoped for when the Compact was initially signed.

In November 2014, there will be a follow-up conference in Copenhagen to review progress on New Deal implementation. This is seen as an opportunity for the FGS and donors to consider ways to advance implementation and, in particular, for the FGS to present a more detailed set of priorities and to explain how it intends to manage financial disbursement to the regions in advance of a final constitution. This conference will shed light on the political elite deal making that needs to happen between Mogadishu and the periphery on priorities and resources, and test donor tolerance for risks.

Implementation: The need for substantial realignment of aid and donor practices to Somali objectives vs. maintaining programs aligned to existing commitments and strategic objectives.

A wide range of donors have not (yet) committed to the SDRF, and various programs are currently being realigned or rebranded within the broad framework of the PSGs and the Compact. The degree to which donors channel aid through the SDRF or are able to credibly demonstrate an alignment with FGS' priorities will be an important test of overall commitment to increasing FGS ownership of priorities and mutual accountability between the FGS and donors for implementation under the New Deal framework.

During our interviews, we frequently encountered actors who described how their programs "already fit" within the PSGs and that little change was necessary to bring their efforts into alignment with broader framework.

The New Deal Compact's five PSGs, which aim to provide "an overarching strategic framework,"¹³ can easily be interpreted broadly, which gives international partners significant latitude in "aligning" with the Compact. International donors face a number of pressures that make the sort of strategic shifts for which the Compact calls extremely difficult. They must deliver on domestically agreed upon priorities and commitments (whether the

MDGs, women's rights, human rights or stabilization and national security objectives) and justify the risks and impact of their investments to domestic constituencies. Domestic constituencies are particularly sensitive to the fiduciary risks associated with using country systems in fragile states, and although commitments to use country systems have been made repeatedly through the OECD, the make-up of aid allocations on the ground in fragile states often reflects a higher proportion of off-budget assistance. In this light, there are significant political and institutional incentives and latitude for donors to favor soft rebranding of preferred programs over substantive change.

Donor alignment is more likely to succeed where Somalis are able to define concrete priorities within the Compact. The most urgent need is for Somalis to articulate priorities for confidence building. Low trust among Somalis, and between Somalis and donors, will stymie cooperation on any reform agenda, because trust and confidence are the foundations for the viable development of more formal institutions and more legitimate politics. Any reform agenda listed in the Compact – security sector reform, electoral institutions, revenue collection, etc. – may prove to be a destabilizing force unless actors take into account the calculations of those whose incentives may drive them to subvert reform until they believe a positive outcome is possible. While it is important that a Somali civil service with technical competence is built over time to take ownership of detailed reforms and institution-building efforts, it is vital that this be complemented with the creation of more autonomous space for Somalis to negotiate and implement political priorities. How to maintain parallel progress on political processes and demonstrate concrete results that can reinforce these processes and build trust is a difficult act for external actors to help pull off.

Donor programs outside a prioritized framework are less likely to contribute to confidence building and positive outcomes in the longer-term. For these reasons, the World Bank and the AfDB are drawing upon their more flexible fragility funds, rather than IDA, to finance the SDRF. However, to date bilateral sources of funding and expertise for the Compact are predominantly derived

from ODA sources and development ministries, rather than “blended” cross-government stabilization or conflict funds. The latter are intended to be more risk tolerant, focused on conflict and stability, and free from MDG and other ODA reporting criteria. Why these sources are managed separately from the SDRF merits further investigation, although one hypothesis could relate to low trust in UN and other multilateral mechanisms vis-à-vis a preference to manage bilateral conflict and stabilization programs in geopolitically charged environments.¹⁴

In this regard, there may be an important potential gap in international support to interim pooled peacebuilding efforts. There is a clear need to start programming aid to support weak institutions. But there is an equally important imperative to avoid locking in deeper commitments that strengthen one or more political groups or that take *de facto* decisions for Somalis until a basic political framework is in place in 2016. This constrains the scale of programmable ODA tagged to reforms until that time. The World Bank’s planned fund will deliver important interim socio-economic and public financial management efforts. But consideration needs to be given to a broader interim stability fund, potentially by expanding and extending the ambition of Norway and Somalia’s SFF.

The way that donors and Somalis are currently responding to the trade-offs around processes, risks, and implementation appears to be closely linked to their tacit theories of peacebuilding and statebuilding.

External Actors’ Perspectives on Trade-offs

Some external actors are pursuing measures for statebuilding because they view strong and effective institutions as the core of any long-term exit from fragility. While correct in the very long-term, these donors risk a premature loss of confidence in the FGS and the Compact if they expect a linear progression in implementation, expenditures, and results. A subset of these actors appear to recognize that confidence building must come first and are therefore willing to demonstrate higher levels of tolerance to the risks of elite horse trading over priorities and resources. Another group of external actors is most focused on supporting and influencing the process to

finalize a constitution by 2016. They see the Compact as subordinate but relevant to this process and view it as a mechanism to incentivize Somalis to come to the negotiating table and to sustain momentum. These actors are likely to lose interest in the Compact sooner if donors fail to align to it and the FGS does not take the opportunity to encourage elite actors to engage in discussions about priorities. A final group of external actors is most interested in what is happening at the local level in the areas recovered from Al-Shabaab. They see security and stabilization as preconditions for progress on any front. These actors are the least likely to align to the Compact unless they see that it is aiding decisions which impact on the local level and on security.

Somali Actors’ Perspectives on Trade-offs

Somali perspectives on the trade-offs are complex. At the risk of overgeneralizing, some Somali actors see the value of the Compact as a central aid framework that can support the development of strong state institutions and government in Mogadishu that is capable of delivering security, services, and an environment for private sector growth. There is a risk that centralized aid will incentivize shortcuts among this group on the confidence building that is necessary to build a strong and effective state.

Another group of Somalis potentially perceive losses from the Compact. Many actors associated with the nascent Somali states and Puntland have set their sights on the constitutional process and in particular the nature of power and resource sharing between Somali elites. It is possible that greater inclusion in the Compact’s process and implementation now will strengthen their belief that they can positively influence the outcomes of various reforms. Their exclusion could contribute to the opposite.

A final group of Somalis, including many civil society actors, place explicit emphasis on trust and reconciliation as the pre-institutional foundations for Somalia to progress, between elites, between elites and society, and across social groups. These actors, who are favorable to peace, are likely to lose interest in the Compact if they believe it to be a closed deal between the FGS and donors. Strong institutions fail to emerge not only when there is limited

trust among elites, but also when populations deem institutions incompetent or illegitimate and block their development using “popular evasion” tactics.¹⁵

Thus, a more explicit understanding of the trade-offs and responses to them will be necessary to avoid the onset of premature donor and Somali mutual disillusionment (based on divergent expectations) and strategic drift. External actors have a long history of giving up on Transitional Federal Governments, and Somalia has a long history of blocking the development of strong state institutions at the national level before there is trust. Success leading into 2016 will likely require a rapid evolution in donor practices and Somali focus on confidence building.

Conclusions

The New Deal Compact does appear to have enabled a paradigm shift in international development rhetoric around Somali ownership and leadership of its transition from fragility. And some actors, chiefly Norway and the World Bank to date, have introduced new, risk tolerant practices in national aid frameworks which are intended to enable Somalis to pursue “best fit” rather than “best practice” solutions.

The test of the Compact will be the extent to which donors support the SDRF and align to Somali priorities, without earmarking, and are able to report on progress in implementing Somali priorities into 2016. For its part, the FGS must now work to negotiate priorities and processes aimed at confidence building between Somalis for there to be much to which donors can align.

The FGS instinct appears to have been that the New Deal was an attractive means to solicit rapid political and financial support for political and security support to Somalia. The instinct to emphasize the urgent need for rapid support appears to be correct, but it must be balanced to avoid predetermining political outcomes.

The decision also reveals a number of challenges about implementing the New Deal in Somalia and similar environments. Somalia is a politically sensitive pilot for the New Deal. The Somali people remain in tough security,

political, and economic circumstances, and confidence will take a long time to build.

There is further to go to introduce flexible practices tied to supporting Somali political processes. These could include the following key measures and considerations:

- a stronger emphasis on confidence building and conflict resolution among Somalis and on processes;
- explicit recognition of the difficult balancing act between permitting political processes to unfold and achieving project results – donors’ preferred results should be those that support weak institutions to achieve a successful political process, without pre-determining the political and institutional decisions to be taken through Somali constitutional negotiations; and
- identifying ways to support the FGS, Somali country systems, and interim peacebuilding efforts that explicitly build confidence leading into a new political framework for Somalis in 2016.

It will be essential that the New Deal in Somalia and beyond does not pursue formulaic donor implementation procedures. Not all PSGs will have the same weight at the same time. Not all governments have the same capacity and institutional strengths. The core donor commitment in the New Deal is to align with national political processes and priorities, and by logical extension, to not overload actors with technical institution building and development expectations. Trust is the priority now. Somalia will be an important test of the international community’s resolve to change its practices in fragile states.

Endnotes

¹The analysis is based on interviews in Mogadishu, Garowe, Hargeisa, Nairobi, and New York, as well as a review of secondary sources.

²For the purposes of this brief, “elites” is used to refer to actors in a position to exert significant political, military, or economic influence in Somalia. It is not intended to connote legitimacy or illegitimacy.

³The Somali Compact, Federal Republic of Somalia, 2013

⁴Based primarily on interviews in Nairobi

⁵Roy Licklider, “The Consequences of Negotiated Settlements in Civil Wars, 1945-1993”, *The American Political Science Review*, Vol. 89, No. 3, 1995; Caroline Hartzell, “Institutionalising Peace: Power Sharing and Post-Civil War Conflict”, *American Journal of Political Science*, Vol. 47, Issue 2, 2003.

⁶Letter dated 12 July 2013 from the Chair of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea addressed to the President of the Security Council

⁷The Somali Compact, Federal Republic of Somalia, 2013

⁸There are other significant sources of multilateral finance for peacebuilding, among them the UN’s Peacebuilding Fund (PBF), which aims to provide rapid support to fill gaps and catalyze longer-term peacebuilding efforts. At the time of writing, the UN had committed \$10m to local and regional peacebuilding efforts in Somalia. We intend to conduct deeper research on dedicated local and regional peacebuilding efforts in a later report.

⁹UN Multi-Partner Trust Fund for Somalia Draft Terms of Reference, 9/2/13

¹⁰AfDB Somalia Country Brief 2013-2015, 03/13

¹¹Larry Diamond “Three Paradoxes of Democracy”, *Journal of Democracy* Vol 1. No 3, Summer 1990; Bruce D Jones et al, “From Fragility to Resilience: Concepts and Dilemmas of Statebuilding in Fragile States”, NYU CIC 2008.

¹²It should be noted that for this paper we researched the state of the debate on the Somali Compact and aid, but control over ODA is just one aspect of Somalia’s political economy. Other rents currently under negotiation in the constitutional dialogue include concessions; federal, state and local taxation; customs and transit revenues; and the control of productive land. How different rents affect Somali perspectives on the constitutional negotiations would be an important topic for further research.

¹³The Somali Compact, Federal Republic of Somalia, 2013

¹⁴Stabilization and other local peacebuilding funding sources and objectives will be the subject of one of our next Somalia studies in 2014.

¹⁵Victor Azarya, “Reordering State-Society Relations: Incorporation and Disengagement”, *The Precarious Balance. State and Society in Africa*, eds Donald Rothchild and Naomi Chazan, Boulder/London, Westview Press, 1988. We thank the South African Institute of International Affairs for bringing this important research to NYU CIC’s attention.

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