Aid Effectiveness in Fragile States: Lessons from the First Generation of Transition Compacts

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Cover Photo: President of Afghanistan Hamid Karzai holds the Afghanistan Compact among conference delegates in London on January 31, 2006. German Minister of Foreign Affairs Frank-Walter Steinmeier and British Prime Minister Tony Blair stand on his left and UN Secretary-General Kofi Annan and US Secretary of State Condoleeza Rice stand on his right. © AP Photo/Adrian Dennis.

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Executive Summary

Amid growing recognition that international efforts to support fragile and conflict-affected states are falling short of expectations, donors and partner governments continue to seek new approaches. Attention has recently focused on the notion of "compacts"—instruments that allow national and international partners to agree on the most urgent priorities requiring a collective effort in support of postconflict peacebuilding in a particular country, and identify how, and from which sources and instruments, implementation will be financed.

Current discussions revolve around a particular understanding of compacts as light and non-bureaucratic instruments that link priority setting, transparency of aid instruments and funding commitments, and mutual accountability between countries and their international aid partners. However, there are a number of examples from the past seven years where agreements between national governments and international partners, sometimes referred to as compacts, attempted to align and coordinate international and national peacebuilding efforts behind a set of priorities. In all of these cases, which might be characterized as the "first generation" of compacts, the UN played a critical diplomatic, technical, and coordinating role in the development and implementation of the agreements.

Focusing on the case studies of Afghanistan, the Democratic Republic of the Congo, Iraq, Liberia, and Timor-Leste, this paper examines the impact that first-generation compacts had on setting priorities, contributing to improvements in aid flows, and advancing the mutual accountability of governments and international partners. The research demonstrates that compacts *can* be effective, but that their effectiveness has been mixed. In some instances, compacts proved to be instrumental in focusing national and international attention and resources on a few important goals. In other cases, compacts resulted in little more than political theater, diverting time and resources from more critical concerns. More specific findings include the following:

A compact's **timing** directly affects its prospects for successful implementation. Compacts are likely to be more effective if pursued when basic security is in place and humanitarian indicators are improving, and when they operate within short timeframes. They are likely to garner more response from donors if they are developed before donor strategies and spending patterns are set. And they are more likely to be effective if signed when elected—rather than transitional—governments are in place.

Compacts are likely to gain more political and practical traction if there are high levels of **local ownership and inclusive participation**. Where compacts are externally driven or lack basic support from the national government, they are left to languish once launched. At the same time, while the majority of the compacts surveyed were framed as contracts between national governments and the international community, discussions and negotiations rarely extended beyond these signatories to include regional actors or civil society leaders and groups.

In their **content and structure**, compacts should strike a balance between aspiration and achievability. Compacts were most effective when they were focused and prioritized; when they included explicit mechanisms for implementation and monitoring; when they were based on specific, time-bound benchmarks; and when they considered both government capacity and public appetite to see reforms through. Where most compacts have fallen short has been in the omission of capacity-building elements as part of their core functions.

Generally speaking, compacts did more to improve rather than undermine **coordination** among national, multilateral, and bilateral actors. However, such improvements came with high transaction costs in the form of overly burdensome coordination structures. Where government engagement was high and national and international priorities were complementary, compacts were effective in reinforcing existing coordination mechanisms. Where government interest was low, compacts did nothing to foster coherence and coordination.

In terms of **implementation and impact**, the record was mixed. Many compacts were deemed unviable from the outset, both because government and donor engagement was low and because benchmarks and timelines were unachievable. In most cases, implementation and monitoring mechanisms were overly bureaucratic, understaffed, and lacking instruments for enforcement. Success in tackling compact objectives seemed also to depend on which actors and ministries were charged with leading compact implementation and the relative power they held within each government.

Despite emphasizing **mutual accountability** as a core objective, the compacts studied had little impact on changing donor behavior. In cases where new economic governance and financing strategies were introduced or compacts did manage to restore some trust and legitimacy to governments, this was not met with increased assistance or direct budget support. Only Iraq benefited financially from its compact in the form of $30 billion in debt relief. It is not clear whether compacts can be reasonably expected to play a mutual accountability role when donor interests lie elsewhere.

The **United Nations** effectively played a catalytic and facilitative role in convening key stakeholders and in using its good offices with host governments, other member states, and regional organizations to galvanize support around compact initiatives. Host governments have also appreciated UN technical support and guidance around compact development and implementation, particularly around capacity building. Nonetheless, more work should be done to establish clearer divisions of labor around compact processes.

Given these lessons learned from the first generation of transition compacts, this paper makes a number of policy recommendations for strengthening these frameworks in the future:

- Compacts should be recognized as endogenous processes that reinforce the ties between state and society.
- A decision to launch a compact should be based on a keen understanding of the political will and public appetite for reform, and consideration of the available national and international capacities to manage and implement compact priorities.
- Compacts should be considered only when a peace accord (or similar political agreement among parties) is broadly agreed and where basic security is in place.
- Civil society can play a substantive and enabling role in compact development and should participate both in compact creation and implementation.
- Compacts are most effective when based on short timelines, a focused agenda of reform, and a narrow set of agreed priorities. Compact commitments should be specific and balanced.
- Compacts should build upon, reinforce, and work in coordination with ongoing international and national processes; and reinforce, but not add to, conditionalities set by multilateral institutions.
- Compacts should include specific, manageable, and well-resourced mechanisms for implementation, oversight, performance monitoring, and enforcement, with host governments in the lead.
- Compacts should include specific measures and support for strengthening government institutions and capacity, with a particular focus on compact priority areas.

Finally, to continue to play a significant role in this regard, the UN should:

- Continue to work with the OECD's Development Assistance Committee (DAC), and particularly its International Network on Conflict and Fragility (INCAF), to support the provisions contained in its guidance on transition financing to improve the quality of aid during transitions.
- Support the use of transition compacts as mechanisms for agreeing on priorities and strengthening mutual accountability for results.
- Continue to strengthen the UN's relationship with the international financial institutions, particularly the World Bank, including by clearly defining roles and responsibilities in transition contexts.
- Continue to strengthen UN coordination mechanisms in transition contexts so as to speak and act coherently when compacts are in place.
- Improve technical support to host governments for compact development, implementation, and capacity building in key compact areas by rapidly deploying experts to compact secretariats and relevant government agencies and sustaining their engagement, and by improving UN expertise in aid effectiveness.
- Improve mechanisms for ensuring the timeliness and flexibility of transition support by donors, including through global and country-level pooled funds. The Peacebuilding Fund could be instrumental in this regard.

- Work with host governments to strengthen the capacity-building component of international compacts, including through training, mentorship, knowledge transfer, and retention.
- Promote the sustainability of compacts by ensuring links to ongoing national and international planning processes.
- Work with donors and IFIs to spearhead efforts that improve donor coordination around agreed priorities.
- Promote the development and use of aid-information-management systems in transition contexts to improve donor transparency and to harmonize donor and national reporting mechanisms.
- Consider the potential role of UN intergovernmental bodies, particularly the Peacebuilding Commission and the Security Council, in providing international political support, legitimacy, and incentives and disincentives in compact negotiations and implementation.

Introduction

Fragile and conflict-affected states pose unique and persistent challenges for socioeconomic development and peacebuilding efforts. The road to sustainable peace often requires decades of profoundly political, and essentially domestic, reforms in countries where institutions, infrastructure, and the social contract have been severely impacted by protracted conflict. Each context is unique, and there is no single model for international peacebuilding engagement. Yet even recognizing these challenges, international efforts to support these societies in transition continue to fall short of expectations. Not only do fragile states tend to receive less aid relative to other low-income countries, the aid that they do receive is increasingly seen as ineffective—no low-income conflict-affected state is on track to meet a single UN Millennium Development Goal by 2015. Traditional models of assistance are rarely tailored to the specific needs of fragile states, which often have overlapping humanitarian, development, and security priorities. In addition, the fragmented nature of financing instruments means that international actors often duplicate efforts and undermine, rather than reinforce, national ownership and national mechanisms for management and accountability.

In recognition of these challenges, donors and partner governments continue to seek new ways to structure the relationships between governments and the international community in peacebuilding contexts in order to produce better outcomes for the societies in question. Stemming from these efforts is an emerging focus on the notion of "compacts"—light and non-bureaucratic instruments that allow national and international partners to agree on the most urgent priorities requiring a collective effort in support of postconflict peacebuilding in a particular country, and identify how, and from which sources and instruments, implementation will be financed. The notion of transition compacts has been based on the premise that agreement on priorities, combined with a more coordinated and efficient use of domestic and international resources, will help consolidate peace and encourage stronger national ownership and leadership of postconflict peacebuilding and statebuilding.

There is emerging recognition that transition compacts could be effective peacebuilding tools if based on a keen understanding of the context, developed in consultation with all relevant stakeholders, and used by all signatories in appropriate and coordinated ways. Current discussions also suggest that compacts could be used as accountability frameworks that link priority setting, transparency of aid instruments, and funding commitments with mutual accountability between countries and their international aid partners.

This potential use of compacts has become a focus of international discussions about peacebuilding and statebuilding in conflict-affected and fragile states. One of the key principles to emerge from the meeting of the International Dialogue for Peacebuilding and Statebuilding in Monrovia in June 2011 was the potential use of compacts as a mechanism for host governments to organize and structure their relations with donor countries.[1] On the sidelines of the International Dialogue meeting, the International Network on

1 International Dialogue on Peacebuilding and Statebuilding, "The Monrovia Roadmap on Peacebuilding and Statebuilding," July 2011, p. 2.

Conflict and Fragility—a subsidiary body of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC)—committed to "prioritise the use of Transition Compacts as an evolving country-specific mechanism to agree on priorities and strengthen mutual accountability for results."[2] Transition compacts also form one of the pillars of the guidance on transition financing from the International Network on Conflict and Fragility (INCAF), and are highlighted in the International Dialogue's "New Deal for Engagement in Fragile States" that was endorsed at the Fourth High-Level Forum on Aid Effectiveness in Busan, South Korea, at the end of 2011.[3]

Shifting the focus and remit of compacts from political or planning documents to peacebuilding tools that help to set priorities, improve aid flows, and foster mutual accountability will require focused thinking about how international partners engage in and support such mechanisms, and how they ensure that the next generation of compacts builds on past experience and hard-learned lessons. The effective application of compacts in postconflict settings will require measures to create faster, more flexible, and more predictable financing for a broadly supported set of national priorities. In contexts where the legitimacy of a government and its institutions might be in question, this will prove to be particularly challenging.

This discussion should be informed by experience. Since 2005, compacts have been signed in Liberia, Afghanistan, Iraq, the Democratic Republic of the Congo (DRC), Sierra Leone, and Timor-Leste to help align and coordinate international and national peacebuilding efforts around a set of agreed priorities. The UN played a critical diplomatic, technical, and coordinating role in the development and implementation of these agreements. What lessons from this "first generation" of transition compacts can be applied to current policy discussions?

This policy paper aims to bring some analysis and critical thinking to this discussion. Focusing on transition compacts in Afghanistan, DRC, Iraq, Liberia, and Timor-Leste,[4] it examines the impact that first-generation compacts have had on setting priorities, contributing to improvements in aid flows, and advancing the mutual accountability of governments and international partners. By exploring the content of each compact, the context in which it developed, the implementation that followed, and the role of the UN in each instance,[5] key issues and lessons emerge across the cases—from the timing of compact development to the role of the UN. After analyzing these lessons, this paper recommends ways to strengthen the next generation of transition compacts and considers the most effective role that the UN could play in this regard.

Developing and Implementing Transition Compacts: Key Lessons

TIMING

In countries in transition, where political, security, and governance institutions are fragile and fluid, the timing of an international compact can impact its outcome and effectiveness.

If a compact is launched while insecurity prevails throughout or even in part of the country, its implementation will be frustrated by the diversion of national and international attention and resources, which will be focused on addressing the insecurity. This was the case in Afghanistan, where counterinsurgency efforts in the south and east of the country dominated national and international agendas and spending. This was also the case in the DRC, where intense levels of violence, rape, and an acute humanitarian crisis in the eastern parts of the country made it difficult to focus on the governance reforms proposed in the compact. Conversely, basic levels of security in Liberia and Timor-Leste afforded national and international actors the time and political space to focus on

2 OECD, "Policy Statement on Transition Financing," July 19, 2011, OECD Doc. DCD/DAC/INCAF(2011)3.

3 OECD, "International Support to Post-Conflict Transition: DAC Guidance on Transition Financing," March 2012; International Dialogue on Peacebuilding and Statebuilding, "A New Deal for Engagement in Fragile States," November 2011.

4 See the Annex for the individual country case studies.

5 The desk review for this paper was based on the study of the Liberia GEMAP completed by DPKO Best Practices in November 2006, UNDP's mapping of the UN's role in compacts of May 2011, the work of the OECD's INCAF task team on financing and aid architecture, and documents related to each compact's development and implementation. The desk review was supplemented with interviews with both senior and working-level actors who were directly involved in compact development in some way.

compact priorities.

Similarly, compacts are more likely to be effective if they are pursued after a peace agreement is in place and broadly accepted, but before donor behavior is set. Although one of the aims of the Afghanistan Compact was to bring about a nexus for security and development work, its launch came four years after the Bonn Agreement, and after donor priorities and spending patterns were well entrenched. This contributed to broader frustration over the compact's inability to realign donor priorities behind a development and statebuilding—rather than a strictly military—agenda.

Finally, the success of a compact depends on high levels of ownership by its signatories (see below), particularly on the part of the host government. In an immediate postconflict environment, such ownership is complicated by the timing of national elections, which often has implications for who can serve as a legitimate national interlocutor in negotiating compacts—particularly if the parties who negotiate a compact are not the same ones who are later called upon to implement it (as was the case in Liberia).

Lessons: A compact's timing will directly affect its prospects for successful implementation. Compacts are likely to be more effective if pursued when basic security is in place and humanitarian indicators are improving. They are likely to garner more response from donors if they are developed before donor strategies and spending patterns are set. They work best when they operate within short timeframes. And they are more likely to be effective if they are signed when elected—rather than transitional—governments are in place.

NATIONAL OWNERSHIP AND INCLUSIVE PARTICIPATION

Government ownership and leadership in the cases surveyed ranged from being central (Timor-Leste) to tangential (Iraq, DRC), with direct consequences on compact implementation. Forcing a compact on an unwilling government resulted in begrudging acceptance (DRC) or open resentment and disengagement (Iraq). In cases where governments and international actors shared a common understanding of the causes and solutions to national problems, compacts proved to be effective tools for setting critical reforms in motion. For example, in Liberia, there was broad recognition by the transitional government, civil society, and the international community that corruption and bad governance were impeding reconstruction, development, and growth. There also was general agreement that a national and international focus on governance and economic and financial reform was the right framework for addressing the problem. The resulting Governance and Economic Management Assistance Program (GEMAP) was something that the new government could embrace, as it was borne of an internal recognition of the problem (despite having inherited the GEMAP from the previous transitional regime).

With the exception of the DRC, the compacts surveyed for this study were formulated as "contracts" between the national government and the international community (principally, the bilateral donors, the UN, and the international financial institutions). For the most part, compact development and negotiations were limited to these signatory parties and there was little to no effort to extend participation further. Opposition leaders were only included if already part of an existing power-sharing structure in a transitional or elected government (Iraq, Afghanistan). Regional organizations only played a role when they were already involved in implementing peace agreements or coordinating aid (as with the Economic Community of West African States and the African Union in Liberia). Notably absent from all negotiations were civil society and religious leaders and groups, even in the DRC, where the compact was framed as an agreement between the government and its people. However, in Liberia, local anti-corruption advocacy groups and media outlets did play an indirect role in raising public awareness and shaping public opinion about corruption, which put some pressure on the transitional government to see the negotiations through.

Once compacts were in place, civil society groups did feature in their implementation. Leaders from prominent national nongovernmental organizations (NGOs) participated in many implementation and monitoring bodies and, in some cases, played a prominent role (Liberia, Afghanistan, Iraq). However, it was not clear whether these groups used their monitoring roles to hold parties accountable to their promises or to push for specific reforms.

Lessons: Compacts are likely to gain more political and practical traction if high levels of national and local ownership are in place (Timor-Leste), including by civil society actors. Where compacts are externally driven or lack basic support from national or local actors (DRC), they are left to languish once launched. The compacts surveyed for this study were framed as contracts between national governments and the international community and little was done to extend discussions or negotiations beyond these signatories. Only in places where regional organizations had an existing role in the peace process did they weigh in on compact development. Notably absent from all compact-design processes were civil society leaders and groups. In many places, civil society groups participated in compact implementation structures, though it is not clear whether they used this role to ensure compliance by compact signatories. Like national governments, regional and civil society actors have an important role to play in the compact process. Civil society actors, including the media, can play active roles in galvanizing international and local opinion around compact debates, in creating an enabling environment for compact negotiations, and in helping to hold compact signatories to their word.

CONTENT AND STRUCTURE

The nature and content of the compacts surveyed for this study varied widely. While some compacts were broad and aspirational (Afghanistan, Iraq), others were specific and technical (Liberia, Timor-Leste, DRC). Some spanned multiyear timeframes (Iraq), while others involved shorter lifecycles requiring annual review and adjustment (Timor-Leste). While the form and function of compacts is likely to—and should—vary based on context and needs, it may be useful to identify common characteristics that helped to make some compacts more effective than others.

Compacts should strike a balance between aspiration and achievability. There were clear political benefits to both host countries and donors when compacts articulated ambitious political goals and reinforced international principles. Host countries saw great value in a compact's ability to raise their international standing, and compacts proved useful in demonstrating efforts to promote discipline and accountability to donor capitals and constituencies.

However, a compact's ability to make progress on stated goals was more likely when the content was narrow in scope, focused on specific and achievable activities, and based on short implementation timelines. Despite some negotiation and implementation difficulties, the Liberia GEMAP was able to present a narrow set of priorities for governance and economic reform. Part of the strength of the Timor-Leste National Priorities program lay in its articulation of a limited number of government priorities ranked from most to least urgent. Conversely, in Iraq and Afghanistan, the desire of the parties to be comprehensive and inclusive undermined these compacts' potential to be effective. In both countries, the compacts were immediately deemed un-implementable—even by their drafters. They included too many activities; lacked any prioritization; and included vague and, in many cases, un-actionable goals.

Compacts were also more effective when they offered specific provisions for implementation and monitoring based on government leadership and international technical support. They were also more effective when they provided timelines and milestones for legislative and programmatic progress based on a genuine understanding of what was possible and achievable in the current country context. The National Priorities (NP) program in Timor-Leste offered a good example of a compact that was developed by government, for government, based on a keen understanding on what it could handle and what a fragile society could bear. The NP implementation was rooted in the ministries and its quarterly and annual monitoring mechanisms were structured but light. Conversely, the elaborate structure designed for the Iraq compact was impressive by bureaucratic standards, and perhaps the product of much thought, but was unsustainable given the levels of staff, expertise, and government engagement needed to sustain it. The Joint Coordination and Monitoring Board (JCMB) convened to drive the implementation of the Afghanistan Compact, while a good idea on paper, became unwieldy when its membership was left unchecked. The JCMB only became a fully functional coordinating body when its membership was reduced and its remit refocused on a limited number of goals. The Liberia GEMAP's oversight mechanisms, which included direct international oversight over national procurement and spending, were the most specific and strict of the compacts surveyed for this study. However, the fact that such mechanisms were viewed as "intrusive" and as threats to national sovereignty by many in Liberia, in the region, and among the international community suggests that it is not an easily replicable model.

Nonetheless, all of the compacts surveyed fell short in areas of capacity building and knowledge transfer. Most of the compacts surveyed for the study included no specific provisions for strengthening the capacity, ability, and expertise of government institutions. Even the GEMAP, which placed international technical advisors in key institutions and had explicit provisions for capacity building, did not succeed in institutionalizing the knowledge and expertise that was gained from this experience.

Lessons: Compacts should strike a balance between aspiration and achievability. There is value in both host governments and donors expressing high political objectives and reiterating principles. However, compacts are most effective when they are focused and prioritized, based on national understandings of what is most urgent and important. Compacts are also more likely to succeed when they include explicit mechanisms for implementation and monitoring; are based on specific, time-bound benchmarks; and consider both government capacity and public appetite to see reforms through. Such mechanisms must comprise high levels of authority and enforcement mechanisms, including links to national laws, but should not be perceived as threats to national sovereignty. Where most compacts have fallen short has been in the omission of capacity-building elements as part of their core functions. Without specific provisions for mentoring, training, knowledge transfer, and retention, key reforms have been hard to sustain and institutionalize.

COORDINATION

In most cases, compact drafters were aware of existing national planning processes and donor and programmatic coordination mechanisms, and tried to build them into compact design. But the extent to which these mechanisms were coherent depended on the strength of the existing mechanisms, level of government involvement, and alignment of interests.

Where there was broad government ownership of both the compact and national planning processes, the two processes were complementary. In Liberia, the GEMAP did not replace, but sought to reaffirm, the existing transitional framework—the Results-Focused Transition Framework (RFTF)—as the overarching framework for national prioritization and donor coordination, and made explicit links between its own executive oversight mechanism (the Economic Governance Steering Commission) and RFTF institutions. In Timor-Leste, the fact that the National Priorities program was government-led and driven by an internal champion (the minister of finance) ensured that most priorities found traction in national processes and activities.

However, in Iraq, although the compact's implementation and monitoring structure were based on existing mechanisms, such as the National Development Strategy, the coherence envisioned by the document never came together because sectoral working groups and cluster teams were modeled after the "consultative group" process, the government lacked interest in compact reforms, and the implementation and monitoring structures were too complex.

In many cases, the compacts' ability to act as a high-level institutional platform gave rise to new coordination structures and institutions. While the *Contrat de Gouvernance* (Governance Contract) in the DRC did not include any provisions for international coordination, the donors and multilateral institutions themselves acknowledged they had significant roles to play in supporting reforms through financial support and technical advice. The joint UN-World Bank Country Assistance Framework (CAF) was developed in part to align government needs, including those articulated in the Governance Contract, and donor efforts. These provisions translated into some harmonization of donor policies that were incorporated into each donor's assistance strategy. In Liberia, the structures designed for compact implementation led to the creation of the Liberia Reconstruction and Development Committee, a mechanism for donor and government coordination whose structure built upon those put in place by the Economic Governance Steering Commission.

Compacts did not seem to improve coordination within the UN and, in one instance, managed to undermine it. In Iraq, attempts to align the compact with the existing United Nations Development

Assistance Framework (UNDAF), which many felt did a better job of articulating national development priorities, were besieged by infighting within the UN leadership.

Lessons: Generally speaking, compacts did more to improve rather than undermine coordination among national, multilateral, and bilateral actors. However, such improvements came with high transaction costs in the form of overly burdensome and bureaucratic coordination structures. The extent to which coordination was enhanced depended on government involvement and an alignment of interests. Where government engagement was high and national and international priorities were complementary, compacts were effective in reinforcing existing coordination mechanisms. Where government interest was low, compacts did nothing to foster coherence and coordination.

In many cases, compacts also contributed to the establishment of new coordination frameworks, such as the Country Assistance Framework in the DRC or the Liberia Reconstruction and Development Committee. Compacts did little to improve UN coordination. Compacts should be used to focus attention on a narrow set of priorities over a short period of time. They should not duplicate planning or coordination mechanisms when other processes are in place (e.g., national development plans or UNDAFs).

IMPACT AND OUTCOMES

While the study did not attempt to evaluate the outcomes or impact of compact processes, anecdotal evidence suggests that a number of factors impeded compacts' ability to deliver on many stated goals.

In many cases, insecurity was a major impediment to compact implementation. In countries such as Afghanistan, Iraq, and the DRC, where there was still violence and active fighting in many parts of the country, both governments and international actors dedicated important time and resources to security at the expense of compact implementation.

In addition, the level of ambition and lack of specificity of many of the compacts' objectives suggests that they may have been set up to fail. In such cases, compacts were immediately viewed as un-actionable (Afghanistan), unrealistic (Iraq), and a "dead horse" (DRC) as soon as they were launched. Government appetite for and success in tackling compact objectives seemed also to depend on what actors and ministries were charged with leading compact implementation and the relative power or influence they held within each government. The fact that the minister of finance, who was charged with compact implementation in Timor-Leste, had the ear and support of the elected prime minister meant that the National Priorities program was backed with enough authority to see the reforms through. In Iraq, compact implementation was led by a relative political outsider, whose ability to sustain momentum ended once he left his position.

Finally, compacts' effectiveness and impact also depended on the feasibility and enforcement mechanisms of the structures set up to implement them. None of the compacts included provisions for donor support of compact implementation, and they soon fell victim to a lack of staffing and resources. The Iraq Compact envisioned a clever but highly complicated implementation and oversight structure that was never staffed or resourced to the necessary levels. The compacts that succeeded in implementing some of their stated goals, such as Timor-Leste, established light, straightforward implementation mechanisms that could be run on existing resources. In addition, even in cases where oversight mechanisms were strict and, in some opinions, "intrusive," they lacked the enforcement mechanisms to ensure that such oversight had teeth. In Liberia, even the international monitors embedded in key government institutions and state-owned enterprises to audit procurement and financial practices found themselves powerless to enforce many of the GEMAP's reforms without links to national laws or access to enforcement mechanisms.

In many cases, however, compacts did seem to contribute to a sense of change. In Liberia and the DRC, the compacts' stated commitment to good governance gave the populations some renewed hope that their lives might change. The Iraq Compact served to improve the outlook of national and international officials at a time when the conflict had taken a turn for the worse. Even in the DRC, civil society groups' enthusiasm for the *Contrat de Gouvernance* (in which they had no involvement) led them to renew their focus on and discussion about governance reforms. However, these improvements in attitudes seemed to be temporary with no practical outcomes.

Lessons: While this study did not evaluate compact outcomes or impact, anecdotal evidence suggests that several factors contributed to compacts' inability to deliver on many stated goals. Many compacts were deemed unviable from the outset, both because government and donor engagement and appetite was low and because benchmarks and timelines were unachievable. In most cases, implementation and monitoring mechanisms were overly bureaucratic, under-staffed, and lacking instruments for enforcement. Success in tackling compact objectives seemed also to depend on which actors and ministries were charged with leading compact implementation and the relative power they held within each government. While compacts may have helped to promote peacebuilding goals by creating hope among war-weary populations that their governments were turning a new page (e.g., in Liberia, where there were high levels of public awareness about the need to reduce corruption and about the GEMAP initiatives), such effects were temporary and intangible. Even when compacts included national reconciliation goals and plans (Iraq, Afghanistan), they were unable to further these agendas in practical terms.

DONOR BEHAVIOR AND MUTUAL ACCOUNTABILITY

Governments' willingness to engage in compacts was driven, in part, by their desire for increased funding, more transparency in aid flows, and direct budget support. However, compacts' efforts to improve donor behavior and coordination met with mixed results.

Although each compact's rhetoric emphasized mutual accountability as a core component of the agreement, donor commitments were, in all cases, thin and unspecific. Most included language for upholding the OECD's Paris Principles on Aid Effectiveness and made vague references to improved transparency and accountability. None included funding commitments, measurable benchmarks, or even provisions for improved reporting. As a result, compacts appeared to have little impact on donor behavior.

For example, in none of the cases surveyed did funding levels increase. However, it is unclear whether this had more to do with the onset of the global economic crisis and resulting fiscal austerity at the time the compacts were signed than with the failure of compacts to strengthen donor commitments. More study would be required to better understand this result.

While compacts may have helped restore some trust and credibility in government institutions (Liberia, Timor-Leste), this did not translate into direct budget support. Despite the presence of international monitors and auditors in Liberia's state institutions, the country still receives 70 percent of its funds off-budget, although increasingly from pooled funds. In Timor-Leste, improved state financial systems contributed to one donor's decision (the US') to pilot an approach that apportioned a percentage of its contributions to the government. Iraq also benefitted from the increased legitimacy its compact helped to build: about $30 billion in debt forgiveness.

Where compacts introduced new and innovative financing arrangements (Liberia, Iraq), the return on investment for these efforts was too modest to justify the transaction costs associated with developing such complicated structures. Compacts contained few commitments for improving their own reporting to the government. According to drafters who were present at the negotiations around the Afghanistan Compact, some donors became offended when presented with a government proposal to align their reporting with that of the Afghan government.

What compacts were explicit about was the conditions of their aid. Most either referenced economic performance criteria outlined in the existing International Monetary Fund (IMF) agreements (Iraq) or established separate conditionalities for international aid. The nature and tone of these conditions caused resentment among host governments (Iraq).

Many of those interviewed for this study believed that promoting mutual accountability should be a core function of international compacts. Yet, only in the DRC with the donor-led development and launch of the Country Assistance Framework (CAF), did compacts contribute to some donor coordination and harmonization of priorities, reporting, and funding modalities. However, even those associated with the CAF suggested that it would be naïve to expect that donors would fall in line with government priorities or fully cooperate with compact agreements if their own spending patterns are set and their national interests lie elsewhere.

Lessons: Although each compact's rhetoric emphasized mutual accountability as a core component, donor commitments were, in all cases, thin and unspecific, and donor performance remained largely unchanged. The introduction of new economic governance and financing strategies (Liberia, Iraq) did not result in increased donor investment. Proposals to improve donor reporting and integrate it into national budgets and reporting mechanisms caused offence. In cases where compacts did manage to restore some trust and legitimacy to governments, this was not met with increased assistance or direct budget support, although some countries (Liberia) reported an increased use of pooled funds. Only Iraq benefited financially from its compact in the form of $30 billion in debt relief. While some strongly believe that mutual accountability should be a core component of compacts across the board, many are skeptical about whether the host government and the UN (as the co-implementers of compacts) are set up or well placed to take on such a role, and whether such processes would ever result in meaningful shifts in donor behavior when donor interests lie elsewhere.

THE ROLE OF THE UN

The role of the UN in the initiation, negotiation, coordination, and implementation of compacts was generally perceived as positive and appropriate to the UN's mission and mandate. Across most compacts, the UN played a catalytic role in convening key stakeholders and in using its good offices with host governments, other member states, and regional organizations to galvanize support around compact initiatives. For example, during the negotiation of the GEMAP, it was only when the UN Secretary-General became personally involved that discussions with regional actors moved forward. In Afghanistan, the UN initiated the idea of a compact and rallied governmental, bilateral, and multilateral support. In Iraq, the UN acted as the front man in a process that played out behind the scenes.

In almost all cases, the UN also supported the drafting and negotiation processes, as well as political events around compact launches; it played a significant technical role in compact implementation by providing expertise to key ministries and compact secretariats. Such support was often bedeviled by slow deployment and thin staffing, which made it difficult to keep up with implementation demands, particularly in countries where capacity was low. Some officials interviewed for the study said that, while diligent and well intentioned, UN staffers did not have the requisite expertise in aid effectiveness to support implementation processes. The UN has recognized this failing and has since been working to improve its ability to deploy civilian expertise, and to deepen skills and knowledge in aid effectiveness, mutual accountability, aid-information-management systems, and capacity support, both internally and through the development of a global network of experts.

The Security Council also had a role to play in the launch of each compact. Security Council endorsement of compacts as part of resolutions was an effective way of giving them a broader international stamp of approval. In many cases, the council added compact support to existing mission mandates. In the case of Liberia, the GEMAP made specific reference to the application of UN Security Council Resolution 1509 with regard to sanctions. Subsequently, the Security Council made explicit the linkage between economic governance and the lifting of sanctions on Liberia in Resolutions 1607 and 1626, providing a critical incentive for the National Transitional Government of Liberia to sign the compact.

Although the Peacebuilding Commission's (PBC) engagement in postconflict countries was not a focus of this study, it warrants special attention. The PBC was created in 2005 to address some of the same weaknesses in international responses to conflict and fragility that have given rise to current proposals for compacts, including the lack of a prioritized, strategic approach; fragmented efforts by different bilateral and multilateral political, security, and development actors; volatility in funding and lack of transparency in aid flows to postconflict countries; and insufficient country ownership and mutual accountability.

While the PBC's instruments of engagement have evolved from earlier, more cumbersome "integrated peacebuilding strategies" adopted in Sierra Leone and Burundi in 2007, to the current, lighter "statements of mutual commitment" adopted for Liberia and Guinea, the PBC's engagement in all six cases on its agenda has clearly been modeled on the concept of compacts. In fact, the very first meeting of the PBC's Working Group on Lessons Learned, organized in April 2007, was a discussion on the then recently adopted Afghanistan Compact as a potential model for PBC engagement; and early discussions within the Sierra Leone configuration explicitly used the term "compact" to describe the PBC's efforts.

However, despite its intentions, the PBC has struggled in its efforts to operationalize these goals. It has been most successful in identifying and focusing on a limited number of crucial peacebuilding priorities; it has had limited success in mobilizing new resources for the countries on its agenda; and it has had virtually no success in improving transparency of aid flows and funding instruments, or in aligning existing international resources behind the identified priorities. While it has had some modest success in fostering country ownership and providing a framework to hold governments more accountable for delivering on peacebuilding goals, it has not been successful in providing a framework for holding international partners accountable for their commitments. It has also struggled to keep its monitoring frameworks light and flexible.

In many ways, the PBC has been the victim of unrealistic expectations, particularly expectations that an intergovernmental body that did not include representatives from multilateral and bilateral aid agencies would provide a framework for aid transparency and accountability for donor commitments. Instead, it is important to examine why the PBC's country-specific engagement has failed to fulfill these functions in order to ensure that future efforts to create and implement transition compacts do not fall victim to the same pitfalls. It will also be necessary to clarify the PBC's role in relation to future transition compacts. In particular, it is worth considering the important political monitoring role the PBC could potentially play.

Lessons: The UN has an important role to play in the development and implementation of compacts, and its experiences to date have been appropriate, relevant, and well received. The UN has been effective at playing a catalytic and facilitative role in convening key stakeholders and in using its good offices with host governments, other member states, and regional organizations to galvanize support around compact initiatives. Host governments have also appreciated UN technical support and guidance around compact development and implementation, particularly around capacity building. Together with host governments, the UN has staffed and managed compact secretariats and coordinated compact implementation. The Security Council too has helped legitimize compact processes through its endorsement of compact documents and its inclusion of support to compacts in mission mandates. In Liberia, progress on GEMAP goals was linked to the lifting of Security Council sanctions. Nonetheless, the role of the PBC in relation to the negotiation and implementation of compacts needs to be clarified. And while the UN has also been effective at working with the World Bank in these contexts, more work should be done to establish clearer divisions of labor around compact processes.

Conclusion

The experience of the past five years suggests that the effectiveness of these "first-generation" international compacts in transition contexts has been mixed. In some instances, compacts proved to be instrumental in focusing national and international attention and resources on a few important goals. In other cases, compacts resulted in little more than political theater, diverting time and resources from more critical concerns.

In the cases analyzed for this study, international compacts were able to fulfill certain high-level aspirational or political objectives at the time they were signed. Many succeeded in articulating a post-peace-agreement vision for national and international engagement, in improving the national and international status and legitimacy of new governments, and, to some extent, in creating a sense of hope among national and international policy makers that democratic reforms were imminent.

However, compacts have been less effective at achieving many of their stated goals and technical requirements. The poor timing and limited levels of national and local ownership around some compact negotiations meant that governments did not have the authority, political support, or appetite to implement them. High levels of ambition, a lack of prioritization, and weak and under-resourced implementation and oversight mechanisms in compact structures and content undermined many compacts' potential to be actionable and implementable from the outset. Thin and vague donor commitments made it difficult to pursue harmonized donor policies or foster donor accountability.

If second-generation compacts are to incorporate the lessons of their predecessors and emerge as effective peacebuilding tools that support national and international efforts to set and implement key peacebuilding priorities, improve bilateral and multilateral aid flows, and advance mutual accountability between governments and their supporters, the following elements deserve further consideration:

Focused priority setting and implementation. Experience from the past five years suggests that compacts should not aim to be overly ambitious or comprehensive. Rather, the strength of a compact lies in its ability to produce national and international agreement on a narrow set of priorities that conform to a host government's ideas of what is urgent and important. Such priorities should be aligned with—and may even be subsets of—existing transitional or national planning processes, without duplicating them. In particular, compacts are a means of focusing political and institutional attention and financial support on particular areas of concern for short periods of time, so compact outcomes should be linked to ongoing planning processes once compact timelines are complete. Government interlocutors on compacts should have the authority to stand up to special interests that can derail priority-setting exercises. The international community should support governments in making these hard choices and not contribute to any further dilution of a compact's priorities.

Improved aid flows. The likelihood that a compact will lead to increased funding levels and improve the timing and disbursement of funding in postconflict settings depends on whether it sets achievable priorities and establishes workable and credible implementation and monitoring structures. The experience of the past five years suggests that such measures can improve overall trust between governments and donors. However, enhancing aid flows to compact countries will also require more efficient and effective global and country-level mechanisms for mobilizing, distributing, coordinating, and reporting bilateral and multilateral aid. Country-level pooled funds and information-management mechanisms have already been effective in improving this to some extent and should continue to be reinforced. The Peacebuilding Fund, as a global pooled funding mechanism, could also be used to ensure the timely and targeted use of donor funds for compact priorities.

Mutual accountability. Accountability and trust between governments emerging from conflict and their donors are difficult and elusive goals that, while critical to compact effectiveness, might not be solved by compacts themselves. Compacts have been able to contribute to trust building among their signatories. But it is unrealistic to expect compacts to change donor behavior or to serve as effective sticks for sanctioning donors when they don't comply. What compacts can do is help to galvanize national and international actors around a set of agreed priorities and provide a vehicle for channeling donor funds more effectively. As we saw with the Country Assistance Framework in the DRC, even limited levels of donor coordination and harmonization must be driven by the donors themselves.

SUMMARY OF CONCLUSIONS

What can compacts achieve?

- Improvements in the international status and legitimacy of host governments
- Better alignment and coordination of stated international and national priorities and goals
- Progress on a limited set of agreed, narrow priorities and reforms
- Periodic monitoring and oversight of implementation
- Increases in aid flows and increased funding through multilateral instruments

What is best achieved through other instruments?

- Broad peace objectives (e.g., ceasefires) or political objectives (e.g., power sharing, elections)
- Humanitarian response and coordination
- National reconciliation and improved human rights
- National development planning and coordination
- Long-term poverty-reduction planning

What factors should be in place for launching and implementing a compact?

- A signed and broadly accepted peace agreement
- An elected (not a transitional) government
- Basic security
- A genuine understanding of what is possible and achievable within the specific context
- A basic level of government capacity to manage and implement a compact's priorities
- Some donor willingness to align behavior and spending with government priorities and processes
- Clear provisions for implementation and oversight, with government in the lead
- Clear provisions for strengthening the capacity of government institutions to enact and sustain reforms
- A well-staffed compact secretariat with relevant sectoral expertise and knowledge of aid effectiveness and international processes
- Security Council support or endorsement

What is an appropriate role for the UN?

- Catalyst and convener
- Negotiator, mediator, and high-level diplomat
- Technical adviser
- Supporter of compact secretariats
- Coordinator of funding and reporting where government capacity is low
- Legitimizer and enforcer (Security Council)
- Provider of political monitoring (Peacebuilding Commission)

Recommendations

If transition compacts are to become effective frameworks that guide the relationships between governments and the international community in peacebuilding contexts, the following policy recommendations should be considered by the international community and the United Nations.

POLICY RECOMMENDATIONS

- Compacts should be informed by the Paris Declaration, the Fragile States Principles, and the Principles for Good Humanitarian Donorship.[6] They should be guided by the OECD DAC Guidance on Transition Financing.[7]
- Compacts should be recognized as endogenous processes that reinforce the ties between state and society.
- A decision to launch a compact should be based on a keen understanding of the political will and public appetite for reform, and consideration of the available national and international capacities to manage and implement compact priorities.
- Compacts should be considered only when a peace accord (or similar political agreement among parties) is broadly agreed and where basic security is in place.
- Civil society can play a substantive and enabling role in compact development and should participate both in compact creation and implementation.
- Prioritization and mutual accountability should be core components of compact design. Compact commitments should be specific and balanced.
- Compacts should build upon, reinforce, and work in coordination with ongoing international and national processes.
- Compacts can reinforce, but should not add to, conditionalities set by multilateral institutions.
- Compacts are most effective when based on short timelines, a focused agenda of reform, and a narrow set of agreed priorities.
- Compacts should include specific provisions for implementation, oversight, performance monitoring, and enforcement, with host governments in the lead. These mechanisms should be light and well resourced from the outset.
- Compacts should include specific measures and support for strengthening government institutions and capacity, with a particular focus on compact priority areas.

RECOMMENDATIONS FOR THE UN

- Continue to work with the OECD's Development Assistance Committee (DAC), and particularly its International Network on Conflict and Fragility (INCAF), to support the provisions contained in its guidance on transition financing to improve the quality of aid during transitions.
- Support the use of transition compacts as mechanisms for agreeing on priorities and strengthening mutual accountability for results.
- Continue to strengthen the UN's relationship with the international financial institutions (IFIs), particularly the World Bank, including by clearly defining roles and responsibilities in transition contexts.
- Continue to strengthen UN coordination mechanisms in transition contexts so as to speak and act coherently when compacts are in place.
- Improve technical support to host governments for compact development, implementation, and capacity building in key compact areas by rapidly deploying and sustaining the engagement of experts to compact secretariats and relevant government agencies, and by improving UN expertise in aid effectiveness.
- Improve mechanisms for ensuring the timeliness and flexibility of transition support by donors, including through global and country-level pooled funds. The Peacebuilding Fund could be instrumental in this regard.
- Work with host governments to strengthen the capacity building component of international compacts, including through training, mentorship, knowledge transfer, and retention.
- Promote the sustainability of compacts by ensuring links to ongoing national and international planning processes.

6 OECD, "Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability," Paris: March 2005; OECD, "Principles for Good International Engagement in Fragile States and Situations," Paris: April 2007; Good Humanitarian Donorship, "Principles and Good Practice of Humanitarian Donorship," Stockholm: June 2003.

7 OECD, "International Support to Post-Conflict Transition: DAC Guidance on Transition Financing," March 2012.

- Work with donors and IFIs to spearhead efforts that improve donor coordination around agreed priorities. The Country Assistance Framework in the Democratic Republic of the Congo provides one such model in this regard.
- Promote the development and use of aid information-management systems in transition contexts to improve donor transparency and to harmonize donor and national reporting mechanisms.
- Consider the potential role of UN intergovernmental bodies, particularly the Peacebuilding Commission and the Security Council, in providing international political support, legitimacy, and incentives and disincentives in compact negotiations and implementation.

Case Studies

Liberia (2005)

CONTEXT

Liberia's Governance and Economic Management Assistance Program (GEMAP) was signed in September 2005, two years after a Comprehensive Peace Agreement (CPA) was brokered by ECOWAS, the Economic Community of West African States, in August 2003. The CPA, which followed fourteen years of violent conflict and pervasive corruption in the public sector, created the National Transitional Government of Liberia (NTGL), drawn primarily from the former warring parties, and established a timetable for transition to an elected administration. In September 2003, the Security Council established the United Nations Mission in Liberia (UNMIL)[6] with a broad mandate to support the implementation of the CPA under Chapter VII of the UN Charter. An International Contact Group on Liberia (ICGL), comprised of representatives from the US, European Commission, World Bank, International Monetary Fund, ECOWAS, and the African Union, was formed to support the CPA.

The following year, donors pledged $520 million for the transition period under a comprehensive reconstruction framework, the Results-Focused Transition Framework. The RFTF established nine clusters of activity, including governance, economic and financial management, and institutional development. By this time, violent conflict had largely subsided and there was a basic level of security enforced by UNMIL's 15,000 troops.

The catalyst for the GEMAP began in mid-2004, when donors began raising doubts about the NTGL's capacity for and commitment to governance reform. Economic recovery remained sluggish and reports of mismanagement of public funds were appearing in the Liberian media. Public opinion of the NTGL was low. Various factions within the transitional government accused each other of siphoning off state finances for personal gain. In early 2005, both an ECOWAS investigation into government corruption and European Commission audits of the central bank and key state-owned enterprises confirmed widespread corruption in Liberia's public finances. Donors became increasingly hesitant about putting resources directly under the government's control.

When the GEMAP process was initiated, there was acceptance within the Liberian government and the international community about the need to restore confidence and trust and to build government systems and capacity for addressing corruption. There was also a broad conviction that the transition period represented an opportunity to make such changes.

NEGOTIATIONS AND STAKEHOLDERS

These initial high levels of political will meant that the GEMAP developed quickly. Negotiations, however, were difficult, and in the words of the interlocutors, "painful." The road to the GEMAP began during the annual review of the Results-Focused Transition Framework in May 2005, when it became apparent that widespread corruption was a major risk to Liberia's recovery and the transition program. The minister of planning and economic affairs called upon the World Bank, the International Monetary Fund (IMF), and the US to provide assistance in improving capacity in public-finance management.

This call prompted the drafting of a non-paper by the US, with technical inputs from the World Bank and the European Commission, that called for a more forceful approach to addressing corruption based on capturing revenues, controlling expenditure, and improving operating structures, enforcement, and funding. The paper evolved into an Economic Governance Action Plan (EGAP), which provided for a steering committee with veto power, Security Council endorsement, and an amendment to UNMIL's mandate. The idea was to present the paper to the international contact group and then to the transitional government.

Negotiation of the plan, even within the contact group, was difficult. ECOWAS, as the custodian of

6 UN Security Council Resolution 1509 (September 19, 2003), UN Doc. S/RES/1509.

the CPA, was uneasy about the level of international interference, which it felt would undermine the peace agreement, and about the ill-timing of its drafting, just months before national democratic elections. It was only after significant lobbying by the UN that ECOWAS reluctantly agreed to join its international counterparts in backing the EGAP.

The UN's limited role in the early negotiations reflected its initial view of the action plan as a technical economic plan and its inclination for avoiding controversial strategies that might undermine UNMIL;[8] its early input focused primarily on gaining Security Council endorsement of the draft and inserting a provision for capacity building. It was only when Secretary-General Kofi Annan was asked to build support for the draft among ECOWAS members that the UN as a whole became more involved.

When the draft plan was presented to the Liberian transitional government, it too felt it gave foreign experts too much authority, amounting to "de facto trusteeship/receivership,"[9] which they felt would undermine the CPA. The government then presented a counter draft, the Liberia Economic Governance Assistance Program (LEGAP), which sought to limit the international community's role. It asked for more transparency from donors and NGOs about their own spending in Liberia and for a stronger capacity-building component. No governing body or oversight mechanism was proposed.

The final GEMAP document was an attempt at harmonizing the EGAP and LEGAP plans. In the end, most of the elements of the US proposal remained intact, including the presence of international personnel in key financial ministries and institutions. The Liberian requirements for more donor and NGO transparency were dropped. The chairman of the transitional government only signed the agreement because he knew he could wash his hands of it once national elections put a new administration in place.

STRUCTURE AND CONTENT

Unlike many other transition compacts, which tackle a range of security, governance, economic, and development priorities, the GEMAP focused on financial management and accountability. It targeted revenue collection, expenditure controls, and improvements in government procurement and concession practices in eleven ministries, commissions, and state-owned enterprises.[10]

The GEMAP was a single document comprised of six priority objectives (see box) that are further detailed in a series of technical annexes outlining thirty-two areas of activity to be undertaken during a three-year period. These six objectives remained largely unchanged throughout the three-year

Objectives of the GEMAP

1. **Strengthening financial management and accountability** through the contracting of international experts with binding co-signatory authority.
2. **Improving budgeting and expenditure management** through changed business processes and integrated financial-management information systems.
3. **Improving procurement practices and granting concessions** through changes in transparency requirements and to help Liberia in joining the Extractive Industries Transparency Initiative (EITI) and the Kimberley Process.
4. **Establishing effective processes to control corruption** through the establishment of an anti-corruption commission and the provision of international legal experts as advisors to the Liberian judiciary.
5. **Supporting key institutions** by placing international experts in the general accounting office with binding co-signatory authority, contracting an external audit agent, and providing technical assistance to the Ministry of Finance and the Governance Reform Commission.
6. **Building capacity** by developing a plan and committing resources to build capacity in areas one to five above, including a timeline for measuring results through improved service delivery and an exit strategy.

8 Renata Dwan and Laura Bailey, "Liberia's Governance and Economic Management Assistance Programme (GEMAP): A joint review by the Department of Peacekeeping Operations' Peacekeeping Best Practices Section and the World Bank's Fragile States Group," May 2006.

9 National Transitional Government of Liberia, cited in Dwan and Bailey, ibid., p. 15.

10 These include the Ministry of Finance, General Services Agency, Ministry of Land, Mines and Energy, Public Procurement and Concessions Commission, Central Bank of Liberia, General Audit Commission, Roberts International Airport, National Port Authority, Liberia Petroleum Refining Company, Forestry Development Authority.

duration of the compact.

The narrow focus of the compact is seen as one of its core strengths. It allowed the government and the international community to set achievable priorities in specific but important areas.

Although most obligations in the draft concerned the Liberian government, donors committed to providing technical experts for placement in key institutions, continuing support for the RFTF, and participating in the agreement's main oversight mechanism, the Economic Governance Steering Committee (see below). There were no provisions for donor financing of GEMAP implementation itself. Despite these thin donor commitments, the GEMAP helpfully put in place collaborative structures to ensure donor coordination and alignment with government priorities. The GEMAP reaffirmed the existing RFTF as the overarching framework for donor coordination, linked the steering committee to RFTF institutions, and foresaw the replacement of the RFTF with an Interim Poverty Reduction Strategy.

OVERSIGHT AND ACCOUNTABILITY

The GEMAP established a high-level oversight mechanism, the tripartite Economic Governance Steering Committee (EGSC), which was chaired by the Liberian head of state, with a representative of the international community serving as deputy chair. It included civil society members, but was dominated by international experts. Its purpose was to guide and monitor GEMAP implementation and discuss pressing governance issues openly and regularly. A GEMAP Technical Team, co-chaired by the Liberian government and the US and composed of key government officials and GEMAP donors, provided direction to and oversight of technical progress. Such mechanisms enabled coordination, commitment, and buy-in at high political levels.

An additional external oversight mechanism was established by the Security Council's decision to be updated regularly on GEMAP implementation as part of the UN Secretariat's regular reporting on the situation in Liberia. However, in practice, the Security Council made no reference to the GEMAP in subsequent resolutions.

Where the GEMAP stands out is in the level of multilateral international engagement in public-finance management in a sovereign country. The agreement grants co-signatory authority on all financial transactions to internationally recruited financial controllers at key revenue-generating government institutions. This proved useful in averting unwarranted spending at critical moments and helped advisors to quickly determine key institutional failings.

Despite such innovation, the document set forth only broad-based benchmarks, and did not include an explicit monitoring plan or provide for any enforcement measures that would have helped ensure compliance among GEMAP institutions. As a result, the international GEMAP advisers and experts found they were powerless once they uncovered inappropriate spending by government officials. GEMAP would have been more effective had it included compliance measures that were accompanied by or linked to national laws and regulations.

GEMAP Implementation and Monitoring

1. **Tripartite Economic Governance Steering Committee (EGSC)** to "guide and monitor" performance.
2. **GEMAP Technical Team** to deliver technical support and secretariat functions. There is no implementation mechanism mentioned in the GEMAP.
3. **Support Office under the Results-Focused Transition Framework (RFTF)** to collect, collate, and disseminate information on aid flows into the country.
4. **Co-signatory authority** of international experts who work alongside national authorities.

IMPLEMENTATION AND IMPACT

The GEMAP was not implemented until 2007, almost two years after its signing. Democratic elections a month after its signing and a lack of dedicated resources and technical implementation plans contributed to this delay. Once implemented in 2007, GEMAP remained in effect as an overarching financial reform framework until 2010, when the government determined it had run its course.

There is broad disagreement about the impact of the GEMAP. Proponents attribute a 50 percent increase in government revenues and improved transparency in concession agreements, extractive-industry practices, and state-contract awards to the GEMAP's financial controls. Many processes and procedures put in place by the GEMAP have

Lessons

- Donor commitments must be clear and robust to translate into changes in behavior and aid flows.
- Monitoring mechanisms must be accompanied by enforcement measures in the form of national laws and regulations.
- Only meaningful capacity-building measures can ensure that reforms are institutionalized once an agreement is phased out.

Success Factors

- A basic level of security and an international force to maintain it
- Broad consensus on the nature of the problem and agreement on actions for addressing it
- Narrow focus and clear priorities
- Robust accountability mechanisms
- Coordination structures linking donor and government planning and priorities

become integrated into government institutions. However, anecdotal evidence suggests that the public sector is still rife with financial mismanagement and that government corruption may still persist in GEMAP institutions.

Even if the GEMAP helped restore some donor confidence in Liberia's ability to govern,[11] it has not provided more donor transparency in aid flows or translated into direct budget support. And while the UN ensured that the GEMAP included capacity-building elements in the form of technical and institutional strengthening by international experts, these were not sustained or institutionalized once the international technical experts left.

Nonetheless, the GEMAP may have also contributed to peacebuilding in indirect ways, by focusing public attention on corruption, by creating some semblance of government accountability, and by contributing to improved trust in government and government institutions.

CONCLUSION

The GEMAP is an example of "robust" external intervention in economic governance that made some progress in reforming financial management and accountability in Liberia. Its strengths were that it was borne out of an urgent and common imperative to address corruption; it remained focused in scope; and it was successful in setting—and sticking to—priorities. It also established and used powerful oversight mechanisms, including direct international oversight of its financial procedures.

However, its thin donor commitments and a lack of enforcement mechanisms meant that the agreement was not able to fully deliver on its promises of mutual accountability or fully institutionalize its planned reforms. Moreover, the fact that its oversight provisions were widely viewed as "intrusive" and threatening to government sovereignty also means that many GEMAP provisions would not be easily replicated.

Afghanistan (2006)

CONTEXT

On February 1, 2006, sixty-six states and fifteen international organizations adopted the Afghanistan Compact, a five-year political agreement between the international community and the government of Afghanistan. Its signatories included Afghanistan's neighbors, Iran, Pakistan, and Tajikistan; many other Muslim-majority states; all major donors; NATO; the international financial institutions (IFIs); and the Organization of the Islamic Conference (OIC). The Security Council endorsed the compact two weeks later.[12]

The signing of the compact followed the formal conclusion of the Bonn Process, which had launched Afghanistan's reconstruction in 2001 and had ended with parliamentary and provincial elections in 2005. The compact was to serve as a basis for the next stage of Afghanistan's reconstruction and development, with a greater emphasis on the country's own institutions. At the London Conference on Afghanistan where the compact was launched, donor countries and institutions pledged $10.5 billion to support the agreement.

At the time of the compact's endorsement, progress in Afghanistan's reconstruction was uneven. Although significant gains had been made in meeting the Bonn Agreement's political agenda, the implementation of its institutional agenda had

11 The only reported change in donor behavior was an increase in the use of pooled funds for channeling donor resources.
12 UN Security Council Resolution 1659 (February 15, 2006), UN Doc. S/RES/1659.

moved slowly. Many critical state institutions at national and provincial levels remained weak and susceptible to corruption. Efforts to reform the security and justice sectors had met with only limited success. The "donor-lead" concept (each donor was in charge of supporting institution-building efforts in one specific sector), while intended to ensure long term buy-in and support from donors, had led to uncoordinated and uneven development efforts. Although the country had seen significant economic growth in urban centers and improvements in food security, Afghanistan still suffered from significant budgetary imbalances and a lack of private investment. State revenues averaged less than half of expenditures for public sector salaries and operations. Despite considerable international support, reconstruction efforts were thwarted by drought, floods, internal displacement, and an increasingly better organized, better funded, and more sophisticated insurgency, whose attacks against Afghan and international targets were a perennial concern.

The negotiation of the compact also followed a shift from a "light footprint" policy, maintained by the UN and the international community since 2002, to a more robust nationbuilding effort and a heavier international hand in Afghanistan's political, economic, and social reform.

NEGOTIATIONS AND STAKEHOLDERS

The impetus for the compact came out of brainstorming sessions between senior UN officials and reformist Afghan ministers, who identified the need for a new and high-level partnership framework to guide the next phase of Afghanistan's reconstruction. The UN was looking to galvanize donor and international aid efforts around a set of priorities that would put security and development concerns on equal footing. Members of the Afghan government were hoping the compact would bring direct budget support and multiyear commitments. There was also a desire to move away from the "donor-lead" approach with a document that would capture Afghanistan's priority needs in a holistic manner, as identified by the Afghans. Donors were looking for a joint, sharp political declaration and only reluctantly agreed to a more technical document.

The drafting of the compact was spearheaded by the UN's Deputy Special Representative of the Secretary-General for humanitarian and development and Afghanistan's special economic advisor, who were both personally invested in and committed to the process. The co-chairs led a group of twenty to twenty-five drafters representing the Afghan government, commissions, major donors, IFIs, and the UN in intense all-night sessions at the residence of the Special Representative for the Secretary-General. Neither Afghan nor international civil society groups participated in the discussions; and the Taliban movement, which was barred from the negotiations, openly opposed the Afghanistan Compact and deemed the political process that accompanied it illegitimate.

Initially, the draft focused on three components: security, basic services, and vocational training. As expectations grew, the drafting process became hijacked by individual interests among the technical ministries, UN agencies, and donors (who at that time were each responsible for shepherding reform in different sectors). Because the UN wanted a consensus document, and the Afghan government felt they had no veto power, the drafters felt they had to accommodate every request. In the end, they produced an unwieldy plan with seventy-seven ambitious benchmarks across forty-three program areas.

STRUCTURE AND CONTENT

Unlike the Bonn Agreement, which was a pact among Afghans to be monitored and assisted by the United Nations, the Afghanistan Compact was viewed as a "contract" between the government of Afghanistan and the international community to work toward five-year high-level benchmarks in exchange for increased, more predictable funding and direct budget support. However, in practice, the content itself was more aspirational than achievable, which, according to the plan's critics, was based on a lack of consideration by the drafters (both Afghan and international) about Afghanistan's lack of appetite and capacity for reform. There was also a desire on the part of many in the international community to showcase Afghanistan as a success story and a job well done.

The text itself began solidly, boldly describing four priority areas of reform[13] based on the Afghanistan National Development Strategy

13 Security; governance, rule of law, and human rights; economic and social development; and counter-narcotics (as a cross-cutting issue).

(ANDS),[14] but it then set down a laundry list of achievement targets without prioritization or sequencing. The benchmarks ranged from public administration reform and a strengthened Afghan National Army to comprehensive rural development and revived cultural heritage—all to be achieved by the Afghan government by the end of 2010. Many technical benchmarks were concrete and reasonable; for example, "a permanent civil and voter registry with a single national identity document will be established by the end of 2009." But others, such as "all illegal armed groups will be disbanded by the end of 2007 in all provinces," were clearly unachievable. Ensuring basic security was addressed only in vague terms, there was no mention of job creation, and only passing mention of the role of Afghanistan's neighbors—all elements considered critical to Afghanistan's recovery.

In addition, the compact included only weak provisions for donor responsibility or accountability. Donor obligations were phrased as vague commitments to support Afghanistan's reconstruction along the lines of the OECD's Paris Principles on Aid Effectiveness, did not include any commitments for financing the compact or the Afghanistan National Development Strategy (ANDS), strategies for increasing direct budget support, or mechanisms for improving their own reporting to the government. According to drafters who were present at the meetings, some donors became offended when presented with a proposal to align their reporting with that of the Afghan government.

OVERSIGHT AND ACCOUNTABILITY

Annex III of the compact established a Joint Coordination and Monitoring Board (JCMB), co-chaired by the Afghan government and the United Nations, to oversee the commitments of the compact. The JCMB was to ensure greater coherence of efforts by the Afghan government and international community to implement the compact and provide regular and timely public reports on its implementation.

The JCMB was a good idea in principle, but once formed, quickly became overwhelmed and mired in bureaucracy. Originally envisioned as a twenty-eight-member body,[15] the JCMB membership had ballooned to thirty-five members with eight consultative groups, forty working groups, and a plethora of sub-working groups formed to oversee compact and ANDS progress in individual sectors. Its extensive remit was not supported with adequate capacity, authority, or expertise. The small secretariat was never fully staffed, the board was powerless against uncooperative Afghan ministries, and the UN staffers, while tireless, had little expertise in aid effectiveness. Following a robust first report in November 2006, the board became paralyzed; it was able to produce only one more report on the compact the following year.

After 2008, the JCMB underwent reform. Its members were reduced in number, its structures rationalized, and its remit abridged to monitoring and oversight—not program implementation. Such reforms helped to improve overall ownership of the JCMB by the Afghan government and its international counterparts, and helped it focus on strategic-level decision making and problem solving. By the end of 2008, the JCMB had improved, though problems still remained with the Afghan government's capacity to manage the mechanism, both substantively and procedurally, as co-chair. The JCMB still operates today.

IMPLEMENTATION AND IMPACT

Both internal and external factors made the compact difficult to implement. Its level of ambition and lack of prioritization left critical areas, such as corruption, un-actionable and important but less prominent sectors, such as agriculture, under-resourced. Any possible progress on the compact was undercut by the insurgency in the south and east, which diverted time and resources from its implementation.

The compact also failed to improve donor behavior. In 2008, the NGO consortium known as the Agency Coordinating Body for Afghan Relief (ACBAR) reported that there was still an aid shortfall of some $10 billion, and 40 percent of funds were returned to donor countries in corporate profits and consultant salaries. ACBAR reported that donors also fell short on compact pledges to use more Afghan human and material resources, as more than half of all aid to Afghanistan remained tied to the procurement of

14 An interim version of the ANDS was adopted at the same time as the compact.

15 Twenty-one international representatives, based on military or financial contribution and regional representation, and seven Afghan representatives.

services or resources from donors' own countries. Two-thirds of foreign assistance still bypassed the Afghan government.[16]

Moreover, despite donor pledges of transparency in the compact, the Afghan government reported it did not have information on how one-third of all assistance was spent; a large proportion of assistance was not in alignment with national and provincial plans; and only half was disbursed in agreement with the Afghan government.[17]

Finally, the compact was established too late to make any progress toward aligning the state-building and counterinsurgency efforts. The sustained militarization of policy by key donors continued to undermine the broader objectives of strengthening civilian institutions, creating economic opportunity, and sustaining peace; and a number of major donors continued to direct a disproportionate share of their funds to the southern provinces where the insurgency—but not the need—was the strongest.

By 2008, the Afghanistan Compact ceased to be a viable instrument for enacting or tracking reform. It was replaced by an Afghan National Development Strategy, which did little to revisit priorities or benchmarks.

CONCLUSION

The Afghanistan Compact was a good idea that fell short in implementation. At first, the intensity of the negotiations and personal commitment of its drafters fostered a true sense of trust among Afghan and international partners. In that sense, the document was effective as a high-level political statement of common purpose.

However, the lack of specificity, priority, and

Key Lessons

- Compacts should be based upon and rooted in a realistic and common understanding of the situation in the country, a desired end state, and a road map to get there.
- The development of compacts should include some involvement of or consultation with civil society.
- The difference between ambition and strategy should be better understood. Compacts should focus on strategy, priorities, sequencing, and implementation.
- Insecurity can divert time and resources from compact implementation. Basic security should be a prerequisite for compact development. If this is not possible, compacts should acknowledge the lack of security, prioritize it, and take it into consideration when formulating benchmarks and timelines.
- Compacts in contexts where government institutions have been weakened should be based on a keen understanding of what is achievable, not just what it is desirable.
- Compacts should follow basic guidelines and priorities for development.
- Compacts should adhere to the basic tenets of aid effectiveness set forth in the Paris Declaration on Aid Effectiveness.
- Compacts should be based on exit strategies and work backwards from them. They should begin with the following question in mind: "how is the host government going to finance this once we're gone?"
- Compacts should come quickly following a peace agreement. Otherwise donor behavior, priorities, and activities become set and hard to change.
- Monitoring and oversight mechanisms for compacts should be nimble in terms of structure but with processes that ensure inclusiveness.

Success Factors

- The "donor-lead" approach was gradually abandoned.
- The role of the UN as an impartial convener, facilitator, and technical coordinator was accepted and appreciated by all parties involved.
- The intense and personal nature of the negotiation process helped to foster a genuine sense of trust between national and international counterparts.

16 Matt Waldman, "Falling Short: Aid Effectiveness in Afghanistan," Assistance Coordination Body for Afghanistan Relief, March 2008, p. 1.

17 Ibid., p. 3.

sequencing in its benchmarks and the unwieldy membership and weak authority of the JCMB made the compact difficult to manage and implement. In the words of one of its critics, "it was dead before it had a chance to live."

Finally, the compact came too late to influence donor behavior or practices, as it was enacted long after donor policies had been set. Since 2002, aid had been focused in the east and the south, and other areas of strategic and military priority and deployment; and such policies continued despite evidence that they were undermining overall progress on reconstruction and development. Rather than refocusing donor investment, the compact and the JCMB became beholden to the existing priorities of individual nations.

Iraq (2006)

CONTEXT

On July 27, 2006, the United Nations and the government of Iraq launched the International Compact with Iraq, a five-year partnership between the government and the international community to help Iraq achieve peace, sound governance, economic self-sufficiency, and regional integration. The Security Council included the implementation of the compact in the United Nations Assistance Mission for Iraq's mandate a year later.[18]

The launch came at a time of increased violence throughout Iraq. Car bombs, targeted killings, sectarian violence, and acts of terror continued to feed a climate of fear and instability in the country. Despite a surge of 20,000 US troops, which temporarily contained the conflict in some areas, overall levels of violence increased. The number of attacks on US troops, Iraqi forces, and Iraqi civilians had reached nearly 5,000 a month, and the Iraqi Red Crescent estimated that two million Iraqis had fled or become internally displaced from fighting or sectarian cleansing in their neighborhoods.

Despite considerable Iraqi and international investment in the country's reconstruction, the insurgency had forced both the international coalition and the Iraqi government to shift more and more resources to security and counterinsurgency, leaving major infrastructure and economic reconstruction projects, including water, sewer, electrical grids, and the country's domestic oil production, unfinished. High levels of insecurity meant that most international organizations continued to run their humanitarian and reconstruction programs from neighboring Jordan.

The compact also came at a time of increased pressure within the US to withdraw American troops and let Iraqis handle what was increasingly seen as a civil war. US disapproval of the war reached a new high of 77 percent, and for the first time, more US troops disapproved of the US president's handling of the war than approved of it. Members of the US Congress had introduced several bills calling for troop withdrawal. The UN political mission in Iraq (UNAMI), which had played a low-key role following the bombing of its Baghdad headquarters in 2003, was being courted by the US to shoulder more of the burden of Iraqi reconstruction.

For Iraq, the compact represented a political opportunity. The new crop of Iraqi leaders that had recently come to power through parliamentary elections was eager to rebuild Iraq's status within the international community, and particularly among Arab states.

NEGOTIATIONS AND STAKEHOLDERS

The compact's development was unique: it was launched with a one-page preliminary joint statement—almost a full year before any details were in place.

The back-to-front way it was developed was due to eagerness on the part of the US government, and specifically the Department of the Treasury and the State Department, to "internationalize" the Iraqi reconstruction effort. Faced with diminishing progress on the political and reconstruction fronts, they were looking for a political instrument that would put an international face on the efforts to rebuild Iraq. In early July of 2006, the US approached the UN Secretary-General, who immediately dispatched one of his deputy secretaries-general to initiate conversations with the Iraqi government and oversee the compact's launch.

18 UN Security Council Resolution 1770 (August 10, 2007), UN Doc. S/RES/1770.

The Iraqis, and particularly the technical ministries, were initially confused by the proposal and the speed with which the compact was pursued, but eventually agreed to it. Both the prime minister and the deputy prime minister immediately understood that such a process could bring his government added legitimacy, especially among Arab states; could help channel international funds into government coffers; and could be used as leverage with its many international creditors to cancel its sizable debt.

As a result, there were few political difficulties in fleshing out the agreement. A preparatory group, co-chaired by the government of Iraq and the UN and including officials from the government, UN, donor community,[19] and international financial institutions (IFIs), worked for six months to develop a draft of the compact. UNAMI and the World Bank worked with Iraqi ministries to hammer out the technical details. Though many countries, mostly Iraq's neighbors, wanted to see a timeframe for the withdrawal of foreign troops included in the document, such details never made it into the text. The full compact was launched at a high-profile event in May 2007 in Sharm el Sheikh, Egypt, attended by seventy delegations, including more than thirty foreign ministers.

STRUCTURE AND CONTENT

The compact's fundamental principles were sound: it was premised on a reciprocal relationship between peacebuilding and economic prosperity; on a belief that national reconciliation, improved security, better governance, and continued economic and social reforms would help unlock Iraq's own development potential; and on the assumption that Iraq's international partners would provide financial, technical, and political support to help meet these challenges on the basis of mutual commitments.

However, from the outset, the agreement was viewed as un-implementable in light of the weak capacity of Iraqi ministries. The plan was organized around key areas identified in Iraq's National Development Strategy: public resource management, economic reforms, social-sector reforms, and investment, energy, and agriculture, which were then further broken down into twenty-two program areas and 150 individual goals. The compact also included a national reconciliation plan. A detailed Joint Monitoring Matrix (JMM) broke each goal into steps and sequenced them into timelines and deadlines. In all but a few cases, these goals and steps were expressed in qualitative—and not quantitative—terms.

The plan also included a medium-term government budget to identify those areas where Iraq needed additional support and investment, based on the assumption that 90 percent of its budget would be self-funded. It further called for the development of an Investment and Action Plan for Growth to identify areas of ongoing need, based on its National Development Framework, within twelve months of the compact's signing.

The compact proposed no new financing or donor-coordination mechanisms, but pledged to use existing mechanisms, such as the International Reconstruction Fund for Iraq (IRFFI), a pooled fund managed by the UN and the World Bank, to coordinate donor activities and allocations in support of compact priorities.

Although the compact's rhetoric emphasized mutual accountability, the document did not feature any concrete donor commitments. Rather, it included only one section on international support, in which the international community pledged to assist Iraq in unspecific terms.[20] However, the agreement was explicit about the compact's conditionalities. It referenced the economic performance criteria outlined in the existing International Monetary Fund (IMF) Stand-By Arrangement as an appropriate way for bilateral donors to link the disbursement of funds to measurable progress. The document also made it clear that meeting the ambitious benchmarks in the agreement was not, in itself, a trigger for aid, but would only serve to inform future donor commitments. The pedantic tone of this section would later cause resentment among the Iraqis.

19 The Arab Fund, European Commission, France, Germany, Islamic Development Bank, Italy, Japan, South Korea, UK, and US.

20 This section noted the government of Iraq's needs for investment in basic services, debt relief, reparations relief, technical assistance, private sector investment, institutional strengthening, grants, loans, and loan guarantees, and assistance with international and regional initiatives. See World Bank, Government of Iraq, and United Nations, "The International Compact with Iraq," July 2006, section 5.3.

OVERSIGHT AND ACCOUNTABILITY

The document outlined an elaborate structure for implementation, coordination, monitoring, and performance measurement that were to build on existing national-planning and aid-coordination mechanisms such as the National Development Strategy, sectoral working groups, and cluster teams, and modeled after the consultative group process.

The monitoring structure itself, shown in figure 1 below, established an executive committee to oversee implementation, co-chaired by the Iraqi government and the UN and supported by a compact secretariat. It also created a consultative group made up of the Iraqi government and development partners, who were to meet quarterly and annually to review the Iraqi government's progress against benchmarks. Finally, a Baghdad Coordinating Group was established to oversee progress of individual working groups, and sectoral working groups led by relevant line ministries and development partners were created to oversee progress and donor coordination at a sectoral level. Progress was measured using a joint monitoring matrix. An existing development assistance database was used to review progress on international commitments. Based on the monitoring and progress reports of these various groups, the Compact Executive Committee was authorized to adjust any of the compact actions.

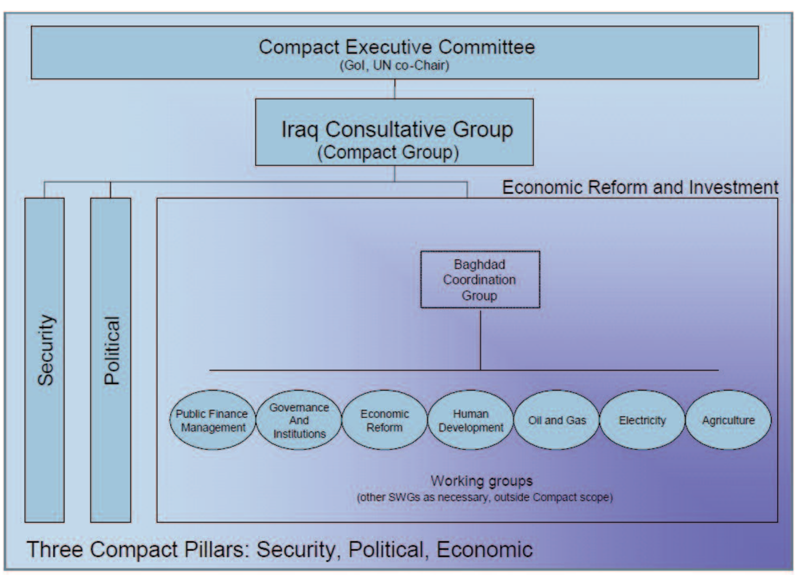
The first and only annual review conference for the compact was held in Stockholm, one year after its launch. The conference gained only low-level representation and was not seen as a real monitoring exercise, as it was less than a year since its signing. However, the content of the compact was adjusted and the priorities were greatly reduced in number to reflect what was achievable and implementable in the five-year timeframe. The Iraqi government also presented donors with a six-point proposal for a "Partnership for Development," which included a co-financing mechanism for new programs undertaken with international partners and Iraq's adoption of the OECD's Paris Principles on Aid Effectiveness.

IMPLEMENTATION AND IMPACT

Once the compact was in place, the UN and the Iraqi government set up a small secretariat to oversee the formation of the coordination structures and to run day-to-day implementation. Although the government manned the secretariat, the UN took on most of the secretariat's functions, as the Iraqi government had little capacity or know-how in technical monitoring. Attempts at harmonizing the plan with other planning processes, such as the UN Development Assistance Framework, which many felt did a better job of articulating national priorities, did not work due to infighting within the UN leadership.

In many ways, the compact was successful in terms of the interests of the parties involved. The United States was able to put an international face on Iraqi reconstruction and repair its own rift with the international community. The process helped to restore the legitimacy of the Iraqi government in the eyes of the international community, and the compact process, which included a series of high-profile political events, contributed to international partners' considerable reduction of Iraqi debt by about $30 billion. The

Figure 1. Organizational structure for managing the International Compact with Iraq and monitoring performance against compact benchmarks and commitments.[21]



21 Ibid., section 6.2.

fact that it included a national reconciliation plan also contributed to maintaining a sense of hope within the Iraqi government and the international community from 2006-2008, a time of heavy fighting, factionalism, and frustration. However, the compact did not help to further national reconciliation in practical terms.

But in terms of progress on its concrete reforms, the compact fell short. Participants at its annual review conference in Stockholm outlined strong progress made by Iraq in establishing the rule of law and promoting economic development, supported by a significant increase in oil revenues and strong economic growth, but weaker progress in some essential, but difficult, areas: human development, human rights, reconstruction, and economic governance. While donors welcomed Iraq's partnership proposal, it did little to change their behavior with respect to funding levels and the use of funding mechanisms.

As the Iraqi government became more assertive, it began to resent the compact and became increasingly unresponsive to the process' demands. It didn't have the capacity to implement all of its provisions, it didn't see cash coming in from the donors to support them, and it repeatedly asserted that the content and tone of the conditionalities and benchmarks expressed in the document made it feel like a group of disobedient schoolchildren. Once the government began receiving offers of debt relief, there was no incentive for them to continue to meet their compact obligations. In late 2008, the Status of Forces Agreement (SoFA), signed with the US, overtook the compact as the reigning high political framework. In early 2009, the compact's Iraqi champion, the deputy prime minister, stepped down and the Iraqi government brought the compact to a close.

CONCLUSION

The International Compact with Iraq is a case in which function followed form: it was a labor-intensive process and highly technical document borne of the largely unrelated political needs of its sponsors. Because its ambitions were not rooted in an understanding of what was possible, it was immediately viewed by Iraqis as unachievable, and was perceived by donors as a window-dressing exercise to cast Iraqi reconstruction efforts in a more positive light. As a result, it achieved only minor progress against its stated goals and did little to change donor priorities or spending patterns.

While its strengths lay in the depth and detail of its proposals and timelines, including financing arrangements, the return on investment for these efforts was not justified by what was ultimately accomplished.

Lessons

- Compacts should not be initiated where there is still active conflict, as they will be set up to fail.
- Those creating a compact should understand the political context and the intent and motivations of all stakeholders.
- Compacts are effective in the short term, and should be used for short-term goals, not medium- or long-term strategies.
- Compacts should only be used where there is a confluence of intentions pushing everyone toward the same outcome. They should only be used when existing mechanisms and planning processes are not sufficient for promoting the requisite political and financial support.
- Compacts should be tangible, implementable, focused, and based on government capacity to deliver.
- The return on investment for the UN was not justified in the Iraqi case. What was ultimately accomplished (Iraqi debt relief) could have been done with much less effort.
- Compacts' conditionalities should be aligned with—and not add to—existing requirements from other donors or multilateral organizations.
- The UN's advisory and technical role was an appropriate one in a situation where the US and donors were leading in many ways.

Success Factors

- There were tangible incentives for the Iraqis to participate: legitimacy in the eyes of the international community and the potential for debt relief.

Democratic Republic of the Congo (2007)

CONTEXT

On February 17, 2007, the Democratic Republic of the Congo's (DRC) newly formed National Assembly approved the *Contrat de Gouvernance* (Governance Contract), outlining the new government's short-term commitments for addressing bad governance through reforms of the justice and natural resources sectors, anti-corruption measures, and improved management of public funds. Unlike transition compacts signed in other countries, which focused on partnerships between governments and development actors, the *Contrat de Gouvernance* was framed as a contract between the DRC government and the Congolese people.

The adoption of the contract came five years after the conclusion of the Sun City Agreement, a peace agreement signed in 2002 by some of the warring parties in the Second Congo War. The agreement established a transitional government, identified a framework for providing unified, multiparty government, and set a timeline for democratic elections. Its signatories hoped the agreement would be a historic "final act," ending one of history's deadliest wars.

However, despite the agreement, violence continued in the eastern parts of the country and along the Rwandan border. People there lived in terror of rape, looting, and murder, both by the army and marauding militias. The DRC's still fragile state was unable to curb the violence, and MONUC, then a 22,000 troop peacekeeping force, proved powerless to contain the activities of the militia groups.

Power over the DRC's rich mineral and timber resources also remained a significant factor in the ongoing violence. Military from the national army, numerous rebel groups, and armies from neighboring countries all plundered the DRC's natural resources and used the profits to perpetuate the conflict. The persistent failure of successive governments, including the transitional government, to defend the rule of law encouraged a wide range of individuals and companies, including senior government and military officials, to continue looting the DRC's resources without fear of reprisals. When democratic elections in 2006 brought Joseph Kabila in as president, the Congolese had high hopes that joining the ranks of global democracies would bring about positive governance change.

NEGOTIATIONS AND STAKEHOLDERS

The signing of the contract came after a failed attempt by the international community to pressure the government into establishing a commission on governance. Frustrated with throwing good money after bad, the bilateral donors, the EU, the UN, and the World Bank wanted a high-level mechanism that would help drive governance reform. The government immediately rejected the proposal as a donor-driven process that infringed on state sovereignty, but they also understood that sustaining donor support (which was responsible for 60 to 70 percent of the state budget) would require some concessions.

So when the EU, UN, and World Bank approached the new government with a ready-made compact they had drafted, the government complied. It would reassure the donors, and as a contract between the government and its people, it was the lesser of two evils. Following the signing of what was viewed as a highly intrusive governance and economic management compact in Liberia, which included provisions for international oversight of government expenditures, the DRC government reframed the compact as a contract between a government and its people. The contract was then appended to the government's Five-Year Programme 2007-2011, which had been developed by the minister of planning as a priority-setting exercise for the new government.

Though no civil society leaders or groups were involved in the contract's development, they were pleased that its proposed reforms purported to be in their interest. With the help of the UN, sixty religious and other civil society groups held a series of discussions later that year to analyze the contract's content and to discuss how civil society could become involved in its implementation and monitoring.

Later that year, both the World Bank and the UN Secretary-General welcomed the contract and the DRC's governance efforts, and at a donor meeting representatives from fifteen countries plus ten international organizations pledged $4 billion for 2008-2010 in mostly new funds, in support of the country's political and economic stabilization, postconflict reconstruction, and governance reform.

STRUCTURE AND CONTENT

The contract aimed to demonstrate the government's commitment to good governance and its distaste for past corruption and mismanagement that had made the natural resource–rich country one of the poorest in Africa. It identified bad governance as a root cause of the conflict and a significant impediment to reducing poverty. The document identified seven priority areas and committed the government to seventy-one priority actions, including opening the budgetary process to public scrutiny and parliamentary oversight and carrying out genuine decentralization so that political and administrative authority was not concentrated in Kinshasa.

The document offered no prioritization or sequencing within the seven areas of focus and included no measurable benchmarks or implementation timelines. These were subsequently developed in 2008 as part of the *Programme d'Actions Prioritaires* (PAP), a short-term prioritization plan that synthesized the elements of the 2006 Poverty Reduction Strategy Paper (PRSP), the 2007 Governance Contract, and the Country Assistance Framework (CAF), a donor-coordination mechanism.

OVERSIGHT AND ACCOUNTABILITY

As part of the government program, the DRC's leaders envisioned a work plan and monitoring plan that would be driven by a Committee for the Management of the Government Program (CMGP). The CMGP would fall under the leadership of the prime minister; the ministers of planning, budget, finance, and interior would each be responsible for implementing relevant areas of reform. It was envisaged that this committee would meet three times per year and report on the status of implementation, discuss constraints, and take necessary disciplinary action to ensure that implementation was moving forward. It is unclear whether religious and civil society leaders managed to become integrated into the program's accountability framework, particularly since civil society activists continued to be targeted for being outspoken about government corruption.

Governance Contract Priorities

1. Security-sector reform
2. Transparency
3. Management of public finances
4. Management of natural resources
5. Public administration reform
6. Decentralization
7. Improving the investment climate and reform of state enterprises

IMPLEMENTATION AND IMPACT

Governance reforms began boldly, as the government took important steps toward the decentralization of state authority. For example, in 2007, for the first time in forty years, the DRC elected provincial deputies and governors.

However, over time, the government failed to enact many of the proposed reforms. Promises of an overhaul of mining industry practices, including a transparent mining contract review process, didn't get off the ground, and audits by Ernst & Young conducted in 2008 concluded that the financial management and accounting practices of a number of mining companies operating in the DRC still fell far short of accepted international standards.

Corruption continued to be a major problem, and discomfort grew among donors about the DRC's economic governance and the investment climate. In 2009, the country fell in the bottom 10 percent of Transparency International's 2009 Corruption Perception's Index, and came last in the 2010 World Bank's *Doing Business* report. In 2010, the DRC's mismanagement of its mining and energy sectors prompted donors to withhold aid. In the same year, the World Bank suspended $100 million in budget support and new lending for the DRC, while the European Union has also halted the distribution of 50 million euro ($69 million) in budget financing.

Continued tensions and conflict between different ethnic groups had a role to play in the disappointing results of contract implementation, as politicians at both the central and provincial level became distracted by the ongoing conflict in the east. In addition to being a diversion of valuable attention and resources, the conflict was used as an excuse to chip away at governance reforms. Two years later, a research study by International Alert

Lessons

Compacts become quickly irrelevant if not supported or championed by national and local actors.

Success Factors

The donor-led CAF demonstrated that joint priority setting, coordination, and harmonization among donors is possible when there is willingness and incentive to work in concert.

suggested that faith in the democratic process among ordinary people has begun to wane.[22]

The contract will remain in force until after the December 2011 elections, which could usher in a new government and result in a new list of priorities. While universally considered a "dead horse," there is some expectation that it will be appended, verbatim, to any new national plan.

While the Governance Contract did not include any provisions for donor assistance or coordination, the donors themselves acknowledged they had a significant role to play in supporting reforms through financial support and technical advice and that coordination, however difficult and time consuming, was critical for the consolidation of peace and development. Coordinating their efforts through the joint UN-World Bank Country Assistance Framework (CAF), which merged the UN Development Assistance Framework and the World Bank's Country Assistance Strategy and set the framework for the interventions of its nineteen multilateral and bilateral founding members, the DRC's main donors identified ways to align government needs and donor efforts, including those articulated in the contract. The CAF had two distinct advantages: it attempted to coordinate donors' actions and programming, and it also included common matrices for monitoring purposes. These provisions translated into a series of joint chapters incorporated into each donor's assistance strategy and harmonized donor reporting, although several donors continued to negotiate separate bilateral agreements with the government. The CAF continues to be the principle donor coordination framework in the DRC and a vehicle for exchanging ideas, sharing data, and streamlining and improving the division of labor.

CONCLUSION

The *Contrat de Gouvernance* in the DRC is an example of a completely externally-driven initiative that suffered from a lack of government or local support. It was annexed to the government's development program and incorporated into the program's implementation mechanisms to pay lip service to international demands for reform, but its proposals were never acted upon and interest in its provisions has waned. Where the contract process—or lack thereof—proved useful was in demonstrating the need for coordination, coherence, and harmonization of donor policies and procedures. The Country Assistance Framework, established by donors to coordinate their actions and improve their individual and collective leverage with the government, was developed in part to bring coordinated international action and support to contract priorities.

Timor-Leste (2008)

CONTEXT

The National Priorities (NP) program, which constituted the International Compact for Timor-Leste, was launched in March 2008, during the first donor conference following the 2006 crisis. At that meeting, twenty-three donor countries, civil society groups, and the government supported the plan. A revised version of the 2008 NP remains in effect today.

The program's launch followed a year and a half of intermittent violence and political instability in the country. In the spring of 2006, riots in Dili and fierce fighting between pro-government troops and disaffected opposition troops displaced more than 100,000 people. Australia, Portugal, New Zealand, and Malaysia sent troops to Timor, attempting to quell the violence. In June 2006, President Xanana Gusmão formally requested that Prime Minister Mari Alkatiri step down. UN Peacekeepers, who had left Timor-Leste in 2005, returned in August 2006, when the United Nations Integrated Mission in Timor-Leste (UNMIT) was established.[23] Outbreaks of violence flared again in February and March 2007 ahead of presidential and parliamen-

22 Jennifer Smith, "Democratization and Good Governance in the Democratic Republic of Congo," *International Alert*, 2009, p. 11.
23 Security Council Resolution 1704 (August 25, 2006), S/RES/1704.

tary elections, which concluded when the former prime minister was sworn in as president and the new sixty-five-member Parliament was formed.

Since the 2006 crisis, the main threat to Timor-Leste has been internal strife resulting from weak or collapsed state institutions, rivalries among elites and between security forces, a poor economy, unemployment, east-west tensions within the country, and displacement. However, the reintroduction of peacekeeping troops and a United Nations mission, the flow of revenue from significant hydrocarbon resources, and improved political stability have helped Timor-Leste move toward more effective and democratic government. A key challenge for Timor has been to create enough political stability to focus on building state capacity and infrastructure and prevent resources from being squandered by corrupt practices.

NEGOTIATIONS AND STAKEHOLDERS

The NP program was the second iteration of an international compact with Timor-Leste. The original compact proposal had come out of the first UN-World Bank technical assessment mission following the 2006 crisis. At the time, the idea of a national-international partnership compact was discussed extensively with the government, and a request for an international compact was incorporated into the Security Council resolution establishing UNMIT later that year.[24] The UN and the World Bank led the original compact drafting process, with government involvement.

This 2006 proposal was soon overtaken by events. Following further discussions, it became clear that the compact was ill-timed. The interim government was focused on winning the upcoming election and also didn't feel it should tie the future government's hands. The transitional government's short-term priorities were focused on security, internally displaced persons, and resolving lingering issues with the national army that had sparked the 2006 violence. These did not align with the UN and World Bank's initial proposal, which included youth employment, justice-sector reform, and social reintegration.

Once elections were held, the government (led by the former UN compact advisor who had left her UN position to become the Timorese minister of finance), the UN, and the World Bank resumed discussions about how best to bring order and coordination to national and international reconstruction and development efforts, and the NP program was conceived. The Ministry of Finance held internal discussions within government about what the priorities should be, and once they were established, everyone fell in line. A formal proposal was made to the prime minister and then the cabinet, which approved the initiative under the finance ministry's leadership. The NP program is still in existence today and is the main mechanism through which the Secretary-General reports on progress to the Security Council.

2008 National Priorities

1. Public safety and security
2. Social protection and solidarity
3. Youth needs
4. Employment and income generation
5. Social-service delivery
6. Clean and effective government

2010 National Priorities

1. Roads and water
2. Food security with a focus on productivity
3. Human resources development
4. Access to social justice
5. Social services and decentralized service delivery
6. Good governance
7. Public security

STRUCTURE AND CONTENT

The NP program represents Timor-Leste's first government-owned and government-led development planning process and progress-monitoring mechanism. Now in its fourth year of operation, the National Priorities have become the centerpiece of the government's socioeconomic development planning and programming.

The plan itself consists of a narrow list of annual government priorities and sub-priorities, defined by the minister of finance, in consultation with the line ministries and brought by the finance minister and prime minister to the council of ministers

24 Ibid.

(cabinet) for approval.

Since the NP was launched, its priorities have shifted each year, reflecting the government's views of what is most important for the country's well-being. During the first year, security was the top priority, but this has dropped to the bottom of the list as the situation has improved.

Working groups, chaired by relevant ministers, support the work on each priority by developing benchmarks, detailed work plans, and timelines, and by monitoring progress. A combination of government, multilateral, and bilateral experts provide technical assistance and institutional support to each working group as "lead assistants" or "co-lead assistants." The UN devised such terminology to emphasize the technical support role played by international actors. UNICEF (social protection), the World Food Programme (food security), the United Nations Development Programme (justice), and UNMIT (public safety) have all played the lead assistant role. While civil society groups were not part of the initial discussions or development of the program, they were represented throughout all seven National Priorities working groups in 2009. A secretariat, located at the Ministry of Finance, provides executive assistance for overall coherence, regular monitoring, and follow-up, as well as coordination of the working groups. Both the UN and the World Bank provide critical technical support to the secretariat and also play a key donor-liaison role.

OVERSIGHT AND ACCOUNTABILITY

The Ministry of Finance drives the annual implementation and monitoring of the National Priorities, a process that has evolved from a question-and-answer session between the government and donors to a forum for dialogue about priorities and results. A monitoring framework includes the detailed results-based matrix, regular working-group meetings and monthly reports, analytical quarterly progress summaries, and a peer review every six months.

The Ministry of Finance holds annual Timor-Leste Development Partners Meetings to report on NP progress and launch the next year's priorities. In 2009, it convened more than 300 representatives of bilateral and multilateral donors; United Nations agencies, funds, and programs; members of Parliament; ministry representatives; as well as civil society and the private sector.

IMPLEMENTATION AND IMPACT

During its first year, progress on the NP was uneven, as the finance minister continued to build support for the mechanism from among her colleagues. For example, not everyone was convinced within government that the NP program or a common approach with donors was in their interest. For example, it was only through the intervention of the prime minister that the minister of justice agreed to chair one of the working groups. Once the minister began to see its benefits as a development tool, the Justice Working Group became one of the program's strongest supporters.

Success of the implementation since then has depended on a combination of the ownership and competence of the government working-group chair and the strength of the expertise of the "lead assistant." One of the weaker sectors has been infrastructure development, mainly because there is a weak minister and few donors involved. In 2009, the government reported that 53 percent of its established targets for the first and second quarters were achieved by mid-year.

One of the NP program's remits is to progress toward a comprehensive aid-management system. However, it has done little to change multilateral or bilateral prioritization or spending patterns. The UN's internal coordination groups continue to be guided by UNMIT's mandate and the existing five-year UNDAF, whose priorities are broadly aligned with, but not linked to, the National Priorities. Donor priorities continue to be governed by individual agreements, which may be informed by the NP, but are based on their own national priorities. Aligning priorities and funding is complicated by the fact that the NP is an annual priority-setting process, and so does not fit nicely within multi-year multilateral or donor planning and budgeting processes.

Moreover, the fact that the government didn't use the NP program to inform its own budgeting suggests that it saw the NP as a mechanism for attracting donor funds but not as a mechanism for aligning national budgets and priorities.

Although neither the NP nor the new twenty-year strategic plan establish new financial mechanisms, the government has begun to take steps to encourage greater alignment of donor funds and direct budget support. In May 2009, the government started to synchronize the National Priorities program with its own regular budget cycle and has reflected multilateral and bilateral contributions in its state budget. However, the United States is the only donor that has shifted a small proportion of its assistance to direct budget support, and is now waiting to assess whether national institutions are capable of the type of spending, transparency, and accountability the US requires.

CONCLUSION

The experience of the National Priorities program that formed the International Compact for Timor-Leste has been a relatively straightforward one that reflects the confidence and determination of a government that understands what the country needs. The government's insistence that it be government-led ensured that the timing, ambition, and sequencing of its content and its monitoring mechanisms were appropriate to the country's situation, capacity, and requirements. The fact that the process had a strong and dedicated champion in the minister of finance meant that priorities remained clear, narrow, and not commandeered by external interests. The NP program's limitations have been its lack of direct links to existing planning processes, but subsuming it into the National Strategic Plan may solve this. The program has not influenced donor behavior—neither in terms of prioritization nor aid flows. What it has done is restore confidence in the government's ability to plan, prioritize, and spend funds wisely, which may eventually translate into the type of direct budget support the country seeks.

Lessons

- The timing of compacts must be based on security, government capacity, and the right government mindset to tackle broader reconstruction and development issues.
- Compacts should not be pursued with a transitional government, but once an elected government is in place.
- A strong government and a strong champion within government can help galvanize national actors and limit external influence.
- Monitoring mechanisms must be keyed to government's own capacity to implement them.
- Bilateral and multilateral partners will have their own priorities; these can co-exist with those of the government without being the same as those of the government.

Success Factors

- Timing of NP based on stability in the security and political environments
- A strong government and a strong champion within the government
- A limited set of achievable priorities
- A straightforward, government-led implementation and monitoring process

Annex

Methodology

The research for this paper was conducted as a desk review supplemented with interviews with UN staff and other key actors involved in the development and implementation of transition compacts. Because time did not allow for an in-depth examination of the country cases and the issues, the analysis and recommendations contained in the study should serve as a starting point for deeper exploration and discussion of the issues. Time also did not allow for interviews with government officials, civil society leaders, or members of local populations as part of the case studies. While such conversations would have undoubtedly contributed additional insight to the analysis, their views are not reflected in this paper.

The research focused on the analysis of transition compacts in the following countries: Afghanistan, the Democratic Republic of the Congo, Iraq, Liberia, and Timor-Leste.[25] The desk review was based on the study of the Liberia GEMAP completed by the UN Department of Peacekeeping Operations' Peacekeeping Best Practices Section in November 2006,[26] the United Nations Development Programme's mapping of the UN's role in compacts of May 2011, the work of the OECD's International Network on Conflict and Fragility task team on financing and aid architecture, and documents related to each compact's development and implementation. The desk review was supplemented with interviews with both senior and working-level actors who were directly involved in compact development in some way. Subsequent policy recommendations were then developed from the case studies.

Areas of inquiry included:

- What was in each transition compact?
- What was the context that gave rise to each compact, and why did the parties agree to create a transition compact?
- What process did the parties use to negotiate the transition compact, how did the negotiations shape it, and how did it subsequently evolve?
- How have the signatory parties subsequently used the transition compacts?
- What roles has the UN played, and what role can it play, in the generation and execution of transition compacts?

Each of the cases analyzed for this study were also evaluated against the benchmarks of priority setting, contribution to improvements in aid flows, and mutual accountability of governments and international partners. Although these might be characterized as implicit goals of the agreements in question, none of the compacts explicitly aimed to fulfill these three functions, and therefore cannot be judged holistically using these criteria. However, if we are to consider the use of compacts to fulfill these goals, there are important lessons to be learned from the "first generation" of compacts and the UN's role therein—lessons that could help to ensure that the next generation of compacts successfully fulfills these functions.

25 Although the project terms of reference originally anticipated a case study of Sierra Leone's Improved Accountability and Governance Pact (IGAP) of 2006, the case was subsequently dropped due to lack of informed contacts, and overall impression that the UN's role was minimal relative to other cases.

26 Renata Dwan and Laura Bailey, "Liberia's Governance and Economic Management Assistance Programme (GEMAP): A joint review by the Department of Peacekeeping Operations' Peacekeeping Best Practices Section and the World Bank's Fragile States Group," May 2006.

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