

***CENTRAL AFRICAN
REPUBLIC COUNTRY
STUDY***

**Humanitarian Financing Task Team
Output IV**

February 2019

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Acronyms

ADB	African Development Bank
AFD	Agence Française de Développement
CAR	Central African Republic
DAC	Development Assistance Committee
DG ECHO	Directorate-General for European Civil Protection and Humanitarian Aid Operations
ECHO	European Civil Protection and Humanitarian Aid Operations
EU	European Union
FDI	Foreign Direct Investment
FTS	Financial Tracking Service
GDP	Gross Domestic Product
HC/RC	Humanitarian Coordinator/Resident Coordinator
HCT	Humanitarian Country Team
HDI	Human Development Index
HIDP	Highly Indebted Poor Countries
HRP	Humanitarian Response Plan
IDA	International Development Association
INGO	International Non-Governmental Organization
IFI	International Financial Institution
IMF	International Monetary Fund
MINUSCA	United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic
MRI	Mutual Resilience Initiative
NDP	National Development Plan
NWOW	New Way of Working
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
RCPCA	Plan for Early Recovery and Consolidation of Peace in Central Africa
SDG	Sustainable Development Goals
SODECA	Société de Distribution d'Eau de Centre Afrique
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollar
WB	World Bank
WFP	World Food Programme

1. Overview

The Central African Republic sits at the second-lowest ranking country in the world on the Human Development Index (HDI). At 188th place, it is higher only than Niger (UNDP, 2018). The most recent round of internal conflict in CAR, starting in 2013, led to large-scale internal displacement, a collapse of the economy (GDP dropped by 34% after the crisis in 2013), government revenues and a corresponding collapse in already limited government expenditures on social service provision. Prior to the signing on 6 February 2019 of the Political Agreement for Peace and Reconciliation, the government has effective control over around one third of the national territory (although this includes a higher percentage of the population). Twenty-five percent of the population is displaced and 63% is in need of humanitarian assistance and protection (OCHA, 2018).

A peace agreement signed in 2016 and the deployment of a UN peacekeeping mission, MINUSCA, were widely seen as key steps to ending the conflict and re-establishing state-led early-recovery and development processes. There have however been only modest changes in government presence since and armed groups have continued to consolidate their control of resource extraction industries. This has limited the hoped-for recovery of the national economy. The large majority of the country remains insecure and estimates indicate that 75% of the population live in poverty and with no access to employment. The lack of security, basic infrastructure, access and stability hamper efforts to engage in development initiatives. In turn, poverty, inequalities and exclusion, as well as the lack of economic opportunities, are root causes of conflict and promote engagement in armed groups by young people who see limited alternatives.

In February 2019 the Khartoum Agreement was signed in Bangui between the CAR government and 14 main armed groups. Implementation of this agreement had not yet been started at the time of writing of this report (Reuters, 2019), that same month.

Overall Official Development Assistance (ODA) to CAR increased rapidly with the onset of the conflict in 2013, more than doubling to over \$500 million in 2014. ODA figures do not include the \$943 million annual allocation to MINUSCA (UN Press Release 2017). While ODA funding is low in overall terms, it is high on a per-capita basis given the national population of 4.6 million people. The level of ODA has remained fairly constant since. Humanitarian assistance (per ODA definitions) is almost half of this total amount, one of the highest proportions of any country in the world. Foreign Direct Investment (FDI) has sunk to negligible levels, and domestic investment has been disrupted by the conflict and displacement of large parts of the population (UNCTAD 2018).

The Plan for Recovery and Consolidation of Peace in Central Africa (RCPCA) is the national development and recovery strategy pledged in November 2016 at the Brussels conference of donors for Central African Republic. The Humanitarian Response Plan (HRP) and the United Nations Development Assistance Framework (UNDAF+), were made to be complementary to the RCPCA. Beyond these planning documents, there are several examples of attempts to ensure coordinated and

complimentary humanitarian and development programming, however these are by no means systematic and significant gaps remain.

The CAR Humanitarian Country Team (HCT) and United Nations Country Team (UNCT) decided upon two Collective Outcomes (CO) in February 2019. There has so far not been time to put in place any follow-up structures, and there appears to be little appetite for stand-alone CO funding instruments and coordination mechanisms. From a broader Nexus perspective, complementary humanitarian/development/early recovery programming has been severely hampered by the substantially different institutional cultures and interpretations of what the Nexus entails between humanitarian and development actors. These divisions exist globally. They are particularly limiting in CAR given that only one third of the country is under the effective control of the government, leading some development donors to limit their work in those areas where both humanitarian and early-recovery needs are most acute.

The restriction on areas of engagement for early recovery activities is primarily enforced by a few lead donors as well as by some key UN structures. While there are practical and security barriers to accessing some non-government-controlled areas of the country, a primary reason given is that development actors should not operate in a manner that gives legitimacy to non-state armed groups. This division is less evident in operational actors, both UN and NGO, who are more concerned about service delivery than structure. In practice several implementing agencies and some donors have found solutions for running early recovery projects in areas outside of direct government control. Nevertheless, conceptual differences remained a primary barrier to prioritizing development funding to activities that might reduce humanitarian needs. Instead, government prioritization criteria were adopted, including focusing programming on areas where state actors could be re-deployed.

2. Humanitarian and Development Structures

2.1. Coordination and planning

Little work has been done in CAR on creating a comprehensive financing strategy looking at overall ODA, private financing, remittances, and evolution of government income. Some initial work was done in this direction by the Organisation for Economic Co-operation and Development (OECD) mission in November 2017, and macro-economic studies continue to be done by the International Monetary Fund (IMF) and others. Given the virtual disappearance of formal Foreign Direct Investment (FDI) and the collapse of government spending on social sectors, the relative importance of foreign assistance, particularly humanitarian aid, is amongst the highest in the world.

The scale of the informal economy is not taken into consideration in official statistics. Out of 15,000 young people entering the job market every year, only 1,000 will find employment in the formal sector. GDP and government revenues have not recovered to their pre-2013 levels and if the situation remains stable, GDP level of 2012 could only be reached again in 2030. While part of this is due to the collapse of productive sectors after the crisis (coffee, cotton, word etc.) ongoing insecurity as well as the continued displacement of citizens who were previously strong economic

actors, it also reflects the capture of natural resource producing areas by armed groups. Recent years have seen a consolidation of the control of resource extraction outside of government-controlled areas. There is little information on the scale of the growth of the informal economy.

The main government development and recovery planning document is the RCPCA 2017-2021 (CAR 2016). The RCPCA, which was developed with support from the European Union (EU), the World Bank (WB) and UN agencies, was a result of the 2016 peace agreements. It was also the framework for support pledged at the Brussels donor conference in November 2016.

The RCPCA has three main pillars:

- support peace, security and reconciliation,
- renew the social contract between the state and society,
- support economic recovery and the redevelopment of productive sectors.

The RCPCA is more than just a planning document. It also includes a permanent secretariat, which sits under the Ministry of Planning but works with a high degree of autonomy. This secretariat, which has several internationally seconded staff, has responsibility for monitoring all international assistance, as well as supporting coordination meetings per pillar. Very few of these coordination meetings have materialized, leading to a lack of joint coordination across development and humanitarian actors. A couple of line ministries, particularly the Ministry of Health, manage to ensure greater coordination of actors working in their sectors. In early 2019, the Strategic Steering Committee decided to refocus the functions of the secretariat and to abolish the coordination by pillar to replace it by sectoral coordination under the leadership of key line ministries.

The RCPCA secretariat is also responsible for tracking all development and humanitarian financing coming into the country through a single database. An initial database of development expenditures has been established, broken down by region and broad sector. Additional work is required to make this a more functional tool that can be used to cross-reference programming with humanitarian actors.

Both the HRP and the UNDAF+ were designed to align with the priorities of the RCPCA. Due to the large size of the humanitarian response, inclusion of cluster leads in UNDAF+ planning processes has helped to align priorities across the system. Twenty-five percent of the UNDAF+ financial plan is undertaken by MINUSCA, an indication of the integration of substantive parts of the peace-building mission.

Due to its isolated location, CAR is not part of the principal regional planning instruments focused on the Sahel or Lake Chad. It also does not participate in the European Union Trust Fund for Africa (EUTF), instead benefiting from the CAR-specific Bekou fund. Nevertheless, several donors, such as DfID and US donors, noted that they have difficulty consolidating information on all of their assistance to CAR, as some of it passes through regional instruments with specific mandates that are difficult to map against Nexus modalities.

Donor coordination remains an area of weakness in CAR. There are informal structures, with development partners based in CAR meeting every month in an

informal setting. While donors note the usefulness of inclusion in the HCT, there is no regular independent donor coordination structure which could address issues such as coordinated Nexus programming. This is exacerbated by the fact that many donors do not have in-country presence, and are instead represented from either neighbouring countries or from their capitals. Most donors expressed support for a Nexus approach, however were split between whether coordinated programming could happen outside of government-controlled areas, or even whether CAR was an appropriate context to try Nexus programming, given the ongoing levels of instability. A small number of donors were actively engaged in early recovery activities designed to lessen the load on humanitarian actors – these included a couple of bi-lateral donors as well as the EU through the Bekou Fund.

CAR has been the focus of several Nexus strategic planning process, with global and regional support. These included the 2017 OECD - led strategic financing mission as well as the 2018 Nexus workshop. It was widely felt that previous initiatives had not sufficiently highlighted practical means for strengthening cooperation nor map onto existing national structures, leading to a lack of ownership. A consultant then facilitated wide consultations which led to the adoption of two collective outcomes by the UNCT and the HCT in February 2019. This was largely driven by the Resident Coordinator/Humanitarian Coordinator (RC/HC) through the RCO, UNDP and OCHA.

3. HDP Nexus: Policy and Practice

3.1. Definitions and Scope of the HDP Nexus in CAR

There are broadly different concepts of the objectives and scope of the Nexus approach in CAR. These different views were reflected in the Nexus workshop, during the HCT/UNCT meeting to decide on Collective Outcomes, and during interviews for this study. Differing visions centered around a few key points:

- Scope of engagement. Is the Nexus about a “Whole of Society approach, early recovery activities to bridge humanitarian and development projects, or focused on the COs? Should COs be specific priorities or should they cover a broad range of activities?
- Funding source. Does funding come from humanitarian or development sources? Are there flexible instruments that can serve as a bridge?
- New activities vs. ongoing activities. Does the Nexus (and specifically COs) require new programmes and funding, or is it the sum of ongoing activities, as currently divided between the HRP and UNDAF?
- Geographical location – Should locations be chosen based on humanitarian needs or based on government presence/priorities?

During the HCT/UNCT meeting on defining the COs, the HC/RC clearly stated that the COs should be used to focus the work of development actors on the causes of humanitarian needs, in order to reduce the humanitarian case load and funding requirements. This approach is in line with the Inter-Agency Standing Committee’s note that the Nexus aims to “Alleviate the effects of today’s staggering humanitarian

funding shortfall, which the High-Level Panel Report on Humanitarian Financing put at USD 15.5 billion (ICVA, 2017). The Humanitarian Financing Report supports investments “where it matters most – in situations of fragility” (High Level Panel on Humanitarian Financing, 2016).

This approach is challenged by the different mandate interpretations of humanitarian and development actors. In CAR, the humanitarian/development divide is most apparent around debates of prioritization, including for Nexus activities. Humanitarian actors advocate for a needs-based prioritization. Development actors generally align prioritization to the government, with many stating that implementation must also be government led in order to promote ownership, build national capacity, and avoid giving validity to non-state armed groups. Given the lack of government control of most of the national territory, for some development actors this severely limits potential areas of implementation of Nexus initiatives.

In practice, the definition of government lead can vary greatly. Many development actors are willing to engage in programming in areas under the control of armed groups, as long as there is some form of government presence. One example is water infrastructure rehabilitation activities implemented through the national water utility, SODECA, in areas where they are the only government entity present. Some agencies go further and carry out development programming as long as it is in line the RCPCA strategy, and there is no government objection.

Given the ongoing instability and lack of infrastructure in large parts of the country who is structural, many development activities being undertaken are focused on early recovery, including the construction of small-scale infrastructure and temporary job employment. Nevertheless, different models for prioritization continue to make coordination between development and humanitarian donors challenging.

The RCPCA includes discussion of the “Humanitarian – Development – Peace Intersection”. It raises the concern that humanitarian action may be rapidly forced out by the return of national authorities, and calls for a coordinated transition overseen by the RCPCA’s Joint Management Committee (including the Minister of Social Affairs and the HC). This concern has not materialized.

UN agencies (with some major exceptions such as UNDP, OCHA and the RC/HC office) and NGOs are much less likely to insist on clear distinctions between humanitarian and development activities than donors. Most operational actors focus on trying to achieve effective programming to populations in need. Donors however are much more divided between humanitarian and development actors, particularly those donors who have separate humanitarian and development funding channels.

The humanitarian – development divide is also solidified by the separate HRP and UNDAF+ planning processes. There are clear guidelines on ensuring HRPs are prioritized, partially due to the pressure to ensure that HRPs do not grow to excessive financial sizes. This leaves little space for early-recovery activities that might be considered Nexus programming – pushing project formulation under UNDAF+ frameworks.

With some exceptions, the funding for early-recovery Nexus type activities is therefore largely seen to be the responsibility of development donors. UNDP noted that the global phase-out of the Early Recovery Cluster is an indication that early-recovery activities are not considered humanitarian, and that future funding should be from development donors.

3.2. Coordination - Good practice and Gaps

The humanitarian coordination system is fully functional in CAR, with clusters at the national level and working groups at several local levels. Clusters are inclusive – several key clusters include government actors and donors.

As in many countries, coordination on the development side is not as strong. The working groups envisioned under the RCPCA are not active at the level envisioned. A couple of line ministries (particularly the Ministries of Health and Education) hold coordination meetings for actors working across their sector.

As a result, the clusters have taken on a larger coordination role than that limited to work outlined under the HRP. Several development activities are discussed through clusters such as WASH, Health, Education, Logistics and Livelihoods and Community Stabilization, including infrastructure rehabilitation. Joint analysis and prioritization were carried out for the 2019 HRP. This means that in practice several Nexus-types programmes are being carried out in close coordination with humanitarian actors, allowing for exchange of information on planning and prioritization. This is not however systematic.

Most interlocuters pointed to a significant gap in donor coordination in CAR. This was ascribed as being partially due to the independence of some key donors and partially due to the lack of in-country presence of several other donors. The lack of coordination is also reflected in the work done by the five pooled funds, which do not have a common planning structure. A couple of the donors disputed this lack of coordination, and felt that informal and ad-hoc meetings were sufficient given the small size of the donor community in CAR.

The impetus for pushing forward a more structured Nexus approach as well as formulating COs was primarily from the RC/HC and from regional and capital offices. A Nexus coordination focal-point was deployed through the UN-WB partnership based at the World Bank for a year, this position has since been discontinued. This position did not take the lead on initiatives to create cross-system synergies.

A significant barrier to greater coordination around a Nexus approach is the perception by many in-country actors that the Nexus – and particularly COs - represent an additional layer of work that has no added value. With some exceptions, the majority of interlocuters felt that Nexus initiatives had not contributed anything to their operations, and that their engagement in the New Ways of Working (NWoW) was driven by global commitments. Several operational actors noted that their agencies already engage in a wide range of emergency and early-recovery interventions, and that the humanitarian/development divide was the creation of, and therefore an issue for, donors and UN policy structures.

3.3. Collective Outcomes

CAR adopted two collective outcomes at a joint HCT/UNCT in February 2019. These are:

- Diminish maternal and infant mortality,
- Promote durable solutions.

Reflecting the differing views of the COs, a 2018 submission from CAR to the IASC Task Team on the Humanitarian-Development-Peace (HDP) Nexus listed the COs as being the three priorities of the RCPCA – which explains why those priorities are included in several global documents.

Additional work has already been done to further refine the formally adopted COs and create workable indicators, however they have not yet been agreed upon or shared with the Government. The COs were chosen recognizing that they are multi-sectoral and require the engagement of a wide range of actors. Both of them also link to existing national priorities for which action plans have already been developed in specific working groups.

Many of the challenges and decisions which are faced in other countries remain to be resolved in CAR – including creating measurable and attributable indicators, establishing baselines, and deciding which structures will be used to coordinate response and, if appropriate, mobilize resources. Decisions also need to be made on geographical targeting – particularly given the current disparate areas of focus of humanitarian and development actors.

Of the two COs chosen, promotion of durable solutions is the more controversial. Given the ongoing high-levels of instability across much of the country, for some actors this outcome links directly into the current debate about whether or not most places are ready for returns. Some actors feel that as a result of the Khartoum Agreement now is the right moment to focus on durable solutions, while others highlight risks of that people may be encourage to return while it is unsafe to do so. Decisions around indicators will have to take note of protection concerns.

Diminishing maternal and child mortality is a CO that has been adopted in other countries, including Chad. Some challenges with this CO are that identifying baseline data is very difficult, and mortality rates do not evolve rapidly enough to be detectable over a three-year timeframe. Proxy indicators related to some of the contributing activities are likely a better choice.

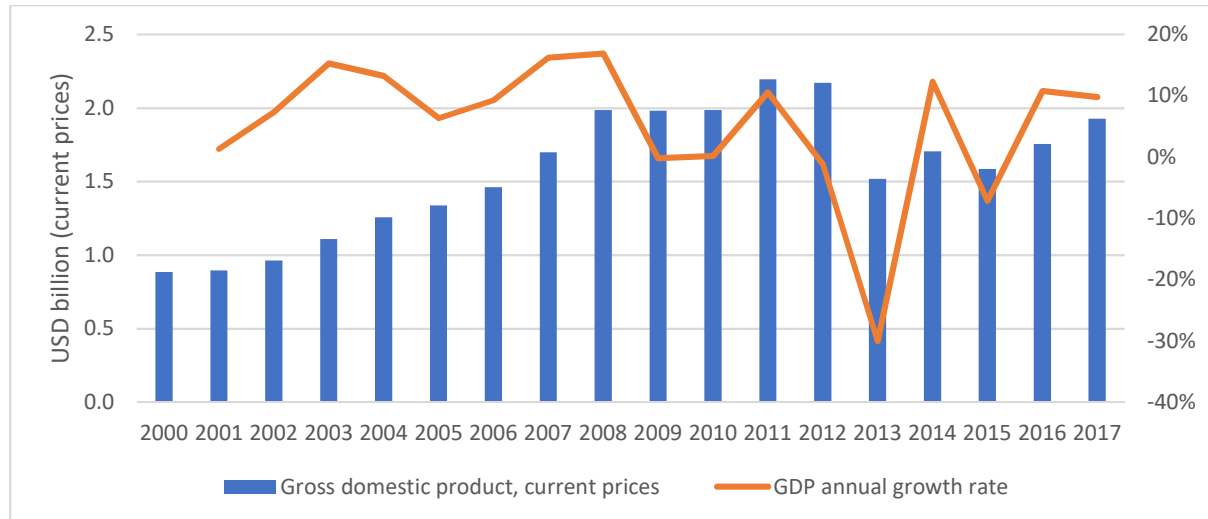
4. Funding environment

4.1. Wider economic context

CAR is among the least developed countries in the world, ranking 188 of 189 on the Human Development Index (HDI) (UNDP 2018). CAR's economy has long been agriculturally based, although government revenues largely depended on extractive industries (wood, diamonds and gold) and cash crops (coffee and cotton). Most of these sectors were already in decline before the conflict in 2013, which saw a

collapse in both national GDP and government revenues. National GDP has not recovered to its peak 2011 levels in real dollars, and has declined even further on a per-capita level basis.

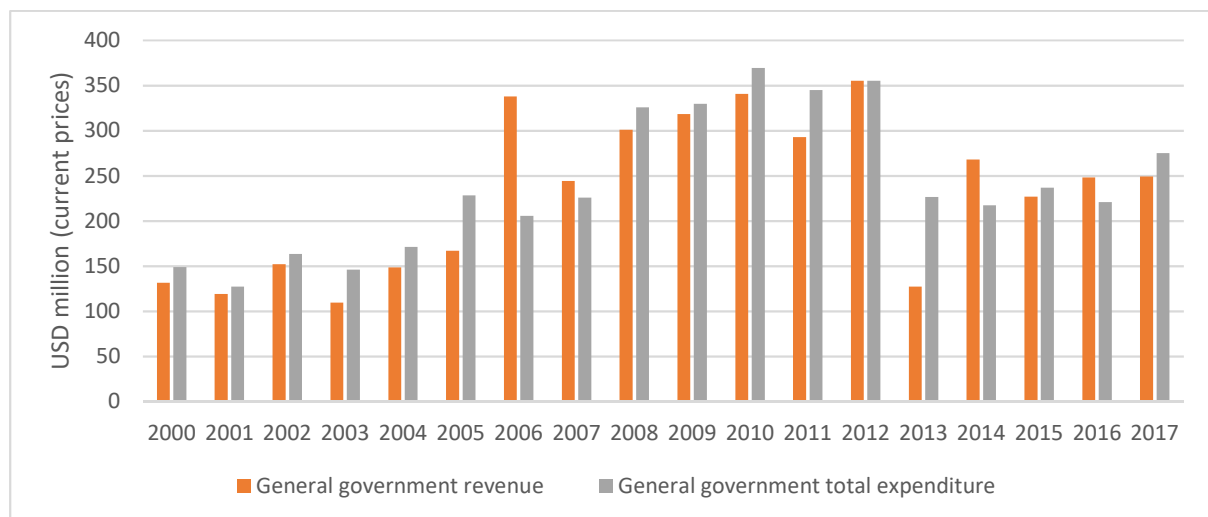
GDP 2000-2017



Source: International Monetary Fund, World Economic Outlook Database, April 2018.

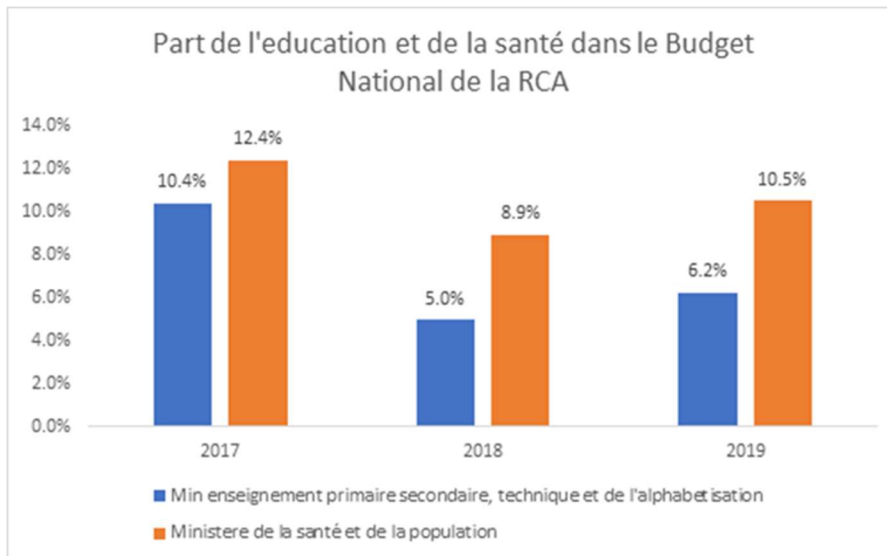
Government expenditures fell 64% during 2013, and while they bounced backed the following year remain significantly below pre-crisis levels. This partial return of government expenditures is largely due to increased direct budget support from foreign creditors, who provide 30-40% of government revenues (Coulibaly et al., 2018).

Figure 1: General government revenues and expenditure 2000-2017



Source: International Monetary Fund, World Economic Outlook Database, April 2018

Government expenditures on social services have decreased not only in overall terms, but also as a share of the total budget.



Source: UNICEF, Jan 2019

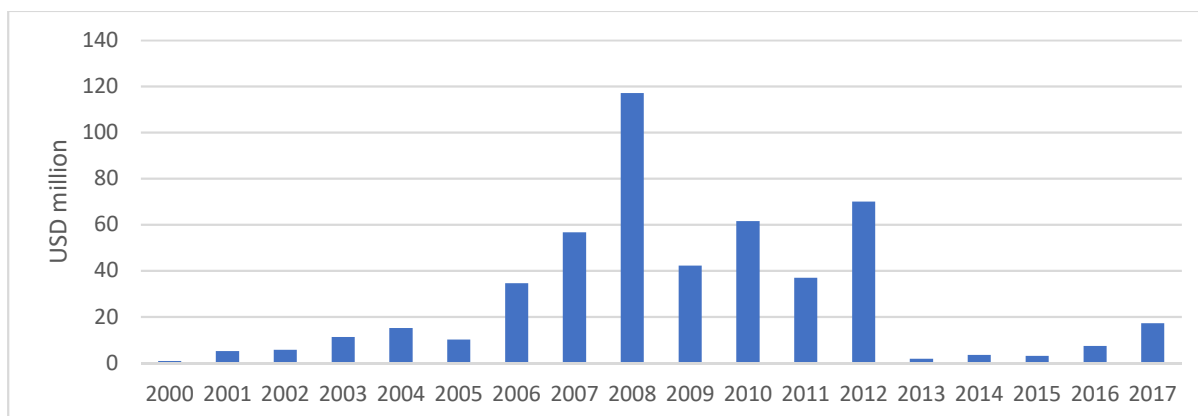
This table only shows actual expenditures from the past two years, with a substantial reduction in expenditures on Health and Education despite a stable national budget. 2019 figures are government projections. Much of these expenditures are for operational costs of the ministries involved, leaving little funds for actual service delivery.

While IMF projections for CAR's economic bounce back from the crisis were originally more positive, CAR has instead seen a consolidation of control by armed groups of several productive sectors, including gold and diamond mining, and timber extraction. Further challenges to economic growth beyond the remit of government economic policy include:

- Continued instability in large parts of the country,
- Disruption of the already limited infrastructure in the country,
- Ongoing high levels of displacement, including of important economic actors,
- High levels of corruption (Transparency International 2018).

CAR is an isolated, land-locked country with difficult connections to neighbouring countries. Foreign Direct Investment (FDI) was already low before the conflict, and collapsed after 2012, falling from USD 70 million in 2012, to just USD 2 million in 2013. Despite modest recovery in investment, overall, volumes remain extremely low, at just USD 17 million in 2017 (UNCTAD 2018).

Foreign Direct Investment 2000-2017



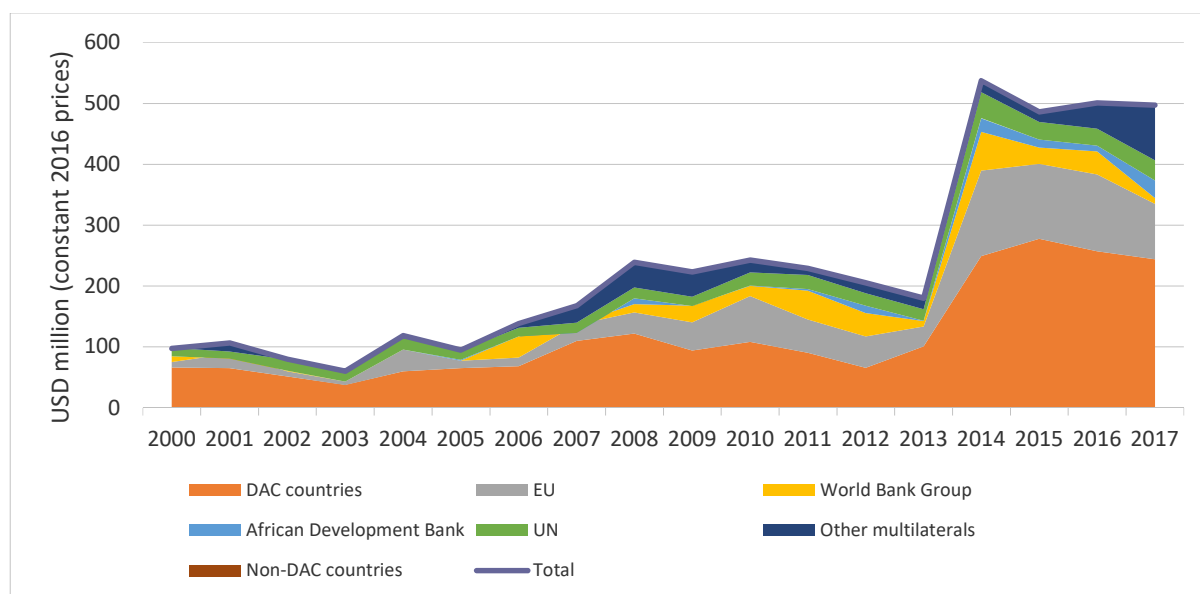
Source: World Investment Report 2018 and UNCTAD FDI/MNE database.

Several multilateral and bi-lateral actors significantly increased direct budget support to CAR after 2013. Budget support increased from less than half a million dollars in 2013 to USD 73 million in 2014, and has continued to grow year on year (USD 52 million in 2015; USD 68 million in 2016; and USD 104 million in 2017).

4.2. International ODA financing flows

In response to the onset of the crisis in 2013, ODA rapidly increased from USD 180 million in 2013 to USD 537 million in 2014 (a 198% increase). Total ODA has remained relatively stable since.

Total ODA net 2000-2017



Source: OECD DAC statistics

The EU is the single largest individual donor to CAR, providing 22% of total gross ODA disbursements between 2015 and 2017, followed by the United States, which provided 13.5% of the total.

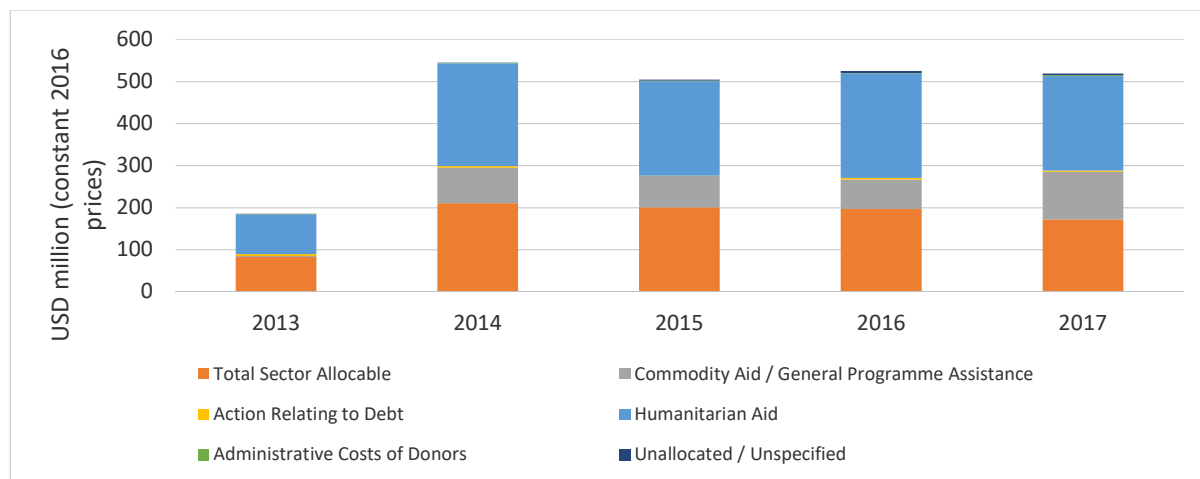
Gross ODA disbursements 2015-2017 by donor grouping

	2015	2016	2017	Volume (2015-17)	Proportion (2015-17)	% change 2016-17
Total all donors	504.3	525.5	519.7	1,549.5		-1%
DAC countries	277.8	259.9	246.5	784.2	50.6%	-5%
EU institutions	123.0	126.2	91.4	340.6	22.0%	-28%
Multilaterals (excluding EU)	102.3	138.6	181.0	421.9	27.2%	31%
Non-DAC countries	1.1	0.8	0.9	2.8	0.2%	6%

Source: OECD DAC statistics

CAR receives a high proportion of its ODA in the form of humanitarian aid – 45% of total ODA between 2013 and 2017 (see Figure 10). Moreover, humanitarian aid flows grew rapidly following the 2013 crisis, from USD 95 million in 2013 to USD 246 million in 2016.

ODA contributions by sector 2013-2017



Source: OECD DAC Creditor Reporting System.

The statistics given here are based on OECD data – which uses different parameters from the OCHA Financial Tracking System (FTS) data often used by humanitarian actors. For a description on main differences, see the data section of Annex 1.

Humanitarian funding as defined by the FTS is both more substantial than that described under OECD data (particularly immediately following the onset of the crisis), and much more variable.

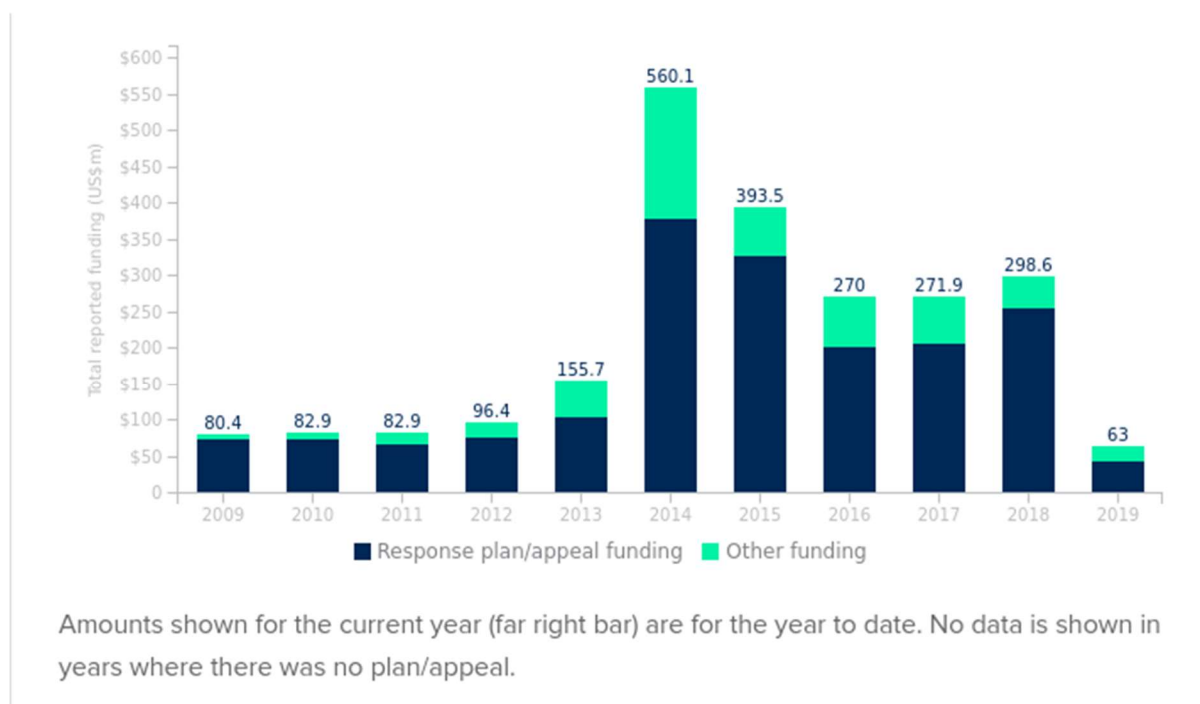
Central African Republic 2018

<https://fts.unocha.org/appeals/651/summary>



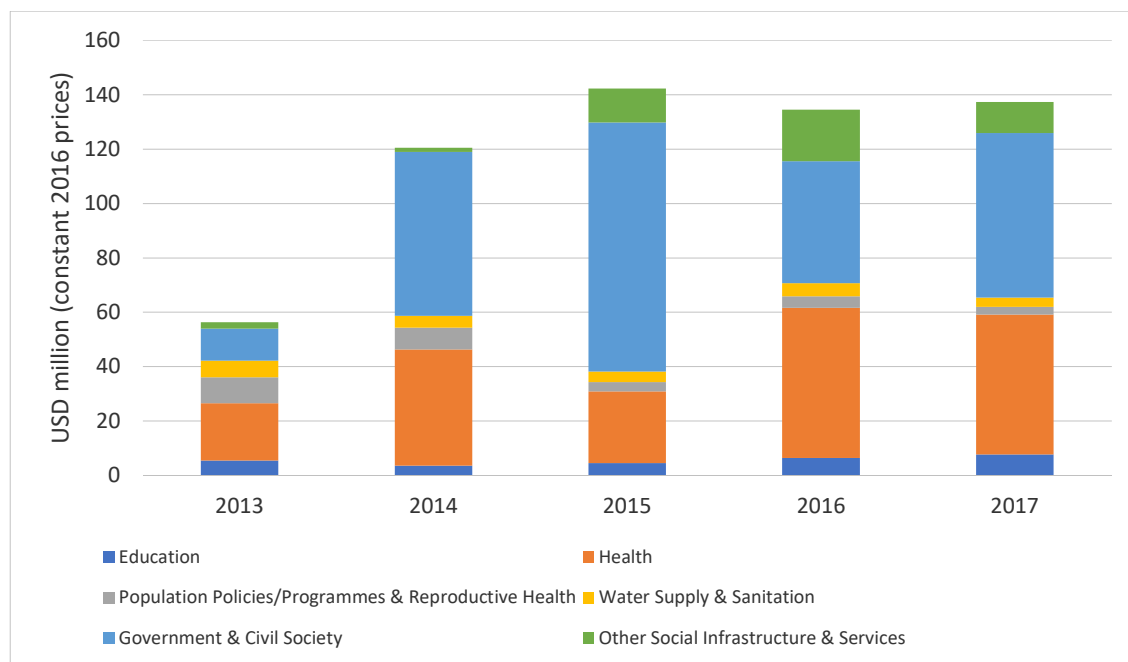
Funding trends inside and outside the response plan/appeal

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FTS data shows humanitarian funding spiking rapidly in 2014, with a subsequent decrease of over 50% over the following two years, before slowly increasing again in the face of ongoing instability and displacement in the country. In contrast to 2014, the majority of humanitarian funding since 2015 has gone to projects included in the Humanitarian Response Plan (HRP).

Bilateral assistance to Social Infrastructure and Services has also grown significantly since 2013, as per OECD definitions. Overall government spending has declined rapidly over this same period of time, despite some of this funding going towards direct government support.



Source: OECD DAC Creditor Reporting System.

Government and Civil Society has been the largest recipient sector among the OECD defined social services sectors, while Health has also remained a strong area of investment.

5. Funding across the HDP Nexus

5.1. Funding for Collective Outcomes

As the collective outcomes have only recently been determined, an appropriate funding model has not yet been put in place. There appears to be strong reluctance to create any additional funding mechanism focused on COs – the answer may therefore lie in greater coordination and flexibility between existing donors and mechanisms. Increased coordination would need to address the different approaches to prioritization by development and humanitarian actors, as outlined above. The Humanitarian Fund/Bekou Fund complementarity approach in the South-East is one example between some of the more flexible existing mechanisms.

5.2. Broader Nexus Funding

Tracking funding which supports a Nexus approach in CAR is challenging given the wide range of definitions of the HDP Nexus – including those who consider it the near totality of financing coming into the country. Taking the narrower definition of funding for development/early recovery activities that link-up with and reduce humanitarian needs allows for a more focused view of Nexus funding.

While the Bekou Fund is one of the few funding instruments that explicitly describes itself as pursuing a Nexus strategy, in reality a range of donors support these types of activities, including in areas controlled by armed groups. This includes donors such as the World Bank, the Dutch government, and others. As none of these donors classify their programmes in this way, it is not possible to get a dataset of overall spending on these types of activities. However, given the predominance of humanitarian spending in ODA, as well as known significant allocations of ODA to sectors such as direct budget support, the amounts available are relatively modest relative to overall ODA. The total funding for early-recovery type projects is likely significantly lower than \$100 million per year, with the majority coming through the Bekou Fund.

The main challenge to achieving increased funding to a Nexus approach is not the availability of funds, but coordination. While there are some positive examples (such as the participation of some development actors in the clusters), the lack of commonly agreed prioritization criteria remains a primary challenge to integrated action. In the absence of such coordination, humanitarian actors remain concerned that new Nexus initiatives would come from existing humanitarian funding sources.

5.3. Flexible, multi-year funding

Multi-year funding remains a minority of funding in CAR – recognizing that humanitarian funds continue to make up the majority of international funding to the country. This tendency is changing, however. Several major humanitarian donors are shifting to multi-year agreements. DfID is already signing three-year business plans, and ECHO is introducing the opportunity to sign two-year agreements as of 2019. As the overall envelope ECHO HIP for 2019 is not increasing, it is not clear how these agreements could be signed without decreasing funding levels in 2019. Several humanitarian actors, both donors and NGOs, raised some of the down-sides of multi-year funding. This included concerns about lack of sufficient flexibility given the rapidly shifting context. Flexibility was required both in type of activity and in geographical area. One NGO pointed to a programme they were running in an area from which the entire population was displaced early in the programme cycle.

Different donors in CAR have significantly different levels of flexibility both within specific instruments and between them. The largest challenges reported were funding linkages between specifically humanitarian and specifically development mechanisms. These were listed as being due to several factors – long lead-up times for development programme start-up, different selection criteria, and different preferred operational partners.

5.4. Notable Funding instruments

Several funding mechanisms which are moving towards greater flexibility, multi-year financing and focusing on activities spanning the humanitarian – development gap at the global level are affecting CAR. Examples include:

- ECHO two-year contracts. ECHO is planning on extending the possible timeframes for contract lengths to 24 months. Additionally, funds between two subsequent HIPs could be combined in a single contract. This is a global change.
- Mutual Reliance Initiative (MRI). The MRI is a standardized administrative process which allows for donors to shift fund between their respective agencies in order to allow for one lead donor to take the lead on a specific project without requiring multiple layers of contracts. The MRI was initially developed by the European Investment Bank (EIB), AFD, and KfW. The EU has since undertaken a similar process for cooperation with these donors and GIZ has started working on joining the network. Using this mechanism, AFD is planning on also supporting the DIZA programme, extending the implementation period from the current three years to five years.
- Development donor rapid response windows. AFD is an example of a development donor that has a rapid response facility, for which projects are of a 15-month duration. AFD usually aims for projects with a minimum period of four years.

The Bekou Fund is a funding mechanism specific to CAR which has proven highly successful at promoting Nexus approaches. This was the EU's first Multi Donor Trust Fund (MDTF), four now exist globally (the EUTF, and single country funds in Syria and Colombia). The Bekou Fund also receives contributions from Norway and Switzerland through their respective EU agreements.

The Bekou Fund considers the Nexus as the core of its mandate, and commits a substantial amount of its funding to early-recovery and development activities. The Ministry of Planning (MoP) sits on its steering committee along with EU states, however implementation is through either UN agencies or directly to NGOs, sometimes passing through the French Development Agency (AFD). The Bekou fund also acts as a conduit for some EU development funding. The fund supports substantial programme portfolios in areas controlled by armed groups.

There are a range of pooled funds in CAR. These include:

- Bekou Fund. Described above. At \$230 million over 5 years, it is much larger than all other funds combined. This is the only fund with a Nexus focus.
- Ezingo Fund. This is a UN administered Multi-Donor Trust Fund. It exclusively funds UN agencies, with the exception of one grant directly to the government of CAR. The US is by far the largest donor.
- Humanitarian Fund (HF). This OCHA administered fund is entirely focused on emergency humanitarian projects, with a maximum duration of 6-9 months.
- Peace-building Fund (PBF). This fund is also only available for UN actors.

Most actors interviewed suggested that there was generally a lack of coordination between these funds, with some exceptions including informal discussions and coordination between the HF and Bekou. Some interlocutors even proposed consolidation. Functional consolidation would however be difficult, as they each depend on different structures – the Bekou Fund for instance cannot receive support from non-EU members (and will even lose DFID support this year due to Brexit). This range of separate funding mechanisms is therefore a reflection of the structures of

donors and the UN, complicating attempts at an integrated response. Greater coordination and alignment between projects financed through these funds would allow further leveraging.

6. Opportunities and Challenges

“Whole of System” approaches to financing is challenging in CAR. While the RCPCA represents a solid framework, structural problems include limited FDI, disrupted internal markets and weak government capacity and control of territory. There is a limit to the extent to which government policy can address these issues during a period of ongoing instability, large-scale internal displacement and the consolidation of extractive sectors under the control of armed groups and the informal economy. As initiatives to support the RCPCA are generally driven by inter-governmental structures, they also do not address informal sectors of the national economy.

There is a significant gap between the organizational cultures of humanitarian and development actors in CAR, particularly amongst some donors and UN structures. This gap is evident in defining the degree of direct government lead in programming, as well as in methods for programme prioritization. The needs-based approach used by humanitarian actors stands in contrast to the government-led prioritization followed by development actors. While in practice a range of operational agencies have found ways to reconcile these approaches, this lack of common criteria continues to hinder humanitarian – development linkages.

In order to create greater practical cohesion between development and humanitarian actors, approaches to working with the CAR government need to include a broad array of options, including working with local governmental structures and national utilities in areas controlled by armed groups. This can allow for national coverage and increased inclusion of vulnerability criteria. The recently signed Khartoum Agreement may also allow for a re-framing of implementation criteria for development actors, opening space for greater cooperation.

Decisions remain to be made around how to fund the Collective Outcomes that were chosen in February 2019. There is little appetite to create entirely new funding mechanisms nor coordination structures. However, the COs can serve as a catalyst for greater donor coordination and as a way to search to bridge existing gaps.

In CAR, a primary means to adopt a Nexus approach is through early recovery activities. Most clusters have or can elaborate early recovery strategies to reduce humanitarian needs, and several clusters already coordinate these activities. This is despite a global trend to remove early recovery activities from HRPs and close down the Early Recovery Cluster.

There are global changes by several donors towards multi-year, flexible funding, which are of benefit to agencies and NGOs in CAR. Specific to CAR, the Bekou Fund is the clearest example of a funding mechanism that is promoting a Nexus approach by funding early-recovery projects nationally that are designed to decrease humanitarian need. Some bilateral donors have a limited number of projects that also work in this manner.

Support to state structures is an important objective of both development actors and some UN agencies. Given the challenges that the government currently faces, state stabilization is having little impact on social service delivery for the large majority of the population. Supporting these structures should therefore not be seen as the only way to reduce the humanitarian case-load or address the SDGs. This is particularly the case given the objectives to “Leave No-one Behind” and “Help the Poorest First”.

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