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# **Improving the Development Response in Difficult Environments: Lessons from DFID Experience**

**PRDE Working Paper 4 - December 2004**  
Poverty Reduction in Difficult Environments Team  
Policy Division  
UK Department For International Development

This working paper is intended to stimulate public discussion. It is not necessarily DFID or UK Government policy.



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## **Abbreviations**

DAC	Development Assistance Committee of the OECD
DFID	UK Department for International Development
EITI	Extractive Industries Transparency Initiative
EBRD	European Bank for Reconstruction and Development
EU	European Union
FCO	Foreign and Commonwealth Office
GCPP	Global Conflict Prevention Pool
IDA	International Development Association
IFC	International Finance Corporation
IFI	International Financial Institution
INGOs	International Non-governmental organisations
KfW	Kreditanstalt für Wiederaufbau
LICUS	Low Income Countries Under Stress
LIC	Low Income Country
MDGs	Millennium Development Goals
MOH	Ministry of Health
NATO-PA	North Atlantic Treaty Organisation – Political Affairs
NGOs	Non-governmental organisations
OECD	Organisation for Economic Cooperation and Development
OSCE	Organisation for Security and Cooperation in Europe
SSR	Security Sector Reform
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

## **Executive Summary**

- This paper brings together a collection of ten case studies, from DFID programmes, that have had an impact in fragile states. They show that in these instances aid can work even in poor policy environments. The parameters of this exercise sought successful interventions in the following three broad categories:
  - Bringing about transformation in the governance environment (including programmes which improved the security sector, rule of law, increased transparency and accountability in the use of government revenues, increased government capacity, supported drivers of change).
  - Improving social service delivery or social protection especially programmes concerning social safety nets, HIV/AIDS programmes, quick impact projects, central government service delivery systems.
  - Stemming the negative spill-over effects from one country into the neighbouring country or region, including programmes which mitigated economic migration, the spread of communicable diseases, or conflict.
  
- The main findings and conclusions derived from the case studies are presented in section I of the paper. The main conclusions are as follows:
  - Political reform is possible in fragile states and the international community can contribute to it; however, it takes time (a minimum of five years) and needs to be accompanied by excellent understanding and analysis of the political economy. Taking a regional approach is also important in some circumstances.
  - Innovative ‘co-production’ partnerships between state and non-state actors (i.e. the private sector, NGOs, INGOs, community based organisations, and UN agencies) can be successful in improving service delivery and social protection in fragile states.
  - Several aid instruments offer promise for ‘scaling up’ the response in fragile states (trust funds, social funds, and ‘joint programmes’), but for these to be sustainable in the long term, they need to be compatible with national policies and/or systems.

# **I Synthesis Of DFID Case Studies**

## **Introduction**

In July 2004 the Poverty Reduction in Difficult Environments (PRDE) team commissioned a number of case studies from DFID country offices in order to contribute to the January 2005 Senior Level Forum on Development Effectiveness in Fragile States. The case studies were intended to highlight examples of interventions that have had an impact, and that show that aid can work even where the policy environment is poor.

The case studies were reviewed and the main findings synthesised. This section summarises the main findings and conclusions derived from this exercise. The synthesis focused on three questions:

- What do the case studies tell us about changing the governance environment in fragile states?
- What do the case studies tell us about improving the delivery of services (including security), and increasing social protection?
- Which instruments offer promising prospects for scaling up the response in fragile states and increasing the capacity of fragile states to absorb aid in order to meet the MDGs?

## **Main findings**

### **Supporting effective states**

A key ingredient for effective development in fragile states is that donors support reform. This means being supportive of partners' efforts to create the conditions for political stability, helping build government capacity, and encouraging political commitment to stronger policy environments. This section looks at what our case studies tell us about how the governance environment can be transformed in fragile states.

- Regional approaches are important to resolving some of the challenges that fragile states face – the international community can play an 'honest broker' role, and provide seed funding, to bring distrustful governments around the table. The South Caucasus Parliamentary Initiative (SCPI) is a good example of this.
- Civil society organisations are a key entry point as catalysts for political reform. They can gain the trust of all parties – LINKS (a small British non-governmental organisation) was a key catalyst in the SCPI, for example. They can also be a channel for helping citizens demand better governance. They can increase awareness of poor people about

their rights and give those people a greater voice. This is the approach taken by the Political Empowerment Programme (PEP I) in Kenya.

- High-level political engagement from a bilateral donor can have a big impact and make a difference. However, careful advance preparation to agree key messages and approaches with all stakeholders is vital. This is reflected in the UK's intervention in Uzbekistan.
- Small, community based, projects can be effective in changing a political environment –the micro credit project in Uzbekistan is an example of how empowering the poor (in this case farmers) can have a significant impact on government policy; the Multi stakeholder Forestry Programme (MFP) in Indonesia also demonstrates the need to develop explicit links between communities and local governments in order to bring about policy change.
- Identifying political opportunities to engage is key –in Indonesia, a better understanding and analysis of the political economy (which DFID calls a 'drivers of change' approach) highlighted opportunities to influence forestry policy.
- The international community has an important role to play in setting standards that can improve the transparency and openness of governance – the Extractive Industries Transparency Initiative (EITI) in Azerbaijan and the Afghanistan Reconstruction Trust fund (ARTF), for example.
- Policy reform takes time - the health intervention in Uzbekistan, for example, had a minimum commitment of five years support from DFID and recognised the importance of long term partnership to bring about change; DFID has also made a long term commitment to support security sector reform in Sierra Leone and is already five years into that commitment.
- Programme design and implementation need to be flexible, particularly in post-conflict or highly unstable environments. In the case of Sierra Leone Security Sector Reform, the objective of reforming and strengthening the intelligence services was not included in the initial design but added after six months in response to a need that arose later.

### **Improving the lives of the poor**

Recent experience shows that aid can work to meet urgent development needs, even where the state is fragile. Well-designed approaches are capable of both bringing about immediate improvement to the lives of poor people and acting as a springboard for long-term institutional strengthening and reform. This section summarises what the case studies tell us about improving the delivery of services (including security), and increasing social protection in fragile states.



- The UN has an important leadership and coordination role in the delivery of services and social protection for the poor in fragile states – the involvement of UNDP and UNAIDS is one of the ingredients of the early success of the joint programme in Burma.
- The private sector has a critical role to play in improving services to the poor – the social marketing of insecticide treated bed nets in Kenya helped DFID to respond to a health priority in a way that was self-sustaining without putting resources directly through the government.
- The international community needs to be more ready to fund recurrent expenditures in fragile states – in Afghanistan the ARTF supports the salaries of about 20,000 government workers (including teachers, nurses and doctors), many of whom are based outside Kabul.
- Security sector reform is an essential part of improving the lives of poor people – the Sierra Leone experience illustrates the need for both governance reforms and effective training and equipping of military and police forces. It also illustrates the importance of UK government departments working together effectively. The costs of this type of integrated intervention are high - the UK has spent in the region of \$158 million over the last four years.
- The community is a key entry point for poverty reduction interventions in fragile states – the social fund in Yemen, and the forestry programme in Indonesia, both demonstrate that community involvement (and/or mobilisation) increases national, subsequent ownership and management of resources.
- Partnerships between state actors and non-state actors (i.e. the private sector, faith-based organisations, and not-for-profit organisations) are important for longer term sustainability and capacity building – In Burma, government agencies (the National AIDS programme, for example) are an important part of the response, working in tandem with NGOs and UN agencies; in Indonesia, partnerships have been fostered between government, non-government organisations, community groups, and private sector organisations to improve forest management and use.

### **Aid instruments and scaling up**

In fragile states, partnerships between the donor community and government are problematic. The ways of working and aid instruments associated with the so-called good performers, such as PRSPs and direct budget support, are less appropriate in fragile states. This section highlights what our case studies tell us about the types of aid instruments that are appropriate in scaling up service delivery/social protection, how absorptive capacity can be increased, and how aid can be deployed without undermining the state in the longer term.

- Trust funds can be a means of providing budgetary support to countries where fiduciary risk is high while simultaneously building the capacity of the state to manage and control its own budget. It can also answer donor concerns about absorbing additional aid – the ARTF has become the preferred funding modality in Afghanistan, with £395 million committed for 2004/5.
- Pooled funding increases donor harmonisation and allows for a more programmatic approach in fragile states – in Burma pooled funding has enabled the donor community to work in partnership with civil society organisations and to scale up the response. Links have been maintained with the state, and indeed ministry of health officials are part of the coordinating structure. Government providers have also successfully bid for funding.
- Social funds that bring communities, providers, and local and central government together are an effective way of improving social protection, service delivery, and livelihoods in fragile states – the Yemen social fund has attracted £225 million for 2004 – 2008 with funding from the World Bank, the EU, Dutch, KFW, UK, USAID and the Arab fund. Social funds need to align with government objectives and systems, if possible, so they do not undermine the state (the Yemen fund has been most successful in the education sector where it works closely with the ministry).

## **Conclusions**

Three broad conclusions can be drawn from the ten cases and the related findings:

- Political reform is possible in fragile states and the international community can contribute to it; however, it takes time and needs to be accompanied by excellent understanding and analysis of the political economy.
- Innovative partnerships between state and non-state actors (ie. the private sector, NGOs, community based organisations, and UN agencies) can be successful in improving service delivery and social protection in fragile states.
- Several aid instruments exist for ‘scaling up’ the response in fragile states (trust funds, social funds, and pooled funds), but for them to be sustainable in the longer term they need to be compatible with national policies and/or systems.

## **II Building Effective States**

### **1 The South Caucasus Parliamentary Initiative (SCPI)<sup>1</sup>**

#### **Context**

The South Caucasus Parliamentary Initiative (SCPI) is a framework for dialogue, exchange of views and joint analysis between the Parliaments of Armenia, Azerbaijan and Georgia, established on the basis of a Memorandum of Understanding signed between the three Parliaments in Tbilisi on 13 May 2003. Parliamentary cooperation at the regional level is quite common. In the South Caucasus however regional contacts of any sort are rare. This is due mainly to many unresolved problems, especially between Armenia and Azerbaijan. Whilst everybody understands the obvious benefits of regional dialogue and contacts, few underestimate the difficulties involved in developing such processes. The South Caucasus Parliamentary Initiative has been hailed therefore as a significant positive step that could contribute towards the development of trust between the political elites of the three countries

#### **History**

SCPI emerged as a result of the work of a small British non-governmental organisation, LINKS. LINKS launched a dialogue between parliamentarians from Armenia, Azerbaijan and Georgia in the beginning of 2001. There was at first great scepticism in the region, as well as in the funding community as to whether such initiative could work. The UK Government, through DFID, agreed to fund the first meeting, which was held in March 2001. By the time of the second meeting in 2002 it was clear that the conditions existed to develop the work further. Attempts to move the process to the region in February 2003 proved premature as participants struggled to deal with enormous media pressure. By May 2003 however the initiative could be launched formally and the three parliaments signed a Memorandum of Understanding outlining the working modalities. The Memorandum provides for half yearly plenary assemblies with the participation of ten parliamentarians from each side, and a Presidium of three MPs from each side. From this point onwards ownership of SCPI has been very much with the parliaments of the three countries. The initiative now has a rotating Chairmanship and a secretariat, as well as various other mechanisms that are there to ensure continuity and smooth working conditions.

#### **Work**

Since the signing of the MOU two plenary assemblies have been held – the first in Scotland in December 2003 and the second in Sofia in July 2004. Both events were highly evaluated both by participants, as well as by outside observers. The parliament of Georgia held the Chairmanship from January to June 2004, and the Armenian Parliament took over in July 2004. They are

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<sup>1</sup> Dennis Sammut (LINKS)

expected to hand over to the Azerbaijan Parliament in January 2005. Each incoming chairmanship presents a programme of work to the plenary Assembly and once approved this becomes the basis for activity for the duration of that Chairmanship. The Chairmanship and the Presidium provide the political direction of SCPI. The presidium has initiated high level contacts with the Council of Europe, the European Union, the OSCE, the NATO Parliamentary Assembly and the Baltic Parliamentary Assembly.

A big part of the challenge of SCPI is to build enough trust between the sides to ensure that work can be done together. The Secretariat of SCPI – with members from the three countries, implements the decision of the Executive organs and prepares meetings. The Secretariat has developed a mirror archive for the SCPI documentation in the three countries; it has also produced a Directory of the Parliaments of the South Caucasus. Other more ambitious projects are being considered. From July 2005 SCPI will have its own Executive Secretary. During the 2<sup>nd</sup> Plenary Meeting, the Bye Laws of SCPI were approved so that the process could be regularly and transparently regulated.

### **The Role Of International Support**

Everybody appreciates that external support was crucial for SCPI to come to existence and for its work in the early years. LINKS proved an ideal intermediary in this regard. Its small size was amply compensated by long experience of work in the South Caucasus and knowledge of the key actors. It was therefore an acceptable and friendly interlocutor for the three parliaments. In fact one can argue that if a larger inter state organization like the OSCE had pushed for this initiative its intentions may have been misunderstood. LINKS was able also to build a good rapport with a range of important European institutions and so the Parliaments of UK, Bulgaria, Lithuania, Latvia and Scotland, as well as the EU, OSCE, CofE, BPA and NATO-PA were engaged in the process. They extended their moral support to the initiative and opened their doors for its meetings. Since January 2004 LINKS has been reducing its role in SCPI in favour of the emerging SCPI organs. Until June 2005 LINKS will have the role of Special Adviser as well as other administrative and facilitation tasks.

International support was also essential for providing funding. The UK Government has been the largest funder of SCPI so far. There have also been contributions from the Governments of the Netherlands and Switzerland. It is worth noting, on the funding issue, that the three Parliaments of the South Caucasus are not yet in a position where they can support the initiative through domestic resources. Even if funding had been available initially, it is not clear that there would have been sufficient political will from all parties to support the process in its nascent phase. The UK government is to be commended for sticking with the initiative, even at a stage when it looked as though it might falter, a decision that was crucial to its eventual success.

## **Conclusion**

SCPI is not a fully-fledged regional parliamentary assembly. Indeed such an assembly is for the moment not a realistic proposition. It does however provide for a dynamic forum of interaction between the Parliaments of Armenia, Azerbaijan and Georgia that has already made a modest contribution towards better understanding between the three countries. It is a good example of an initiative that emerged from civil society but was able to engage effectively with state actors. In some ways it is also a good example of how flexible, and to a certain extent risky, funding can achieve important breakthroughs.

## **2 Development effectiveness in Uzbekistan<sup>2</sup>**

### **Background**

Uzbekistan is a powerful player within Central Asia: It is the world's second-largest cotton exporter, a large producer of gold and oil, a regionally significant producer of chemicals and machinery and it has the largest population in the region. As a dry, land-locked country, more than 60% of its population live in densely populated rural communities. It is also one of the poorest countries in the CIS (Commonwealth Independent States) with an income per capita of US \$310<sup>3</sup> and 44% of the population living on less than \$2.15<sup>4</sup> per day. Since independence in 1991, a sharp increase in the inequality of income distribution has hurt the lower ranks of society.

State interference in Uzbekistan is extensive<sup>5</sup>. Following independence, the government sought to prop up its Soviet-style command economy with subsidies and tight controls on production and prices. Uzbekistan responded to the negative external conditions generated by the Asian and Russian financial crises by emphasizing import substitute industrialization and by tightening export and currency controls within its already largely closed economy. The government, while aware of the need to improve the investment climate, sponsors measures that often increase the government's control over business decisions. Borders with other Central Asian countries have been closed and - in the case of Tajikistan – mined, in order to limit trade opportunities and the movement of people.

Over twelve years of independence, Uzbekistan has proven to be one of the most repressive countries in the Central Asia region. Now a key ally in the U.S. led "war against terrorism," (Uzbekistan has provided basing and overflight permission for U.S. and coalition forces) it has made some attempts to convince the international community that it is improving its human rights record. However, the situation remains grave, with systematic torture of detainees, persecution of Muslims who practice Islam outside of state controlled structures, and harassment of human rights defenders and opposition members.

Uzbekistan probably hosts one of the most powerful underground organizations of Islamic fundamentalists in the region. The main source of influence of the Hizb ut-Tahrir [the radical international organization dedicated to the unification of all Muslims in the world into a single Caliphate state] is located in Uzbekistan.

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<sup>2</sup> Roy Trivedy

<sup>3</sup> Source: World Bank Making Transition Work for Everyone, World Development Indicators and other World Bank estimates, using 2002 data. National Poverty lines are based on Government estimates.

<sup>4</sup> The World bank and others use a poverty line of £2 (\$2.15) a day for the Europe and Central Asia region as the \$1 (\$1.08) a day poverty line is not appropriate for these countries due to the higher needs for heating, clothing and food in a cold climate.

<sup>5</sup> For example, whilst foreign exchange controls were loosened, the trade regime was made even more restrictive and limits in access to domestic cash have held back the development of an operational foreign exchange market. Only a few large-scale enterprises have been privatised and, despite government resolutions targeting agricultural reforms, state control over the types of crops that farms are to grow and State purchases of the cotton crop and more than a half of wheat crop, remains largely in place.

It is widely agreed that poverty and Islamic fundamentalism compounded by this sort of political repression is generating desperate resolve in people who have nothing to lose. There is a high threat of terrorism. The Jihad Islamic Group (JIG), a successor to the Islamic Movement of Uzbekistan (IMU), an organization allied with al Qaeda have claimed responsibility for at least five suicide-bomb blasts seen this year (2004).

In this hostile environment for pro-poor growth and the empowerment of the poor, the messages from the International Community to the Uzbek government have not always been coherent and consistent. This has made it difficult to work together in support of positive change. In particular, there have been different views about the government's progress with its economic reform agenda, its role as an important regional player, its approach to human rights' abuses and its support to the "war on terror".

DFID's bilateral aid programme has been surprisingly successful. However, as a small player in Uzbekistan, we have been unable to press for significant change without the support of the larger players. This case study explains how DFID was provided with, and took, the opportunity to change the nature of the policy dialogue between the government and the international community. It remains to be seen whether this intervention will deliver lasting change, but early signs are hopeful.

### **DFID's Work**

DFID has been active in Uzbekistan since 1992. In light of ongoing political, social and economic problems in Uzbekistan, DFID has made use of both aid and non-aid instruments to influence policy decisions and work towards poverty reduction. The three core areas of our approach are:

- Influencing multilaterals - Work with the EBRD and other agencies (World Bank, IMF and Asian Development Bank) in support of the economic and political benchmarks set out in EBRD's 2003 Country Strategy for Uzbekistan;
- Policy dialogue – Highlighting Uzbekistan's weaknesses to other donors and encouraging their engagement with the issues identified; and
- Bilateral engagement - Exploring possibilities of working with civil society actors in designing and developing activities on our thematic and regional priorities (in particular, health, statistics and livelihoods).

### **Influencing Multilaterals & Policy Dialogue (*Success Criteria: Support Drivers of Change*)**

In 2003, DFID was provided with a unique opportunity to alter the policy dialogue between the government of Uzbekistan and the international community. The DFID Secretary of State, Rt. Hon Claire Short, as the Governor of the EBRD Board, gave a keynote speech at the 2003 EBRD Annual Meeting. The Meeting was due to take place in Uzbekistan – a

controversial location because of its deteriorating economic and political situation.

In concert with the EBRD President, the UK Government decided to take full advantage of both this opportunity and the Bank's unique political mandate to deliver some tough messages to the Uzbek government on political and economic reform. In order to do this DFID worked with key partners in the run-up to the meeting. Our preparations included:

- Regular high-level meetings between the Secretary of State (Clare Short) and the President of the EBRD (Jean Lemierre), to agree key messages and how best to relay these to key actors (including to President Karimov, the Presidents of the other Central Asian Republics, the EBRD Shareholders, and the International Financial Institutions).
- Regular Whitehall meetings to ensure that the key messages included, and were consistent with, wider UK policy towards Uzbekistan. The British Ambassador in Tashkent played a supportive role in this process.
- Discussions with EBRD shareholders (at all levels up to Minister), to encourage them to attend and to support the key messages at the Annual Meetings.
- Regular meetings with NGOs to ensure that the meeting provided the space for them to voice their concerns and views.
- Support to the EBRD to develop economic and political benchmarks in its Strategy for Uzbekistan (presented to the EBRD Board in March 2003). Our view was that this would provide the Bank with a tool through which key stakeholders and international financial institutions could discuss the key issues and monitor their progress in a consistent, transparent way.
- Cooperation with the United Nations special rapporteur on torture who presented findings from a mission to Uzbekistan to the U.N. Commission on Human Rights in April 2003. He stated that torture was "systematic," and concluded that torture was "pervasive and persistent . . . throughout the investigation process." In response, the government promised a National Action Plan to combat torture, implementing many of the special rapporteur's recommendations.

At the EBRD Annual Meeting, the DFID Secretary of State, Rt. Hon Claire Short highlighted the deficiencies of the country's human rights and the lack of political openness to the donor community. Her opening speech was broadcast live in Uzbekistan, with EBRD providing the interpretation to ensure tough messages were delivered. This facilitated an honest discussion between the international community and the Uzbek government. The meeting focussed unprecedented attention on the Uzbek authorities' poor



commitment to EBRD's political mandate and enabled constructive follow-on discussions with other key players, especially the US<sup>6</sup>.

Since then a number of events have occurred:

- EBRD has adjusted the focus of its activities so that it targets mainly the private sector. Public sector projects will only be considered if they have direct benefits for the Uzbek people, or if they involve neighbouring countries. In emphasising its support for the Uzbek people, the Bank reinforced its commitment to sustain a good level of engagement with Uzbekistan. This position was fully supported by the UK and Human Rights NGO's as the best way for EBRD to continue to support the people of Uzbekistan.
- In February 2004, the Bank's Board of Directors met influential figures within the Uzbek government to continue the policy dialogue. This dialogue has continued to deliver the key messages and helped to inform the next country strategy, due in 2005.
- In July 2004, the US State Department announced that \$18 million in economic aid to Uzbekistan would be suspended because of its failure to carry out a promised political liberalization or improve its human rights record. The United States' supplementary aid to the Uzbek government is now conditional on "substantial and continuing progress" in the field of human rights, and the Bush administration must certify every six months that this condition is being fulfilled. Uzbekistan will still receive the designated U.S. funds under a national interest waiver (to avoid the proliferation of nuclear, chemical and biological weapons) but nevertheless the much-needed political message about U.S. dissatisfaction over the Uzbek government's human rights record has been made.
- The Organization for Security and Cooperation in Europe, the United Nations Development Program, and individual countries with representations in Tashkent have actively participated in discussions on the National Action Plan to combat torture. Many of these interlocutors have promised financial and other support to implement the recommendations of the U.N. Special Rapporteur on Torture.
- The EBRD, headed by the Secretary General, has conducted two monitoring missions to assess the Country's progress against the benchmarks. The IMF and World Bank contributed to these discussions. Consequently, these IFIs and many bilateral aid agencies are speaking with a more united voice about the issues that need to be addressed.

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<sup>6</sup> The resignation of Clare Short the following week was portrayed by the Uzbek government as a result of the "falsehoods" she had delivered in her speech. Her resignation was a setback to DFID/HMG's ability to advance its work at a faster rate.

- The World Bank has focussed its interventions more in areas that specifically support pro-poor development and regional cooperation.
- There has been very limited impact on the policies of the Asian Development Bank (ADB). Some donors have abstained from voting on certain projects. But the aid spend continues to be high.
- Japan, which is not concerned about the problems of observance of human rights and freedom of speech in Uzbekistan, continues to pour money into the country to develop alternative supplies of oil and gas. Recent reports note that Tashkent is planning to obtain loans totalling 592.9 million US dollars from the Japanese Bank for International Cooperation (JBIC) to develop the oil and gas sectors.
- The US - which is not indifferent to the routes taken for laying the future strategic oil and gas pipelines nor to the military opportunities provided by Uzbekistan (3,000 US soldiers are based here to support the anti-terrorist operation in Afghanistan) – continues to maintain a large military spend to the country.
- The EBRD's assessment of Uzbekistan's progress against the seven set benchmarks states that there had been some, albeit limited, progress in meeting the Bank's economic and political benchmarks.

***Bilateral engagement (Success criteria: Improve Rule of Law, Support Driver of Change and Encourage Pro-Poor Growth).***

In the run-up to the EBRD Annual Meeting, DFID made a strategic decision not to engage in any new bilateral projects, until the key messages had been delivered. This decision was an important part of our “influencing strategy”. However, it did not reflect the performance of our bilateral interventions – the Bulungur Institutional Strengthening and Micro-Credit project (BISAMP) and support to the Primary Health Care Reform – which had been surprisingly successful.

Our experience from the bilateral aid programme (Fuller details attached at Annex A) illustrated that, despite a hostile environment, it is still possible to find entry points which support drivers for change, influence Government policy, and build sustainable institutions and reforms in selected areas.

In our view, the successes were due to:

- The identification of the main drivers for change, and what their shared needs were.
- Working in a joined-up, coordinated way with all the donors and domestic players to deliver reform most effectively (health reform).
- Emphasis on local ownership and involvement of the local community in problem resolution right from the start (rural livelihoods).

- The employment of local staff and keeping a level playing field between the salaries of consultant salaries and local salaries.
- The delivery of real, and ongoing, benefits to the drivers for change (e.g. relevant training and advice for improving production methods/service delivery and support for income generation and business development for women).

### **Lessons Learnt**

In summary, this experience has highlighted the following lessons for small programmes in difficult political environments:

- There are usually some entry points for successful bilateral interventions.
- A small, but successful bilateral aid programme is not sufficient to deliver high-level change in a country, but it does provide an informed position as to the development challenges facing the country.
- Be prepared to stand back from the detail and identify alternative ways of influencing the policy agenda.
- Important messages from the international community to Governments need to be agreed, consistent, delivered in many different guises and monitored in a regular and transparent way.
- Occasional, focussed Ministerial and high level UK inputs with key partners can transform the status quo but.....
- ....they need to be followed up with supportive bilateral and multilateral interventions in order to deliver lasting change.
- In the international community, geo-political issues often over-ride the human rights and development challenges in-country. Finding the common ground between the two agendas may be impossible, but it is possible to clarify the different objectives, to ensure that support of one issue is not taken as condoning the other.

### **Annex A**

#### **The Bulungur Institutional Strengthening and Micro-Credit project (BISAMP)**

Between 1997-2001 DFID implemented the BISAMP project. This provided £440,000 of technical assistance and \$100,000 capital for the micro-credit fund. The objective of this project was to reduce poverty in rural areas by assisting private farmers in the Bulungur Rayon of Samarkand Oblast to establish and operate farmers associations. Through these associations farmers gained support for developing institutions that were financially more independent from the state, legal back-up for securing independent private

farming and better access to input supplies (including credit) and markets. This is essential in a country where the poor - as individuals - have no voice, there is incomplete land reform, extensive government intervention, state procurement of various crops and an overall environment that is hostile to pro-poor growth.

An ex-post evaluation of the project was carried out in 2002. This highlighted the positive impact the project has had in encouraging local banking to be more supportive of farmer organisations and local regional administrations to be more supportive of the establishment of private farmers. Despite the hostile environment in which the project was operating, it was largely successful in influencing Government policies and generated increased support for private farming and necessary infrastructure and encouraged a new decree on 'Non Banking Micro-Credit Institutions' in 2002. The project was successful in supporting drivers of change: individual private farmers who opted to leave the Post-Soviet large farm enterprises to farm their land individually; the Private Farmers Association, groups of farmers (including female entrepreneurs) who work together; and the cooperative that brings together the groups for joint action and service delivery. In addition the bottom up cooperative development has been instrumental in securing the 'rule of Law' through the protection of access rights to land and inputs and markets for the private farmers and their groups. The response of other donors in Uzbekistan is testimony to the success of the project: the World Bank and the Asian Development Bank have undertaken micro credit projects in Uzbekistan that incorporate several aspects that were pioneered by the BISAMP project.

Perhaps the fundamental success of this project, however, is the sustainability of the institution that it established. The successor to the BISAMP project (an independent farmers associations cooperative, registered in 2000), Madadcor - Uzbek for 'Hope' - operates independently of DFID financial support with local staff – many of who were trained under the BISAMP project. Madadcor is a diversified, democratically managed farmers' organisation that provides small-scale farmers and businesswomen with access to services and benefits they are unable to access individually (such as the provision of micro credits, input supply and marketing support, accountancy, taxation and legal support)<sup>7</sup>. Despite the challenging socio-economic and legal situation in Uzbekistan, Madadcor has generated a wide range of economic, social, and professional benefits for its participants, including the empowerment of women in the traditional rural Uzbek community (half the credit beneficiaries from the micro-credit fund are women). Madadcor partners are now sharing the lessons and expertise that has been generated as a result of the BISAMP Project with neighbouring districts along the Uzbek and Tajik borders to explore the potential for a cross-border regional development initiative in the Uzbek/Tajik Zarafshan Valley. Madadcor has also hosted a number of World Bank and TACIS (EC) delegations that have wanted to learn from the rare case of sustainable institutional and developmental benefits in a hostile environment.

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<sup>7</sup> The farmers' association also works on the development of sustainable farming and water management and provision of loans to develop a rural off-farm private sector, rural job creation (in particular for women), the growing of alternative crops and delivery of marketing services to help in their sale.

Key lessons to take from this experience:

- Delivery of real benefits to its members is the most significant guarantor for sustainable success (e.g. micro-credit fund, marketing support, further indication of niche production and training and advice for improving production methods and support for income generation and business development for women);
- Employment of local staff and connection between staff salaries and local salaries; and
- Local ownership and involvement of the local community in problem resolution.

### **Support to the Primary Health Care Reform Programme**

As part of the World Bank Support to Primary Health Care (PHC) reform in Uzbekistan, DFID provided £1,000,000 to improve the quality and accessibility of primary health care to the rural poor. DFID support focused on the development of training in general practice. This had a considerable impact through both its contribution to the improvement of the health status of the population of Uzbekistan and by encouraging engagement with the Government. Evidence of the government's buy-in to the programme is the establishment by Ministerial Decree of a Steering Committee for GP Education and the national adoption of the training GP trainers programme (devised by the Trainers as part of the DFID Project).

**Key lessons learnt:**

- Don't fight the system; accept the realities and work within them.
- Sufficient budget flexibility to allow training institutions to purchase their own essential equipment, rather than waiting for it to be delivered by the donor.
- Importance of long-term commitment by the donor to the project if the aim is to facilitate major policy reform (minimum five years).

### **3 Kenya: The Political Empowerment Programme<sup>8</sup>**

#### **Background**

The Political Empowerment Programme (PEP I) began in April 2000. The overall aim of the programme was to contribute towards a genuine political system that allows all groups and individuals in society to freely advocate their position, and participate effectively in the democratisation and decision-making processes in Kenya. Through the programme, Civil Society Organizations (CSOs) were identified and supported to create awareness among poor people on civil and political rights and duties. The programme also worked to have the twin objective of building the capacity of CSOs and through them, the citizens, for effective demand of their entitlements. These CSO groups also served to articulate the views and interests of the poor as well as engage in an effective dialogue with the Government.

By the year 2000, it was clear to DFID that the governance problems lay at the heart of the economic and political malaise affecting Kenya. These problems manifested themselves through pervasive corruption and gross inefficiencies in the performance of state institutions and public services. Apart from this, there was a near collapse of the public services, dismal performance by constitutional institutions meant to provide checks and balances to an increasingly centralized executive with immense powers over and above other institutions meant to provide constitutional bulwarks.

The relationship between donors and the government were poor as was the relationship between the governed and their government. This situation called for a programme that would work to rekindle the public debate, re-energize civic action, resuscitate the stifled democratic processes, support constitutional reforms, and work towards the entrenchment of citizens' participation at the heart of policy formulation and execution process.

#### **Implementation**

Through PEP I, DFID entered into a joint multi donor funding arrangement for the civic education component with like minded donors. The objective of the basket was to provide a collaborative and coherent framework for donor support towards the consolidation of a mature political culture in Kenya. This would enable groups and individuals to remain aware and articulate their rights and obligations and freely advocate their positions to the relevant government authorities. The basket fund provided a window of opportunity for the integration of civil and political rights issues with a broader aspect of social and economic change and for beginning to support more grass root organizations outside urban areas.

The project targeted about a one hundred civil society groups that had coalesced around the five consortia. To select participating CSOs, an elaborate mechanism was developed. Individual organizations submitted

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<sup>8</sup> Martin Oloo Governance Adviser, DFID Kenya, November 2004

funding proposals to the donor group. The donor group's steering committee and the Technical Assistance Team decided on which proposals to fund. A Financial Management Agent (Private sector provider) managed all procurements and disbursements against the programme while the CSOs used a joint curriculum to deliver a nationwide civic education programme.

The Programme had a number of components clustered around five outputs. These were: civic education, domestic observation of the 2002 General elections, an inclusive policy dialogue, independent research on specific issues such as the engendering the budget process, and corruption, and support to democratic institutions especially strengthening the Parliament.

The rationale for basket funding approach grew from the bad experience with separate bilateral funding to civic education in the past, which had been somewhat ad hoc and piecemeal. It was clear therefore that there was much to be gained from supporting genuine governance activities through a better funding mechanism that would ensure a coherent approach among donors and civil society players.

By the end of the phase one, a total of £2.5 million had been spent on the programme.

### **Issues/Lessons learnt**

A project completion review was commissioned, at the end of the project which made a number of observations, reflecting both the strengths and the areas that needed strengthening, which have since been factored into the design of the second phase of the Political Empowerment Programme.

The first observation centred on the importance of staying engaged as reflected by the fact that DFID Kenya had worked through this programme during a very difficult time. This, no doubt, reinforced the need to have innovative and creative programmes in a poor policy environment. PEP one was able to make immense contribution to the democratisation process, facilitated the increase in voice, and rights awareness making a significant contribution in the 2002 electoral process.

PEP I made significant contribution to Kenya's transition to the democratic rule through sustaining high numbers of women voters, elected and nominated women members of Parliament in a process that had been hitherto, largely male dominated. The Kenya Domestic Observation project, which fell under the PEP I, was rated as a major success and contributed to the reduction of electoral irregularities, while the Engendering Political Project served to mobilize a significant number of women political players.

Kenya's democratic gains are however at the infancy stage especially when begins to observe the waning of the euphoria and promises associated with the arrival of the new National Rainbow Coalition government. As the reality of challenges creep in and citizens begin to openly express their disillusionment with the NARC government, the mood has been that of both raised

expectations and an apparent despair. While corruption is still endemic, efforts to bring to book those responsible for the numerous cases of corruption remain largely unrealised. The Constitutional Review process is caught up in personality based disagreements without an apparently clear path towards its conclusion.

This creates both an opportunity and threat to the phase two of the PEP, which is now underway. The opportunities and threats to widespread political empowerment makes the case of how to develop Kenyan state into a neutral arbiter of conflicting interests and struggles even more urgent. With this coordinated funding mechanism, it was easier and more efficient; to work in a wide range of Geographical areas, employ a range of methodologies and foster effective horizontal and vertical linkages among different interest groups. And not to be forgotten, the mechanism pooled political risks among potential donors for funding of political empowerment activities.

### **Scaling up?**

The Phase two of the project builds on the gains and takes on the challenges of phase one to the next level. There is now a government-driven Governance, Justice, Law and Order sector programme (GJLOS), for which donors have joined hands into a basket group with the aim of entrenching the necessary reforms in the sector with a view to improving, access to justice, better realization and protection of human rights. When it is finally approved, the new constitution of Kenya is likely to have a better and more modern Bill of Rights that encapsulates the three-generations of human rights issues in consonant with the best practice.

While the scaling up was a deliberate design in providing for a second phase to build onto the gains of the first phase, developments that followed the loss of the long reign of the one dominant party in Kenya, KANU, and the departure of the long serving President Moi, opened up new democratic space.

### **Targeting the Poor**

The Civil Society groups that form the consortia through whom PEP I worked on civic education had a national and grass root membership that represented the interests of the poor, the disadvantaged men and women. The elite based groups in Nairobi are often best placed to influence policy. While recognizing that the interests of elite groups may not be necessarily congruent, one of the aims of the programme was to build vertical linkages between these groups and those for and of the poor. Horizontal linkages between the groups and made up directly of poorer interest groups were also developed to promote voice in the political and policy process.

### **Fragile States**

We have observed that staying engaged in the fragile states can make the difference in governance as the PEP I programme demonstrates. The Political



Empowerment approach is one that targets the citizens directly and civil society groups. It works on the demand side to enable citizens exert pressure on their government and elected officials for an enhanced accountability in policy and political process. The recent developments in Kenya indicate a need however to work on several tracks that includes the demand and the supply side. While working with Government it is also critical to work with the Parliament to ensure the checks and balance aspects are developed.

## **4 Azerbaijan: Extractive Industries Transparency Initiative (EITI)<sup>9</sup>**

### **Context**

Azerbaijan is an “other LIC” (DAC classification) country with an average GNI p.c. of \$710 in 2002. As a former Soviet state it has only a short history of independent government. Conflict with Armenia over the enclave of Nagorno-Karabakh in the early-1990s saw Azerbaijan lose 18% of its territory, and led to approximately 800,000 internal refugees. The conflict has remained “frozen” since the 1994 ceasefire, but is a point of continuing instability. Government since then has been dominated by one family – first under President Heydar Aliev, and subsequently (from 2003 onwards) his son Ilham Aliev. In 2004 Transparency International rate Azerbaijan 140<sup>th</sup> (from 145 countries surveyed) on their corruption perception index. Azerbaijan is dependent on oil and gas exports – which presently account for 86% of export income, and this will rise significantly when new pipelines are completed in 2005 and 2006.

In short, Azerbaijan is a “fragile” state – it is highly vulnerable to a combination of impacts more commonly known as the “resource curse” whereby states heavily dependent upon the extractives sector have been shown to be particularly vulnerable to poor economic performance, corruption, and conflict.<sup>10</sup>

The Extractive Industries Transparency Initiative (EITI)<sup>11</sup> was launched by UK Prime Minister in 2002 to address one of the causes of the resource curse – a lack of transparency of oil, gas, and mining revenues in developing countries. This lack of transparency in turn can generate poor governance and conflict, as the relationship between state and citizen weakens in favour of maintaining (or capturing) those few commercial relationships that provide the majority of the income of the state. A lack of transparency can also lead to unproductive expenditure as governments seek to “pay off” civil society, or rent seeking from groups with an unrealistic understanding of the resources available.

### **Key outcomes / Impacts**

The Government of Azerbaijan was one of the first countries to commit to implementing EITI.<sup>12</sup> Thus far, outcomes and impacts have been dominated by the creation of a multi-stakeholder accountability mechanism. The Government of Azerbaijan, international, national, and state-owned oil and gas companies, and a local NGO coalition on transparency signed an agreement on 24 November 2004 regarding how payments by companies,

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<sup>9</sup> Sefton Darby 2004

<sup>10</sup> See Collier et al (2003), *Breaking the conflict trap*; Brannon, I. and Collier, P. (eds), *Natural resources and violent conflict*, and Collier, P. and Hoeffler, A. (2004), “The challenge of reducing the global incidence of civil war”, *Copenhagen Consensus Challenge Paper*.

<sup>11</sup> For more information see <http://www.eitransparency.org>

<sup>12</sup> See the statement made by Ilham Aliyev, then Vice-President of the State Oil Company of the Azerbaijani Republic (SOCAR), and subsequently President, made at the Lancaster House EITI conference in June 2003 at: <http://www2.dfid.gov.uk/pubs/files/eitidraftreportazerbiajan.pdf>

and revenues received by government, would be reported and scrutinised. It is the creation of this mechanism that will be key to re-establishing an accountability link between civil society and government regarding Azerbaijan's substantial extractives resources.<sup>13</sup>

All parties expect that a first set of payments and revenues figures, collated by an independent auditor appointed by a committee with representatives from all sides, will be published by early 2005.

Needless to say, it is too early to establish what the key outcomes and impacts will be. It is hoped that increased transparency and accountability will improve the governance situation, make it more difficult for unproductive or rent-seeking economic behaviour to be promoted by the state, and subsequently remove two key drivers of conflict.

### **Design features key to success**

The key design features of EITI are:

- *It is a country-led approach:* While EITI principles and policy are agreed and set at an international level, the responsibility for the development of reporting methodology lies with individual EITI countries.
- *A multi-stakeholder approach:* While the Government of Azerbaijan is ultimately responsible for setting the transparency environment, a fundamental principle of EITI is that it involves the active participation of all companies operating in the country, and civil society groups.
- *Guarding the brand:* EITI is an international initiative, and as such, other developing countries implementing EITI, as well as donors, international companies, and NGOs all have a clear interest in maintaining the credibility of the initiative. Because of this, international partners “police” the brand by engaging with governments they perceive to not be upholding the key EITI principles.

### **Can it be scaled up?**

The extractives sector in Azerbaijan is the dominant sector, so it may not be worth expanding it to other sectors. What EITI does do is provide a reliable set of figures on government revenues that can then be used to inform wider public financial management programmes.

Internationally the most obvious way to “scale up” EITI is to have more countries choosing to implement it. At present, in addition to Azerbaijan, Ghana, the Kyrgyz Republic, Nigeria, Congo, and Sao Tome e Principe have

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<sup>13</sup> For copies of this agreement see <http://www.eitransparency.org/azeribajianmou.htm>. See also the Government of Azerbaijan's statements on EITI at: <http://www.oilfund.az/search.php?get=EITI>. The views of the NGO coalition for transparency can be found at: <http://www.eiti-az.org/eng-index.php>

committed to implementing EITI. Considering the relative newness of the initiative, this is a good start, but still but a small proportion of the number of extractives-dependent developing countries. DFID, and its main partner in implementing the initiative – the World Bank – are now seeking to find other donor partners to help support implementation of the initiative in other countries.

### **Implementation mechanisms**

- *Strong, top-level political engagement:* Political engagement on EITI between the Government of Azerbaijan and the UK government occurs at a senior level<sup>14</sup>. Indicating how important we see the initiative to be has in-turn stimulated serious engagement from the Government of Azerbaijan.
- *Engagement of the IFIs:* The European Bank for Reconstruction and Development (EBRD) and the World Bank (through the IFC) have provided considerable financial support to projects to help Azerbaijan develop and export its oil and gas. On the back of these investments, both institutions have pushed the importance of transparency with the Government of Azerbaijan.
- *Constant stakeholder management:* The UK Government – through the Embassy in Baku, as well as through DFID – have played a key stakeholder management role in ensuring that all parties are being consulted and engaged in the process. Ensuring, in particular, that civil society has a credible role in the process has been key.
- *Building capacity in government and civil society:* Although funding on capacity building for both has yet to take place, we place considerable importance on ensuring that the Government of Azerbaijan and the NGO coalition both develop the long-term capacity to remain engaged in the process.

### **Expenditure**

Thus far the primary cost has been the time required by FCO and DFID staff to create the UK and IFI engagement, and subsequent stakeholder management. For most of 2004 this has been the equivalent of one full-time policy analyst, though this has been split across several individuals in Baku and in London. DFID has recently appointed a full-time project officer on the ground to manage the process, at a cost of approximately £27k including non-salary costs. It is expected that this post will be a short-term one (less than one year) to help support EITI in Azerbaijan as it moves from a political phase (agreement of process), to a delivery phase, in which capacity building in Government and civil society will be necessary to make the process sustainable

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<sup>14</sup> Most recently, for example, EITI was included in the joint communiqué issued following the meeting of Prime Minister Tony Blair and President Aliiev on 14 December 2004 – see <http://www.number10.gov.uk/output/page6776.asp>

The Government of Azerbaijan has asked for support to pay for the costs of establishing a secretariat within the State Oil Fund (the part of government that leads on EITI), as most of the work – both policy development as well as administrative – is presently being carried out by the executive director of the fund. We will almost certainly support this, either through funds from the regional programme, or from the EITI trust fund based in the World Bank. Costs to pay for a fulltime secretariat based in the oil fund would probably not exceed more than £20k - £40k.

The World Bank also has a development grant facility available to support EITI by building capacity Government and civil society. Five proposals have been received from local NGO groups for different forms of capacity building, and we are currently evaluating them. Again the cost is quite small – perhaps around £30k.

Costs associated with the employment of an independent auditor to produce six-monthly reports will be split between the state oil fund, and the companies operating in Azerbaijan.

## **5 Indonesia – Multi-stakeholder Forestry Programme (MFP)<sup>15</sup>**

### **Context**

Indonesia's forests under President Suharto were managed centrally by the State. Forests were managed for timber to contribute to growth. Forest (land) use concessions were awarded to the private sector. This favoured a coalition of bureaucrats, businessmen and the military. Peasants, labourers, small businessmen and indigenous groups lacked organisation and influence. Their access to and profit share from forest (land) resources remained minimal. The situation was particularly poignant for the millions of indigenous people who saw their ancestral hold over forest (land) gradually erode.

The coalition collapsed during and immediately following the Asia Financial Crisis and downfall of Suharto. Peasants, labourers, small businessmen and indigenous groups grabbed this opportunity to stake their claims. Logging camps and equipments were destroyed, land was invaded and the State lost control. To survive, some 'big business' operators negotiated and in some places fragile arrangements for profit-sharing and co-management emerged. The main outcome from the collapse of the state in 1997-98, however, was that Indonesia's forests fell into a 'tragedy of the (unmanaged) commons'.

The period following Suharto's downfall has witnessed a steady, but at times also chaotic, transition to democracy. In 2001 alone, the Minister of Forestry changed 4 times. A far reaching but ill-prepared process of decentralisation was launched in January 2001, which gave District officials increased powers to make land use decisions. Civil society organisations sprang forth and rapidly filled the institutional space provided by an uncertain bureaucracy, a free press, and Indonesians' yearning for democracy after many years of corrupt autocratic rule by the central State. The regime of President Megawati following President Abdurrahman Wahid downfall in July 2001 has restored macro-economic confidence. Growth has been a steady 4 to 4.5 % annually since 2001 and a (slow) start has been made at reforming the bureaucracy and the judicial and security services.

Figure 1 illustrates the relative levels of influence of the major political agents from 1995 to 2004. The initial locked bi-polar situation where the central state and private sector ruled at the expense of all other agents has now been replaced by a more balanced distribution of effective (formal) power. The period in between was characterised by large and often short-lived swings of political influence, which gave local communities and civil society brief windows of opportunity. It is during this period of rapid power shifts that DFID launched the Multistakeholder Forestry Programme (MFP). Its aim was to provide Indonesia's stakeholder the means of experimenting and negotiating fairer and more sustainable forest management arrangements.

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<sup>15</sup> Yvan Biot, 2004

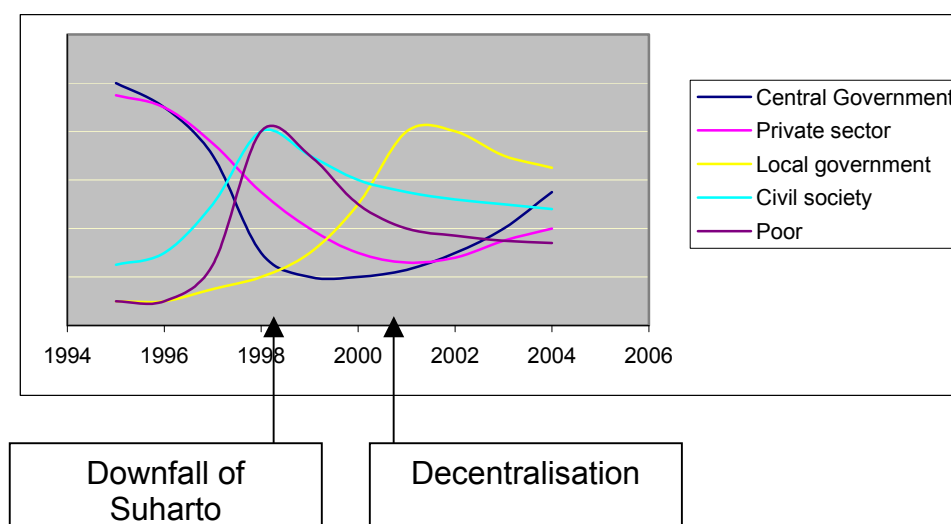


Figure 1: Relative power-shifts of political agents influencing forest management

### **What are the key outcomes or impacts?**

From its official inception in October 2000, the MFP provided financial and technical support to over 200 partner initiatives that promoted capacity building (in organisational strengthening, technical and participative skills, research), action research (on conflict negotiation, community based forest management, illegal logging), shared lesson learning (through exchange visits and documentation) and advocacy for legal reform.

Thus, numerous examples emerged of better forest management by communities and the timber industry, co-management of (forest) landscapes through participative land use planning, conflict resolution and the elaboration of joint management arrangements between the state, private sector and local communities. Partner initiatives also promoted institutional reform of government and non-governmental organisations, including the private sector. The programme also contributed to international processes on trade, finance and donor harmonisation.

The results of an Output to Purpose Review (OPR) conducted in 2003 concluded that in 3 years, the programme had contributed towards:

- Increased public awareness of sustainability and equity issues;
- Local government adopting and co-funding participative approaches;
- Raised voice of forest dependent communities;
- Increased civil society capacity to act as service providers;
- More coherent national policy on illegal logging and social forestry;
- Increased use of accountability mechanisms;
- Increased pressure on international trade and finance to withdraw support to unsustainable and unfair forest management.

### **What are the ingredients that make the initiative a success?**

The process of reform and decentralisation launched after Suharto's downfall provided the *political space and mandate* for the changes the MFP contributed towards. Thus, the first ingredient to MFP's success has been its ability to engage rapidly and effectively with a wide range of often very rapidly evolving drivers of change.

This ability was grounded in an intensive '*drivers of change*' analysis which preceded the MFP launch by about 18 months, and which was conducted with the main stakeholders. The analysis concluded that there was both a need and an opportunity for a programme to support negotiations of new political settlements, changed attitudes through wider awareness of problems and solutions, consensus building through joint stakeholder research and dialogue, demonstration of better forest management including for the poor and better information, communication and accountability.

The drivers of change analysis stressed the need for a *flexible capability to promote promising local initiatives and facilitate dialogue* and consensus building between forest users and government service delivery, between different forest users, within forest user organisations, within government, between the executive and wider policy actors and between forest users and wider policy actors.

The programme's use of '*shared learning*' as a tool for developing horizontal and vertical lesson learning contributed towards a very rapid dissemination of 'policies that work (locally)'. The programme also supported the *creation of networks* to work for change, and to link with other potential supporters (donors, government budget).

The programme's in-built *stakeholder accountability* allowed for a responsive programme management. The decision to review programme management when the central government bureaucracy had regained some of its political influence allowed for a renewed focus on 'upstreaming' and a higher likelihood of policy adoption at the Centre.

The *operational independence* of the facilitator and management team was key to bring all stakeholders on board. The programme's flexibility to engage with different stakeholders and to rearrange its management structure has allowed it to adjust to the changing political environment (figure 1).

*Intensive interaction by DFID advisers with partners at all levels* has been important to understand what drives change locally as well as nationally, and identify potential entry points for engagement. Delegating programme management and facilitation to an independent team has allowed DFID to keep its direct transaction cost low.



### **Are there spin-off benefits that were not originally anticipated?**

An attitudes survey conducted in 2002 (Casson, 2003) found that local people and local government were perceived by most stakeholders to wield more influence than in 2000.

At the time of the OPR, stakeholders requested the institutionalisation of the MFP as a platform for 'difficult' discussions. This goes well beyond what was originally thought of as a time-bound initiative to engage a specific political opportunity with a view to attitude change. There exists a real chance that the programme will gradually evolve into a National Forestry Programme (NFP) as mandated by international agreements on forest sector management.

The principles of multi-stakeholder forest management are now widely accepted amongst all stakeholders. Local governments across the country have started investing funds from local budgets to co-finance participative land use planning exercises.

While the programme's emphasis was on policy processes for *future* improved policy instruments, the MFP has already witnessed the emergence of numerous improved government regulations locally. The national government launched a Social Forestry programme which interacted closely with MFP partners. The government also signed a bilateral agreement with the UK government to promote a reduction in trade of *illegally harvested* forest products.

Donor harmonisation has been complicated by diverging donor agendas in the sector, fluctuating political dynamics and by an ineffective bureaucracy at the centre. Despite these difficulties, the MFP contributed effectively towards new approaches to forest sector support by the WB. A renewed drive for donor harmonisation will incorporate lessons learnt from the MFP so far.

### **Is the MFP able to scale-up? How is this planned?**

The MFP was designed to influence local and national policy by providing space and opportunities for stakeholders to get involved directly into policy making. Scaling up is achieved through lesson learning from partner initiatives. Lessons are shared either horizontally amongst partners (civil society and / or government organisations), or vertically from communities to civil society and eventually to government. Annual partner meetings constitute the main forum for exchange of experiences, while more targeted events designed by both the facilitation team and partners themselves concentrate on specific areas of policy that are of interest at the time (illegal logging, land use planning, poverty etc.).

Following the OPR, a scheme was designed for greater participation of the forestry bureaucracy in programme management, with a special emphasis on the MFP's 'shared learning' activities. A programme of learning from the field was launched in July 2004, aimed specifically at Department of Forestry officials.

So far, the programme has been very successful at influencing local government policy and legislation on community based forest management. Several local assemblies have proposed to co-fund MFP partner initiatives to roll those policies out. At the national level, programme partners have been very influential in the development of the National Social Forestry Programme which sets out the conditions for greater participation by local communities in decision making and profit sharing. The programme has enabled programme partners to feed forestry – poverty concerns into the PRSP and to lobby parliament on the inclusion of forest related crime as a predicate offence in money laundering legislation. The Government's successful lobby in international forums to add *Ramin*, a valuable timber species, in appendix 3 (2002) and 2 (2004) of the Convention on the International Trade of Endangered Species (CITES) is a direct result of MFP partner advocacy.

### **What aid instrument is used to support implementation?**

The MFP is implemented under a Government-to-Government agreement between the governments of Indonesia and the UK. The Planning Agency of the Department of Forestry is the implementing agency for Indonesia. It was agreed that programme management during the first year would be vested in an independent team of facilitators, and that an arrangement would then be sought to include programme partners into management. This was eventually achieved through an agreement with the Department of Forestry in February 2004.

Programme implementation is through partnerships with Indonesian stakeholders, who are identified by facilitators in the field. The MFP facilitators help partners design initiatives that are then submitted to a partnership appraisal committee. Once approved, initiatives receive funds directly from the UK using DFID's Accountable Grants scheme. A simple monitoring and evaluation scheme is then set in motion to ensure that partners learn from experience and that their lessons are shared with others. A team in Jakarta ensures that financial training is provided and independent audits are carried out to ensure that proper financial management was applied.

The MFP management and facilitation team consists of 2 DFID and 4 Ministry of Forestry staff, with support from a team of 20 facilitators and administrators. The UK and Indonesia co-directors report back to their respective line agencies. A Steering Committee meets twice a year to consider strategic decisions. A partners meeting is held once every 18 months to share lessons learnt, and receive and evaluate the management and facilitation team report. A stakeholder committee meets twice a year to monitor the programme management and facilitation team on behalf of programme partners, and to bring issues raised by programme partners to the attention of programme management and the Steering Committee.

### **How much has been spent under the programme?**

The programme is due to run until the end of December 2006, by which time it is expected that it will have spent its total design and implementation budget of £ 25 million. Two thirds of the funds allocated to partnerships had been allocated by the end of 2003. The table below summarises the expected spends at the end of the programme.

<b>Budget item</b>	<b>£</b>	<b>%</b>
Personnel - DFID	1,350,000	5
Personnel - non DFID	3,493,150	14
Consultancies	628,000	2
Office running costs	286,075	1
M&E	958,553	4
Partnerships	18,456,782	73
<b>Total</b>	<b>25,172,560</b>	

### **III Improving the Lives of the Poor**

#### **6 Kenya: Social Marketing of Insecticide Treated Nets<sup>16</sup>**

##### **Context.**

The social marketing of Insecticide Treated Bednets (ITNs) began in January 2002 with a budget of £ 17,800 for 5 years. Population Services International (PSI) implements the project through an accountable grant. The purpose of the project is to increase the use of ITNs among pregnant women and children under 5. The goal is to reduce morbidity and mortality from malaria and contribute to achieving the MDGs. The outputs are: increased availability of ITNs and retreatments nationwide; increased informed demand for ITNs and retreatments; increased knowledge on malaria, treatment and prevention. The project was expected to sell 2.3 million ITNs and 1.5 million retreatment over 5 years using Lengler formula this was expected to save 40,000 child lives.

The principle of social marketing is that it uses the private sector marketing practices to sell public goods and increase knowledge and awareness. It creates demand for the product, lowers the prices through encouraging involvement of the commercial sector in the supply chain and can eventually create a sustainable market at least in urban areas.

The benefits of ITNs are universally acknowledged. They have been found to be effective in protecting against malaria, reducing childhood mortality by an average of 18% in malaria areas. However retreatment is crucial to optimise the impact, which is why the registration of two Long Lasting Nets is a welcome advance in the prevention of malaria.

The project was approved during a time when relationships with the Government of Kenya were poor and using social marketing was seen an effective way of increasing the coverage of a public good without subsidising a non reforming government. The social marketing approach also supported the national malaria strategy without putting extra pressure on an already over stretched health system. The MOH at that time were requesting funds to distribute free ITNs; in a climate of political patronage, as in Kenyan, there were concerns that the ITNs would not reach the vulnerable or the poor.

##### **Implementation.**

The social marketing project used existing distribution networks in urban areas but in rural areas it was also necessary to set up a network of kiosks that would sell ITNs, condoms as well as other products. Over the first year of operation sales targets were exceeded with total sales of 1.38 million 38% above target but it was acknowledged that urban sales had been disproportionately higher than sales in rural areas and that the rural targets were unlikely to be met. The uptake was lower in rural areas partly due to

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<sup>16</sup> Marilyn Mc Donagh Health Adviser, DFID Kenya, October 2004.

lower awareness of the benefits and lack of access to retail outlets, but also to the low purchasing power of the majority of rural people. An Output to Purpose review (OPR) was carried out in January 2005 and it recommended that a change of strategy was required if coverage of ITN s in rural areas was to increase and achieve a 40% coverage of children sleeping under a net.

The recommendations were accepted and a submission was made to the Secretary of State for an additional £10 million. This was approved in June. The following strategy is now being implemented.

The price of ITNs in rural areas has been reduced from 200ksh ( \$2.5) to 100ksh ( \$1.25) but in urban areas the price of an ITN will remain at 300ksh.

The project is now focusing its sales through Mother and Child Health (MCH) clinics in rural areas and urban slums where an ITN will be sold for 50Ksh.

Once Long Lasting Nets have been registered in Kenya they will be sold through the MCH clinics at 50Ksh once production of LLNs has increased they will also be sold through the rural kiosks.

Sales targets have been revised and in 5 years the project expects to have sold over 7.2 million nets and saved 115,000 child lives resulting in an overall reduction in under 5 mortality in Kenya of 10% in malaria areas.

## **Issues/ Lessons Learnt**

### **Scaling Up.**

It was not possible to get adequate or quick coverage of women and children in rural areas using the existing rural marketing / distribution systems. In Malawi PSI piloted and then scaled up a system of sales through the MCH clinics. This model is now being used in Kenya and PSI will minimise the burden on the clinic staff by setting up a simple accountable system to monitor sales and revenue. The incentive for staff is that each clinic will be allowed to keep 20Ksh per ITN sold. Paradoxically attendance at MCH clinic is relatively good throughout most of the country and so provides access to women and children; using the clinics allows better access to vulnerable groups and permits better targeting of a subsidised commodity than through the retail distribution system. However, significant scale up will be dependant on a functioning health system, particularly MCH services but it is expected that sales through the kiosks will also increase due to the reduction in price. The project will monitor the sales in the MCH clinics and Kiosks to see how the different methods compare.

### **Targeting the Poor.**

MCH clinics serve the most vulnerable but not the poorest. The sale of a highly subsidised ITN in the MCH clinic is likely to increase the utilisation of the MCH clinic by those not normally attending and thereby increase the coverage of essential preventive services such as immunisation and antenatal

care. This will be an added bonus to the project and help achieve the health related MDGs. WHO/ UNICEF are advocating for free ITNs to be given out during measles campaigns but this method again will target the vulnerable and not necessarily the poorest. DFID has repeatedly offered to pilot different methods of reaching the poor however there seems to be a resistance to piloting in a belief that the Global Fund will provide funds for free ITNs to be delivered through immunisation campaigns. There seems to be a lack of recognition that distribution through MCH clinics or immunisation campaigns targets the vulnerable who are not always the poorest. Attendance at MCH clinics is not 100% and generally those who do not attend are likely to be the poorest. Although targeting through the MCH will rapidly increase coverage of vulnerable women and children it is important that we continue to seek innovative ways to reach poor women and children who do not attend MCH clinics.

### **Fragile States.**

The social marketing approach can be used to deliver public health goods such as ITNs, condoms and contraceptives independent of the health system. The greatest impact, however, will be seen in urban areas where extensive retail distribution systems exist. The social marketing approach alone will only achieve *limited* coverage in rural areas due the lack of extensive retail distribution systems. For the greatest impact and in order to reach the vulnerable and the poor, a combination of approaches will be required, some of which will be dependant on a functioning health systems either managed by the Government or NGOs. Using MCH clinics, as part of a comprehensive approach to sell subsidised ITNs is clearly the option of choice, where such clinics exist and mothers are attending, whilst at the same time making all possible efforts to minimise any disruption to the health system.

Sierra Leone Security Sector Programme (SILSEP) June 1999-ongoing<sup>17</sup>

## **Context**

When SILSEP began in the middle of 1999, Sierra Leone (SL) had experienced nearly a decade of unstable, corrupt, military rule coupled with the deprivations of a savage resistance movement – the Revolutionary United Front (RUF) that had occupied between a half and two-thirds of the country from the early 90s. What amounted to a civil war had climaxed in January 1999 with the invasion of Freetown by the RUF which was only repulsed by the West African, Nigerian-led and dominated Peace-keeping Force – ECOMOG - through desperate hand-to-hand, street-to-street fighting which had resulted in many casualties and massive damage to property.

Understandably in this context, the apparatus of the State and the whole pattern of governance had almost collapsed. The Government elected in February 1996 had been driven to take refuge in Conakry in Guinea between May 1997 and March 1998 by a military coup (“The Junta”). Two-thirds of the population had either become internally displaced or fled as refugees to neighbouring countries. The Rule of Law, writ of the police and of basic government services provision was confined to a few major towns in the provinces and to the Western Area around Freetown.

Awareness that internal security had to become a major priority focus of support began to grow in 1998 and was catalysed by the events of early 1999. SILSEP was designed in late 1998 and concurrently, a senior British General undertook a review of SL security and evolved a military assistance programme focused on the re-recruitment, re-training and strengthening of the SL Armed Forces. At the same time, their awareness of the importance of security was shared by the UN. UNOMSIL took shape in 1999 and eventually became the much larger and more strongly mandated UNAMSIL in 2000 after the crisis of May 2000 when the RUF attacked UNOMSIL and drove it back towards Freetown – a situation that was only stabilised by the intervention of the British Rapid Reaction Force.

## **Security Sector Reform**

The following factors faced policy makers in 1999.

(i) The total lack of political and civil service control over the Armed Forces. There was a Ministry of Defence but in its own assessment, it acted only as a postbox between the Head of State and the Army high command in the main barracks. Since the Head of State was also for long periods the Chief of Defence staff, negotiations of military budgets, equipment orders and recruitment expansion were not severely questioned. The Ministry of Finance was simply instructed to make the funds available and much expenditure was off-budget and unrecorded.

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<sup>17</sup> Garth Glentworth & George Holryd

(ii) Indiscipline and poor training in effectiveness were endemic in the Armed Forces. Soldiers exercised complete impunity before the law and civilians were terrified of them in all contexts.

(iii) There was no overall security strategy or military doctrine shaping the size, deployment and role of the Armed Forces or their relationships with other agencies such as the police, immigration services and customs.

(iv) De facto, the Armed Forces roamed at will, robbing the local population, attacking them and yet providing no effective defence against the RUF. There was deep suspicion of what were called “sobels” – soldiers by day, rebels by night.

(v) Desperation amongst the local population had revived the local tribal secret societies/militias and brought them together into the “Civil Defence Forces” that were acting as an alternative army and – at one time – had their headquarters in the Ministry of Defence which wasn’t doing anything much with the regular Armed Forces!

## **SILSEP**

SILSEP was designed with 3 major objectives:

- (i) to build up the SL Ministry of Defence (MoD):
  - to direct, manage and hold the Armed Forces to account;
  - to relate effectively and efficiently to the rest of GoSL as regards matters of the security sector (for example, budgeting with the MoF; logistics/barracks etc with the Ministry of Works);
  - and also gradually to strengthen the overall systems and relate to the security sector in the rest of GoSL: principally the Ministry of Finance, but also other functions of government.
  
- (ii) to create effective capacity in the embryonic but moribund Office of National Security (ONS) under the National Security Co-ordinator:
  - to make it capable of addressing and creating an overall security sector strategy, completing an internal and external threat analysis and developing from that;
  - to be able to undertake detailed National Defence and Security Policy planning;
  - to be able to handle the integration and co-ordination of the various security services of the state – particularly the police, but also the intelligence services, immigration and the local security apparatus represented by the Chiefs and their retainers.



(iii) (An objective which was added within the first six months of SILSEP's existence). To re-build the effectiveness of the SL Intelligence Service – the Central Intelligence Security Unit (CISU):

- re-establishing and as far as possible de-politicising its leadership and control structure;
- changing in some cases its staffing, expanding its numbers and properly training the intelligence operatives;
- creating the capacity to make informed influential intelligence assessments and pass these on to the relevant committees and decision-making structures.

### **Inputs and Progress**

SILSEP provided experienced external advisors (two, then three in the MoD; one growing to two in the ONS/CISU), training opportunities for SL staff, new manuals and procedures, particular emphasis on budget preparation and presentation and then significant amounts of office equipment and the rehabilitation of an old hotel in Freetown as the new MoD Headquarters. These, it should be emphasised, were complemented by parallel developments with the Armed Forces themselves from 2000 onwards. An international but essentially British military training team (IMATT) tackled the re-training of officers and men in the Republic of Sierra Leone Armed Forces (RSLAF – deliberately renamed) and the UK also supplied substantial amounts of military equipment through the Africa Conflict Pool mechanism.

Progress has been significant but objectives have by no means been achieved as yet:

(i) The MoD has been expanded, its role clarified and consolidated and it has taken over the functions of budgeting and control to a large extent. A 'dual hierarchy' on the UK MoD model has been created with the military top hierarchy and the civil service top officials co-located together in the new MoD Headquarters. The Minister of Defence (actually the Deputy Minister as the President is the Minister) and the Permanent Secretary/Director-General are meant to be in the ascendant and are in most situations. But there is still the deeply-felt suspicion and fear of the military amongst civilians, sometimes shared by the officials of the MoD. And the military hierarchy are still not accustomed to having to explain and justify their decisions and preferences.

(ii) Budgeting for the military has been taken over by the Ministry, with large amounts of UK input, and now follows the budget cycle controlled by the MoF. But there are still problems in relationships due to the huge amounts of money that the military require to fund their operations.

(iii) Civilian staffing of the MoD has improved in capacity, but still faces the problem of impermanence of tenure as civil servants are administrative officers and therefore subject to transfer especially on promotion. Significant numbers of British Army officers have occupied executive positions in the MoD on a temporary basis and this has proved a difficult problem in

relationships and in their replacement – which is now going ahead rapidly.

(iv) All in all, huge strides have been made in the MoD but more remains to be done.

Turning to the ONS/CISU, the record is of greater success:

(i) The Intelligence Service is being re-built successfully with new recruitment and training and with significant inputs into national decision-making. A professional recruitment policy was established, that weeded out the potential political appointees.

(ii) The Central Intelligence and Security Unit is professionally trained, and is able to provide professionally sourced intelligence to the Sierra Leone government on key issues that affect national security. A protective security manual will come into use shortly.

(iii) A regional security system has been established, based on community participation in provincial and district security committees. These committees bring together the Police, Army and local government officials as well as members of the community. They are the primary mechanism for coordinating responses to a riot or natural disaster. They also report back to Freetown, and manage cross (district) border issues

(iv) The ONS has drafted a Security Sector Review. This identifies the security needs of Sierra Leone based upon the analysis of the key threats it faces. The review will feed into the Security Pillar of the Poverty Reduction Strategy Programme. It is still in the final draft stage and, once agreed by the National Security Council, will have wide-ranging implications for the structure of the security sector.

(v) The National Security Coordinator now oversees the entire security sector budget to ensure that the needs of different agencies are considered against each other.

Nonetheless, in all 3 objectives of SILSEP, achievements while considerable are still fragile. There is still a question mark over whether the RSLAF have given up their tradition of taking political power. Instability in neighbouring countries could spread back into SL. Frustration at the lack of any 'peace dividend' and economic and social benefits in the Provinces could see the re-emergence of the RUF or its successor. Ministers have agreed that UK support should continue for the foreseeable future. This is recognised in the Ten-Year Memorandum of Understanding that now governs the UK's aid relationships with Sierra Leone.

## **Lessons Learned**

There are a considerable number, some through fairly traumatic experience:

(i) The first is the need for design to be extremely flexible. The objective of reforming and strengthening the intelligence services was not included in the initial design but added after six months in response to urgent needs. The second was a willingness to rely on expatriate inputs in de facto executive positions. In Sierra Leone's post-conflict context, there has been no alternative. This may remain the case for some time to come.

(ii) A second lesson has been the need for 'joined-up' approaches: first within Whitehall and particularly in linking DFID and MoD; and then in Sierra Leone with a dual effort to reform the Armed Forces and strengthen the civilian and political control apparatus. Whitehall coordination has been in the context of the Africa Conflict Prevention Pool. To these should be added, the overall security impact of the very large UNAMSIL force that has kept the peace in SL in recent years and secured the demobilisation of the RUF and CDF. Without these 'physical' interventions into the security sector, the SILSEP agenda would have been very difficult if not impossible to achieve. Sierra Leone has yet to experience the performance of these new structures in the absence of the UN peacekeepers. This will occur in 2005, and will be a key moment.

(iii) A third lesson is the need to provide a range of inputs and not confine support to technical assistance. Physical equipment is as important psychologically as it is in real use. Operational expenses have in some cases to be considered in a desperate post-conflict situation.

(iv) Then there is the question of the police/armed forces balance in matters of internal security and border control. The UK has also supported a comparatively very large police re-development programme in conjunction with the Commonwealth to a small extent. The growing strength of the SLP has been instrumental in the redefinition of the role of the RSLAF and the eventual replacement of the Armed Forces by the Police in matters of internal security. It is also to the Police that the system is looking for security rather than the RSLAF once UNAMSIL withdraws. The UK's role in RSLAF, intelligence, and police reform has given us exceptional influence in security sector reform, and influencing of policy. It has also tied us into a major and long-term commitment.

(v) The context for SILSEP is therefore a complex and wide-ranging one. It takes its place amongst a range of security sector-focused programmes, some of which are massively larger than its own budget. But it appears that this comprehensive, multi-faceted approach is essential in an area as complex and difficult as the Security Sector.

(vi) Calibre and attitudes of personnel have been a secondary but extremely influential factor. The ability of British military officers to act as mentors and guides to SL counterparts especially in the MoD has been mixed but where successful, absolutely vital in developing the MoD capacity. There is sometimes a difficulty with the military psychology of 'can do', compared with the aid ideology of encouraging local citizens to do it. The high quality of

the National Security Coordinator and the Director General of CISU has added greatly to the success of these organisations.

(vii) The MoD capacity development cannot really be separated from the overall strengthening of the civil service which is proving a very hard nut to crack. The MoD is subject to civil service rules in the SL system and can only progress and reform itself within that overall context.

### **Governance Context**

SILSEP has been an integral part of a wide-ranging DFID governance reform programme, which also includes measures to combat corruption, and support to decentralisation, judicial reform, the disarmament, demobilisation, and reintegration (DDR) programme and public administration and public financial reform. A policy decision was taken to focus on governance and security issues, in the light of the extreme deterioration in these sectors over the post-independence period, and to encourage other donors to lead on service delivery.

### **Scaling Up**

The portion of SILSEP funds devoted to the ONS/CISU has recently doubled. This has enabled the ONS to set up Provincial and District Security Committees. This increase in funds followed a request from the National Security Co-ordinator and an appraisal mission during which the extra funds were agreed. Our support has been decisive in helping the ONS to establish itself as the acknowledged coordinator of security issues.

### **Costs**

One potentially difficult lesson for the future is the comparatively very large cost of successful reform of the SL Security Sector. This is not because of the SILSEP budget itself which has remained relatively modest (£750,000 annually, recently increased to £1.5m) but because of the comparatively very large expenditure (for a small country of between 4-5 million population) in other SS programmes: £25m over four years for the Police, £51m over the last 3 years for IMATT, and UK contributions to UNAMSIL of £81.7m over the last 3 years.

Cost is perhaps the hardest lesson to learn. Effective SSR is not only multi-faceted but also comparatively, extremely expensive. But it is essential to overall improvements in Governance and eventual re-establishment of economic and social development in post-conflict situations.

## **IV Aid Instruments and Scaling Up**

### **8 Afghanistan - The Afghanistan Reconstruction Trust Fund (ARTF)<sup>18</sup>**

#### **Context**

Afghanistan's reconstruction has presented extraordinary challenges for the people and government of Afghanistan, and for the international community. The country was devastated by more than two decades of conflict, destruction of physical and human resources and the erosion of institutions and social capital. The challenge of Afghanistan called for an unprecedented response from the international community. The initial response was to pledge \$4.5 billion for the first two and a half years of the transitional government. One of the critical determinants of success was the need for effective coordination of the reconstruction process under the leadership of the Government of Afghanistan (GoA).

The Afghanistan Reconstruction Trust Fund (ARTF) provides a coordinated way for donors to help the GoA. Funded by donor countries, and jointly managed by international aid agencies, the ARTF supports the recurrent and capital costs of the Government and finances priority projects and programs to rebuild Afghanistan and facilitate the return of skilled expatriate Afghans to the country. The ARTF promotes a more equitable distribution of international assistance and emphasises ownership and leadership by the government. It supports a Government-proposed program of investments prioritised from within the national budget. The main advantages of the ARTF have been shown to be:

- promotion of transparency and accountability of reconstruction assistance;
- helping to reinforce the national budget in order to align the reconstruction program with national objectives;
- reducing the burden on limited government capacity, while promoting capacity building over time; and
- helping to fund the recurrent budgetary expenditures required for the government to function effectively.

The ARTF has contributed significantly to the key obstacles of insecurity, poor governance, lack of transparency as well as implementation capacity. It has ultimately led to increased transparency and accountability in the use of government revenue and donor funds, while increasing the planning capacity of the government providing a harmonized focal point for donor finance.

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<sup>18</sup> Andrew Clark, Economist, DFID Afghanistan programme

## **Key Outcomes and Impacts**

The ARTF has been critical in meeting essential short-term recurrent, operating and maintenance cost requirements of key government institutions and buildings and financing bulk purchases of essential equipment. ARTF support enabled payment of monthly salaries to more than 220,000 civil servants—over half of whom are outside of Kabul. The ARTF has assisted the Government in establishing sound fiduciary practices in public finances and supporting good governance. The ARTF also strengthens the presence of the central Government across Afghanistan, through the funding of salaries and capital costs in the provinces as well as Kabul and has assisted in the building of a democratic state.

There has been notable success in leveraging a more effective and efficient allocation of the government budget with increased non-salary expenditure and investment expenditure. Contributions to the ARTF have increased dramatically from \$185 million in 2002/03 to \$286 million in 2003/04. £395 million has been committed for 2004/05. It has become the preferred funding mechanism for almost all donors in Afghanistan.

The ARTF has had four main outcomes: (1) the promotion of transparency and accountability of reconstruction assistance; (2) reinforcing the national budget as the vehicle for promoting alignment of the reconstruction program with national objectives, increasing governance capacity to plan the development objectives and priorities of the Government of Afghanistan; (3) reduction of the burden on limited government capacity at the outset, while promoting capacity building over time; and (4) as a suitable instrument to help fund the essential recurrent budgetary expenditures required for the government to function effectively. Beyond these four main outcomes the ARTF also provided critical donor assistance in the face of large reconstruction and recurrent expenditure needs, due to the almost non-existent revenue base. Significant external funding for budgetary support was required during the transitional period until domestic revenues started to increase and began to cover recurrent budgetary expenditures.

*Transparency and Accountability:* There has been full openness and transparency in the ARTF process. There is a clear separation between the policy/allocational aspects of ARTF operations and the fiduciary/administrative responsibility. It has a three-tier governance structure. The Government of Afghanistan, although not part of the formal governance structure of the ARTF, plays an integral role in reviewing proposals for ARTF funding and submitting those proposals that it considers are consistent with national priorities as embodied in the budget. The Management Committee of the ARTF exercises collective responsibilities for oversight activities of the ARTF. Donors review performance and provide strategic guidance to the ARTF and receive quarterly reports and participate in quarterly meetings. In addition, an annual meeting of all contributing donors, joined by the GoA, reviews the previous years performance and overall priorities and strategic direction. The ARTF, during the transitional period, has allowed the GoA to build up a track record in terms of effectively functioning financial management and

accountability mechanisms. The ARTF Monitoring Agent monitors the GoA's procurement of goods, works and services and monitor expenditures out of the ARTF to ensure that funds are disbursed in accordance with the acceptable financial and auditing standards.

*Reinforcing national budget:* The ARTF provides partial support for an agreed GoA budget, which reflects in a transparent manner a comprehensive GoA program of activities. This involves a prior elaboration of a comprehensive program of recurrent expenditures and investments and its incorporation into a budget – even initially only a rudimentary one that is consistent with the broader macroeconomic and fiscal framework. The ARTF helps ensure the overall framework and broad priorities of the budget are discussed, agreed and supported by the donor community. Once the budget is agreed, the GoA is responsible for implementing the budget, and for monitoring the use and effectiveness of budget funds. The ARTF has ensured that the government reports regularly to the public and donors on actual expenditures in the budget. Although the ARTF finances only a portion of the overall reconstruction program, it is closely integrated into the government budget and associated reconstruction and development programs, as well as the broader reconstruction framework.

*Building Government Capacity:* The Government has committed to use ARTF funding as it simplifies management and oversight of donor resources by coordinating financial assistance. The ARTF has been critical in providing the GoA the time and space to build capacity in the budget process as well as increase domestic revenue efforts whilst providing a focal point for donor contributions, reducing the burden on the GoA to manage and account for donor funds. There has been genuine donor coordination and an unusual degree of partnership between donors and agencies, and a willingness of all donors and agencies to cooperate in the implementation of the GoA's broad development objectives and priorities. The ARTF has provided partial support for an agreed GoA budget, which reflects in a transparent manner a comprehensive GoA program of activities. This implies the prior elaboration of such a comprehensive program has helped the GoA in building their capacity to plan and implement a comprehensive program of recurrent and investment expenditures.

*Recurrent Budget and Government Revenue:* The ARTF supports salaries of about 220 000 civil servants each month, over half of whom are outside of Kabul. In addition, the ARTF supports operating and maintenance costs of key government buildings and finances the bulk purchases of essential equipment. The ARTF has been the major contributor to recurrent expenditures. Government revenues continue to contribute to only 40% of government expenditures. In the face of large reconstruction and recurrent expenditure needs, Afghanistan at present has an insignificant domestic revenue base. The ARTF has been the only source of funds to cover critical short-term expenditures, especially the workings of government and critically at the provincial and district level. Although revenues have been increased over time, substantial external funding for budgetary support has been required during the transitional period. This will be the case until domestic

revenue covers a large proportion of core recurrent budgetary expenditures. In the absence of a comprehensive budget support mechanism the ARTF has provided a critical source of short-term emergency assistance. In addition, it has provided the GoA the freedom to pursue more medium-term strategic planning for example in customs and tax reform, thus creating a credible base for medium to long-term revenue planning.

### **Ingredients and design features contributing to its success**

The ARTF has become the main instrument for support to the Government's recurrent expenditures – funding such necessary costs as the salaries of teachers and health workers. The ARTF, while supporting the Government's recurrent costs, is also being used increasingly as a mechanism to fund priority investments in the Government's reconstruction program. The ARTF was designed as a mechanism for coordinating funding of reconstruction activities in line with agreed priorities of the Government. This design aspect has been one of the key factors why the ARTF has become the key funding mechanism for donors.

The governance structure of the ARTF has been a critical component in its success. Donor interventions in fragile states are inherently risky from a financial management perspective. Given the ARTF is overseen by a Management Committee who is responsible for reviewing progress and making key management decisions, and the fact that there is an external 'Monitoring Agent' to ensure fiduciary management, this has increased donor confidence and encouraged significant levels of funding.

The separation of recurrent and capital costs from investment projects through 'ARTF windows', have allowed donors to allocate their funds through the 'donor preferences' mechanism to permit donors to focus on their relative preferences, whilst bringing a focal point and coordination mechanism for donor funding that follows GoA priorities.

Given the obstacles of poor governance and lack of implementation capacity in the GoA, the ARTF through investment projects and programs has addressed the need for short-term impact at the local and district level. The investment 'window' has financed pre-feasibility studies and activities in agriculture, infrastructure, micro-finance and the social sectors. This has helped to address short-term sectoral needs and high priority projects and programs identified by the GoA. These activities have been in the form of sector-wide programs or stand-alone investment projects with a common development objective. These activities have been placed within the framework of the GoA budget and the ARTF has been able to absorb and facilitate finance from numerous sources, including both bilateral and multilateral donors.

### **Scale up of intervention**

The scale up of donor activity around the ARTF has been dramatic. Donor contributions have increased from \$185 million in 2002/03 to \$286 million in



2003/04. Donor pledges so far in 2004/05 have amounted to \$395 million. This represents a significant scale up of activities as government capacity to plan and implement government priority programs has increased. This has been done whilst addressing critical short term needs with respect to government recurrent costs. DFID itself has increased its allocation to the ARTF from £10 million to total of £80 million over the first two years of operation. As the remit of the GoA has expanded across Afghanistan the ARTF has allowed a smooth transition to a higher level of donor finance, through the recurrent cost window. In addition, as the planning and absorptive capacities of investment programs have increased there has been a scale up of donor finance through the investment window of the ARTF.

### **Implementation mechanisms, including financing, aid instruments and implementation**

The recurrent component of the ARTF provides finance direct to the government's budget to reimburse the GoA for its expenditures on recurrent and capital costs. In the investment component, which finances 10 active investment projects, funds are transferred to the implementing agents of the respective investment projects. The fiduciary arrangements for the investment and program component are carried out in accordance with normal World Bank procedures. Recipients of investment and program funds under sub-grant agreements are required to maintain appropriate financial management systems. The Monitoring Agent also assesses the development impact achieved by the respective reconstruction activities.

Beyond the recurrent and capital cost component of the ARTF it also provides focus to government priority investment programs, ensuring development objectives, beyond simply the workings of government, are addressed. The ARTF also permits donors to earmark preferences based on their strategic preferences. Implicitly the ARTF is the preferred modality for financing investment projects because it entrenches good management practices within the government and line ministries. These include the requirement to prepare projects to international standards, whilst meeting international standards for procurement and financial management. ARTF financing reduces the number of project accounts to be managed and thus streamlines the financial reporting and audit requirements. The World Bank provides fiduciary oversight and the management committee of the ARTF governs project approval.

The Monitoring Agent undertakes the financial management of recurrent and capital cost component. This will be the case until the GoA has built up a track record of financial management and accountability mechanisms, by which stage the ARTF will systematically phase out funding both recurrent and investment costs. This qualified and experienced independent Monitoring Agent is contracted by the ARTF Administrator to monitor and review disbursements, payments, accounting, and reporting activities to be financed by the ARTF.

Through these arrangements, delivery and accountability systems have been markedly strengthened and mainstreamed nationally, both on recurrent and

operating costs as well as investment type programs. Under the ARTF the GoA has developed nationwide fund-flow, audit, procurement and monitoring mechanisms. The monitoring agent oversees the GoA's procurement of goods, works and services and monitors the expenditures out of the ARTF to ensure funds are disbursed only for the purposes for which they have been provided.

Until now the World Bank and Monitoring Agent have agreed that the procurement arrangements and acceptable financial and auditing standards have been met and are in accordance with procedures and standards of the World Bank and consistent with their requirements. DFID is currently funding an external evaluation of the ARTF. The overall objective of the review is to evaluate the effectiveness and impact of ARTF operations over the past two years. The assessment will be made in terms of the relevance, impact, effectiveness, efficiency, responsiveness and the sustainable benefits of the ARTF.

### **Spend under the programme**

To date the ARTF has received approximately \$600 million from 24 donors, with an additional \$160 million pledged for the rest of the financial year (until March 2005). Donor funds provided through the ARTF have doubled in the first two years of ARTF operations and continue to increase. Government revenues have increased during this period, increasing from \$132 million to \$250 million (projected) this year. The ARTF continues to cover the recurrent and operating cost gap as well as the bulk of funding for investment programs.

DFID remains the largest contributor to the ARTF with total contribution amounting to \$160 million. This has encouraged other donors to continue to increase their allocation of funds to the ARTF. Given the ARTF remains a transitional funding mechanism its ultimate success will be based on the systematic phasing out of the Trust Fund mechanism and the long-term sustainable benefits that have accrued.

## 9 Yemen: Social Fund For Development<sup>19</sup>

*The Social Fund for Development in Yemen provides a powerful illustration that donor aid can be used effectively in a fragile state. The SFD is successful in achieving improved social services delivery, in augmenting and enhancing government service delivery systems and in increasing institutional capacity of both governmental and non-governmental organisations involved in social services delivery. The approach of the SFD is widely acknowledged as innovative and exemplary, and is a progressive force for change in the Yemen context. The SFD has been described as “a formidable actor in terms of delivering improved services and setting best practices in Yemen”<sup>20</sup>*

### Context

Poverty in Yemen is pervasive and failing to improve – based on current trends it looks unlikely that Yemen will achieve the Millennium Development Goals. Yemen is the only low-income country in the Middle East and North Africa with social indicators reflecting very low levels of development<sup>21</sup>. Yemen is facing a nexus of critical challenges – spiralling population growth, low human development, prospects of declining government revenues as oil reserves start to run out (05 onwards), poor institutional capacity, high levels of corruption, a water crisis which will prove increasingly problematic for economic growth and domestic consumption – and it is questionable whether the Government of Yemen has the political will or the administrative capacity to deliver on the core functions needed to address people’s basic needs and basic rights.

Yemen has a long history of conflict and civil war that continues to threaten sustainable development. Although general level of security have improved since September 2001, it remains difficult to operate in some of the poorest areas of the country that have traditionally been outside of central government control. Given the unstable risk environment there are serious constraints on donors seeking to respond to the country’s pressing needs. In contrast the SFD has showed a good record in absorbing high levels of donor funding which indicates that this can be achieved in other sectors.

In the last few years the Government of Yemen, in cooperation with donors, has been involved in a process of institutional reform and financial management reform. However the decentralisation process embarked upon in the last 4 years looks unlikely to bring about the much-needed institutional changes and is facing resistance from those with vested interests. The slow pace of civil service reform means that Social Fund for Development and

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<sup>19</sup> Dominic O’Neill

<sup>20</sup> DFID Country Representative, July 04

<sup>21</sup> Yemen is ranked 148 out of 175 countries in the 2003 Human Development index

others are likely to be involved in supporting services delivery until at least 2008 and beyond.

### **Social Fund For Development**

The SFD was established in 1997 as part of a social safety net which contributes to poverty alleviation in Yemen by improving living conditions and income generation to poor people through three programmes: community development, capacity building, and micro credit.

To date the Community Development component (education, water and environment, social protection and infrastructure) has accounted for 90% of the operational budget as compared to just over 5% on capacity building and approx 3% on micro enterprise<sup>22</sup>. Recently the SFD has reconfigured into 5 main programmes:

- Human Resources Development which includes the education sector<sup>23</sup>, health sector and social protection sector;
- Cultural Heritage
- Small and Micro Enterprise Development
- Water and Environment which includes Water Harvesting, Irrigation, Waste Water Management and Solid Waste Management;
- Civil Society and Local Authority, which includes support to NGOs and co-operatives, CBOs, and the Local Authority.

The SFD was initiated with the support of a few people in the Government of Yemen in partnership with the World Bank and has recently entered its third phase 2004-08. The considerable success of the SFD in the first two phases has led to a substantial scaling-up of the resources and capacity of the SFD which now has an indicative total budget of £220 million over the 4 year period of phase III. Currently the SFD is funded by the World Bank, EU, Dutch, KFW, UK, USAID and the Arab Fund - but other donors have expressed interest.

By the end of June 04 the SFD had completed 2,384 projects<sup>24</sup> with a total investment of \$144,231,019 reaching nearly 7.5million beneficiaries with a further 2.7 million indirect beneficiaries. As such a wide range of projects have been undertaken by SFD during the first 7 years of operation, SFD has built up a wealth of experience and understanding of how to work effectively in a fragile state. This case study focuses primarily on the achievements of the Human Resources Development programme, including progress made on cross cutting issues and related capacity building initiatives. In particular, reviewing why the SFD has been successful and the lessons learnt, as well as outlining the challenges facing the SFD during phase III and beyond.

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<sup>22</sup> EC report, April 04

<sup>23</sup> within HRD, the Education Unit is now a stand alone unit with by far the greatest concentration of SFD projects, both past and planned

<sup>24</sup> over half of these were education projects

### **SFD Approach – building on experience**

SFD's approach is innovative and progressive in the context of Yemen. It is characterised by being bottom-up, poverty focused, and demand driven, with strong community participation and gender mainstreaming. In addition SFD has developed specific mechanisms to address needs of socially isolated areas – via geographical targeting, social targeting and sectoral targeting. The SFD targeting mechanisms ensure that most of the funds invested go to poor communities but the investments provide advantages to the whole community not only the poorest – since everyone benefits from improved basic services.

The SFD have demonstrated that the more involved the community are in designing and implementing projects, the greater the ownership and commitment to managing the infrastructure funded by SFD. Accordingly SFD have recently started piloting a new approach which promotes Community Contracting for projects – in the water sector SFD have that the advantages of community contracting far outweigh the disadvantages. The SFD has also embarked upon piloting an Integrated Community Development Program which moves the SFD beyond micro projects and involves it in supporting a range of interventions aimed at achieving a cumulative impact in designated communities.

SFD have found that providing different models and influencing by example is the best way to achieve positive outcomes in respect of line ministries. SFD's targeting and distribution methodology could serve as a model not only for Social Safety Net (SSN) partners but also for district and governorate councils in development planning. It has been widely recognised that the SFD has a crucial role to play in supporting the decentralisation process in Yemen since local councils have limited capacity to prepare annual plans in a strategic, participatory and coordinated way. Similarly the FD has vital experience to contribute to the national Poverty Reduction Strategy and needs to be more clearly part of this planning process.

### **SFD Project Impact**

Significant progress in the provision of education makes this a flagship programme of the SFD. Impact has been measured in a number of ways – SFD investment has resulted in an increase in enrolment which is particularly marked for girls; has resulted in schools being open more regularly, with less teacher absences and higher pupils attendance and greater parental participation. Over 1300 education projects have been implemented – primarily the SFD contributes to school building, but more recently the SFD has started to provide a number of capacity building interventions to selected directorates of the Ministry of Education. The Minister of Education is clear about the added value of working in partnership with the SFD. The Ministry have a clear strategy within which SFD can cooperate; the MOE and SFD have devised clear areas of responsibility and an agreed division of labour. An

added benefit of having multiple providers in the education sector is that it has resulted in lower school construction costs.

While the SFD has been successful in building up a close partnership with the Ministry of Education, this has not proved so easy with other line ministries which tend to regard all sectoral projects and their related resources as falling under their planning and management remit. The track record of the SFD with working in partnership with the Ministry of Health has been less straightforward. Poor experiences of SFD investing in health projects during Phase I and II has led to the SFD being more cautious about building any new primary health care units. Currently SFD will only consider projects which complement existing health services. SFD's main support is for the building up of health cadres in rural areas, especially female health workers.

However the Ministry of Water and Environment recognise the value of drawing from SFD's experience in water services provision in rural areas. Some SFD early failed water projects – led to decision not to undertake any projects which require mechanised plant e.g. pumps. The primary focus of the water provision has been new and rehabilitated cisterns and economic return for these is usually high, as evidenced by the 6 month – 2year pay back period. In addition to the expected impacts of health and social benefits of having better and closer water supplies, the water projects have led to other spin-offs such increased girls' enrolment, greater empowerment and confidence within the community to undertake further projects.

The SFD has a widely acclaimed reputation for its expertise and contribution to disability work. The SFD takes a pro-active approach to working with special needs groups<sup>25</sup> in its programme of social protection. Nearly 100 projects have been undertaken with an investment of \$5.7 million. In all of these interventions SFD have encouraged a participatory approach, for example by encouraging groups with special needs to organise themselves, to analyse their situation, devise practical solutions and make their voices heard. Notably SFD has had an impact on changing traditional attitudes to disability in Yemen.

### **DFID Support To Yemen**

DFID regards it as strategically important not to abandon fragile states such as Yemen – rather there is a need to find different ways of working and to support Yemen with the right mix of policies and assistance. Clearly there are huge challenges if Yemen is to be encouraged to meet the MDGs, and DFID has carried out a Drivers of Change study as part of understanding better how to work effectively in Yemen.

DFID has committed a £12.3m contribution for phase III of the SFD (in addition to its £1.6m check contribution for phase II just completed). DFID's support to SFD for phase 3 is unearmarked and in alignment with World Bank reporting and monitoring procedures. DFID is encouraging other donors to follow this approach to reduce the administrative burden on SFD. In addition

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25 disabled people, children at risk (orphans, street children), women at risk (women in prisons) and socially marginalized (Akhdam, those in psychiatric hospitals, isolated elderly, returnees living in shanty areas).

£300k of the support to SFD has been made available as a flexible assistance fund to help SFD carry out long term planning and investigate ways of better alignment to sectoral line ministries.

DFID's aim<sup>26</sup> in supporting the SFD is to improve access of low income groups to basic social services, while providing an example of an effective, efficient and transparent institutional mechanism for providing social services in Yemen. DFID is keen to influence greater harmonisation between the SFD and the Government of Yemen's mainstream programmes, especially in health and education.

A joint DFID and Dutch review mission in April 04 found the SFD to be an "efficient and effective organisation delivering well targeted basic services in a difficult environment". Moreover, despite having the constraints of a fragile state, the reviewers concluded that the SFD has proved it can work effectively as an agent for change and as a capacity builder in Yemen.

The critical challenge for the SFD in the coming period remains the need to build a strategic partnership with the Government of Yemen, through breaking down the general reluctance of the line ministries to fully engage with the SFD. This strategic partnership would enable the SFD to maximise its potential contribution and develop a policy dialogue on how to mainstream social services programmes which benefit the poor in Yemen. The SFD needs to be part of the solution of working towards Yemen being a more effective state in delivering good basic services which are the right of its people.

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<sup>26</sup> which mirrors the World Bank goal

## **10 Funding A Joint Programme To Tackle HIV/AIDS In Burma<sup>27</sup>**

### **Context**

In Burma, the UN-led Joint Programme to tackle HIV/AIDS operates as a de facto national plan consistent with the “Three Ones” approach. The Fund for HIV/AIDS in Myanmar has increased the resources available for the implementation of the Joint Programme. These mechanisms have helped to co-ordinate implementation efforts, provided a forum for policy dialogue, paved the way for Global Fund resources and begun the process of increasing the scale and breadth of response needed to tackle the epidemic in Burma.

### **Why was this needed?**

In 2004, Burma stands on the brink of what may be one of the most serious epidemics in Asia. UNAIDS estimates up to 620,000 people infected. The spread of infection across the country varies widely by geographical location and by population sub group. Of all AIDS cases reported with known mode of HIV transmission up until the end of 2003, 65% were due to heterosexual contact, 26% to injecting drug use, and 5% to contaminated blood. Trends in official surveillance data since 2001 show increasing rates of infection among key sentinel groups: 33.5% in sex workers, 2.2% in new military recruits and 2.2% in pregnant women (suggesting that the epidemic is already generalised in the population).

The national response, although improving recently, is inadequate, both in terms of the resources made available and the policies developed to address the problem. Policies and actions by the authorities are a major obstacle in an effective response, for example: restrictions on testing; criminalisation of key vulnerable groups; and barriers to collection of behaviour sentinel surveillance data critical to planning the response. Levels of stigma and discrimination are high, and operational restrictions (e.g. on movement) are a major obstacle. At the time the Joint Programme was developed, the official policy was to deny the nature and scale of the problem. This has changed although much more needs to be done to strengthen the response.

Because of its unfavourable policy environment, Burma receives little aid and Western countries have placed serious limitations on non-humanitarian donor aid to Burma until it fulfils its pledges to introduce genuine political reform. EU countries maintain a Common Position on Burma which has suspended most non-humanitarian or development programme aid. It does, however, permit humanitarian interventions and several European donors recognised that tackling HIV/AIDS was critical to preventing the humanitarian situation worsening.

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<sup>27</sup> Michael O'Dwyer DFID South East Asia 21 October 2004



## **Opportunities to address the problem**

Despite this difficult environment a number of opportunities to mount an effective HIV/AIDS programme were identified including:

- Public recognition (by Secretary 1-Gen. Khin Nyunt in December 2001) of the need for a coordinated effort to tackle HIV/AIDS in Myanmar
- a shared recognition on the part of donors and NGOs of the need for a strategic framework to address HIV/AIDS – a joint programme building upon the National Strategic Plan
- the willingness of some donors to fund such a programme
- In-country capacity (NGOs – national, local and government organised; UN agencies; but also government agencies including the National AIDS Programme).

## **Process for developing Joint Programme**

The Joint Programme on HIV/AIDS in Myanmar and the Fund for HIV/AIDS in Myanmar responded to these opportunities and to the growing awareness of the scale of the epidemic in Burma. Development of the programme:

- built on policy commitments (including the signing by the Burmese Government of the UN General Assembly Special Session declaration of Commitment on AIDS)
- was taken forward by agreement of key stakeholders to develop a new strategy building on earlier work (including the National Plan)
- was led effectively by UN HIV/AIDS Expanded Theme Group who negotiated partnerships and convened a series of meetings to ensure that commitments were acted upon
- used international facilitators to bring together technical inputs from stakeholders (including Govt, GONGOs, INGOs, UN Agencies).

## **Description of the Fund for HIV and AIDS in Myanmar (FHAM) and its relationship to the Joint Programme**

The resulting Joint Programme is a strategic plan which is complementary to, and supportive of, the National AIDS Plan. The FHAM is a multi-million dollar pool provided by several bilateral donors (DFID, Norway and Sweden) to resource the Joint Programme. It is managed by a secretariat based in UNAIDS and financially administered by UNDP. The fund is used to support projects proposed by government, national and international NGOs and the private sector. Projects are selected for funding on the basis of the value and cost effectiveness of the proposed work, and the capacity and track record of the potential implementer. Proposal and selection processes are open and transparent, and designed to maximise the use of resources in the light of national needs and international best practice.

The Joint Programme operates as the de facto National AIDS Implementation Plan consistent with the “Three Ones” approach<sup>28</sup>. It depends on the active agreement of implementation partners (including government departments and structures such as the National AIDS Programme) to share information, co-ordinate planning and activities and contribute to the management and advisory bodies (the Expanded Theme Group, the Technical Working Group and 5 Component Groups corresponding to the 5 Joint Programme priority objectives).

There is close synergy between the FHAM and the Joint Programme. The Joint Programme provides a legitimate route to mobilise resources, and is the basis for a coordinated response. FHAM can mobilise and resource a full range of service providers. UNDP manages funds, meeting fiduciary needs. The UN Expanded Theme Group acts as the management board, and provides a forum to raise key policy issues (but policy change is slow – decision makers are difficult to access and do not appear to make decisions on basis of evidence and best practise). UNAIDS acts as a secretariat to the Expanded Theme Group. FHAM has supported the Joint Programme to develop a comprehensive monitoring and evaluation framework which involves all implementing partners.

### **Key factors contributing to effective start up and implementation**

The FHAM/Joint Programme has undoubtedly been successful in allowing development stakeholders to work together with government agencies in a difficult political environment where the government is perceived by many stakeholders to be illegitimate. Factors contributing to this success include:

- good timing: the process responded rapidly to signs of openness on the part of the government, and maintained momentum thereafter
- the development of the Joint Programme – building on a nationally owned plan but providing a framework for buy-in from a wide range of stakeholders (including the opposition National League for Democracy)
- the creation of space for policy dialogue in a difficult situation (accepting that this is limited but it is there nonetheless)
- development of effective operational systems: for technical review, Monitoring and evaluation, capacity building
- an approach which is flexible, explicitly aiming for coverage and impact (accepting that this will not take place as quickly as we might wish).

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<sup>28</sup> The Three Ones refers to one national HIV/AIDS plan per country, one national body to co-ordinate HIV/AIDS activities and one system of monitoring and evaluation of HIV/AIDS work throughout the country. It is a best practice model recommended by UNAIDS.

## **Future challenges**

However, there are a number of issues which must now be addressed if the programme is to have meaningful impact on the course of the epidemic. Underlying these is the widespread agreement on the need for incremental engagement with government, maintaining pressure for policy change whilst ensuring that successful interventions are adequately resourced and taken to scale. Specific questions include:

- Does the Joint Programme provide a sufficiently rigorous and shared framework to ensure an effective response? (it has been criticised for being too broad, failing to define clear priorities)
- How can the response be taken to scale, ensuring sufficient coverage (of vulnerable populations with the services and commodities they need to protect themselves) to have impact?
- How can other donors best be mobilised to contribute to an effective response? (“selling” best practise?); and how can we take forward donor harmonisation, harnessing the resources of those donors operating outside FHAM.
- What should be the role of FHAM as Global Fund resources come on-stream? FHAM has done much to prepare the ground for the Global Fund in Burma, yet there are now concerns that the links are insufficient and that it might suit the government to marginalise FHAM in favour of Global Fund.
- How can we ensure that the Monitoring and Evaluation framework becomes a powerful tool for accountability, better effectiveness and impact (limited information on this to date) and evidence based policy development?
- What more can be done to improve the policy framework and to increase policy dialogue, particularly with “hard to reach” decision makers (given the slow progress and resistance to change that has been seen in some key areas)?

## **Conclusions**

Plans are being developed for reviews of the Joint Programme and of funding modalities (including FHAM) early in 2005. These reviews should provide some answers to the above challenges, strengthening the FHAM model.