WORLD DEVELOPMENT REPORT 2011

BACKGROUND PAPER

SERVICE DELIVERY IN FRAGILE AND CONFLICT-AFFECTED STATES

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Service Delivery in Fragile and Conflict-Affected States

Background Paper for the WDR 2011

A. Overview of Concepts and Issues

1.   As an increasing number of developing countries sustain strong economic growth and make progress towards the Millenium Development Goals (MDGs), the real challenge of development has shifted to "a group of countries at the bottom that are falling behind, and often falling apart" (Collier 2007: 3). These so-called fragile states lack either the political will or capacity to deliver public safety and basic services to all their citizens.[1] In many cases, these states have suffered from many years of brutal civil war and genocide. While some have emerged onto a more positive development path, most continue to face very real risks of violence: from past grievances, poor economic prospects and new sources of conflict (such as organized crime, including drugs and trafficking, often linked to cross-border networks). Local, national and international approaches to violent conflict have to deal with this 'dynamic' reality, rather than simply assume a linear path from peace settlement to humanitarian aid and then reconstruction in 'post-conflict' countries.[2]

2.   Poor access to basic services is a defining characteristic of fragile and conflict-affected (FCA) states. Basic services here are defined broadly (as in DFID 2009b) to include: (a) social services such as health, education, clean water and sanitation; (b) social protection – ranging from social safety nets to livelihood enhancing programs; and (c) security and justice. Separate background papers are being prepared for the WDR on security and justice, and the special challenges in these sectors won't be covered in this paper. However, while the primary focus of this paper is on social

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[1] This is similar to the definition of fragility used by the OECD (2008). For other definitions used by bilateral and multilateral donors, see Pavanello & Darcy (2008).

[2] According to the WDR 2011 Concept Note (i-ii): "The international system created in the 1940s and strengthened after the end of the Cold War assumed that interstate and civil wars were the primary threats to security, and that post-conflict settlements would end fighting and permit reconstruction to take place in a secure environment. These assumptions are called into question by the nature of violence today: analysis reveals how persistent many conflicts are, with a marked increase in fighting after formal cease-fires. It also illuminates the complex and shifting nature of conflict, and the way in which different forms of violence co-mingle, feed off one another and mutate."

services, we will also look at some of the common issues facing service delivery across sectors, and how social services, security and justice impact on each other.
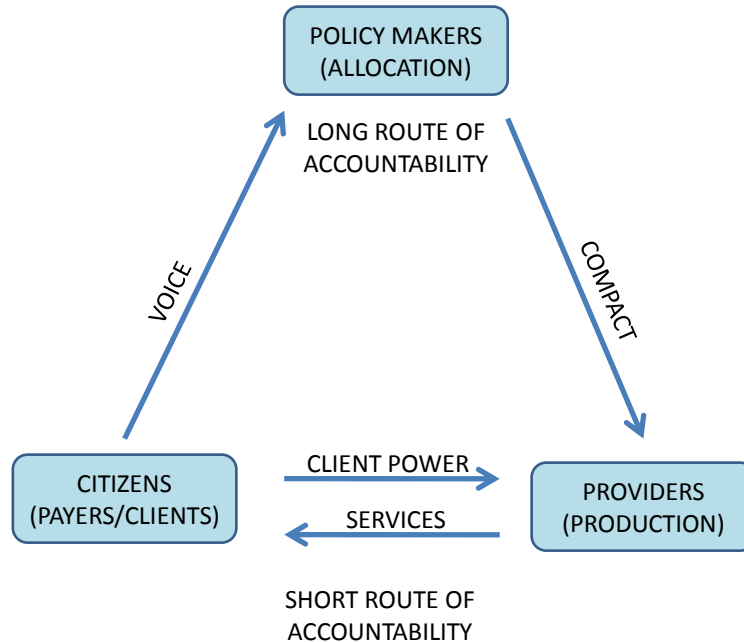
3.   The organizing framework will be that used in the 2004 WDR on *Making Services Work for Poor People* (see Box 1), which summarizes the accountability relationships between policy makers (and politicians), service providers and citizens (especially the poor). In this paper, we apply this framework to FCA states and see how it can be extended to other services, such as social protection, security and justice. We will also attempt to look at the role of service delivery in shifting expectations, using the 'stress, capability and expectations' framework proposed in the Concept Note for the 2011 WDR.[3]   In particular, to what extent can service delivery shift expectations about the risks of conflict, the legitimacy of the state, and the prospects for economic prosperity, social equity and justice? What are the implications for the way services are provided, and the roles of the state, non-state actors (NGOs, religious organizations, community groups etc) and the international community (especially donors)?[4]

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[3] In the WDR context, *stress* refers to the pressures (external and internal) on societies that increase the conflict risk. *Capability* refers to the ability of individuals and societies to respond to stress. *Expectations* explain why some situations of risk escalate into violent crises and others do not. According to the Concept Note (8-9): "Periods of recurrent conflict and/or high conflict risk are typically characterized by severe internal stresses and an insecure future. Where societal capability to respond is weak, and in particular where there have been failed attempts to address problems in the past, expectations of successful recovery can be low and self-perpetuating... The WDR argues that these factors can create an 'expectations trap' in situations of high risk or in the aftermath of conflict, where exceptional collective action by both national leadership and their international partners is needed to shift and manage expectations and then deliver on commitments."

[4] The existing literature focuses primarily on how to deliver services and their impact on social outcomes in FCA states. There is some discussion but little evidence of the impact of service delivery on broader issues of conflict, state legitimacy, justice etc. While this paper primarily reviews the existing literature, supplemented with several case studies, the conclusions have been recast around the framework used in the WDR 2011 Concept Note.

Box 1: Accountability Framework for Service Delivery

The 2004 WDR developed a simple accountability framework for service delivery, which has subsequently been used in many country situations, including FCA states (see, for example, OECD 2008 and Pavanello & Darcy 2008). As shown in the diagram, citizens can demand the services they want through the long route of accountability (by influencing policy makers and politicians) or through the short route (by influencing service providers directly). Policy makers also hold both service providers accountable through various forms of compacts.

POLICY MAKERS (ALLOCATION)

LONG ROUTE OF ACCOUNTABILITY

VOICE

COMPACT

CITIZENS (PAYERS/CLIENTS)

CLIENT POWER

SERVICES

PROVIDERS (PRODUCTION)

SHORT ROUTE OF ACCOUNTABILITY

Unfortunately, the long route of accountability is weak in many FCA states, and public services often become the currency of political patronage and clientelism. This link can only be strengthened through better information and stronger legal, political and economic means to press demands against the government.

Even when policymakers want to improve services, they still may not be able to. Stronger compacts are needed to hold both state and non-state providers responsible for service provision. And citizens need more power – by tailoring services to their needs and monitoring service providers.

Source: WDR 2004, with diagram as presented in OECD (2008).

4.   Access to good quality basic services is essential to improve the daily living conditions of the poor, and to realize their full potential to participate in the economy and contribute to the country's development. Service delivery is especially important in FCA states, where progress towards the MDGs is well off track.[5] Access to healthcare, clean water and sanitation is usually an urgent priority, to control outbreaks of disease and to reduce high mortality rates, especially among children. Education has the potential to provide a sense of normalcy and shared values/identity to children living in conflict areas, as well as giving them hope for the future (see the experiences from Cambodia and Colombia in Box 2).[6] And security is essential for people to get on with their lives in relative peace and safety. Yet much of the basic infrastructure to deliver services is often damaged or destroyed, with severe shortages of trained personnel and supplies. Furthermore, the breakdown of social order through conflict often translates into the systematic exclusion of certain groups along ethnic, religious, political and gender lines (Pavanello & Darcy 2008). If not addressed, these inequities can quickly lead to further violence and disorder.

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[5] According to the Global Monitoring Report 2009 (16): "Progress toward the MDGs has been slowest in fragile and conflict-affected states. Wrecked by conflict and hampered by weak capacities, these states – more than half of which are in Sub-Saharan Africa – present difficult political and governance contexts for effective delivery of development finance and services. Fragile states account for close to one-fifth of the population of low-income countries but more than one-third of their poor people. Looking ahead, the challenge to achieve the MDGs will increasingly be concentrated in low-income countries, especially fragile states."

[6] The Inter-Agency Network for Education in Emergencies (INEE) will be preparing a separate background paper on education "beyond service delivery", including its potential to exacerbate or mitigate conflict. Salmi (2008) provides a framework for thinking about the negative impact of various forms of violence in school systems, and the positive impact that education can have to address violence in the school context and beyond. Berry (2009) notes that education can contribute to conflict if curriculum content or access is skewed towards one social group (e.g. the medium of instruction in Sri Lanka and the use of ethnic quotas in Rwanda). And education facilities, staff and students are often the target of ongoing violence in FCA states (O'Malley 2007).

Box 2: Education and Conflict in Cambodia and Colombia

UNICEF's experience in **Cambodia** after the Khmer Rouge provides a number of key lessons on the role of education in conflict-affected areas:

- Reweaving the local network of educators is essential. Connections to regional experts in Ministries of Education can also bring both technical inputs and cultural sensitivity to how education can help lead from conflict to stability.

- An initial focus on functional skills (math and language) offers a platform for discourse about content and teaching methods that is relatively free of political tension. More difficult problems (history and geography content) can be successfully tackled later.

- Education reform must have the agreement and help of civil authorities. Otherwise decisions regarding budget, security and support for change cannot be generated from the community.

- Artificial deadlines generated from donors and politicians can be detrimental to good educational development. They can undermine capacity building and foster corruption.

- Schools provide all kinds of opportunities to come together as a community. The social aspects of education should not be underestimated as part of capacity building and resolution of conflict and grief.

- Education can be one of the largest items in the budget, and the most extensive system of outreach to local people. Therefore, contracting policies and accountability for money are as essential to education integrity as valid testing and promotion.

Similarly in **Colombia**, the Education for Peace partnership supported by the World Bank provides a number of preliminary lessons:

- In violence-affected areas, new approaches and tools need to be applied: creating humanitarian spaces where communities can organize themselves to mitigate the impact of armed conflict; strategies to protect vulnerable groups; and peace and human rights education programs relying on arts and communication media.

- Education has an important social role in offering alternative values to evolve from violence to the peaceful resolution of conflicts. Education helps to rebuild the self-esteem of young people in violent situations, offers services to the victims of violence, and is a powerful toll against the recruitment of young people by armed groups.

- Partnerships among various stakeholder and community groups are more likely to succeed than isolated projects. Networks facilitate knowledge sharing and mutual support, thereby increasing opportunities for scaling up in a sustainable way. Systematic M&E is important to incorporate lessons into the design of new initiatives.

Source: Case Studies 6 and 7.

5.   Efforts to aid FCA states must address the reciprocal influence between service delivery and fragility (OECD 2008).   Improved service delivery – for all citizens, especially the poor and disadvantaged – can help strengthen civic engagement, rebuild public confidence in government institutions, contribute over the longer term to state legitimacy, and reduce the chances of future conflict by addressing its structural causes.[7] "The governance reforms that are necessary to promote longer-term social and political change have more chance of success if linked to reforms in service delivery, which have tangible results and benefit the public in a way they notice" (Berry et al 2004). However, providing services in fragile states is not without its risks. "Doing so may imply that existing state structures are in fact legitimate, and support for sectoral ministries and government agencies may be in turn understood as implicitly rewarding the government for poor performance" (Pavanello & Darcy 2008). Services are also prone to polarization and manipulation, and therefore can potentially contribute to state fragility and conflict.[8]

6.   The approach to service delivery will always be country specific, depending on the local priorities for services, the legacy and ongoing risks of conflict, and the sources of capacity (from state and non-state actors, locally and internationally, including the Diaspora). There may also be significant inequities within the country – with special action required to meet the needs of the victims and perpetrators of violence, and to provide services in underserved and insecure areas. As a result, any search for easy rules of thumb or general blueprints is likely to be fruitless (OECD 2007a, 2008). So the logical place to start is a good understanding of the country context. Few states, however weak, provide an institutional blank slate. Citizens and civil servants have learnt to survive by adapting their behaviour and expectations to local conditions. Many of these survival techniques will be informal, and not all will be productive. But to bring in radically new ways of working, without consideration of how things are (or were before the conflict), runs the risk of undermining the few strengths that remain and is likely to fail.

7.   Understanding the country context requires sound political economy analysis, including the ongoing risks of conflict and the expectations of different groups in society

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[7] Collier (2007) notes that low incomes and slow growth make a country prone to civil war and coups, and low-income countries face disproportionately high risks of relapse. Access to basic services is one of the main ways to raise incomes and reduce poverty, although the impact on conflict depends a lot on how it's done.

[8] Drawing on European history, Van de Walle and Scott (2009) argue that service delivery is a highly political matter, often used as a state tool for penetration (territorial consolidation), standardization (homogenization of the population) and accommodation (including pacification, buying loyalty and power-broking). Approaches to service delivery in FCA states must take these political dimensions into account.

(DFID 2009a). It also requires a careful assessment of existing institutions: laws, organizational structures, systems and processes, and capacities and skills (Cliffe & Manning 2008).[9] For social services, these would include the roles and capabilities of sector line ministries, other government agencies (e.g. water utilities) and private/NGO groups, as well as the policies and regulations governing their activities. This is a natural complement to the normal focus on the stock of physical facilities (schools, health clinics, water systems etc), service provision (students in school, children inoculated, access to clean water etc), and social outcomes (literacy rate, infant mortality etc). This assessment should involve technical staff familiar with past practices – even though they may be associated with oppressive or dysfunctional regimes. And foreign advisers must be familiar with the country context and able to work within the local culture.

8.   The institutional assessment will hopefully identify opportunities to provide services quickly and efficiently. However, in the best of situations, state capacity is likely to vary widely by function, sector and region – and will inevitably fall well short of needs. So the twin challenges are to focus the limited capacity available on critical core functions, while also building the capacity of state institutions over the medium term (2002 WDR). For service delivery, this means: (a) first and foremost, meeting the priority social needs of the people; (b) strengthening the national institutions (state and non-state) responsible for service delivery; and (c) shifting public expectations about the legitimacy and effectiveness of the state. It's tempting to think of these as sequential objectives. But experience suggests that they need to be tackled in a coherent manner – and early on in the reconstruction effort. There is potentially a virtuous circle here: the more services can improve social outcomes, and contribute to a more positive outlook for the future, the more likely it is that strong service-delivery institutions – responsive to the needs of the people – will develop.

9.   While it's important to understand where you're starting from, it's less easy to know where you're headed. As states develop, they will make choices that are difficult to predict in advance. And local communities will want a say – not only in the role of the state, but the types of services they want, and how they should be delivered.[10] In most

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[9] According to Gibson, Andersson, Ostrom & Shivakumar (2005: 232): "Supporting research on indigenous institutions, norms and local knowledge systems also provides essential understanding for helping to build contemporary institutions on the healthy roots of earlier normative systems used to build collective-action style problems."

[10] In the 1960s and 1970s, it was argued that a centralized government was needed to solve most collective action problems involving public goods or common-pool resources. However, subsequent research has shown that "individuals are capable of crafting solutions to their own diverse problems of collective action. Such solutions usually require a rich set of general and specific institutional

fragile states, the political processes for expressing these preferences (the 'long route' of accountability in the 2004 WDR) will be weak. At the same time, by giving communities space to make their own decisions, they may well find innovative solutions that could never come from top-down strategies. In documenting the failings of top-down approaches to service delivery, Pritchett & Woolcott (2002) conclude (15-16):

> "The same thing happened in all these sectors because the common structure of the solution created the common conditions for its failure – namely the lack of feedback mechanisms and modes for engaging citizens in either controlling the state or directly controlling providers allowed systemic problems of organizational design to overwhelm logistics. But the logic of the solution is so seductive to governments (and donors) alike that it has taken decades of painful and expensive failures in sector after sector to see that the problem is not just a few mistakes here and there, but that as an approach to development, it can be fundamentally wrong-headed from top to bottom."

10. So it's important for governments and donors to keep an open mind on how institutions will develop, and be ready to respond flexibly to opportunities for reform as they arise. This is especially important in FCA states, where the political mechanisms for expressing public demand and holding institutions accountable are poorly developed, where government capacity is weak and struggling to meet its core functions, and where a range of innovative solutions to deliver services are likely to emerge by default. Progress on service delivery is unlikely to be sustainable without broader progress on state building and institutional reform. That is why strong leadership – committed to security, justice and equity – is so important.[11] This can come from a variety of sources: national leaders, local governments, tribal and village councils, civil society and community groups etc. It may be stronger in some sectors than others. And may ebb and flow over time. But it needs to be nurtured to provide a sound base for gauging and responding to people's needs.

11. The rest of this paper draws on the existing literature and a series of case studies to answer three core questions:

1. Who provides services in FCA states?

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arrangements at local, regional and national levels in both private as well as public spheres of life" (Gibson, Andersson, Ostrom & Shivakumar 2005: 16).

[11] Andrews, McConnell and Wescott (2010) argue that leadership is more about groups than individuals, and 'leaders' are identified more because of their functional contribution to change than their personal traits and authority. "Leadership contributes to change when it builds change space – where leaders foster acceptance for change, grant authority to change (with accountability), and introduce or free the abilities necessary to achieve change." (50)

2. What are the implications for the role of the state?

3. How can donors support service delivery?

The main conclusions are summarized in the final section.

B. Who Provides Services in FCA States?

12.   Experience shows that there is no one model of service delivery which will work well in all sectors and country situations. The 2004 WDR identified eight different delivery models: ranging from central and local government provision, to contracting out and various forms of client power. The suitability of these models depends on three criteria: (a) how much the political system is geared toward pro-poor public services; (b) the homogeneity of regional or community preferences; and (c) the difficulty of monitoring service outputs. "In a favourable political context, with agreement on what government can do, an easy-to-monitor service such as immunization could be delivered by the public sector, or financed by the public sector and contracted out to the private or non-profit sector, as with primary health centres in Cambodia" (WDR 2004: 13). In most fragile states, weak governance will increase the attractiveness of 'client power' models, including social funds and community-driven development. However, concerns with these models – including sustainability, crowding out of local government capacity, and capture by local elites – still need to be addressed.

13.   The more people differ in their desire for services, the more they should be delegated to local governments. Decentralization of political, administrative and fiscal powers is pursued in many FCA states, often as a way to address past grievances and enhance local representation. It can improve service delivery, in so far as it brings decision making closer to beneficiaries. But a lot depends on the accountability of local politicians and officials, and their capabilities and resources. For some services (e.g. immunization), delivery has to be coordinated at the regional or national level. A UNDP/ESCAP seminar in June 2009 on Local Governance and Basic Service Delivery in Conflict Affected States concluded:

> "Negotiating devolution arrangements and state-institutions at a sub-national level has emerged as a key area of peace-building, with many examples from the Asia Pacific region producing very mixed results. However one common thread is that devolution of power *per se* is not a sufficient condition for guaranteeing conflict mitigation and improved access to basic service delivery. Its main contribution is that it helps to create an enabling environment for local institutions to take responsibility to resolve conflict and promote development. Whether it will result in recovery from the crisis and long term development depend on the local level democratic institutions which may be put in

place. Such arrangements aim to assure that traditionally excluded communities increasingly take part and acquire a sense of ownership over the process of local affairs management and the delivery of services."

14. Whaites (2008) looks more closely at the first of the WDR 2004 criteria: what makes states responsive and pro-poor? He argues that responsive state building involves three necessary areas of progress: (a) reaching a *political settlement*, which persuades elites to co-exist peacefully; (b) developing capacity to provide basic *survival functions*, such as security, revenue and law; and (c) keeping up with demands for *expected functions*, such as better roads, social services, policing etc.[12] In each of these areas, "issues of prioritisation and sequencing matter a great deal ....working for example initially on those areas of public expectations most likely to impact on confidence." Follow-up case studies (Commins, Rocha Menocal & Othieno 2009, Eldon & Gunby 2009) suggest that the distinction between responsive and unresponsive states may be too rigid; degrees or responsiveness can and do change over time, and states can be more responsive in some sectors than in others. The key factor influencing responsiveness seems to be its alignment with the interests of key elites. "When responsive service delivery contributes to, or at least does not undermine, elite survival, then it is a useful tool. If it ceases to be effective it can quickly be replaced with more 'useful' alternatives, such as patronage and violence" (Eldon & Gunby 2009).

15. Others have expanded on the sectoral characteristics – high output specificity, low transaction volumes, and strong professional consensus – that make it relatively easy to import international models of institutional reform (Pritchett & Woolcock 2002, Fukuyama 2004, and Cliffe & Manning 2008). In the health sector, for example, there is a widely applicable package of basic services, and a shared community of practice among doctors and health workers, which can be readily transferred across borders. This provides opportunities for contracting-out the delivery of basic health services. The contrasting experiences of Afghanistan and DRC are summarized in Box 3.

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[12] "In responsive state building, the state accepts the need to meet public expectations to enhance its legitimacy. The political settlement expands beyond elites to reflect a broader compact between the state and society, based on delivery and accountability. Public confidence and expectations grow" (DFID 2009a: 8).

Box 3: Contracting Out Health Services in Afghanistan and DRC

In 2002, after the fall of the Taliban, the provision of basic health care services in **Afghanistan** was low and health outcomes poor. In response, the Ministry of Public Health (MoPH) defined a package of priority health care services, contracted with NGOs to deliver it, and prioritized monitoring and evaluation of health sector performance. NGOs are selected competitively, with credible sanctions for poor performance.

The results so far have been encouraging. There has been a 136% increase in the number of functioning primary health care facilities from 2002 to 2007, and a nearly four-fold increase in the number of outpatient visits from 2004 to 2007. Independent assessments confirm that the quality of health care and health outcomes have also improved significantly over this period, despite a worsening security situation.

The success of the contracting model has depended on high-level political buy-in (from MoPH and the Ministry of Finance) and willingness by MoPH officials not to micro-manage the process. Going forward, political pressures to revert to government provision are likely to increase. Whatever happens, the rigorous M&E system will hopefully be retained – and provide a good measure of the relative success of different delivery models.

Contracting out of basic health services has worked less well in the **Democratic Republic of the Congo** (DRC). One of the reasons is that DRC emerged from civil war with a surviving (albeit weak) health infrastructure, and a surplus of health workers. Consequently, there was a reluctance to delegate responsibility to implementing NGOs. Government officials emphasized central control and focused on process issues, including approving work plans and centralized procurement. There was also poor coordination between the Ministry of Finance, which managed the funds, and the Ministry of Health, which oversaw the work.

There are now signs that the Government has learned from this experience and is currently revising the NGO contracts to provide them with more autonomy – and will be able to hold them accountable for results. The Government and NGOs are also working together to improve management of personnel, through the use of performance-based incentive payments to health facilities. Measuring the results of these efforts, with household and health facility surveys, will be very important for the Government to assess its own performance and that of the NGOs.

Source: Case Study 1 and McDowell (2010).

16.   However, the situation is somewhat different in education, where there is a high degree of local content in the curriculum, and different views on acceptable teaching practices. As a result, it is more difficult to contract out education services or provide them through non-state providers (NSPs). However, where there is a tradition of non-state provision, it's important to build on what already exists. In DRC, for example, schooling relies heavily on religious organizations and fees from parents (see Box 4). And non-state provision may be the only option where there is strong mistrust of government agencies. Nepal's experience with community-managed schools (see Box 4) shows how trust can be rebuilt in a difficult political environment. The key is to

develop some sort of compact, by which the government sets the curriculum and monitors performance, in exchange for public funding.

Box 4: Non-State Provision of Education in DRC and Nepal

Religious organizations run 81% of public primary schools and 77% of public secondary schools in the **DRC**, through a protocol-based school management system (the remaining public schools are managed directly by the state). Government guidelines cover curricula, norms regarding class size, the qualifications and salaries of teachers, and the system of assessment.

The day-to-day administration of basic education in the DRC depends heavily on school fees paid by parents. These resources, coupled with the considerable involvement of religious organizations in managing public schools, kept the school system running through the years of conflict (1991-2001). The state has now re-engaged in the education sector, contributing about 12% of resources for all education sub-sectors combined. A recent review of performance showed no significant difference between faith-based and public schools, after controlling for the types of students attending schools and the endogeneity of school choice.

Going forward, two challenges will have to be addressed: (a) the Constitution's commitment to fee-free primary schooling, which will be very difficult in the current resource environment; and (b) decentralization, which has created a number of ambiguities in the role of the new Provincial Ministers and the reporting line for the Provincial Heads of the Ministry for Primary, Secondary and Professional Education.

In **Nepal**, the Government relied exclusively on community initiative for delivery of basic education until 1971. The Government then took over management of schools and started appointing government teachers. The accountability of schools plummeted and the quality of education declined. In 2001, the Government decided to transfer schools back to school management committees (SMCs) formed by the parents. The authority of SMCs included resource generation, budget formulation using government grants and local resources, and hiring of teachers.

Community management was initially resisted by the teachers' union and the Maoist rebels. However resistance declined as performance improved. Better school governance resulted in reduced teacher absenteeism, improved learning achievements, increased community donations, and higher access and promotion rates. During the conflict period, net enrolment rates in primary education increased from 69.4% to 87.4%. Community management has enabled communities to cooperate across the political divide, and contributed to state building more generally.

Source: Case Studies 4 and 5.

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17. Community-based approaches are also common in the water and sanitation sector. As demonstrated in East Timor (see Box 5), community involvement can play a major role in the planning, implementation and use of rural water supply and sanitation. However, difficulties can arise down the track, if local governments – which have a major role to play in post-construction maintenance – are not sufficiently involved. In urban areas, there is greater reliance on public utilities for water supply. Sanitation

tends to be the poor cousin of water supply. While there are important links between the two sub-sectors, it may be better to treat sanitation as a separate program, more closely integrated with hygiene services.

Box 5: Water and Sanitation in East Timor

The widespread violence and destruction that followed the August 1999 Popular Consultation in **East Timor** left the country's water and sanitation facilities severely damaged. Early reconstruction focused on urban areas, while access to improved water and sanitation lagged in rural areas. Australia identified this as a priority area for assistance in its country program for East Timor. Using community-based approaches to project planning and implementation, almost 10,000 households were provided access to clean water and 2,000 households gained access to improved sanitation facilities from 2002 to 2005.

Australia's own evaluations of its support to water and sanitation in East Timor note that the projects have been run in parallel to government programs rather than supporting existing institutions. While the use of NGOs to implement projects has generated good results, it has tended to marginalize local governments, which have a major role to play in post-construction maintenance. And M&E activities have focused too much on project monitoring, rather than helping the Government to establish its own M&E system for the sector.

Source: Case Studies 8 and 9.

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18.   There is widespread acceptance that some social services may have to be contracted out or delivered by communities in the transitional stages of reconstruction. However, in some situations, this may be the best long-term solution as well (World Bank 2009a). For example, outsourcing might be an appropriate response in geographically remote areas, for functions which are highly technical or needed infrequently, or where some degree of arms-length arrangement is preferred to overcome weak accountability or cultural sensitivities. Capacity building within government could then be concentrated on critical policy and oversight functions. Such arrangements may well be resisted by the political elites, who may see them reducing their opportunities for patronage and corruption. And bureaucracies, as they get stronger, may be increasingly reluctant to delegate functions to NSPs. However, to the extent they improve service delivery, and citizens credit the government with this success, state legitimacy may well be increased.

19.   Experience suggests a number of factors contribute to more successful engagements with non-state providers (Batley & Mcloughlin 2009):

- A lot depends on the historical role of NSPs in the country, and the level of trust with government agencies. While NSPs often play a major role in service

delivery in FCA states, they will be more successful if the government supports their activities and is able to carry out its core functions effectively.

- Contracting tends to work better when both parties are focused on outcomes, and keep the formal processes light. Effective monitoring and evaluation (M&E) of results is essential to reward good performers and improve or replace those who aren't doing a good job.[13]

- Rather than imposing a uniform plan of engagement, it may be better to try different approaches in different regions and sectors. Different approaches also present opportunities for trial, learning and adaptation. Again, effective M&E is needed to identify opportunities for scaling up.

20. Contracting out is one mechanism for accountability between policymakers and service providers. The 2004 WDR also talks about two other ways in which citizens can demand better services: through the 'long route' of participating in democratic processes (e.g. voting in elections) and the 'short route' of increasing their power over service providers. Unfortunately, in many fragile states, the long route is still fairly tenuous, especially for poor people. Free public services and "no-show" jobs are handed out as political patronage, with poor people rarely the beneficiaries. With low expectations of the services they can expect from government, the poor may simply vote along ethnic or ideological lines, or for the candidate who promises ready cash and jobs. Hence the importance of strengthening the direct power of citizens over service providers: by increasing their range of choice (e.g. community-driven development) or by giving them the ability to monitor and discipline providers (e.g. school management committees, community scorecards).

21. In the most severe cases of service failure, Collier (2007) proposes combining these approaches in a new institutional form: Independent Service Authorities (ISAs). The key features would be a high degree of scrutiny by civil society, competing channels of service delivery, and continuous evaluation to see which is working best. Donors and the government would channel funds through the ISA to finance both

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[13] Pay for performance (P4P) schemes require a high degree of monitoring and auditing. They have been used primarily in the health sector, and are mostly limited to post-conflict and stable environments (Pavanello & Darcy 2008). A recent study of P4P in health centers in Rwanda (Basinga, Gertler, Binagwaho, Soucat, Sturdy & Vermeersch 2010: Abstract) showed a "large and significant positive impact on institutional deliverables and preventive care visits by young children, and improved quality of prenatal care". Incentives have a larger impact for services in which providers have more control, such as prenatal care quality. For services that depend more on patient behaviour, such as the decision to seek prenatal care, it might be more effective to provide financial incentives directly to the patient rather than the provider.

investment (schools) and day-to-day operations (teachers' salaries). If the ISA was able to demonstrate that it was spending money well, donors would increase their contributions; however, if performance deteriorated, donor money would dry up. While this approach has been tried, with mixed results, for revenue management (e.g. oil in Chad and customs in Indonesia), it has not as yet been tried for service delivery – perhaps because the benefits accrue to the people at large, rather than to the government.

22.	Lessons from three CDD programs – in Afghanistan, Aceh (Indonesia) and East Timor – are summarized in Box 6.[14] What they show clearly is that well-designed CDD programs can not only get services to a wide segment of society, but also improve local governance and state legitimacy. In many ways, the process of identifying projects that respond to local priorities matters more than the projects themselves.[15] However, a lot depends on the simplicity and transparency of the budget mechanisms for getting money down to communities, the quality of the processes for making decisions and monitoring progress at the local level, and how well the CDD programs and processes can adapt to fit with the emerging local government architecture. Over the longer term, issues of financial sustainability also need to be addressed.

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[14] These three programs are variants of the Kecamatan Development Program (KDP) introduced in Indonesia in 1998 with World Bank financing. However, each program has its own distinctive features based on local conditions. In Afghanistan, for example, CDCs are elected by secret ballot and the Government also provides direct grants for small-scale infrastructure projects. In Indonesia, KDP has now become a National Program for Community Empowerment (PNPM), led by the Government and financed through the state budget (addressing earlier concerns about ownership, coverage and sustainability).

[15] Wilder & Gordon (2009: 4-5) find that aid-financed projects in Afghanistan are "unlikely to make either the Afghan government or its international backers more popular" and may be "losing, rather than winning, hearts and minds." However, NSP is seen as an exception because of "the greater role that local communities played in the planning, design, implementation, monitoring and evaluation of projects".

Box 6: CDD Programs in Afghanistan, Aceh (Indonesia) and East Timor

In **Afghanistan**, the National Solidarity Program (NSP) was launched in late 2002 to support community-managed (largely infrastructure) projects and lay the foundations for strengthening community-level governance. Community Development Councils (CDCs) were established to select, implement and manage projects – assisted by 29 Facilitating Partners (national and international NGOs contracted by the government). By late 2009, NSP had reached over 19 million Afghans, in all 34 provinces and 359 of 364 districts.

Evaluations show consistently high rates of return across all sectors. The CDCs are emerging as legitimate local governance institutions, which tend to increase public faith in the system of government. There is also some evidence to suggest that NSP-built schools are much less likely to be attacked, although the program has not been able to operate in areas of high insecurity. Going forward, NSP faces three major challenges: (a) to maintain funding levels; (b) to rethink the roles of CDCs; and (c) to maintain the commitment of NSP's parent agency in an increasingly political environment.

In **Aceh**, the Community-Based Assistance for Reintegration of Conflict Victims program (BRA-KDP) was introduced in 2006, following the peace deal between the separatist GAM movement and the Government of Indonesia. The first phase targeted 1,724 villages (around one-third of the total in Aceh), in 67 sub-districts. An estimated 530,000 individuals live in households that directly received assistance. However, targeting of conflict victims was limited.

Most villages prioritized cash transfers to individuals and groups, primarily for economic purposes, rather than to community infrastructure projects. As a result, the impacts on asset ownership (e.g. engines, motorcycles) are stronger than the welfare impacts in other areas (e.g. school attendance, health and employment). Because of the focus on cash transfers, and the short duration of the program, there is little evidence of any impact on social cohesion and the community's collective capacity.

The Community Empowerment Projects (CEP) in **East Timor** ran from 1999 to 2004. It was built on the foundations of Indonesia's KDP, which had operated in East Timor up until the Referendum. After Independence, its Timorese staff quickly reconvened and became the core of the new program. The project was launched three months after the referendum, and within its first year it reached more than half the villages in the country. Indeed, it was the only development project providing resources in a large number of isolated, poor villages.

Yet CEP failed to create a sustainable institutional base for community development and decision making. There was little integration between CEP's councils and the new district administration, which operated separately at sub-district and village levels, nor was CEP integrated with the activities of line ministries. CEP didn't fit well with the highly centralized plans of the UN Interim Administration or the Fretilin leadership. Over time, CEP councils were perceived to be more of a threat to the consolidating administration than a useful complementary mechanism for bottom-up planning. Today, they are no longer functioning.

Source: Case Studies 10, 11 and 12.

23.   CDD programs should be an integral part of the broader social protection agenda. They provide more sustainable benefits than a narrow focus on food aid (which is often the dominant form of assistance in the humanitarian phase), and can lay the groundwork for larger-scale poverty reduction programs over the medium term. The initial focus, as with humanitarian assistance, should be on reaching as many people as possible, to protect their livelihoods and provide access to basic services.   Therefore, the humanitarian principles of neutrality and independence are as important as the fragile state principles of state building (Harvey 2009).   While these principles can conflict, they aren't inherently contradictory. Indeed, by contributing to local governance and public confidence, CDD programs can help to rebuild state legitimacy. The scope for other forms of social insurance (e.g. contributory pensions, health insurance, unemployment benefits), is likely to be limited in FCA states by both fiscal and capacity constraints. However, it is never too early to start shaping the policy debate in ways that will prevent major mistakes while also promoting innovative thinking about future safety net options.[16]

24.   Personal safety and security of property, as well as access to fair and speedy justice systems, are critically important aspects of social protection – and key concerns of poor people in FCA states. Without security and justice, other public services cannot be provided. Security and justice are obviously core functions of the state, and the state has an irreducible role to play. However, as recognized by the OECD (2007b: 6):

> "An approach to security and justice delivery that focuses solely on strengthening governance and state capacities is unlikely to be an effective strategy in fragile states – countries where the state has exceedingly limited capacity, may not be deemed legitimate by significant proportions of the populace and historically may have never exercised full sovereign authority over its territory... The reality in fragile states is that justice and security are delivered by a large number of actors, some of whom are state agencies and services, but the vast majority are likely to be non-state organizations and systems... Non-state systems may often be more effective, accessible, fairer, quicker, cheaper and in tune with people's values. It is also important to recognize that some non-state providers may be purveyors of insecurity and injustice."

25.   The accountability framework outlined in the 2004 WDR can also be applied to security and justice in FCA states. The state usually has to work with and through various non-state actors – such as village councils, customary courts, local warlords and religious groups – to ensure that security and justice is delivered to the people. While this relationship can be in the form of 'contracting out' (such as private

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[16] It's especially important to look at pensions as part of any public sector reform program.   In Afghanistan, for example, a recent World Bank project (World Bank 2009c) will help redesign the public pension system and pilot a targeted safety net program.

management of prisons), it is more likely to be based on an informal 'give and take', which 'ebbs and flows' with the balance of power (Scheye 2009).[17] As such, it is not unlike the involvement of social networks and community groups in the provision of basic social services, such as health and education. However, the parallel breaks down when security is provided as a private good – often outside the purview of state oversight or regulation, and sometimes through criminal groups. This may well be good for the private consumer, but is not likely to serve the public good, especially for the poor and vulnerable groups in society. In these cases, private provision of security services can actually become a source of conflict, and cannot substitute for efforts to build up the state's own policing and judicial capacity.

C. What are the Implications for the Role of the State?

26.   Irrespective of who delivers the service, "making public services work for poor people" is widely understood to be a public responsibility and the state is seen as having a central role in setting the policy framework, and financing, regulating and monitoring basic service provision (Pavanello & Darcy 2008). Some argue that services provided entirely outside government institutions, unless very carefully managed, may actually decrease the credibility of the state in the eyes of the population: unpopular functions such as taxation are recognizably attributed to the state, while popular functions are perceived to stem solely from donors or NGOs (Cliffe & Manning 2008). At the same time, too much state intervention, without adequate capacity and accountability, may actually weaken service delivery, and ultimately undermine the state's own legitimacy. Therefore, getting the role of the state right is a key part of any service delivery strategy.

27.   Core economic agencies – such as ministries of finance and planning – play a key role in maintaining fiscal sustainability, allocating budget resources in line with national priorities, and ensuring that resources are well used (Byrd & Guimbert 2009). These public finance functions are especially important in FCA states, where local resources and capacity are usually very limited, and the potential demands on government spending seemingly endless. While the international community often bridges the 'resource' and 'capacity' gaps, there is a serious risk that these external

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[17] Scheye (2009) points out that the relationship between the state and non-state providers of security and justice is ambiguous. Services are provided along a continuum, and there need not be any contradiction between the short-term goal of providing services and the longer-term goal of building state capacity and legitimacy. The focus of state-building activities should therefore be on the legislative framework for security and justice providers, the mechanisms for appealing local decisions into the formal state system, and building performance measurement capacity.

contributions may circumvent or undermine the government's own efforts to manage the budget and the country's development agenda. Hence the importance of taking early steps to strengthen the country's public financial management system – and using it to manage all public resources (whether from domestic revenues or external donors).

28.   Ensuring access to basic social services, especially for poor and vulnerable groups, is one of the key responsibilities of government. However, it is just one of several competing claims on the budget. In FCA states, providing security and law and order is likely to be of equal or even greater importance to many in society, and is often intrinsically linked with improvements in service delivery (Byrd & Guimbert 2009). Therefore, finding the right balance in the allocation of scarce resources is no easy task.[18] The task can be further complicated if large amounts of financing flow outside the budget or if priority-setting processes are dominated by donors. While most donors rightly focus on poverty reduction and the MDGs, governments have to satisfy broader political constituencies, which are likely to include well-connected (and wealthier) groups in urban areas and strategic locations around the country.[19] Particular attention may have to go to regions and communities affected by conflict or neglected during the conflict period. The key is to put in place planning and budget processes that provide space for a wide range of views – including from all regions, and from the private sector and NGOs – to be heard, and for spending decisions to be made within a well-defined and sustainable budget envelope.

29.   Within the social sectors, it is not straightforward to go from broad goals (such as the MDGs) to appropriate budget allocations. While the MDGs are often seen as separate goals (e.g. infant mortality), linked to sectoral programs (e.g. health), they are in fact closely interrelated. Good health care allows children to do better at school, educated mothers do a better job of looking after their own health and that of their children, and clean water and sanitation is essential for healthy living. As their social conditions improve, the poor have a better chance of getting steady employment and higher incomes. Therefore, it's important for governments to take an integrated and inter-sectoral approach to service delivery – as part of a country's overall development strategy. Budget allocations also have to take account of other sources of funding, whether from donors outside the budget, from the private sector and NGOs, and from community contributions. Keeping track of these off-budget funds is a challenge in the

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[18] Donors face similar trade-offs. DFID (2009a) provides an interesting example of how DFID prioritized and sequenced support for security, state building and service delivery in Sierra Leone.

[19] Urban areas may also require attention from a poverty perspective, especially if internally-displaced people put added pressure on crumbling infrastructure (e.g. for water and sanitation). Elites, on the other hand, may quickly move to private provision (Eldon & Gunby 2009).

best of situations, let alone in fragile states, but donors at least have an obligation to provide good information on their actual disbursements, and some indication of future resource flows.

30.   Perhaps the biggest challenge of all is to ensure that budget funds are used well and for the intended purposes. Corruption is a major impediment to development in most FCA states, and can quickly siphon resources away from critically-needed services.[20] Perceived gaps between promises made at international conferences and results on the ground also undermine public confidence in the government (and donors). To help address these concerns, priority has to be given to building up the core PFM functions – procurement, financial management, audit and evaluation – in both central and sectoral line ministries. Progress in these areas will also give donors the confidence they need to channel their funds through the budget using country systems.   However, effective control of corruption also depends on the actions of other state agencies, from the police to the courts. Weaknesses in any part of this chain can nullify progress in other areas. Experience shows that strong national leadership is essential to make sustained progress on reducing corruption.

31.   Accountability shouldn't rely solely on oversight by central agencies, such as the Ministry of Finance. In the social sectors, as already noted, there is ample scope for innovative approaches through performance-based contracts and community oversight at the local level. Transparency becomes critical for everyone to understand what services they can expect (from the government or other service providers) and to monitor performance. Such approaches also free up limited government capacity to focus on critical areas where large-scale corruption is most likely to occur. Indeed, as government capacity expands, there is a risk that it may start to impinge on service delivery, by imposing unnecessary and ineffective checks on public spending. Indeed, such checks can themselves become new opportunities for corruption. So finding the right balance between different approaches to accountability becomes an essential element of any service delivery strategy.

32.   Some fragile states may have to look to regional solutions to overcome their service delivery deficits. This is a natural response for small land-locked states, which

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[20] The bottom ten countries on TI's Corruption Perceptions Index for 2008 were the Democratic Republic of Congo, Equatorial Guinea, Chad, Guinea, Sudan, Afghanistan, Haiti, Iraq, Myanmar and Somalia. However, patronage and corruption are not the sole preserve of FCA states. According to North, Wallis & Weingast (2006), most societies "provide order by using the political system to limit economic entry to create rents, and then using the rents to stabilize the political system and limit violence." They call this the "natural state". Only a handful of countries since WWII have transitioned to "open order states", where open access and entry into economic and political organizations sustains economic and political competition.

are dependent on their neighbours' infrastructure for the movement of goods and services. However, this approach is rarely extended to the social sectors – where regional solutions may well make sense for higher-level services, such as teaching hospitals and universities, where high unit costs and economies of scale may militate against national solutions.[21] From the demand side, it may also be hard to justify major investments which will only benefit a very small section of society in the immediate aftermath of conflict, but which may still be crucial to the longer-term development of the country. However, the case for regional solutions may well break down when the neighbouring countries are also conflict-affected and facing similar challenges.[22]

D. How Can Donors Support Service Delivery?

33.　　The international community is usually expected to play a major role in bringing security and social services to FCA states. When done well, international assistance can help these countries break out of the vicious cycle of poverty and conflict. However, when done badly, it can exacerbate existing tensions and sources of conflict, and undermine state legitimacy, with few tangible benefits for the population. This section focuses on the role of official aid in delivering social services. However there are obvious overlaps with the role of international security forces, when they protect aid workers or provide their own development projects in insecure areas (e.g. the Provincial Reconstruction Teams in Afghanistan). International NGOs also play a vital role in delivering services in FCA states – often working in conflict-affected areas beyond the reach of the government and official donors. International NGOs usually work closely with local NGOs and community groups to both provide and monitor services, as discussed in Section B (and illustrated in Case Study 1 on basic health services in Afghanistan).

34.　　The OECD issued ten principles for international engagement with fragile states in 2007 (see Box 7). These highlight *inter alia* the importance of understanding the country context, recognizing the links between political, security and development objectives, and focusing on state building as the central objective. They also reflect the

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[21] The case for higher education in developing countries is made in World Bank & UNESCO (2000). While there is an understandable focus on primary education, when literacy is low and resources scarce, failure to plan early enough for higher levels of education can leave students frustrated by their limited employment opportunities, the economy without the skills needed to innovate and be competitive, and the political system without well-educated leaders for the future.

[22] The pros and cons of regional solutions for FCA states will be discussed in more depth in a separate background paper for the WDR 2011.

commitments in the Paris Declaration on Aid Effectiveness (2005), while recognizing the particular challenges of engaging with fragile states:

> "Where governments demonstrate political will to foster development, but lack capacity, international actors should seek to align assistance behind government strategies. Where capacity is limited, the use of alternative aid instruments – such as international compacts or multi-donor trust funds – can facilitate shared priorities and responsibility for execution between national and international institutions. Where alignment behind government-led strategies is not possible due to particularly weak governance or violent conflict, international actors should consult with a range of national stakeholders in the partner country, and seek opportunities for partial alignment at the sectoral or regional level. Where possible, international actors should seek to avoid activities which undermine national institution-building, such as developing parallel systems without thought to transition mechanisms and long-term capacity development. It is important to identify functioning systems within existing local institutions, and work to strengthen these."

Box 7: Principles for Good International Engagement in Fragile States

The long-term vision for international engagement in fragile states is to help national reformers to build effective, legitimate and resilient state institutions, capable of engaging productively with their people to promote sustainable development. Realisation of this objective requires taking account of, and acting according to, the following Principles:

1. Take context as the starting point.

2. Do no harm.

3. Focus on state-building as the central objective.

4. Prioritize prevention.

5. Recognize the links between political, security and development objectives.

6. Promote non-discrimination as a basis for inclusive and stable societies.

7. Align with local priorities in different ways in different contexts.

8. Agree on practical coordination mechanisms between international actors.

9. Act fast ... but stay engaged long enough to give success a chance.

10. Avoid pockets of exclusion.

Source: Abridged from OECD (2007a).

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35.   While these are sound principles, they can be very hard to follow in practice, when the country is facing pressing needs, many services have collapsed, the government is weak, corruption is widespread, and donors are struggling to handle major, new programs. The task is obviously made a lot easier when there are strong leaders in the country, who want to do the right thing, and a cohesive donor community, which is already familiar with the country's challenges and institutional base. But, absent these conditions, there is a major risk that donors will simply 'take over', imposing their own (and often conflicting) priorities and running programs directly. There is also a risk that donors will impose their own views on how institutions should develop over the medium term, without regard for a country's history or social preferences.[23] The long-term consequences are likely to be disastrous: for both service delivery and the broader objectives of state building.[24]

36.   Most donors, of course, want to do the right thing: understand the country context, support participatory approaches for setting priorities, and channel their funds through government systems. They have experience working within poverty-reduction strategies and adopting sector-wide approaches (SWAps). However, trying to impose 'state of the art' solutions in fragile states can also be a recipe for disaster. Budget support only makes sense when minimum standards of financial management are met (Collier 2007). And the existence of political leadership and institutional capacity need to be seen as key prerequisites for SWAps in fragile states (Pavanello & Darcy 2008).[25] As shown by the contrasting experiences with health SWAps in East Timor and Solomon Islands (see Box 8), they can be made to work, but donors have to be willing to let go and take risks in the process. Hence the focus in the Principles on pragmatic and flexible solutions, which aim to balance the short-run pressures to get things done, with the longer-term aims of building institutional capacity. This has to be seen as a dynamic process, well grounded in country realities and adapting as circumstances

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[23] In regard to security and justice, Schere (2009: 65) argues: "Attempts to implement a state building agenda grounded upon a Western reading of the state are misguided and prone to ineffectiveness. For effective donor support to take place, what is required is an accurate analysis of the nature and structure of the post-colonial fragile state as it is, rather than as one may wish it to be."

[24] In some extreme cases, where services have completely broken down, there may be little alternative. Berry (2009) cites the example of UNICEF maintaining very basic education services in Somalia since 1992.

[25] Berry (2009) cites the Education for All (EFA) program in Nepal as an example of "how a sub-sector education program can be developed and implemented with government officials even in the midst of serious armed conflict." However, more generally, global programs have been problematic in FCA states, because of the difficulties of meeting performance criteria (Eldon & Gunby 2009) and integrating the programs into national priorities (AusAID 2009a).

change.[26]   Donors have to not only understand the politics of development, but also adjust their operational strategies to political realities (e.g. under what conditions to use budget support).[27]

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[26] DFID (2009a) proposes a spectrum of aid instruments: working *through* the state (where the state is responsive and capacity and risks are improving); working *with* the state (where the situation is more mixed and risks are higher, but there are elements of responsiveness); and working *outside* the state (in situations where the state is non-responsive and its legitimacy questioned).

[27] Unsworth (2009: 884) argues: "While most donors readily acknowledge (when pressed) that development challenges are political, not just financial and technical, there is a disconnect between the rhetoric about politics and the mainstream political agenda."

Box 8: Health SWAps in East Timor and Solomon Islands

East Timor faced a precarious health situation in 1999. In response, the Interim Health Authority signed MoUs with NGOs for each district, developed district health plans and performance indicators, and a system for distribution of essential pharmaceuticals. Over time, the government gradually phased out NGOs and took responsibility for provision of health services in the districts. By late 2001, a fully East Timorese Ministry of Health had been put in place and over 800 health staff had been recruited. By 2004, 28 health centres had been built and 36 health posts renovated. An estimated 90% of the population have a facility within a two-hour walking distance, and health facility utilization rose from 0.75 in 2000 to 2.13 outpatient visits per capita.

The East Timor experience shows it is possible to achieve simultaneously quick wins in basic health services and longer-term institutional development. Crucial to the transition was use of a sector-wide approach to ensure donor coordination. From the start, there was strong Timorese ownership and participation. Joint donor health missions were used to design projects and evaluate performance. Despite problems with implementation delays, human resource constraints and poor quality health data, the flexibility provided by the sector-wide approach was appreciated.

In **Solomon Islands**, Australian assistance led to a quick recovery in health services after the ethnic tensions of 1999-2003. Some 75% of the population now use public health facilities. Surveys show high satisfaction levels with the health system and steady progress on health outcomes (with relatively equitable access). However, despite this progress, Solomon Islands still have some of the worst health indicators in the Pacific.

Subsequent efforts to put in place a sector-wide approach have been slow to take hold. AusAID's own evaluations point to a number of problems, including the dominant role of external advisers in putting together the health sector program, with little government ownership, and the use of parallel procedures to administer Australian aid. Because Australia funds one-third of the health budget, disruptions in funding can have a major impact on health programs (as happened in 2007) and restrictions on the use of these funds risk distorting the budget (e.g. too much on Honiara-based administration and hospital services, and too little flowing down to the provinces).

Source: Case Studies 2 and 3.

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37. A number of mechanisms have been developed to bridge the gap between the 'ideal' systems to set budget priorities and spend money and the 'reality' in most fragile states. Transitional Results Frameworks, for example, have been used to integrate the development, security and political components of the post-conflict agenda, prioritize actions and expected results, and lay out the respective roles of the government and donors (e.g. in East Timor, Haiti, Liberia, Sudan and CAR).[28] And Multi-Donor Trust

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[28] Transitional Results Frameworks (and Matrices) were developed jointly by the UN and the World Bank, and evolved out of the earlier experience with Post-Conflict Needs Assessments. For a review of experience and operational guidance, see UN Development Group & World Bank (2005 & 2007). The current guidelines put more emphasis on assessing institutional capacities and mitigating conflict risks.

Funds (MDTFs) have been used to coordinate budget support in countries where fiduciary risks are high, while also building the capacity of the state to manage and control its own budget (see the Afghanistan Reconstruction Trust Fund in Box 9). All of these mechanisms face major implementation challenges (DFID 2005, Scanteam 2007), and still depend crucially on leadership from at least parts of the government. Ultimately, to work effectively in fragile and conflict-affected states, donors have to be willing to take risks: balancing fiduciary, developmental and reputational risks (AusAID 2009a) and working more as a venture capital fund than a traditional aid agency (Collier 2007).

Box 9: The ARTF and Public Finance in Afghanistan

The Afghanistan Reconstruction Fund (ARTF) was established in 2002 as the main source of pooled financing for the Government's recurrent budget (e.g. teachers' salaries) and has increasingly supported priority investments in the Government's reconstruction program. The ARTF is administered by the World Bank, but funds are channelled on-budget to government-implemented national programs. This makes ARTF financing a critical tool for building capacity in country national systems, and program development and implementation.

A public financial management performance assessment carried out in 2008 found significant improvements in the system since June 2005. In relation to other countries for which PEFA assessments have been conducted, Afghanistan's ratings are better than the average for other low-income countries and comparable with middle-income countries in some areas. The only major shortfall is in budget credibility. Yet two-thirds of international assistance still bypasses government systems, undermining government-led coordination and the Government's accountability for results.

Source: Case Study 14.

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38.   Experience suggests that donor funding tends to be concentrated in the early years of the reconstruction effort, and then dries up – just as the institutional capacity to deliver services is starting to develop (Collier 2007). In the early years, efforts to build national institutions can be undermined by massive amounts of donor aid provided largely off-budget, and the associated existence of a large and well paid "second civil service" consisting of consultants, advisors and employees of international agencies and NGOs. Local talent is quickly attracted away by the high salaries of international agencies, and weak governments struggle to manage the multitude of donor-funded programs (World Bank 2008, Cliffe & Manning 2008). Later on, inadequate funding – especially for O&M, including salaries – can leave fledging institutions and programs without the where-with-all to sustain the momentum of the initial reconstruction effort. Services start to decline, and the population questions the capacity and commitment of the government to meet their needs. So it's essential that donor funding is properly

phased over time, to ensure that services can be sustained within an affordable budget envelope.

39.   Aid also has to be predictable, so governments know how much money they will have and when, and can plan accordingly. However, this can create real dilemmas, when government performance falls short of expectations, and questions are raised about the effectiveness of external assistance. This situation arose in Ethiopia in 2005, in the aftermath of contested elections, when donors cut off budget support. The potential impact on service delivery was devastating, and a new mechanism was eventually found to channel funds to local governments to protect basic services, while working in parallel on broader political and governance issues (World Bank (2008b). This is perhaps indicative of a general lesson: it is better for donors to adjust aid modalities (e.g. role of state and NSP providers, budget support versus projects, and additional donor safeguards) rather than aid volumes in response to changes in country conditions in FCA states. However, there may be program or sector-specific issues (such as discrimination in access to schools and healthcare) which, if they cannot be addressed, would clearly undermine the case for continued donor funding.

40.   Technical assistance (TA) has always been one of the most problematic components of aid. At its best, it can fill critical gaps in government capacity, and help develop the personal and institutional capacity to take over these functions in the future. In fragile states, TA works best during the turnaround period, when leaders and reformers are looking for help in well-specified areas (Collier 2007). But, more often than not, it is a knee-jerk response to a specific policy or project need identified by donors, without any overall strategic framework. TA advisers often know little about local conditions and have little interest in skills transfer. Moreover, when TA is delivered through its own parallel systems, it can quickly undermine what limited government capacity exists. Providing capacity to deliver donor-designed projects is very different in both philosophy and approach to supporting government capacities to deliver good quality public services (AusAID 2009a). The focus needs to shift to the latter, with more space for local problem identification and solving.

41.   Ghani and Lockhart (2008) pull these ideas together into the notion of a double compact: one component between citizens and their government in terms of what type of state they want, and the other between the government and the international community (p. 229):

> "Agreement on a consistent framework of functions to be performed, as well as comparative measures of effectiveness in performing these functions, would provide grounds for mobilization and allocation of resources. The aid system would become more efficient and ultimately redundant as institutional transformation, the revenue

compact, and wealth creation transform a country's prospects and progressively diminish the need for aid and development assistance, except in cases of natural disasters and other catastrophes."

Of course, this approach assumes strong leadership on both sides, and a genuine commitment to the successful development of states, as measured against their own values and aspirations. Sustaining this commitment over years if not decades is essential if FCA states are to find their feet and meet the rising expectations of their citizens. Service delivery is an important part of this compact, and the international community has a responsibility to help governments meet their commitments to their own citizens.[29] This will require a range of approaches, tailored to country conditions and evolving over time. But with goodwill on all sides, the results should be better services for the people, more public confidence in the future and, ultimately, a more capable and credible state.

E. Summary of Main Conclusions

42. This paper has drawn on the existing literature and a series of case studies to look at what we've learnt about how to deliver services in FCA states. The first obvious point to make is that the approach taken and the results achieved depend very much on country circumstances. This highlights the importance of having a good understanding of the political and institutional context. It's also important to keep an open mind on how institutions will develop, and be ready to respond flexibly to opportunities for reform as they arise. This is especially important in FCA states, where the political mechanisms for expressing public demand and holding institutions accountable are poorly developed, where government capacity is weak and struggling to meet its core functions, and where a range of innovative solutions to deliver services are likely to emerge by default. In this environment, politicians, policy makers and donors must avoid imposing some pre-determined model on how the state will evolve, but leave enough time and space for social preferences to emerge and be expressed.

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[29] The double compact is key here. Eldon & Gunby (2009) note that "ruling elites can be very skilful at presenting themselves to the international community and playing by the 'rules of the donor game' (Cambodia, Nigeria) to secure support, without necessarily responding to their own societies."

Box 10: Stresses and Capabilities in Service Delivery in FCA States

	Internal	External
Stresses	- Inadequate resources to fund basic services - Poor and non-transparent priority setting in budget allocations - Weak line ministries overburdened with too many responsibilities - Favoritism and discrimination in access to basic services - Wastage through corruption - Violence and insecurity	- Externally-imposed institutions, unrelated to local traditions and values - Short-term 'experts' with little local knowledge or skills transfer - Aid projects outside budget and unrelated to national priorities - Corruption in aid programs - Regional insecurity and illegal trafficking - Natural disasters and economic shocks
Capabilities	- Leadership committed to security, justice and good social outcomes for all - Inclusive priority setting, based on shared values and trust - Core competencies in public resource management - Line ministry capacity to set policies, contract services and monitor outcomes - Effective use of NSPs, with resources tied to results	- Regional capacity for higher education and health services - Committed technical experts with local and conflict experience - Aid provided in support of budget priorities and processes - Aid phased in line with longer-term funding requirements

Source: Adapted from WDR 2011 Concept Note (Table 2, p. 10).

43.   Using the framework from the Concept Note for the WDR 2011, Box 11 summarizes some of the stresses and capabilities that are commonly faced in delivering services in FCA states. Looking first at capabilities, the following conclusions emerge:

1. In FCA states, service delivery often draws on the capabilities of non-state actors: the private sector, NGOs, religious organisations and community groups. This is especially true for basic health and water services. Education is more complicated, because of its important socialization role. But experience shows that education services can also be delivered successfully through non-state organizations, under a compact with the government – which sets the curriculum and monitors performance in exchange for public funding. And this experience is not limited to the social sectors; informal networks also play a vital role in providing justice in many FCA states.

2. CDD programs have proven to be effective at delivering services quickly in FCA states, while also improving local governance and state legitimacy. However, a lot depends on: (1) the simplicity and transparency of the budget mechanisms for getting money down to communities; (2) the quality of the processes for making decisions and monitoring progress at the local level; and (3) how well the CDD programs and processes can adapt to fit with the emerging local government architecture. Over the longer term, issues of financial sustainability also need to be addressed.

3. Even where non-state actors deliver services, there are still core capabilities required from government. These have to do with: (1) providing basic security and policing functions (which can't easily be contracted out); (2) managing public resources: maintaining fiscal sustainability, allocating limited resources in line with national priorities, and ensuring public funds are well used; and (3) setting sectoral policies, monitoring outcomes, and holding service providers accountable for their performance. Contracting out works best when both parties focus on outcomes: keeping the formal procedures light and providing clear incentives to deliver results.

4. Decentralization of political, administrative and fiscal powers is pursued in many FCA states, often as a way to address past grievances and enhance local representation. It can improve service delivery, in so far as it brings decision making closer to beneficiaries. But a lot depends on the accountability of local politicians and officials, and their capabilities and resources. Local governments need to be properly integrated into service delivery programs, especially when they're responsible for O&M (e.g. water supply). For some services (e.g. immunization), delivery has to be coordinated at the regional or national level.

5. Donors can contribute by supplementing the limited technical and financial capability of governments in FCA states. It's important to draw on the full pool of national and regional experts, who understand local conditions and have worked in conflict situations before. Commitment to stay and work on the ground is essential. Funding should be phased and sustained over time, in line with service delivery objectives. To the extent possible, aid should support government programs, and use their systems as they come up to scratch. This inevitably means taking risks: working more as a venture capital fund than a traditional aid agency.

44.   There is now ample evidence that governments, non-state actors and donors working together can achieve a lot in terms of delivering services and improving social outcomes in FCA states. As people benefit from services, their expectations for the

future improve; they are more willing to put aside violence and recognize the legitimacy of the state. However, this virtuous circle can easily break down, if the stresses of conflict situations overwhelm the capabilities available. In particular, governments can quickly succumb to the pressures to favour certain groups in providing access to basic services or to siphon off resources for political or personal gain. And donors, in the rush to get things done, can be tempted to bring in short-term technical experts, with limited local knowledge, and to work outside government budgets and processes. Local talent is quickly attracted away by the high salaries of international agencies, and weak governments struggle to manage the multitude of donor-funded programs. Later on, funding often dries up – leaving fledgling institutions without the where-with-all to sustain the momentum of the initial reconstruction effort. Services start to decline, and the population questions the commitment and capacity of the government to meet their needs.

45. Service delivery is of course only a part of the response to rebuilding conflict-affected societies. While innovative approaches can get services to the people, and help shift expectations about the future, they cannot survive in a lawless and violent environment. Nor can they substitute for more fundamental reforms of the institutions for popular representation and accountability. There will be circumstances where non-state providers and donors have no option but to work around dysfunctional and illegitimate governments. Various transitional arrangements can be put in place to set priorities, manage resources and monitor progress. However, these are unlikely to be sustainable without broader progress on state building and institutional reform. This is why strong leadership – committed to security, justice and equity – is so important. This can come from a variety of sources: national leaders, local governments, tribal and village councils, civil society and community groups etc. It may be stronger in some sectors than others. And may ebb and flow over time. But it needs to be nurtured to provide a sound base for gauging and responding to people's needs. How to build leadership goes well beyond the scope of this paper but, ultimately, may well be the most important ingredient for successful service delivery and the transformation of FCA states.

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Case Studies

Case Study 1: Basic Health Services in Afghanistan

During the 1980s and 1990s in Afghanistan, much of the health services in rural areas (where 80% of the population lives) were provided by NGOs working 'cross-border, mainly from Pakistan. Funded from various external sources, the NGOs provided services that were often of good quality, but the coverage was modest, with only about one functioning primary health care facility per 50,000 people. The activities of the NGOs were generally uncoordinated and unfocused; successive governments showed little interest or ability to coordinate their activities, and the NGOs were also keen to keep their distance.

As a result, the provision of basic health care services was low and health outcomes poor. In 2002, after the fall of the Taliban, the under 5-year mortality rate for children was estimated at 257 per 1,000 live births, and the maternal mortality rate was estimated at 1,600 per 100,000 live births. The situation was significantly worse in remote areas, such as the mountainous Badakshan province in northeast Afghanistan, where maternal deaths were more than 15 times higher than in Kabul.

Confronted by an uncoordinated and poorly performing health care system, the Afghan Ministry of Public Health (MoPH) defined a package of priority health care services, contracted with NGOs to deliver it, and prioritized monitoring and evaluation of health sector performance. NGOs are selected competitively, with credible sanctions in case of poor performance. The cost of delivering the basic health package is about US$4 per capita per year – which is comparable with experience in other low-income countries.

The results so far have been encouraging. There has been a 136% increase in the number of functioning primary health care facilities from 496 in 2002 to 1,169 in 2007. The health management information system indicates that there has been nearly a four-fold increase in the number of outpatient visits from 2004 to 2007. Independent assessments confirm that the quality of health care and health outcomes have also improved significantly over the period, despite a worsening security situation.

Contracting with NGOs has worked well in Afghanistan and has proved to be a rapid way for the government to gain and maintain policy leadership. By giving NGOs a fair degree of autonomy but holding them accountable for achieving national priorities, the MoPH has addressed serious constraints such as scarce human resources, lack of physical facilities, and logistical challenges. Carrying out regular, independent and rigorous M&E of health sector performance is expensive. However it has allowed MoPH to identify problems, act quickly to resolve them, and track whether progress has actually been achieved.

The success of the contracting model has depended on high-level political buy-in (from MoPH and the Ministry of Finance) and willingness by MoPH officials not to micro-manage the process. Going forward, it remains unclear whether the bureaucracy will allow the contracting

model to continue. MoPH is already experimenting with a contracting-in model, and there will be political pressures to revert to government provision. Whatever happens, the rigorous M&E system will hopefully be maintained – and provide a good measure of the relative success of different delivery models.

Source: Loevinsohn & Sayed (2008).

Case Study 2: Supporting Health Services in Solomon Islands

Solomon Islands is still recovering from a sharp decline in GDP that occurred during the ethnic tensions of 1999-2003, and remains dependent on external support through the Regional Assistance Mission to Solomon Islands (RAMSI) to maintain law and order. Donor funds – largely from Australia and channelled through an off-budget fund managed by TA advisers – helped to keep the health system running during the tensions and facilitated a speedy recovery of service coverage (three quarters of the population use public health facilities and some 85% of mothers give birth in a facility). Surveys also show high satisfaction levels with the health system and steady progress on health outcomes (with relatively equitable access).

However, Solomon Islands still have some of the worst health indicators in the Pacific. Particular areas of concern include malaria (still the highest incidence outside Africa), a five-fold higher maternal mortality ratio in out-of-facility births, recent sharp increases in sexually-transmitted infection incidence and patients diagnosed with non-communicable disease, and a significant unmet demand for family planning services.

The public sector (government plus donors) accounts for almost all health spending in Solomon Islands. Donors finance nearly all development spending and half of recurrent spending. Public spending on health has grown rapidly since the tensions and reached more than 8% of GDP in 2008 – higher than in most low and middle income countries. This has enabled Solomon Islands to keep its health facilities staffed and supplied with drugs. However, an excessive amount of the health budget is spent on Honiara-based administration and on hospital services relative to provincial spending on primary and preventive services.

The Government has outlined its priorities for the health sector in the National Health Strategic Plan (HNSP), formulated in 2006. This was followed by the Health Sector Support Program (HSSP), which attempted to translate the plan into a sector-wide program led by the Government and in coordination with the donor community. The HSSP was put together with TA from the World Bank and AusAID. AusAID also provides about one-third of the program's funding. However, AusAID's own evaluations point to a number of weaknesses in this approach:

- The HSSP document was largely prepared by external advisers, with little government ownership.

- While AusAID support is largely captured in the budget, it is administered using parallel procedures and there is as yet no medium-term plan and expenditure program with clear service delivery and system reform objectives.

- Because of the scale of Australia's assistance, funding disruptions can have a major impact on health programs (as happened in the transition to HSSP in 2007) and restrictions on the use of these funds risk distorting the budget (e.g. too little flowing down to the provinces).

- There are also obvious dangers in the long-term dependence of the health sector on a parallel donor trust account for the supply of nearly all drugs.

Good annual dialogue on the budget, plus measures to strengthen financial management and monitoring should enable AusAID and other donors to provide support using government procedures without earmarking to specific purposes, and without incurring unacceptable risks of misappropriation.

Source: AusAID (2009a) and (2009c), World Bank (2008c).

Case Study 3: Supporting Health Services in East Timor

Before 1999, Timor-Leste had low health indicators compared to Indonesian averages. Life expectancy at birth was 54 years, and a doctor or midwife attended less than a quarter of all births (Rosser 2007: 123-125, World Bank 2009: 1). This precarious situation was exacerbated by the damage and destruction of 75% of health infrastructure and exodus of medical staff back to Indonesia. The lack of a viable health system created little opportunity to address high child and maternal mortality rates, and high prevalence of communicable diseases, particularly malaria and tuberculosis.

The Health Sector Rehabilitation and Development Project (HSRDP I) began in mid-2000 and was followed by the Second Health Rehabilitation and Development Project (HSRDP II) in mid-2001, and concluded in 2008. These two programs were designed to address the precarious and grim state of the health system in Timor-Leste. The first project was designed to both facilitate access to basic healthcare services throughout the country in the aftermath of conflict, and to build the foundations for the development of health policies in the medium term (Tulloch et al 2003: 2).

Leveraging interest and expertise in the Joint Health Working Group and East Timorese Health Professionals Working Group, UNTAET established an Interim Health Authority (IHA). A sector-wide approach was utilized which facilitated cooperation and coordination amongst development partners. For instance, assisted by the European Commission's Humanitarian office (ECHO), the Department of Health Services signed Memoranda of Understanding with NGOs for each district, developed district health plans and performance indicators, and a

system for distribution of essential pharmaceuticals (Cliffe and Manning, 2008: 181). Another mechanism was joint donor health missions to design the project and evaluate performance.

The second project accorded greater attention to longer-term issues of the policy and institutional framework. As a result the government gradually phased out NGOs and took responsibility for provision of health services in the districts. Tulloch et al state "the most important achievement by late 2001 was that in little more than 18 months a fully East Timorese Ministry of Health had been put in place and over 800 health staff had been recruited and were working across the territory" (2003: 16).

This project has been recognized as a successful example of transitional institution- and capacity-building which shifted from an emergency service delivery phase provided by NGOs, to an integrated public health management system (Cliffe and Manning 2008: 181). By 2004, the establishment of a functioning health service resulted in a total of 28 health centers built and 36 health posts renovated. An estimated 90% of the population have a facility within a two-hour walking distance, 42% of births were attended by a skilled health care worker, vaccination coverage rates rose to 85% of children under 5, and health facility utilization rose from 0.75 in 2000 to 2.13 outpatient visits per capita (World Bank 2010).

The Ministry of Health is recognized as a particularly effective ministry with strong technocratic leadership and high budget execution which was able to establish an effective working partnership with the key development partners, UNTAET and the World Bank. From the outset there was strong Timorese ownership and participation. This included prioritizing country-wide access to basic health services over rehabilitating the hospitals. In the short-term, national ownership and participation created some delays, but ultimately reaped dividends in the long-term.

Another key element of success was the management model which actively avoided rigid structures for the first two years. This fostered a learning environment utilizing a 100-day planning cycle with clear target and focus on results, and accrual of confidence and capacity through repeated successes. The priority was providing basic healthcare and services, rather than diverting attention and resources towards establishing an inflexible structure or 'putting the boxes in place', which was inappropriate in times of great uncertainty and limited capacity. Flexibility to respond to a rapidly changing environment was greatly valued, including project extensions from 2005 until 2008, additional health facilities and extra procurement of equipment which was possible due to a sector-wide approach.

However, there have been challenges including weak demand for services, inadequate health information data, unrealistic implementation schedules, difficulty in the provision and procurement of pharmaceuticals, and considerable human resource constraints. There was also frustration with multilateral stakeholders regarding slow disbursements for capital works and reconstruction, and burdensome bureaucratic processes and procurement rules.

In essence, HSRDP 1 and 2 illustrate that it is possible to simultaneously achieve quick wins in basic health services and long-term institutional and policy development. Crucial to the

transition from emergency service provision to national ownership was use of a sector-wide approach to ensure donor coordination and concentrating negotiations with donors to a particular time period and forum.

Source: Cliffe & Manning (2008), Rosser (2007), Tulloch et al (2003), World Bank (2005b, 2009d, 2010b).

Case Study 4: Primary and Secondary Education in the DRC

One of the striking features of the Democratic Republic of Congo (DRC) is that it emerged from a protracted period of conflict with the basic architecture of its education administration intact. Four entities are involved in the administration of schools: (a) central government; (b) provincial administration; (c) representatives of four main religious congregations; and (d) parents. In the post-conflict period, there has been some institutional restructuring at central level (e.g. bifurcation of a single Ministry of Education) and a more pronounced political commitment to decentralization (promulgated by the Constitution of 2006). However, the fundamental force that keeps the system running is still a combination of household financing and the NGOs managing most of the schools.

Religious organizations run 81% of public primary schools and 77% of public secondary schools in the DRC, through a protocol-based school management system (the remaining public schools are managed directly by the state). While the schools are managed by the religious networks, the schools belong to the state as the organizing power for the education sector. Government guidelines cover curricula, norms regarding class size, the qualifications and salaries of teachers, and the system of assessment. Teacher recruitment in principle must be vetted and approved by the Central Ministry, and all teachers are civil servants. However, local practices don't always follow this principle, hence an estimated one-third of all teachers are not on the public payroll.

Schools are managed by a management committee and the school head. The school head is responsible for the academic, administrative and financial management of the school, including the management of personnel, disbursement of pay, and all receipts and expenditures. The management committee is the decision making body of the school. It consists of the school head, a pedagogical council, the administrator in charge of discipline and one representative each of teachers and parents. The management committee has the power to decide how to use receipts from fees and other contributions from parents.

The day-to-day administration of basic education in the DRC functions largely because of a financing "partnership" with households that extracts school fees in proportions not seen in other countries. These resources, coupled with the considerable involvement of the religious organizations in managing (not financing) public schools, kept the school system running through the years of conflict (1991-2001). This pattern started even under the Mobuto regime, as the government practically abandoned the financing of education. The state has now re-engaged in the education sector, contributing about 12% of resources for all education sub-sectors combined.

A recent study of faith-based and public schools in DRC found that there were few statistically significant differences in performance after controlling for the types of students attending the schools (faith-based schools serve most of the children, many of whom are poor) and the endogeneity of school choice. (By contrast, in Sierra Leone, faith-based schools serve especially poor children; allowing for this, they are shown to perform better than public schools.)

Going forward, two main challenges will have to be addressed. The first is the Constitution's commitment to fee-free primary schooling. This will be very difficult in the current resource environment. Instead, it may be better to build on the legacy of civil society involvement in service delivery to pave the way for more effective partnerships/contracting mechanisms and/or grant programs that would give more autonomy to civil society organizations. The second challenge is decentralization. This has created a number of ambiguities, such as the role of the new Provincial Ministers, and the reporting line for the Provincial Heads of the Ministry for Primary, Secondary and Professional Education (MEPSP).

Source: Susan Opper (World Bank, AFTED) and Barrera-Osorio, Patrinos & Wodon (2009).

Case Study 5: Community-Managed Schools in Nepal

The Communist Party of Nepal, Maoist (CPNM) initiated the People's War in 1996 from a remote area of the Mid-Western Region. The war ended in 2006 following a Peace Accord between CPNM and the Government. Initially the major targets of CPNM attack were local government offices and police posts. The Government lost control over most of the rural areas, and CPNM established Local Peoples' Government in the areas under its control. But the Government continued to finance schools in the CPNM controlled areas.

Until 1971, the Government of Nepal relied exclusively on community initiative for delivery of school education. The government role was limited to partial financing, standard setting and supervision. In 1971, the Government took over management of schools and started appointing government teachers. The accountability of schools plummeted, and as a result the quality of education declined. In 2001, the Government decided to transfer schools back to community management through the Seventh Amendment to the Education Act. The authority for management of schools was given to school management committees (SMC) formed by the parents. Among others, the authority of SMC included resource generation, formulation of budget financed through government grants and local resources, approval and implementation of the budget and hiring of teachers. The primary motive behind this amendment was enhancing accountability of schools. There was no direct linkage between the insurgency and this amendment though the perception that the failure of the public school system was one of the factors fuelling the insurgency may also have contributed to this radical reform.

Transferring schools with government teachers to community management was a radical reform without historical precedence anywhere in the world. The Government faced a serious challenge in implementing this policy due to resistance from the teachers' unions. The World Bank, in 2003, extended support to the Government to implement this reform through the Community School Support Project (CSSP), a learning innovation loan. The project motivated schools to get transferred to community management on a voluntary basis.

With CPNM ranks joining the agitation against community management of schools implementation of the reform became exceptionally difficult. CPNM cadres resorted to physical

harassment of schools that chose to become community managed. They went as far as to locking up school offices, and kidnapping head teachers and SMC chairpersons for inquisition. Managing the political economy of reforms became the main agenda of the project. The project organized a sustained dialogue with a wide range of stakeholders including parliamentarians, other national and local level politicians, and civil servants, parents, teachers, students, school management committees (SMCs) and civil society. Media, workshops/seminars and focus group discussions were extensively used for communication.

The twin challenges that the Government faced were keeping schools operational during the conflict and furthering the difficult reform. Community ownership of schools and their autonomy with respect to the local government helped them avoid confrontation with rebels. The main features that helped to further the reform were voluntary participation of schools in the reform, lobbying for reforms by the beneficiaries themselves, and focus of the program on tangible improvements.

Accountability of schools to parents improved governance of schools which resulted in reduced teacher absenteeism, improved learning achievements, increased community donations to schools, and higher access and promotion rates. During the conflict period the net enrolment rate in primary education increased from 69.4% to 87.4%. Community management has built remarkable ability in communities to cooperate across the political divide, whereas such cooperation at higher levels has been very difficult. Echoing this success one of the SMC chairpersons, who is a CPNM member, remarked: "I keep my ideology beyond the compound of the school for the cause of the school." Now all schools eligible for public financing, over 25,000 have SMC elected by parents. The social capital created through schools is likely to have an impact in the building of a state accountable to its people.

The main lessons learned are:

- Community-managed schools are less prone to attacks from conflicting parties than government-managed schools.

- In a fragile environment reforms are more likely succeed if they are offered choices rather than compulsions.

- It is possible to promote reforms even in a fragile environment provided beneficiaries of reforms are mobilized.

- Community management can contribute to state building.

- Countries, where bad governance is an issue, can benefit from community management.

Source: Rajendra Joshi (World Bank, SASHD).

Case Study 6: Basic Education in Cambodia

During the transition ending a decade-long international embargo, UN-sponsored elections resulted in an internationally recognized coalition government in 1993. UNICEF worked closely with the Ministry of Education in Cambodia to design and implement a program to support the reform of basic education. The program had three main strategies: (1) a focus on quality of instruction and access equity for all children, supported by empowerment of local communities; (2) solid technical work provided through long-term TA to rebuild the foundations for an educational reform from national through local levels; and (3) approval of new policies to institutionalize reform of technical and operational systems.

The program had four main components:

1. 36 demonstration cluster schools, consisting of 5-10 schools in an administrative grouping, were organized in four geographical areas of the country. Ultimately, these four cluster sites served 30% of primary students. Clusters were used to gain participation of local educators in reform and to demonstrate educational changes in policy, management, curriculum, textbooks and teacher training. Clusters also built upon the work of cooperating NGOS in education and established systems which could be used to absorb greater donor funding.

2. Towards the end of the project, pilots to improve in-service teaching training in primary schools were to be extended nationwide with a $30 million grant from USAID. The grant absorbed 95% of the NGO local and international staff in the original pilots thus guaranteeing continuity of effort. (The coup a year later derailed this program, and it was recast with less funding.)

3. Curriculum reform included the adoption of a new curriculum based on learning competencies and child-centred methodology. The validation process included parents, teachers and university academics, local and national officials and was reviewed across other ministries. The curriculum stressed critical thinking skills and development of new textbooks for Khmer, Math and Science. Testing and evaluation was to be both normative and summative.

4. A national Education Management Information System (EMIS) was established, using standard indicators for monitoring and decision making. A valid annual school census was instituted through Grade 12. Annual planning in provinces, districts and cluster schools used the data produced.

According to those involved, the following lessons were learned from the Cambodian experience:

- For countries devastated by a prolonged civil war at the level of Cambodia a holistic approach to re-establishing the fundamental components of an education system understood and linked to local communities is vital. Emphasizing one facet of education above another promotes divisiveness and lopsided development.

- Connections to regional experts in Ministries of Education during the initial work and to staff long-term on-site TA in education reform in Cambodia were critically important. Experts from the Philippines and Thailand had done similar work in their own countries, and brought a technical background and cultural sensitivity to how education can help lead from conflict to stability. Their insight provided not only technical expertise but practical strategies to overcome fear, as well as opening connections for Cambodian educators to technicians in their home ministries.

- An initial focus on competencies leading to functional skills children need to acquire in order to learn, offers a platform for discourse about content and teaching methods that is relatively free of political tension. Competency development in math and language functions can provide a "safe" beginning for curriculum reform so that trust can be built and more difficult problems associated with history or geographical content can be successfully tackled later.

- Education is often glossed over in drafting a new Constitution. This omission can lead to set-backs in education reform because of the lack of clear guidelines regarding language policy or equity issues (gender, religion, ethnicity for example).

- Policy reform needs robust input from local educators, government officials, civic leaders and parents. Ministry officials at all levels must work cooperatively with those who will be affected by mandated solutions. Communication between local levels and central authorities is needed even more when trust in social systems has been destroyed or there is no history of contract integrity with government.

- The social impact of the UNICEF model in Cambodia was greater than anticipated. Trained educators were few at the end of the war in Cambodia in 1979 and they remained isolated from each other because of ongoing fighting. The reweaving of the network of educators was a strong bond that helped the project become sustainable.

- Educational reform must have the agreement and help of civil authorities, otherwise decisions regarding budget, security and support for change cannot be generated from the community. Provincial Governors were routinely briefed to solicit protection of construction sites and to share information regarding security. Governors, provincial, district and village leaders were always included in community ceremonies to turn over money for construction or repair of schools. For illiterate community members, this provided visible, verbal accountability for money given for education when the account books and purpose for funding were read.

- Translation is vital. Local translators were recruited for curriculum work. All working documents from the Ministry of Education would have English on the left-hand side of the page and Khmer on the right-hand side. Some of the seconded long-term regional experts providing TA were fluent in Khmer.

- Cluster schools, like any other model, is not perfect and cannot, alone, solve all educational problems. However, in a country with precious few human and material resources, it provided a way to share expertise among several schools, and a way to disseminate ideas and training through an organized school network. It also provided an authorized means for villagers, teachers and students to meet each other and was seen as good by the authorities.

- Artificial timelines generated from donors or politicians can be detrimental to good educational development. New knowledge and skill are necessary at every level for reform and enough time must be allowed for Ministry staff to use them, evaluate them and own them. Artificial, tight timelines can undermine capacity building and foster corruption… just say "yes" and take the money.

- Education runs on social capital both horizontally through the civil chain of responsibility and vertically, family to family, village to village. In a society hungry for progress and celebration, schools provide all kinds of opportunity to come together as a community and celebrate children and hope. The social aspects of education should not be underestimated as part of capacity building and resolution of conflict and grief.

- Education can be the largest item next to the military in the government budget. It is also the most extensive system of outreach to local people. Therefore, contracting policies and accountability for money at all levels are the backend of educational integrity just as much as valid testing and promotion. Projections, receipting, cost standardization, timely payment of salaries, regular, transparent monitoring with the Ministry, NGOS and parents, and public reporting is necessary especially at the beginning of reconstructing education after conflict.

There was strong network of educators working in Cambodia at this time, many with earlier experience in the border camps. The UNICEF model drew on this experience, including the work of NGOs such as Save the Children. More recently, Save the Children has been working in three conflict-affected provinces of Cambodia to improve the access and quality of education for disadvantaged children. Evaluations show significant increases in the participation, retention and progress of children in primary schools in these areas. These positive results have been achieved through: (1) improvements in teacher performance and morale; (2) the use of innovative, inclusive and child-friendly approaches to learning; (3) a functioning and supportive system of management of public education; and (4) strong participation from the community in school activities. However, this approach has also involved an extensive construction program and a high level of technical inputs. The challenge now will be to sustain these achievements "as the impact of the new building fades and the reality of working in an under-resourced system in a very poor part of the country re-asserts itself."

Source: Anne Dykstra (former Head of Education, UNICEF, Cambodia) and Simeth Beng (World Bank).

Case Study 7: Education for Peace in Colombia

"My name is María Eugenia. I live in the Vallejuelos barrio of Medellín. Twice I was driven out of my home in north-eastern Antioquia, an area of fierce fighting. The first time was because of the massacre in the Segovia village, then again following the bombardment of La Gorgona. You could say that I am the only survivor of these two massacres. There are two hundred children and seven hundred adults in the 'school without walls' in my barrio, and we are happy there. I hope that the project will not end mid-stream, so we will continue to enjoy what it feels like to have peace, harmony and love in our lives."

These are the words of a 12-year-old girl relating her experiences at an international meeting organized by the World Bank in Medellín in 2001, at which close to 250 Education for Peace experiences were presented. All these experiences shared a common feature: reliance on education to advance the cause of peace.

This event was the first opportunity for the Bank to highlight the existence, even in a country as shattered by violence as Colombia, of thousands of local and regional peace education initiatives, undaunted by the conflict raging around them.

Countries like Colombia affected by high levels of violence require substantial support to promote peace and harmonious coexistence. Improving the capacity of the education sector to promote the generation of positive social values for the peaceful resolution of conflicts can go a long way towards providing better living conditions for all Colombians.

Aware of the adverse impact of violence as it was affecting the implementation of Bank-funded education projects in Pasto and Antioquia, the World Bank decided to take the lead in supporting promising activities that try to overcome this situation through educational projects. An unprecedented Education for Peace partnership was established with 16 national and international institutions, with the following objectives:[30] (1) establishing a network of agencies and NGOs interested in sharing successful peace education experiences in order to stimulate mutual support and opportunities for scaling up successful projects; (2) providing a permanent forum to discuss these issues with all segments of society; (3) organizing annual workshops to present and disseminate selected initiatives and successful pedagogical practices around peace and education in the formal and informal education systems; (4) producing learning materials such as radio and television programs or bulletins to be used by teachers, students and communities as part of education for peace training programs; and (5) evaluating ongoing education for peace experiences in order to identify lessons for sustainability and replication purposes.

A variety of experiences have been supported by the Bank in the context of this partnership, including: (1) a program in Antioquia to transform all the schools in violence-free areas ("Escuelas zonas francas de Paz"); (2) a human rights training program at the school level; (3) the use of modern dance and soccer to increase the self-esteem of young people who have

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[30] See www.educacionparalapaz.org.co.

been the victims of violence and develop skills, behaviors, attitudes and gender perspectives to help these young people become better students and better citizens; (4) the empowerment of young women affected by violence to help them re-establish a normal and productive life through an innovative model that combines training with financial assistance to give them basic tools to become socially and economically independent; and (5) school violence prevention projects working at the classroom, school and community levels to develop life and citizen competences in the Upper Secondary Education Project and in a national Rural Education Project.

Beyond the education sector but still with a significant education component the World Bank funded the first Peace and Development Program in Colombia as a pilot project born in the Magdalena Medio region, an area characterized by extreme violence, but also by a vibrant and resilient civil society. The Peace and Development Program represented a community driven response to Colombia's humanitarian crisis that sought to promote conflict resolution through economic development.

After a few years working with the Partnership in support of Education for Peace experiences in Colombia, and the education projects and grants financed by the Bank, the following preliminary lessons can be outlined:

- Development in conflict zones does not mean applying formulas that have been successful in other contexts of poverty and social exclusion. In violence-affected areas, new approaches and tools need to be identified and put to use, such as creating humanitarian spaces where communities can organize themselves to mitigate the impact of the armed conflict; strategies to protect vulnerable groups; and peace and human rights education programs relying on arts and communication media.

- Education has an important social role in offering young people alternative values to evolve from violence to the peaceful resolution of conflicts. Education helps rebuild the self-esteem of young people involved in violent situations, offers services to the victims of violence, and is a powerful tool against the recruitment of young people by armed groups.

- Formal and informal education activities provide an effective space for building citizenship values, democratic attitudes and behaviors.

- Education for Peace initiatives can be enhanced through cultural and artistic activities to capture the imagination of the young people involved and motivate them.

- Partnerships among various stakeholder and community groups are more likely to succeed than isolated projects. Establishing and maintaining networks facilitate knowledge sharing and mutual support, thereby increasing opportunities for scaling up in a sustainable way.

- Monitoring and evaluating ongoing experiences in a systematic fashion is important to incorporate lessons into the design of new initiatives.

- Experiences such as the Modern Dance in Cartagena or Soccer Together in the Atlantico Department have showed relevant results in the education system such as: increased school attendance; increased concentration by children, leading to better learning results in mathematics and science; decreased levels of aggressive behavior; children more interested in their school work; children having improved relationships with family members; and displaying a higher level of classroom participation.

Source: Martha Laverde (World Bank, LCSHE).

Case Study 8: Water and Sanitation in East Timor

The widespread violence and destruction that followed the August 1999 Popular Consultation in East Timor left the country's water and sanitation facilities severely damaged and disrupted. Despite the priority given in the initial reconstruction effort to repairing piped and well-water systems, only about 50% of the population had access to an improved water source by 2001. Even fewer people (about 40%) had access to improved sanitation. Subsequent progress was again disrupted by the political crisis in 2006. The latest estimates for 2007 suggest about 60% of the population have access to an improved water source and about 45% have access to improved sanitation. Access to improved water and sanitation is much better in urban areas, while rural areas continue to lag behind the progress needed to achieve the MDGs.

Australia identified rural water and sanitation as one of the priorities for its country program in East Timor. The Community Water Supply and Sanitation Program (CWSSP) was designed to support policy development and capacity in the National Directorate of Water and Sanitation (DNSAS) in the Ministry of Infrastructure, and to provide rural water and sanitation systems to communities Bobonaro, Viqueque and Covalima districts. A particular focus of this program was the use of community-based approaches to development planning and implementation. Over the four years from 2002 to 2005, almost 10,000 households were provided access to clean water and 2,000 households gained access to improved sanitation facilities. The follow-up Rural Water Supply and Sanitation Program (RWSSP) puts more emphasis on hygiene and sanitation promotion, capacity building within government, service providers and communities, and preparation of a strategic plan for the sector.

AusAID's own evaluations of its support to water and sanitation in East Timor raise the following issues:

- The projects have been run in parallel to government programs rather than supporting existing institutions. Recent efforts to shift responsibility from Managing Contractors to the Government have been slow to eventuate.

- The focus on using NGOs to implement projects has generated good results. However, local governments – which have a major role to play in post-construction maintenance – have been marginalized in the process.

- Australia's strong focus on gender issues has had little impact on sector-wide policies. One reason is the dominant role of men in the sector – not only in DNSAS but also atypically in the Ministry of Health and local NGOs.

- RWSSP has an over-designed monitoring and evaluation (M&E) system – geared towards an inward monitoring of the project, rather than helping the Government establish its own M&E system for the sector.

- The legal framework for the water sector remains weak. The Draft National Water Resources Policy (2004) is still to be formally adopted, and responsibility for maintenance of rural systems needs to be clarified.

- Sanitation tends to be the poor cousin of water supply. While there are important links between the two sub-sectors, it may be better to treat sanitation as a separate program, integrated with hygiene services.

Source: AusAID (2009b), Democratic Republic of East Timor & UNDP (2009) and World Bank (1999).

Case Study 10: National Solidarity Program in Afghanistan

Planning for Afghanistan's National Solidarity Program (NSP) began in January 2002, just three months after the Bonn Agreements ended the latest phase of more than 30 years of conflict. Launched in late 2002, the overarching purpose of this national community development program was to bring benefits from peace to Afghanistan's devastated rural communities. By implication, covering large numbers of rural communities with programs that directly responded to local priorities would also build trust in the newly established government. NSP's specific objectives were to: (a) lay the foundations for strengthening community-level governance; and (b) support community-managed sub-projects that improve access of rural communities to basic infrastructure and services. A key feature of NSP was the establishment of Community Development Councils (CDCs) to develop a Community Development Plan, select sub-projects for funding under NSP, and manage their implementation, operation and maintenance. The CDCs are assisted by 29 Facilitating Partners, who are national and international NGOs contracted by the government to help mobilize the community, facilitate CDC elections, build the capacity of CDC members, and support community development planning

By late 2009, almost $1 billion had been committed to the NSP, primarily from donor funds channelled through the Afghanistan Reconstruction Trust Fund. NSP had reached over 19 million Afghans, in all 34 provinces and 359 of 364 districts. Over 22,000 communities have been mobilized, with 99% of them successfully electing CDCs. Almost 43,000 CDC sub-

projects have been partially or fully financed, of which more than 26,000 have been completed. Of the currently funded sub-projects, 24% address water and sanitation issues, 16% rehabilitate or develop irrigation systems, 24% improve transport infrastructure (e.g. roads, bridges), and 15% provide energy (e.g. micro-hydro). The balance support livelihoods and income generation, or education infrastructure and other investments.

Economic evaluations show consistently high rates of return (above 12%) across all sectors (Selvarajan 2008). The mid-term evaluation by the University of York in 2005-06 found that CDCs are emerging as legitimate local governance institutions, which tended to increase public faith in the system of government. This finding was reinforced by the program's randomized baseline impact evaluation survey, which found, even before projects were completed, that the simple process of electing community councils and planning for local investments, increased villager trust in all levels of government, including support for the national government (Beath et al 2010). A separate study by CSIS (2007) found that "the CDCs and tribal *shuras* are seen as more responsive to Afghan needs than provincial governments and provincial councils, and in many cases are the only sign of improvement villagers have seen in the past five years." There is also evidence from the Ministry of Education that NSP-built schools are less likely to be attacked, suggesting a positive impact on local stabilization.

NSP is not without serious challenges. Although popular throughout the country, the program has not been able to operate in areas of high insecurity. In several parts of the country where the resurgent Taliban have challenged the new government, NSP facilitators have been attacked or killed. NSP has also suffered from the uneven quality of its facilitating partners, which has had particularly adverse effects on the technical quality of some of its works. Until Afghanistan's president issued a decree instructing all donor community projects to work with NSP's councils, the program also faced the problems of donor aid competition described elsewhere in this report. NSP must still deal with this problem from some of the off-budget aid, which remains nearly 75% of the aid being provided to post-conflict Afghanistan.

Despite these challenges, NSP remains one of the most successful programs carried out in Afghanistan. By late 2009, NSP's on-budget, government delivered set of activities has successfully reached more communities than all off-budget or donor executed programs combined, and it has done so in an institutional environment that is universally described as very low capacity, high risk, and technically inadequate. What accounts for this success?

Analysts and interviews suggest five sets of related answers. First, NSP began with very high-level support, initially from the Finance Minister and then from the reformist ministers who headed NSP's executing agency, the Ministry for Rural Reconstruction and Development. Second, the program's business model limited the ministry's direct functions to designing NSP's executing strategy, issuing project policies, and overseeing quality, but outsourcing actual execution to NGOs and private sector providers. This strategy allowed the ministry to develop a solid but relatively small cadre of very good technocrats in the center and provinces. Third, recognizing the challenging institutional environment, NSP retained a very simple design, with most planning and execution devolved to villages. Fourth, NSP invested heavily in good

monitoring and evaluation (albeit with some pain). NSP's control over impact data has allowed it to make an evidence-based case to donors and to the Afghan Government that its approach achieves results. But it has also allowed the program to adjust its design to difficult circumstances, such as its stripped down procedures for high conflict areas. And fifth, the program is supported by long-term commitments of staff from both the Afghan Government and its donor partners.

Going forward, NSP faces three major challenges: (a) to maintain funding levels, providing a regular and reliable flow of resources for CDCs to fund local development activities; (b) to rethink the roles of CDCs, including their relationship with local governments and traditional village councils; and (c) to maintain the quality and commitment of NSP's parent agency in an increasingly politicized environment.

Source: World Bank (2008a), Selvarajan (2008), Nixon (2008) and Beath et al (2010).

Case Study 11: BRA-KDP in Aceh, Indonesia

The Community-Based Assistance for Reintegration of Conflict Victims program (BRA-KDP) was designed to assist conflict victims across Aceh as part of the reintegration program emerging from the Helsinki peace deal, which brought to an end a 30-year conflict between the separatist GAM movement and the Government of Indonesia in 2005. Almost $25 million of funds were channelled though the Kecamatan Development Program (KDP), which has been operating in Aceh and elsewhere in Indonesia since 1998. Block grants were delivered to communities who decided on how funds should be spent. As with other CDD programs, BRA-KDP emphasized participation, local ownership and transparency in giving communities control over the choice and implementation of projects.

Only the first phase of the program was implemented between August 2006 and 2007. It targeted 1,724 villages, around one-third of the total in Aceh, in 67 rural sub-districts. An estimated 530,000 individuals live in households that directly received assistance. There was widespread participation in the program (over 200,000 people attended BRA-KDP meetings), and poorer and female-headed households were as likely to attend as others. However, targeting of conflict victims was limited; in a recent evaluation, only 24% of conflict victims in the study area received benefits.

The same evaluation found that "BRA-KDP is associated with a strong set of welfare gains and improvements in perceptions of wellbeing." The participation of villages in the program is associated with an 11 point decline in the share classified as "poor" as reported by village heads. The majority of villages prioritized the provision of cash to individuals and groups, primarily for economic purposes, rather than to community infrastructure projects. As a result, the results in terms of ownership of assets (e.g. engines, motorcycles) are stronger than the welfare impacts in other areas, such as school attendance, health and employment levels. Because of the focus on cash transfers, and the short duration of the program, there is little evidence of any impact on social cohesion and the community's collective capacity.

Source: Barron, Humphreys, Paler & Weinstein (2009).

Case Study 12: CEP in East Timor

The Timor-Leste Community Empowerment Projects (CEP) I, II, and III ran from 1999 to 2004. These were a direct response to the East Timor Joint Assessment Mission, which paired representatives from the international community with Timorese counterparts to assess damage and define a reconstruction and development strategy for the newly independent country. At the conclusion of the Mission, Timorese senior leadership endorsed the creation of a countrywide community development program. They believed that a quick, national community program could provide a good foundation for a participatory development strategy. It would also address the immediate challenge of getting resources into a large number of damaged communities. Because of its urgency, they stayed closely involved throughout its preparation.

CEP was built on the foundations of Indonesia's Kecamatan Development Program, which had operated in East Timor up until the Referendum. After Independence, its Timorese staff quickly reconvened and became the core of the new program. The project was launched three months after the Referendum, and within its first year it reached more than half the villages in the country.

The CEP approach was contingent upon the creation of "democratically elected village and sub-district councils. Once formed, the councils received block grants that they could use to plan and implement participatory community development projects" (World Bank 2005a, p.4). By September 2000, CEP Councils had been elected in 406 of East Timor's 434 villages.

The first round of grants – the emergency cycle – was used on emergency village needs and priority rehabilitation. Each sub-district received between US$10,000-20,000 according to its population size. It is estimated that 50% of that first round of resources was spent on community centers. Two subsequent, larger grant cycles were conducted. Most grants were spent on village infrastructure such as clean water systems, farm access road improvement projects, bridges and small scale irrigation schemes, with a small share going to unsustainable village revolving funds.

The World Bank's *Implementation Completion Report* covering all three projects found mixed accomplishments. CEP was very successful in streamlining procedures to accelerate project preparation and in delivering substantial resources to the devastated village "with incalculable benefits not only with respect to infrastructure and services, but also in terms of sense of community and social cohesion" (World Bank 2005a, p.3). The completion report recognized that "throughout its life, CEP provided coverage that no other project could match, and in a disappointingly large number of isolated, poor villages across East Timor, CEP was the only development project providing resources" (World Bank 2005a, p.11).

Yet CEP failed to create a sustainable institutional base for community development and decision making, particularly with respect to developing effective relationships with the emerging formal government structures. There was little integration between CEP's councils, and the new district level administration, which operated separately at sub-district and village levels, nor was CEP integrated with the activities of line ministries.

Why was CEP not able to evolve and adapt to the formal administration whereas in other countries cited in this report such as Afghanistan and Aceh, Indonesia, an essentially similar model has been successfully integrated into longer-term mainstream government thinking?

Three factors can explain CEP's failure. First and foremost were conflicts between CEP's model of decentralized planning and management and the highly centralized plans of the UN interim administration (Chopra 2000), which strongly resisted the idea of transferring budgets directly to communities before the higher levels of governance had been formed and ratified through a national constitution. But secondly, conflicts within East Timor's national leadership took the form of a polarization between populist and centralized models, with the Fretilin leadership increasingly moving towards a more authoritarian, centralized form of government.

This split would later erupt into renewed fighting in East Timor. Finally, as the East Timor government grew stronger and government administration spread downwards, CEP's councils were perceived to be more of a threat to the consolidating administration than a useful complementary mechanism for bottom-up planning.

Today, the local councils established under CEP are no longer functioning. They were seen as a temporary means of channelling money which did not take on a larger role as development agents in their communities. They were not used by other agencies or NGOs for coordination or implementation as they were not considered legitimate or credible governing units.

What lessons can be pulled from the CEP experience? Three seem to be especially useful. First, consistent with other reports, community programs can be launched quickly in a broad range of post-conflict environments, even those that, like East Timor, have been heavily damaged and lack strong institutional capacity. Second, CEP also illustrates the pitfalls of unresolved donor aid coordination; while in the end senior UN management endorsed CEP, several mid-tier UN managers consistently worked to undermine it. And third, programs such as CEP cannot work separately from their changing environments during recovery. CEP never did find a way to integrate into the evolving, strengthening local government and Fretilin structures. For that reason it ended without leaving a sustainable way to provide resources and services to East Timor's many impoverished villages. Unfortunately, little seems to have taken its place.

Source: Chopra (2000), Hohe (2005), Ospina & Hohe (2002), World Bank (2002a, 2002b, 2005a, 2006).

Case Study 13: Social Development Fund in Yemen *[to be added]*

Case Study 14: Afghanistan Reconstruction Trust Fund

The Afghanistan Reconstruction Trust Fund (ARTF) was established in 2002 as the main source of pooled financing for the Government's recurrent budget (e.g. teachers' salaries), and has increasingly also supported priority investments in the Government's reconstruction program. As of March 2009, 30 ARTF donors had collectively pledged over $3.4 billion, of which more than $1.7 billion has been disbursed to finance recurrent expenditures and $0.8 billion for investment projects. The ARTF is administered by the World Bank, but funds are channelled on-budget to government-implemented national programs. This makes ARTF financing a critical tool for building capacity in country national systems, and program development and implementation.

The second evaluation of the ARTF was completed in August 2008. It found that ARTF support to recurrent costs of government was efficient and effective, with spill-over quality improvements in the overall public financial management system of the country rated as "highly satisfactory". The ARTF has offered a collective platform for donor co-financing of successful national

programs and for donor/government dialogue, thereby reducing transaction costs and improving coordination and harmonization efforts. However, capacity building activities are difficult to assess at this stage and, as a general rule, more attention needs to be given to M&E of development impact. The evaluation proposed a three-year transition towards an Afghanistan Development Trust Fund, aligned with priority programs in Afghanistan's National Development Strategy.

A public financial management performance assessment carried out in 2008 found significant improvements in the system since June 2005. In relation to other countries for which PEFA assessments have been conducted, Afghanistan's ratings are better than the average for other low-income countries and comparable with middle-income countries in some areas. The only major shortfall is in budget credibility. Yet two-thirds of international assistance still bypasses government systems, undermining government-led coordination and the Government's accountability for results.

Source: Scanteam (2008), World Bank & DFID (2008), World Bank (2009b).