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BRIDGING STATE CAPACITY GAPS IN SITUATIONS OF FRAGILITY

PDG EXPERTS' SERIES VOL. 1

Bridging State Capacity Gaps in Situations of Fragility

LESSONS LEARNED FROM AFGHANISTAN, HAITI, SOUTH SUDAN AND TIMOR-LESTE

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Foreword

States in fragile and post-conflict situations are an impediment to development, growth, investment and international security. As such, they represent a global challenge. To break this cycle, these countries need help to reinforce human capacity and build democratic institutions, with the aim of improving access to key services for their citizens.

To respond to this emerging global challenge, a group of like-minded OECD countries, middle-income countries and international organisations launched the Partnership for Democratic Governance (PDG) at U.N. Headquarters in October 2007. Operational since June 2008 and hosted by the OECD, the PDG now has a membership of 14 countries and international organisations: Australia, Canada, Chile, Denmark, Korea, Mexico, Poland, Turkey, the United States, the African Development Bank, the Inter-American Development Bank, the Organization of American States, the OECD and UNDP. The Secretariat for the Partnership is the PDG Advisory Unit.

The PDG is an independent inter-governmental process that helps its Members gain, through international co-operation and field-level initiatives with countries in fragile situations, a deeper understanding of ways to provide rapid support to public authorities of fragile and post-conflict states, with a special focus on the delivery of essential public services and government functions. In combining Members' knowledge on South-South and triangular co-operation, the OECD's expertise in development and governance issues and UNDP's hands-on, country-level experience, the PDG represents an important critical mass of ideas and expertise and contributes to building a strong alliance between OECD and non-OECD countries, international organisations, and states in fragile or post-conflict situations.

In 2008, the Advisory Unit created an independent Experts Group to provide neutral and cutting-edge recommendations to the Partnership's members on potential scenarios, development efficiency measures and other strategies. Through this Group, the Advisory Unit commissioned analytical papers on lessons learned from technical assistance linked to service delivery and core government functions in fragile and post-conflict states, which form the basis of this first volume in the Experts' Series.

Particular thanks are due to the authors of these papers, who are all members of the PDG Experts' Group: Mr. Rahul Chandran, Mr. Russell Cheetham, Mr. Dennis de Tray, Mr. Damoni Kitabire, Mr. Robert Muggah and Mr. Kojo Oduro. The experts who reviewed and commented on these papers also made pivotal contributions and contributed to making this publication possible: Mr. Talaat Abdel-Malek, Mr. Derick Brinkerhoff, Ms. Seema Ghani, Mr. Jak Jabes, Mr. Steve Symansky, Mr. Madani A. Tall and Mr. Asbjorn Wee.

Bathylle Missika and James Eberlein from the OECD/PDG Advisory Unit contributed to the development of these papers and helped shape the editorial content of this publication. Phyllis Flick offered invaluable editorial assistance while Bonnie Schaefer provided contractual support.

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ANDS	Afghanistan National Development Strategy
CEMP	Customs Expansion and Modernisation Programme (Angola)
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DAC	Development Assistance Committee (OECD)
DAG	Department of the Auditor General (The Bahamas)
DDR	Disarmament, Demobilisation and Reintegration
DFID	Department for International Development (United Kingdom)
GEMAP	Governance and Economic Management Assistance Programme
GOSS	Government of Southern Sudan
IMF	International Monetary Fund
MOFEP	Ministry of Finance and Economic Planning (South Sudan)
NDC	National Directorate of Customs (Angola)
NRA	National Revenue Authority (Sierra Leone)
OECD	Organisation for Economic Co-operation and Development
MINUSTAH	United Nations Stabilisation Mission in Haiti
PAR	Public Administration Reform
PDG	Partnership for Democratic Governance
PFM	Public Finance Management
PSI	Public Sector Information
SADC	Southern African Development Community
STRIP	Short Term Revenue Improvement Programme (Sierra Leone)
TA	Technical Assistance
UNDP	United Nations Development Program
USAID	United States Agency for International Development

Preface

The multitude of actors in the international development community means that any new initiative must be considered carefully in order to avoid duplication and also to achieve meaningful impact on the lives of the poor in the developing world. The development space is crowded enough as it is. At the same time, the principles embodied in the Monterrey Consensus, Paris Declaration on Aid Effectiveness and the Accra Agenda for Action have helped provide some definition to the concept of development effectiveness. It is within these contexts that the Partnership for Democratic Governance was conceived.

The Partnership for Democratic Governance has so far shown a refreshing willingness to distinguish itself from many other approaches to development by taking the time to take stock of lessons learned from the development community's past experiences. To this end, an impressive and diverse Group of Experts has been established to provide frank, independent advice both to the Advisory Unit of the Partnership for Democratic Governance and its Steering Group.

The conclusions drawn from the six papers contained within this volume were used by the Group of Experts to help articulate its recommendations to the Steering Group's third meeting in October 2008, where the operating approaches of the Partnership for Democratic Governance were formalised. Above all, the Experts were clear that the Partnership would have to be quick, responsive, pragmatic and very un-bureaucratic if it were to serve as a valuable addition to the international development community. The Group of Experts strongly encouraged the Partnership to embrace calculated risks in seeking innovative ways to address capacity gaps in fragile and post-conflict countries (especially through its emphasis on South-South co-operation) and to act as a genuinely neutral broker in such sensitive contexts. In this way, the Partnership for Democratic Governance can develop a comparative advantage.

Among the important conclusions to be drawn from these papers, which examine the impact of technical assistance interventions in selected post-conflict or fragile contexts, is the importance of donor co-ordination. Ad-hoc, piecemeal approaches have too often undermined development effectiveness. Technical assistance must be part of a larger, country-owned strategic planning process in order to promote longer-term sustainable capacity development. These efforts should also be placed in the broader context of state building approaches, if they are to be truly effective.

This volume is the first in what I hope will become an important series of highly practical, first-hand insights and also thought-provoking (even unconventional) recommendations both for the Partnership for Democratic Governance and for the rest of the international development community.

Charles Tapp
Co-Chair, First Meeting of the PDG Experts Group (October 2008)
Division Manager (International), Cardno Group

I. State-Building and Government Consolidation in Situations of Fragility

Rahul Chandran, Lead Author
Edited by Derick Brinkerhoff

"Sometimes when a consultant tells me that Afghans lack capacity, I try to imagine my interlocutor being forced to survive in Uruzgan with two jaribs of land and a goat."

Barnett Rubin

Overview

This concept note deliberately adopts a discursive, rather than formal academic style. It uses the Background Document on the Partnership for Democratic Governance as the basis for assumptions about the objectives of the PDG, and tries to avoid duplicating arguments contained therein.

It is clear from the PDG core document[1] that the low-hanging fruit for this initiative is quite easily identifiable. The use of outsourcing mechanisms to enhance the efficiency of services delivery (and, in best-practice cases such as health care in Timor-Leste, to increase capacity) are described and well-known to the international development community; the PDG's principal innovation in these cases is to allow governments to own these mechanisms in a more robust way. As such, the PDG could be characterised as 'more, better' - a development assistance modality that delivers on the mantra of local ownership.

This note therefore seeks to investigate a different sort of fruit - to look at ways in which the PDG can support states in managing and mitigating the risks posed by fragilities that service-delivery focused initiatives cannot - such as the Governance and Economic Management Assistance Programme (GEMAP) in Liberia, and beyond. It also seeks to separate out the opportunities and challenges in post-conflict states from those in situations of deteriorating governance (or increasing fragility).

The appetite for greater risk and potentially greater impact that this implies is not taken lightly, but is predicated on the assumption that the PDG actively seeks to provide support in situations of limited access, and to take on challenges that require medium-term thinking in a world of short-term assistance.

The note presents a basic model of fragility and resilience that informs a brief discussion of issues surrounding *government* and *governance* in contexts of fragility. In particular, it looks at limitations of institutional approaches to governance. The note then explores the scope for international interventions, proposing ideas for potential PDG interventions and discussion purposes.

Fragility and Resilience

The OECD Fragile States Group paper, *From Fragility to Resilience* (Jones, 2008), argues that fragility emerges when the political process that reconciles citizens' expectations of the state and state expectations of citizens with the states' capacity to delivery services fails.[2] This state of disequilibrium can arise from shocks (disasters, commodity price changes, etc.) or chronic erosion (corruption, oppression), which can be triggered by a number of factors, ranging from the uncontrollable (commodity prices) and the external (invasion), to failures of the state to deliver services (post-disaster, for example).

Resilient states can manage these pressures because they have political mechanisms to handle discontent. It is when these mechanisms falter or fail, that social disruption, unrest and violence, or humanitarian disaster may occur, which are the manifestations of fragility that concern the international community.

This model places political processes as central to state building. It suggests that assistance to domestic mechanisms that can manage and mitigate conflict - which is inevitable in all societies - may be as, if not more, important as support to service delivery.

> The overarching priority of state building must be a form of political governance and the articulation of a set of political processes or accountability mechanisms through which the state and society reconcile their expectations of one another. A focus on governance structures that address inequities and inequalities and promote accountability are likely to promote stability over time. This includes informal as well as formal institutions. (Jones, 2008)

A logical extension is that successful state building will almost always rely upon the product of domestic action and leadership. Political processes may be supported and even enabled by well-targeted, responsive international assistance. They cannot, however, be imposed.

But how does one diagnose the causes and appropriate interventions in situations of fragility? What are the core functions of the state that international intervention should support, and how can we effectively support them in order to prevent conflict or humanitarian disaster?

The model suggests that core functions and services of the state (which include security) need to be viewed through the lens of a dynamic model of fragility, which places capacity and service delivery alongside expectations and the process for reconciling those expectations. This suggests that, for example, the question of whether 'security' will be provided as a service that meets the needs of citizens, or as an instrument of oppression, will not be dictated by capacity alone, but rather shaped and constrained by the basic political process of state-society contract formation and reformation.

It furthermore argues that interventions that seek to address fragility must focus on issues of service delivery, state capacity <u>and</u> on political process. The question is not, therefore, whether it is appropriate for the PDG to support efforts to build a stable and resilient political process, but, rather, how can the PDG do so effectively?

Some caveats on institutional assistance

The rhetoric of development programming often conflates support to *government*, or the entity that governs, with support to *governance*, a concept that encompasses the relations between state and society. While recognition of this division can be found in high-level policy papers (Jones, 2008), the

practice continues to be dominated by an institutionally driven approach to state building that is problematic.

Both experience and theory argue that institutions are not portable. An identical set of rules and regulations (and even an identical physical infrastructure) will produce different results based on their context. This is classic sociology[3] - a contract rests on its non-contractual underpinnings - as well as common sense. The underpinnings of a state are the result of a complex process of negotiations over power, resources and benefits, during which accommodations are made that reconcile oft-competing visions, values and norms. These challenges are reflected by a limited group of studies that have sought to evaluate international experience in support to post-conflict countries (Fritz, 2007; Ghani, 2008; Whaites, 2008). Perhaps more pointedly, the epigraph from Rubin illustrates that concepts of capacity and the way in which it might be required differ vastly depending on context. Perhaps this is again common sense, but the number of Iris-scan-based welfare and payment identification projects being implemented in Afghanistan and the Democratic Republic of the Congo suggests otherwise.

A USAID review states that the "record of success in implementing public administration reforms, however, has been limited in developing countries and especially in post-conflict societies raises a number of concerns." (Rondinelli, 2006, 26) It notes that building capacity requires capacity - the chicken/egg problem; that effective aid requires effective government policy, which is rarely a feature of post-conflict or deteriorating governance situations; and that public administration is by its nature systemic, and requires systemic approaches, where the challenges are often caused by or linked to the failure or absence of systems.

A more pointed critique emerges from the five-year report, *Signposts to More Effective States: Responding to Governance Challenges in Developing Countries*. The report is damning. It begins:

> For decades the development community has intervened in poor countries with little understanding of the political and institutional landscape, and with scant regard for the impact of their actions … If that sounds harsh, consider the record. (Moore, 2005, 1)

The report states that donors have been "unrealistic about the capacity required to manage complex change" and "ignored the need to build a social and political consensus," while assuming that this involves "little more than the supply of material resources and technical assistance." (Moore, 2005, 1) It frankly states that this lack of realism is not for want of evidence, noting that both research and donor evaluations point to the lack of success in transferring institutional models. The basis for this blinkered vision is identified as the inconvenience of realism, which would suggest that donors cannot control the process of state building, but also because of a failure of imagination. It is worthwhile to quote the following at length:

> The development community finds it difficult to conceive of legitimate public authority in developing countries except in terms of models that have worked …well in developed countries—a merit-based bureaucracy, independent judiciary and programmatic political parties. The focus has been on formal institutions rather than on the informal relationships that shape the way they work. The approach is ahistorical - there has been virtually no attempt to understand the processes whereby current institutional models were negotiated, or the social, economic and political circumstances in which they were conceived. (Moore, 2005, 1-2)

Implications

The expected outcomes for the PDG include "improved government services, … capacity and accountability, [and] a better understanding of what works and what does not work in the interim supply of international personnel as providers of core government services and core policy functions." (PDG Backgound Document)

The model and the caveats above suggest that the experience in building stability through a focus on public administrative reform and state capacity alone has been fractured and poor. The critiques also suggest that international assistance must be grounded in deep local knowledge, and willing to be flexible and dynamic, in order to operate in situations where systems and policy are weak.

This is not to say that the objective of strengthening governance through strengthening government is unachievable. Rather, it suggests that there is a tremendous opportunity in providing support to governments as they seek to build their own capacity to lead (or restart) their economies and their political processes, if that assistance takes into account the lessons learned over the last decade. This is also a clear call for serious, in-depth research as to what actually works. The questions to be answered are too many to list here (and perhaps require a separate exercise to identify core challenges), but a potential agenda could contemplate some variation of the following: (i) Given the democratic mandate of the PDG, what approaches to capacity and services incorporate and support the idea of democratic function? (ii) What is a systemic approach to capacity, and how can sector-based, service-delivery focused efforts be leveraged to provide 'governance'? (iii) How important is context, and where can semi-standardised approaches work?

The recent DFID-sponsored report, *Recovering from War* (Chandran, 2008), part of a movement toward a more evidence-driven approach to these issues, makes four recommendations for post-crisis interventions that are worth reproducing in full:

> ***The deeply political nature of post-conflict recovery cannot be overstated***. Decisions that in normal development contexts have low costs can in early post-conflict contexts have serious repercussions, putting a premium on training and conflict sensitivity. Moreover:
>
> ▶ ***Capacity-building programmes need to be willing/able to take risks to build national capacity absent clear national direction***. In early recovery, where government is not organised to articulate priorities except at the broadest level, it is possible to identify key steps that must be taken to facilitate government leadership and support local capacity and ownership. Paralysis in waiting for government to have the capacity to lead delays the point where the government can do so.
>
> ▶ ***"Good enough development" is necessary.*** The objectives of early recovery programming are to help implement peace, secure stability, and begin to restore state capacity. Given these objectives, and the frequent lack of counterpart capacity and ownership, programming that is not designed to be sustainable is often necessary. This means a willingness to spend money to secure the peace dividend—in ways that may not be ideal in the long term, but that serve the important short-term goal of stability and sustainability of recovery.
>
> ▶ ***Programming needs to be more fluid and flexible***. Reality must drive programming, supported by assessment, strategy, and planning. This requires adaptability to shifting political climates, shifting institutional capacities and underlying political, social and economic realities. Innovative methodologies to deliver will be required in post-conflict contexts.

▶ ***Early recovery programming cannot pretend to development levels of risk management.*** There has long been acceptance of higher levels of risk in the humanitarian sphere. This does not mean a lowering of fiscal standards, but puts the burden of accountability on international actors. It also means that donors must be willing to sacrifice the donor flag to common strategy and to take greater risks than are the norm in traditional programming. The cost of not taking risks is high.(Chandran, 2008, 8)

The PDG could be well-suited to addressing the challenges raised by this report. Its abilities to inject capacity into government programming, to provide multi-year funding to its projects, and to assume risks from which bilateral and traditional multi-lateral programmes shy away, if coupled with a willingness to innovate in its early years, offer significant potential.

What can donors do?

Opportunity I: Support to strategic planning

Recovery from War shows evidence for a "strategic gap" in recovery from crisis, describing the absence of planning and prioritisation frameworks that integrate political, security and development strategies towards the common goal of state building. An example might be Afghanistan, where the proliferation of policy structures, and many years of tinkering have yet to produce a single, co-ordinated flow where national government officials can monitor and oversee international performance - due to a lack of capacity and investment. The absence of international support to the Consultative Group mechanism led to an unsustainable situation where senior ministers had to chair technical meetings on irrigation issues.

This is both a problem and an opportunity. Domestic leadership at the national, provincial and district levels in any planning process that seeks to identify these gaps is essential. In times of crisis (and deteriorating governance) there are rarely enough individuals with the time and the capacity to manage a fragile peace, and to lead and provide substance to the process of strategic planning.

Strategic planning is, however, a process and a skill that can be divorced from content. Placing a team of competent strategic planners, and individuals with relevant technical knowledge, at the service of the governments seeking to develop recovery strategies and plans would be very useful. At a recent conference in London, the *chef de cabinet* of the Congolese Ministry of Planning recognised the importance of this gap, and called for more direct support to governments to enable them to own and lead such processes, rather than solely further investment in multilateral capacities for planning.

As importantly, it is realistic to assume that international experts could easily train their national counterparts in the process of leading and facilitating strategic planning. There are countless private and public sector courses on planning, and many national militaries, for instance, have standardised training modules for military planners that would be adaptable to such a process.

There are risks inherent in such an approach, and the limitations of the effectiveness of traditional 'training' programmes are well-known. The PDG is, however, in part predicated on the belief that careful design and multi-year programming can mitigate some of these risks. It is unclear to what extent international consultants, even working for a government, can execute a process that this paper deems always political - and whether host governments would welcome these ideas.

Opportunity II: Support to political processes

A second powerful opportunity lies in support to political processes. This can occur on three particular levels:

Firstly, international interventions must take to heart that a peace process begins, rather than ends, with a peace agreement. All peace agreements are subject to continual informal renegotiation, as the reality of government intrudes. This requires constant mediation and outreach - from those who have power to those who have less - which is often difficult in low-capacity contexts, or situations with a history of conflict between parties. The support of a team of 'neutral' individuals with the specific task of mediation and outreach, but on behalf of the post-crisis leadership, could help to ensure the sanctity and stability of a peace process. This is a difficult and highly specialised task, and would require the full support of the leadership. A mechanism such as the PDG, where individuals such as these are answerable to national leadership, rather than to the United Nations or other external actors, might have significantly more domestic credibility[4]. The risks of failure are large; the potential pay-offs likewise.

Linked to this is the question of leadership training in conflict management. While there is much discussion about how to make senior political officials more effective negotiators, training for senior civil servants at the national and local levels more often focuses on their bureaucratic - rather than their political - skills. A conflict in Indonesia, for example, recently arose when farmers were experiencing dramatic changes in the rainfall cycle and tapped an underground aquifer for irrigation. This lowered the water table to the point that the wells of a neighbouring village ran dry. With local officials unsure of how to talk to each other, and lacking basic negotiation and conflict resolution skills, a potentially manageable situation descended into violence.

This example is deliberately complex. Again, international training and support to mediation and conflict resolution skills might not have averted this conflict, and certainly would not have prevented mismanagement of water resources or the change in rainfall. State building is often a percentage game - there are no 'correct' pathways to success, and no "right" ways to do it. Violence, however, rarely helps stability, and building more and better skills to locally manage inevitable conflicts are likely to provide a long-term return on investment. The success and popularity of programmes among participants - such as the Burundi Leadership Training Programme (Woodrow Wilson International Center for Scholars, 2008) - have not been matched with funding and expansion. Nonetheless, a sufficient body of knowledge exists in the private, alternative dispute resolution (ADR), and public sectors to effectively leverage into a PDG-style programme.

Finally, there is an important and neglected role for public relations in post-crisis contexts. Few developing countries have access to crisis-management PR expertise. Citizen expectations of the state are a function of their perceptions of what their government promises and delivers as much as the realities. Management of those expectations and of information is, fundamentally, a public relations problem. In no easily identifiable case has there been a formal programme of support to public outreach and to the communications departments of new governments.

There is plenty of private sector capacity for this function that could easily and naturally be leveraged for this purpose, and which could usefully provide training to national counterparts in skills and techniques. The opportunities to learn by doing will, more than likely, be numerous.

Opportunity III: Support to the security and judicial sectors

Both *From Fragility to Resilience* (Jones, 2008) and *Recovering from War* (Chandran, 2008) identify the lack of co-ordinated international investment in the security sector as a significant risk to stability. An

ambassador of a Caribbean country recently asked a closed-door gathering: "What has to happen to my country before we receive international assistance? Must we descend into war? It is clear that our security sector is the cause of trouble; it is clear that we lack the skills to deal with it. To whom then do we turn?"

The security sector is particularly sensitive to issues of sovereignty and control. The PDG model, therefore, offers a comparative advantage over bilateral assistance in its ability to work under government leadership. The difficulties lie in identifying where in the security sector international assistance could realistically offer utility, and in managing the difficult relationship between technocratic reform of the security sector, and the underlying political situation that has often created the problem in the first place. Although the answer will always be context-specific, examples of potentially useful assistance are rife. In both Afghanistan and the Democratic Republic of the Congo (DRC), the problem of salary payments has been highly challenging. Particularly in the DRC, failure to create an effective payment system and difficulties in the relationship with the European Security Sector Reform Mission (EUSEC) have been identified as a significant roadblock to stability. It is conceivable that an international team under direct government control - and integrated into the Ministry of Defence - might have had more success. Further opportunities may also be available in Disarmament, Demobilisation and Reintegration (DDR) and policing.

The Annex to the PDG Background Document also identified the judicial sector, referring to support to the justice sector in Guatemala. Forensic expertise is very rare in post-conflict contexts, and urgently needed to combat crime which can easily undermine trust in the government if unchecked. There is also potential for the PDG to go beyond this. International criminal courts, such as the Criminal Tribunals for the former Yugoslavia and Rwanda have proven expensive and unpopular. The case of Akinola Aguda, however - a Nigerian jurist who was the first Chief Justice in Botswana - suggests that there is potential for broader interventions to deliver access to justice.

Brief Conclusions

This note does not address traditional service delivery; this lacuna in no way minimises the potential impact of PDG interventions in support of services. It also does not address a further potential area for PDG focus: increasing the core absorptive capacity of countries in crisis – through contracting, procurement and technical functions. Again, this omission does not reflect on the potential importance of this function.

The risks of these approaches - and of the proposals in this note - have been discussed elsewhere. The practice of "substitution" always carries the potential to undermine the state either through transferring credit to international actors, or through creating the expectation of services and performance at a level that cannot be sustained. This is always balanced against the humanitarian imperative to act, and the occasionally conflicting imperative to support the emergence of a stable and resilient state. There are no easy answers to this.

There are also no guaranteed ways to ensure that the execution of functions - whether political, security, or service delivery - is continuously twinned with capacity development. The practice of dual-desking has frequently been recommended, but is expensive and somewhat untested.

Other commentators have noted that a lack of demand for (and implicitly, perceived benefit from) state institutions and reform remains one of the largest obstacles to reform, and that external actors' influence over this is highly limited. This is also true.

Nonetheless, there is clearly significant potential in the PDG to deliver on the mantras of local ownership and national capacity - and on the promise of stability - if the PDG is willing to take risks and to honour its own ideals.

As perhaps best phrased by Fukuyama, these approaches "will work only if … donors are patient and do not care if the factory produces goods in the short run." (Fukuyama, 2004)

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II. Capacity Development within Government and Accountability to Citizens for Development Contract Services

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Edited by Madani A. Tall

Introduction

This chapter explores the contracting out of core government functions in fragile and developing countries based on five case studies of a contractor, *Firm X*, operating in:

1. Angola: Provision of customs and trade facilitation services and reforms;
2. Sierra Leone: Provision of tax collection services and reforms;
3. South Sudan: Procurement agents and advisory services;
4. Afghanistan: Procurement agents and advisory services;
5. Bahamas: Provision of external audit services in value for money audits.

The first four cases are based on the core functions aligned to the Ministry of Finance in a fragile environment. The fifth case (the Bahamas) was selected to serve as a reality check on the other cases presented.

In developing countries, contracting out was introduced during the first wave of governmental privatisation (principally state enterprises) of the mid-1980s in the implementation of the structural adjustment policies. These policies were adopted not in direct response to capacity development efforts, but to address the perceived lack of managerial capacity in government, and the need to stop the continued dependency of these organisations on state subsidies.

Contracting out in OECD countries was designed to promote managerial capacity as well as to reform government departments to concentrate on their core activities.

In developing countries and states in situations of fragility, contracting out raises a number of conceptual problems. The first is founded on a fundamental principle that supports an equitable outcome for any principal-agent relationship. On the one hand, the principal should be capable of specifying what is needed and manage the contract to ensure that the agent delivers. On the other hand, the agent should have a shared understanding and be empathetic of the needs of the principal. The second point, which is closely related to the latter, is that the agent should be free of all moral hazards, and exercise due diligence in executing the contract. It may be construed, perhaps quite

wrongly, that the agent is unlikely to perform and deliver the full outputs of the capacity building services. This may be the case as long as the agent continues to derive benefits from the dependency created by the lack of capacity of the principal. In the contract, the agent and government need to be transparent in communicating the objectives and potential limitations of the project.

Case 1
Angola: Provision of Customs and Trade Facilitating Services and Reforms

The National Directorate of Customs of Angola (NDC) contracted *Firm X* to provide support to implement the Customs Expansion and Modernisation Programme (CEMP) in March 2001.

The programme of work had a specific requirement for the contractor to support capacity development in the form of a Business Management Development Programme (BMDP) to raise the level of management competence across the organisation. Training (which was developed in conjunction with a Human Resource Strategy) was delivered with theory-based sessions followed by practical sessions. Staff members who participated were relatively inexperienced managers, but all demonstrated enthusiasm and willingness to learn and apply the management principles taught. A coaching programme was implemented with several partnership agreements, which were signed with the aim of improving the coaching skills of senior managers. According to Dr. Inalda Manjenje, Head of Dispute Resolution at the NDC:

> *Revenue has increased three to four times since we began implementation of this project. In addition to our government salaries, we receive allowances such as overtime, relocation, and a percentage of the duties, taxes and penalties collected. Staffs are now better motivated. They have new uniforms, job groups have been reclassified, and we are now required to adhere to a Code of Conduct. The department has a policy requiring officials to learn English so that they can communicate better with clients. These reforms have also been beneficial to business as goods are cleared more quickly. (Buyonge 2005)*

In summary, at the end of Phase I of the Customs Expansion and the Modernisation Programme (CEMP) these results were achieved:

- ▶ increase in revenue collected of 394% (USD 215 million in 2000 to USD 1.62 billion in 2005);
- ▶ average clearance time down from 21 days to 48 hours;
- ▶ Single Administrative Document introduced (first SADC country to implement);
- ▶ dependence on PSI reduced;
- ▶ 434 training courses held with over 6000 attendees;
- ▶ new staff and fast-track development programme.

It is, however, necessary to underline that the end of the civil war coincided with the beginning of this project, and might have played a role in the increased revenue collection after the government recovered full territorial sovereignty.

Case 2
Sierra Leone: Tax Collection

The Government of Sierra Leone faces severe resource constraints with an overall budget deficit (excluding grants) partly explained by the slow recovery of the tax base and the growth in demand for services and reconstruction activities.

The Sierra Leone National Revenue Authority (NRA) was officially set up in 2003 as a unified authority to improve revenue collection. The NRA received little financial support, except as part of its mandate to retain 3% of revenue collection for administration, and a yearly investment budget of approximately GBP 250,000.

Firm X was contracted by DFID to support the NRA starting 21 November 2005. This project was scheduled to run for 30 months (until May 2008) and has been extended to June 2009. The technical assistance from DFID was to enable the service provider to support the NRA to introduce a value-added tax (VAT) by 2007. Five areas were targeted in the support package, namely:

- ▶ output 1: Effective plan to implement the VAT by 1 June 2007;
- ▶ output 2: Strengthened Income Tax Administration;
- ▶ output 3: Support to computerisation of customs procedures;
- ▶ output 4: Support to NRA to achieve government revenue targets in the short-term;
- ▶ output 5: Support to tax policy analysis in the Ministry of Finance (MoF).

In 2006, the NRA failed to meet its revenue targets, and the International Monetary Fund (IMF) expressed concerns about its performance. In an attempt to address these concerns, a four-year modernisation plan was devised. NRA management decided to include a Short Term Revenue Improvement Programme (STRIP) as a component of the comprehensive modernisation programme, to run between April and December 2007.

STRIP was designed to make a visibly positive impact on NRA's revenue performance in the short-term. The STRIP approach required the allocation of the greater part of consulting time in-country to working side by side with NRA staff. This added value for the consultant not only to gain a more realistic appreciation of the local environment and its problems, but also to get involved in the implementation of recommendations to yield visible revenue benefit and, by so doing, to offer hands-on training to NRA staff.

Following a 2007 DFID output-to-purpose review of the project, the contract was amended to concentrate less on the provision of theoretical training and advice and more on the transfer of skills and changes in processes and attitudes, by enabling expatriate consultants to work in the field alongside NRA staff.

To ensure overall success, *Firm X* used an effective method of communication between all stakeholders right from the beginning, thus implementing relationship-building activities that linked all parties involved in the NRA development.

Most of the STRIP consultancy inputs were allocated monetary targets. These comprised the quantum of additional revenue that STRIP was designed to realise in the financial year to 31 December 2007. The initial results have been very encouraging in the sense that, during the first phase of the intervention, revenue increased by SLL 16.415 billion (Sierra Leone leone), which is compatible with the original target for the year of SLL 16.50 billion (about USD 5.5 million).

The service provider has made successful interventions delivered by the sales tax auditors of the Revenue Agency Governing Board of Ghana (RAGB) and inputs of a Flexible Anti-Smuggling Team (FAST), composed of consultants. The RAGB consultants delivered SLL 9.1 billion above target and the FAST experts achieved SLL 3 billion over target. These encouraging results merely serve as indicators of the potential for further significant revenue increases in 2008 and thereafter.

The contractor has also organised a semi-weekly interactive classroom-based training on Domestic Indirect Taxes (DIT), audit skills and techniques for 24 selected staff of the NRA drawn from the Customs and Excise, Income Tax and GST Secretariat (Good and Services Tax). The completed audits resulted in additional assessments of SLL 10.6 billion representing a positive achievement over a revenue target of SLL 1 billion for the training input set in the contract.

Sierra Leone is still rebuilding after the complete collapse of all its institutions. Basic social contract theory applies: Once the citizens are reassured that the state can deliver physical security to its people, increasing acceptance and compliance with tax legislation will follow.

The successful STRIP interventions demonstrate what is possible in such partnerships between the NRA and the implementing contractor.

Firm X has developed an implementation plan, including a draft law for the implementation of the VAT. The new tax is scheduled to start in April 2009, after several delays caused by the failure to pass the law. Meanwhile, the overall tax collection programme of Sierra Leone has not met expectations, as the Government has not yet implemented some essential recommendations made by *Firm X*, such as the creation of a Debt Collection Unit.

Case 3
South Sudan: Contracting out in procurement

From 2004-05, the UN, the World Bank, the Government of Sudan and the Sudanese People's Liberation Movement fielded a joint assessment mission (JAM), which resulted in a framework for sustained peace, development and poverty reduction. This document identified the reconstruction and development requirements for Sudan including Southern Sudan as envisaged in the Comprehensive Peace Agreement (CPA). The CPA includes a wealth-sharing protocol under which significant shares of oil and non-oil revenues are being transferred to the Government of Southern Sudan (GOSS). In order to assist in the financing of reconstruction, donors have contributed to two Multi-Donor Trust Funds (MDTF): one for national development and the other for the development of South Sudan. The World Bank is the administrator of both MDTFs.

Following the CPA, the Government of National Unity (GNU) and the Government of Southern Sudan (GOSS) were established. The main source of revenue for GOSS is its share of oil revenues. The JAM noted that there is no public procurement system in Southern Sudan. The JAM recommended that, as an interim measure, the procurement function be centrally managed and contracted out until capacity was built.

The Contract between the GOSS and *Firm X* assigned to the service provider to carry out procurement functions for all government programmes, including public works, goods and services. *Firm X* would, therefore, deliver procurement solutions to the Government of South Sudan and development partners in a transparent and accountable manner, which would provide an appropriate (high) level of fiduciary comfort to all stakeholders in the process. Other objectives of the assignment were for *Firm X* to build the capacity of government staff and to provide advisory services.

There were several constraints that would affect procurement, including: (i) a severe lack of communications (postal and telecommunication services); (ii) the lack of physical infrastructure; (iii) limited media (to use as an advertising outlet); (iv) a lack of local suppliers in the private sector (especially the poorly developed insurance, banking and financial services sectors); and (v) an absence

of a supporting regulatory environment. As expected, these constraints affected the GOSS absorption capacity in the early days of the reconstruction and development programme.

In reality the results were mixed:

Establishment of procurement units in some key ministries: The Ministry of Finances and Economic Planning (MOFEP) of the Government of South Sudan recommended that Ministries establish temporary procurement units (TPUs) prior to the establishment of the permanent procurement units. To date, the establishment of these TPUs is at a very early stage. Positive progress has, however, been made through the appointment of directors of procurement in five key ministries. Other ministries have received support through the appointment of external short-term procurement advisers.

Awareness of the proper functions of procurement and the role of the procurement agent: Efforts have been made to explain the role of the procurement agent to ministries and other stakeholders, but it appears that there is still great confusion. Also it became apparent that there were weaknesses at all levels relating to a limited understanding of:

- ▶ the importance of the procurement functions to GOSS;
- ▶ the procedures to be followed in order to implement effective and transparent procurement;
- ▶ the respective roles and responsibilities of the various stakeholders in the procurement process;
- ▶ the time that is needed to undertake procurement depending upon the source of funding.

These limited understandings need to be addressed at the start of the project in order to correctly align expectations.

Case 4
Afghanistan: Procurement Agents and Advisory services

Firm X provided procurement support over a two-year period to 18 line ministries assisting with the execution of contracts valued at over USD 500 million. This was undertaken by overcoming the difficulties of a post-conflict environment and severely limited capacity within a newly established government.

Line ministries were not able to adequately specify their requirements. Support had to be given in the form of:

- ▶ comprehensive training programmes
- ▶ frequent visits
- ▶ use of additional technical support
- ▶ guidance forms

The strategy for developing capacity was to centrally employ newly recruited procurement staff in the MOFEP Procurement Unit for an induction period, before later reassigning them to strengthen procurement units in ministries and state governments. This strategy had been successfully used in Afghanistan by *Firm X* with Afghanistan Reconstruction and Development Services in order to develop their skills prior to deployment to line ministries.

The limited local private sector participation in public procurement was a concern that the agent sought to address through local advertising of tender notices and creating awareness in organised workshops. Neither of these two interventions substantially increased local private sector participation. It may be that the local private sector was embryonic, untrusting or afraid.

Another adverse element was the poor information technology (IT) infrastructure. Initial investment from the World Bank had been effective, yet the Afghan Assistance Co-ordination Authority (AACA) did not purchase most of the equipment required, causing *Firm X* severe operational problems. The final results appear to indicate that there was a need for a high level of investment to enable procurement to be carried out effectively.

Case 5
The Bahamas: Public Financial Management

In 2008, the Department of the Auditor General (DAG) of the Bahamas contracted *Firm X* to conduct value-for-money, or "performance", audits of the Ministries of Health, Housing and the Royal Bahamas Police Force (RBPF). It builds on two previous assignments conducted for DAG in 2004 and 2006.

The value-for-money audit was aimed at improving the effectiveness, efficiency and economy of government operations. Common areas of review across the three departments included:

> ▶ internal controls, using the COSO framework
> ▶ financial management (particularly budgeting and planning)
> ▶ human resource management
> ▶ supply chain management including procurement

A team of five was deployed to the Bahamas between May and July 2008. Their role was to establish the parameters of the reviews, to develop and implement an audit and assessment plan, and then to present their findings and recommendations to both the Auditor General and key management staff at the target ministries.

The reviews were conducted based upon a partnership between the contracted firm and officials from the Department of the Auditor General, with the corollary aim of increasing capacity through on-the-job training and mentoring. Hence, working in partnership with DAG staff, *Firm X* brought to this assignment:

> ▶ a perspective grounded in international experience
> ▶ a best-practice methodological approach enabling a high-quality final output
> ▶ a highly experienced and skilled consultant team
> ▶ independence and the perception of independence

The service provider produced reports that made several far-reaching recommendations for the organisations audited. However, the limited duration of the assignment (four weeks) and the limited involvement of staff from the Department of the Auditor General meant that, anecdotally, the extent of capacity building was limited. There was no evidence that DAG undertook the activities of the contractor as part of a broader capacity building strategy.

Conclusions

The five cases examined have provided a variety of results that can be summarised as follows:

Has contracting out being conducive to capacity building?

In some cases, such as Angola and Sierra Leone, the programmes enhanced capacity building. The primary conditions were the support of management and the willingness and enthusiasm of the staff to engage with the service provider. In the other three cases, the objectives were not met. Insufficient communication and co-operation between the government and the contractor, as well as the insufficiency of some personnel and material resources, led to not meeting the expectations in Afghanistan and South Sudan. In the Bahamas, capacity development was limited because of the duration of the contract and the smaller number of staff and consultants involved.

Has contracting out led to an improved state-citizen relationship?

This appeared to be the case with the Angolan programme, which has the element of customs modernisation as well as trade facilitation. The modernisation programme has removed 'zero-tolerance', and introduced a programme of management controls based on risk management, thereby shortening the average clearance time from 21 days to 48 hours. It is a moot point whether the programme has led to a better state-citizen relationship. There is anecdotal evidence that relationships have improved with the new approach, as queues have shortened at the ports.

Was it sufficiently integrated into government-led national strategies?

In Angola, the programme was financed by the government as part of its own strategy. In Sierra Leone, when revenue performance was below target, the government initiated the STRIP programme in response. In Southern Sudan, the programme was initiated by the joint assessment mission as part of a national strategy. This can be deemed as government-led, but perhaps to a lesser extent, just as it was in Afghanistan. In the Bahamas, a number of assessments have been undertaken since 2004, but there is no evidence that the contract is part of a national effort to introduce performance management.

Was it coherent with other donor efforts?

In both Sierra Leone and South Sudan there is evidence that other donors are supporting the programme.

Were there any specific bottlenecks?

A group of internal and external bottlenecks have been identified for all the states in situations of fragility, including corruption and inadequate infrastructure.

Were there any achievements or success stories?

In both Angola and Sierra Leone, it appeared that there were success stories, not just in terms of achievement of other programme outputs, but also in terms of general capacity building.

Lessons Learned: Implications for the PDG Agenda

The challenges found in the organisational structure, communications, and the attainment of objectives are not unique to development consultancies and governments. **Strong and flexible leadership**, combined with talent and initiative on the part of the staff collaborating to execute the projects, will ensure that the outcomes of the stated goals are realised.

Clear communication between the leadership and the contractor needs to take place to underscore expectations in all identified areas. Together, the parties need to identify and agree upon the personnel, financial, and material resources required to successfully meet the objectives.

Lessons Learned: Implication for accountability of government

A conventional contracting-out of activities will not impact accountability, as some institutions appear to be insulated from societal accountability by virtue of their status and mandate. If accountability is required, special mechanisms should be designed into the intervention to promote:

▶ the 'right-holder' (citizens) to be part of the group to which the service provider responds;

▶ information sharing from government about the contractor's activities;

▶ the capacity of civil organisations to understand the service terms and the constraints within which the service is being provided.

These mechanisms fall under government efforts for public information and communications. The projects can easily be communicated and made available to citizens on government internet sites and in publications.

Based upon the examples given, there appears to be some potential value in contracting out, and the range can be expanded to other areas to make real contributions to economic and societal development in states in situations of fragility.

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III. Afghanistan

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Background

In January 2006, the Afghanistan Compact and Interim Afghanistan National Development Strategy (I-ANDS) was released. It outlined the government's vision for reconstruction and development of the country in the medium to long term. The full Afghanistan National Development Strategy (ANDS) was launched in June 2008. The adoption of this programme represents an important transition from the interim framework established at the meeting in Bonn, Germany of major Afghan factions in December 2001.

The capacity of the national government is weak and has limited reach outside of Kabul. The country is currently facing increased threats from opium and the insurgency, increasing the concerns about corruption and amplifying popular discontent. These threats require short-term action, but it is clear from the recent experience of Afghanistan and other states in situations of fragility that long-term solutions will only come from comprehensive improvements in governance and service delivery, and the emergence of a stronger state that is accountable to its citizens (OECD, 2008). Initiatives like the Partnership for Democratic Governance (PDG) have an important role to play in helping to accelerate the development of core capacities and accountability within government, especially in the early phase of implementation of the ANDS.

Official Assistance and Aid Effectiveness

Official assistance to Afghanistan increased rapidly after 2001 with new commitments reaching USD 3.3 billion a year by 2005 (see Table 3.1). Support has remained at this level since then. Disbursements have also risen sharply and, since 2006, have been in the range of USD 2.5 billion a year (see Table 3.2). Development and technical assistance have emerged as the predominant forms of assistance. By 2006, new commitments of the latter amounted to about USD 2.8 billion a year.

The experience over the past six years has raised questions about the effectiveness of aid in Afghanistan. The bulk of the assistance has made use of expatriate expertise and has been concentrated on meeting the immediate security, humanitarian and reconstruction needs of the country. The contribution of these programmes to long-term capacity building has been mixed; there has been good progress in building capacities in some of the core areas of government and in several sectors, but results in other key areas have been disappointing. Various reviews of aid effectiveness in Afghanistan have drawn attention to the following concerns (OECD, 2006; Ministry of Finance, 2007; Byrd, 2008; Nixon, 2007; Waldman, 2008):

▶ Donors account for the bulk of the public resources that are available for development programmes in Afghanistan. Domestic revenue mobilisation is improving, but still remains low.

▶ Three-quarters of spending on development programmes has been undertaken by donors outside the framework of the national, provincial and district budgets, raising questions about government ownership of these programmes and their contributions to capacity building.

▶ The presence of more than 60 donors has led to fragmented, small-scale projects that do not fit into a sector strategy or programme framework, and that pay little attention to building local capacities that can be sustained. The lack of co-ordination has also led to uneven allocations of aid among the population, giving rise to frustration in the areas that have been overlooked.

▶ While there have been significant achievements over the past five years, the reality is that many functions for which the government is responsible are still performed by the international community, or not performed at all.

▶ Within the donor community the early reliance on "lead donor" arrangements for particular sectors was a serious impediment to reform in some sectors. In more recent years, these arrangements have largely been abandoned.

▶ Quick impact interventions by donors in response to particular local situations often have not given sufficient attention to the medium-term implications of such interventions. A common example has been the failure to take full account of the life-cycle costs of decisions and investments that turn out to be unaffordable and do not deliver expected results.

▶ The failure to achieve the desired results is due, in part, to conflicts between short-term political agendas and long-term state building processes. The latter have often been hindered by the acute short-term need for donors to respond to threats of insurgency, opium and popular discontent with interventions that were not built on collective ownership by the Afghan society. In other cases, the effectiveness of individual programmes has been jeopardised because donors did not take adequate account of gaps in the legal framework (*e.g.* land ownership issues).

Progress in improving aid effectiveness has been, and can be, achieved by harmonising donor involvement and aligning assistance to effective government-led national programmes. Notable examples include the Basic Package of Health Services (BPHS), implemented mainly by non-government providers, and the expansion of mobile telecommunications through competitive private sector development with regulation. The recent meeting of the High Level Forum on Aid Effectiveness organized by the OECD and the World Bank may give impetus to the push for improved aid effectiveness in Afghanistan and elsewhere.

Role of Technical Co-operation

Technical co-operation has accounted for almost 40% of the development assistance received by Afghanistan. During 2004-2006, new commitments averaged about USD 885 million a year. At the outset, many believed that gaps in government capacities could be bridged in 2-3 years. International

consultants on short-term contracts were brought in to train and coach their replacements while performing line functions. These assumptions proved to be overly optimistic. In many cases, the consultants were preoccupied with line responsibilities; the training and development of national staff capacities was minimal or non-existent. Moreover, the higher salaries and benefits offered by donors drew Afghan nationals away from the government and bid up the cost of scarce domestic talent.

A common view is that much of the technical assistance is not co-ordinated with the Afghan government and is "poorly co-ordinated among the donors themselves"(OECD, 2006, 10-13; Ministry of Finance, 2007, 11). A recent World Bank review of technical assistance concluded that "the widespread use of uncoordinated and non-strategically targeted technical assistance is neither fiscally nor politically sustainable." (Michailof, 2007, 2)

Given the various categorisations used by donors to report their activities, it is difficult to determine the amount of their technical assistance that has been directed at building the capacities for core government functions and for particular sectoral programmes. A number of programmes have been successful in building capacities and strengthening governance: for example, increasingly reliable public financial management systems (PFMs) are in place, thanks in part to heavy infusions of temporary capacity provided by international firms (ADF, 2005; World Bank, 2008b). There has been some progress in reducing dependence on these expatriate services, but the Ministry of Finance recognises that further improvements are required in the PFM systems. Nonetheless, a widely held view within the government is that very little donor technical assistance has been directed specifically at building government capacities for programme delivery and for increased public accountability. The perception, therefore, is that ineffective technical support has contributed to the weakening of local ownership and leadership of the development agenda for the country and has inhibited efforts to build capacities within the national government.

Lessons Learned from Experience with Technical Assistance

As the government moves forward with the above-mentioned ANDS programme, a key question is whether continued large amounts of development and technical assistance can make a more effective contribution to strengthening service capacities and the accountability of the government. What then are the lessons from experience in Afghanistan that can contribute to successful technical assistance interventions in the future? A range of suggestions have emerged from recent reviews (Byrd, 2008).

▶ The experience with the Basic Package of Health Services (BPHS), microfinance, and other successful programmes demonstrates that sound national programmes can be developed and can achieve good development results.

▶ Although different models of the role of the state and service delivery have been used in the various sectors, the most important determinant of performance appears to have been the strength and cohesion of Afghan leadership in individual ministries. Cohesive, pro-active government leadership at the ministry level is important for ensuring effective use of aid.

▶ Where there are severe capacity constraints, effective government leadership can buy-in capacity to oversee and administer programmes and contract out implementation to non-government entities. Building capacities for central procurement is an example.

▶ Technical assistance needs to be responsive to the requirements of ministry leadership, with foreign advisers reporting to ministry management—rather than to donors—and working as a cohesive team with ministry managers.

▶ With the translation of ANDS into a realistic programme for action over the next five years, international assistance should be aligned with and support national programmes, rather than relying on parallel, donor-executed programmes. Co-financing and pooled financing mechanisms can harmonise programme and sector assistance.

▶ Effective leadership at the ministerial level should be combined with a commitment to the government's stated goals and objectives in the sectors for which the ministry is responsible.

▶ There is a need for donors to provide larger amounts of assistance through government channels. The increasingly effective PFM system is playing an important role in ensuring that funds are utilised as programmed, thereby reducing the risk that funds are diverted or misused.

▶ Building on successful programmes is more effective than mandating success from the top. Successful programmes can be expanded, scaled-up, and as appropriate, replicated more widely.

One area of concern that has not been emphasised in the various reviews of aid effectiveness is the role of performance benchmarks that may be jointly agreed upon by government and donors at the design stage of a programme. To what extent do performance benchmarks have a role in the subsequent implementation of particular programmes? Under what circumstances might donors cut back or discontinue support for a programme that consistently fails to meet the agreed performance standards?

Lessons Learned: Implications for the PDG Agenda

Building capacities in Afghanistan is a long-term task that will require sustained support from the donor community for another decade or more. Afghanistan's experience over the past five years, as well as lessons from other states in situations of fragility, provide insights into how PDG resources may be deployed in Afghanistan in support of improved governance and public accountability. The guidelines for PDG initiatives indicate that for the immediate future at least, the substantive agenda of the PDG would focus on key governance functions that are typically the responsibility of national government: core legal services, revenue, tax, audit, customs, central procurement, central banking, budget execution and other core policy functions. A PDG programme could therefore concentrate on strengthening core functions of the executive branch of government and provide support for well-defined capacity-building programmes in one or two key sectors. The following principles could guide such a programme:

▶ Interventions undertaken by the PDG should be consistent with and supportive of the government's long-term objectives. The PDG programme should be built around an overall strategy for service delivery and capacity building for the country, as set out in the ANDS, rather than be undertaken as piecemeal responses to individual requests from the government.

▶ The programme should be linked to or included in the state budget to ensure adequate government input into its design and to promote Afghan ownership.[5]

Strengthening Core Functions of National Government

There are three specific areas in which the PDG may be able to make an important contribution: (i) support for the preparation of a comprehensive programme of technical support for service delivery and improved government accountability; (ii) public administration reform (PAR); and (ii) public finance management (PFM).

An important part of a viable capacity-building strategy would be the preparation of a comprehensive programme of technical support for service delivery and improved government accountability. The earlier-mentioned comprehensive ANDS statement of strategic objectives now needs to be translated into a specific set of prioritised programmes for the medium-term, along with the preparation of provisional capital and recurrent cost estimates for each programme. The programme should be built around the following five themes: (i) strengthening core functions of the executive branch of government; (ii) promoting selective capacity building in sectoral programmes of the national government; (iii) supporting the legislative and judicial branches of government; (iv) supporting capacity building at the sub-national level; and (v) offering technical support that strengthens the capabilities of the media and civil society. These programmes could then be incorporated into the state budget, or proposed for funding directly by donors, in a manner that takes full account of government and donor budget constraints and implementation capacities. The design work and costing could be provided by international technical inputs, but should be guided and managed by the Afghan leadership to ensure ownership. The PDG could consider support for the preparation and/or implementation of one or more of the above five core elements of the capacity-building programme.

In the case of PAR, the government recently embarked on a major reform of the civil service pay and grade structure, which is important for attracting and retaining quality human resources. Implementing this programme will be a challenge in the face of widespread patronage and corruption. Improved civil service performance and service delivery will also require further reforms in ministry roles, functions, structures and processes (World Bank, 2008a). There may be an important role for the PDG in these areas. One option could be support for the Independent Administrative Reform and Civil Service Commission (IARCSC), the organisation that is mandated to lead civil service reform. Alternately, the PDG might provide support for change in one or two line ministries.

In the case of PFM, there has been good progress in improving control in budget execution over recent years, but a substantial agenda remains to be addressed (World Bank, 2008b).

▶ Capacity development in line ministries, as the executing agencies of expenditures, is critical. Compared with the progress in the Ministry of Finance, developments in most line ministries lag behind: for example, cash management and payment scheduling procedures in line ministries have not improved.

▶ There has been limited progress on internal audit, except in the Ministry of Finance. Internal audit is operational for most national government entities, but except in the Ministry of Finance, the work is not done to a recognised professional standard, and there is little follow-up on audit recommendations. Training of staff is required and most internal audit manuals are outdated and need to be revised based on current internal audit practices. The proposed Audit Law can lay the foundation for revised external audit rules based on international standards.

▶ Capacity building in public procurement is now underway, but should be accelerated so that line ministries can take greater responsibility for procurement activities. A particular

priority is improving procurement based on the new legal and procurement policy framework that has been put in place.

▶ To mitigate future fiscal risks that may result in significant contingent liabilities, the accounting and reporting of the municipalities and State-Owned Enterprises must also be strengthened through capacity-development programmes.

A PDG programme along these lines that results in sustainable improvements in capacity and accountability may bring two additional benefits. Tangible progress in building core capacities at the centre may increase the willingness of donors to channel a larger share of their aid resources through the state budget. It may also facilitate greater interaction between donors and government about the objectives, design and implementation of projects and programmes that continue to be financed by donors outside the framework of the state budget. Progress on these two fronts could then lead to the development of a combined sources budget that includes both government- and donor-funded activities, perhaps along the lines of the budget systems that were developed in Timor-Leste from 2002-2007.

Capacity building in selected sectors

The PDG guidelines indicate that support for some sector-specific functions may also be considered where there is considerable experience with contracting out. Although the national government has limited capacities to deliver services throughout the country, well-managed ministries have achieved considerable progress in building capacities and delivering services. Ministries lacking leadership and a cohesive management team have struggled and have achieved less progress; examples of the latter include the energy sector and most other areas of infrastructure, as well as urban services and agriculture. Considerable social protection has been provided under humanitarian assistance programmes, but without a strong capacity-building strategy or effective government programmes. Education has seen a big increase in access, especially for girls, but there are concerns about the quality of education that stem, in part, from weak teacher training programmes. Reliance on the traditional, highly centralised government service delivery model that includes teachers having the status of civil servants has also raised questions about fiscal sustainability, accountability and efficiency.

Should the PDG decide to provide interim technical support for one or two sectors, the design of such a programme could be built around two key objectives: (i) increase the capacity of the ministry or ministries responsible for the sector to deliver services to the intended beneficiaries; and (ii) strengthen the capacities of these ministries to co-ordinate donor activities within their sectors of responsibility.

Lessons Learned: Ensuring that National Government is More Accountable to Citizens

There has been very limited attention given by donors to strengthening external mechanisms that can ensure government accountability. A recent World Bank report says that public accountability is the least advanced element of the government's PAR strategy (World Bank, 2008a). While improved internal controls in government - such as better financial management - can strengthen public accountability, many successful states have recognised the importance of external controls on executive power, formally through the judiciary and parliament, and informally through the role of civil society and the media.

Support for the legislative and judicial branches of the state

Improved accountability requires that the national parliament and the justice system are strengthened. The National Assembly has begun to assert its role of oversight on executive power. Nonetheless, the development of this role faces a number of constraints: for example, stronger legislative capacity and skills in legislative methods and techniques are required in the Assembly, members are largely unfamiliar with the presentation of public financial management information, and there is no established system of scrutiny of public expenditure and response to the annual reports on the audit of government accounts by the Control and Audit Office.

Justice institutions are widely regarded as the least developed among the formal oversight organisations. Confidence in the formal justice system is low. Customary law is widely used throughout the country, and most disputes are settled in non-state forums. Customary law and informal justice systems are biased against women, who are not represented. Strengthening the court system will require transparency of the courts' operations and procedures, uniform application of law with predictable and credible decision-making, and improved capacity of the courts to deliver services and manage resources. The role of the judiciary, especially the Supreme Court, in enforcing the constitutionality of laws and regulations and reviewing the legality of administrative decisions needs to be strengthened.

If the PDG strategy is to concentrate on the capacity building of core functions within the executive branch of government, the programme will not necessarily lead to improved external oversight and accountability, unless it is complemented by other donor or state programmes. In these circumstances, should the PDG consider support for say, the legal system, and pave the way for greater donor support for these institutions?

Strengthening oversight capacities in the media and civil society

The oversight role of the media and civil society organisations (CSOs) also requires strengthening. Most CSO activities centre on project implementation rather than promoting public accountability. A majority of the population depends on radio for news and information. Accountability of government institutions has received marginal coverage in the media, with more than half of published information attributed to government sources. There is little contact and communication between the media and CSOs. Reporting by the media of the activities of the many *shuras*, associations, and NGOs is minimal. Moreover, these groups do not use the media to voice their concerns.

Timely and reliable information is essential for public accountability. In the case of Afghanistan, it can be argued that expectations of the populace have not been managed well by government or the donor community. Inflated expectations have been exacerbated by high-profile meetings, numerous high-level visits and public announcements of large amounts of assistance requested, available or pledged. This area of communications has not received enough attention. There has been fragmentation in communications, with little co-ordination. The consequence has been an increase in disappointed expectations among the populace. There is a clear need for the donor community and government to place greater emphasis on the publication of information about activities and programmes. Positive messages have not been emphasised strongly enough, nor repeated often enough to have a commensurate impact on perceptions.

Table 3.1. Annual Commitments of Donor Assistance to Afghanistan

Commitments (in USD millions)	2000	2001	2002	2003	2004	2005	2006
Development Assistance							
Technical co-operation	9.3	9.5	304.9	706.6	848.2	1,212.0	772.0
Investment and other assistance	25.0	64.1	282.3	1,074.6	1,474.0	1,293.0	2,072.6
Sub-total	34.3	73.6	587.2	1,781.2	2,322.2	2,505.0	2,844.6
Emergency relief and refugee support							
Technical co-operation	7.4	68.7	87.5	94.4	22.4	10.6	6.2
Emergency assistance and support	86.6	300.1	748.9	542.6	366.1	529.5	442.7
Sub-total	94.0	368.8	836.4	637.0	388.5	540.1	448.9
Other Assistance							
Budget and commodity assistance	3.9	6.7	133.9	22.6	157.3	241.3	28.5
Debt relief	-	-	44.1	-	-	-	-
Donor administrative costs	-	0.2	3.1	1.9	2.4	0.1	0.3
Unallocated/unspecified	0.3	2.3	6.9	13.3	4.0	6.4	2.0
Sub-total	4.2	9.2	188.0	37.8	163.7	247.8	30.8
Total							
Technical co-operation	16.7	78.4	395.1	810.4	880.5	1,223.6	779.5
Other assistance	115.8	373.2	1,216.5	1,645.6	1,993.9	2,069.3	2,544.8
Total	132.5	451.6	1,611.6	2,456.0	2874.4	3,292.9	3,324.3
Share of Technical Co-operation (%)							
In Development Assistance	**27.1**	**12.9**	**51.9**	**39.7**	**36.5**	**48.4**	**27.1**
In Total Assistance	**12.6**	**17.4**	**24.5**	**33.0**	**30.6**	**37.2**	**23.4**

Table 3.2. Annual Disbursements of Donor Assistance to Afghanistan

Disbursements (in USD millions)	2002	2003	2004	2005	2006
Development Assistance					
Technical co-operation	167.0	76.5	97.9	1,039.4	867.0
Investment and other assistance	145.3	582.2	1,058.7	930.0	1,257.0
Sub-total	312.3	658.7	1,156.6	1,969.4	2,124.0
Emergency relief and refugee support					
Technical co-operation	86.6	77.5	10.4	8.7	9.4
Emergency assistance and support	455.7	299.2	303.1	331.9	353.6
Sub-total	542.3	376.7	313.5	340.6	363.0
Other Assistance					
Budget and commodity assistance	3.4	55.1	59.3	38.9	47.1
Debt relief	44.1	-	-	-	-
Donor administrative costs	0.3	1.6	2.1	1.0	0.9
Unallocated/unspecified	9.7	71.2	18.5	6.8	8.9
Sub-total	57.5	127.9	79.9	46.7	56.9
Total					
Technical co-operation	254.0	155.0	115.5	1,050.5	874.4
Other assistance	658.1	1,008.3	1,434.5	1,306.2	1,669.5
Total	912.1	1,163.3	1,550.0	2,356.7	2,543.9
Share of Technical Co-operation (%)					
In Development Assistance	**53.5**	**11.6**	**8.5**	**52.8**	**40.8**
In Total Assistance	**27.8**	**13.3**	**7.5**	**44.6**	**34.4**

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IV. Haiti

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Introduction

Building better governance takes time and sustained commitment. This is especially so in countries wracked by chronic and systemic instability. Haiti has been described alternately as "failing", "failed", "fragile" and "collapsed" and rated the poorest and most corrupt country in the Western Hemisphere (Transparency International, Corruption Perception Index, 2004). At least six separate UN missions have sought to promote governance reforms since the early 1990s. Not surprisingly, multilateral and bilateral efforts to promote governance yielded meagre returns. Despite decades of investment, the country's problems appear to have gown more intractable, not less.

Measuring the effectiveness of technical governance promotion is exceedingly challenging. The overall lack of donor coherence and co-ordination on strategic priorities in states in situations of fragility means it is difficult to evaluate the practical outcomes of specific technical interventions on the ground. All the more so when one recalls that there is comparatively little evidence of a causal relationship between specific governance inputs and outcomes.

This policy paper issues a critical overview of past and present efforts to promote good governance in Haiti. Divided into three sections, it first considers the factors contributing to a "governance impasse" in Haiti; it then chronicles external efforts to promote governance between 1990 and 2008; the paper closes with a review of strengths and weaknesses in governance promotion and identifies several entry points for improving technical assistance.

A Chronology of State Failure: 1987-2008

Routine instability and shifting geopolitical priorities repeatedly frustrated the emergence of a coherent and nationally owned governance strategy in Haiti. Haiti has, in fact, suffered from a profound crisis of governance for decades. After the promulgation of a new constitution in 1987, the country was crippled by political instability at the centre in Port-au-Prince. Positive gains arising from the democratic transfer of power to President Aristide and his Lavalas party in 1990 were quickly reversed after his forced removal less than twelve months later by Lieutenant General Raoul Cédras of the Haitian Armed Forces (FADH). To reinstate Aristide, donors applied mandatory and voluntary sanctions and authorised the first of several US-led intervention forces and a UN Mission (UNMIH) between 1993 and 1996.

Upon being reinstated, Aristide promoted a series of reforms. He rapidly disbanded the FADH and re-constituted the Haitian National Police (HNP) as the sole legitimate providers of state security. Following a limited US/UN-supported disarmament and demobilisation programme directed at FADH, Aristide was replaced by President René Préval - then a close ally of Aristide - during elections in 1996 and aid poured into the country. However, donors grew increasingly wary as these reforms bore few returns. By the end of 1997, the UN ended many of its peace support operations. Meanwhile, the Préval administration faced a succession of political deadlocks as well as popular discontent, shored-up in large part by pro-Lavalas groups and thugs.

The years 1998 to 2002 witnessed a rapid surge in insecurity. Widespread corruption became difficult to conceal and political violence flared anew. By mid-1998, more than USD 340 million was held back by international financial institutions for reasons of "political instability, woefully poor governance and corruption" Sporadic efforts to promote governance were supported by the Organization of American States (OAS) and bilateral donors - including the strengthening of public sector functions such as the treasury, judiciary and human rights monitoring through NGOs. Since these interventions were disconnected and uncoordinated, they were often prematurely abandoned. By 2001, the UN had almost entirely shut-down its operations in the country and the World Bank announced that it was suspending its loans.

From 2002 onwards the country began to implode. A rash of cross-border massacres by paramilitary death squads and former FADH soldiers were tipping the country into chaos. Few actors were prepared to intervene. Donors grew progressively uneasy with the president's autocratic style and use of armed militia. Officially adopting a "hands-off" approach, certain donors such as the US, Canada and France began channelling 'governance' assistance toward the recruitment and training of so-called "opposition groups" in and out of the country. Almost exactly a decade after the last peacekeeping mission had come to an end, the UN Security Council sanctioned a Chapter VII intervention and UNSC resolutions 1529 and 1542 set up the UN Stabilisation Mission in Haiti (MINUSTAH).

Within months of the intervention and installation of MINUSTAH, a caretaker government was established to pave the way for legislative and presidential elections in 2005. Although the interim government periodically demonstrated a will for genuine reform, it was paralysed by a marked inability to absorb funds, weak institutional capacity, flagrant corruption and a massive "credibility gap". The executive was undermined by the absence of a sitting legislative body. At its heart was a centralised planning and funding mechanism - the Interim Co-operation Framework (ICF) - that combined a needs assessment with a mechanism for pooling pledges and harmonising assistance. It advanced a four-pronged approach to guide recovery - focusing on political governance and national dialogue, economic governance and institutional development, economic recovery and access to basic services. More than USD 1.089 billion was pledged by over a dozen countries. It was also expected that the ICF would serve as the basis for a future Poverty Reduction Strategy Paper (PRSP).

But expectations exceeded realities. Part of the problem was inherent to the multi-donor ICF itself (Winters, 2008). The ICF lacked vertical and horizontal legitimacy. It was hastily cobbled together over a two-month period in mid-2004 by 26 bilateral and multilateral partners and was jointly overseen by the UN, the World Bank and the Inter-American Development Bank. It was never "owned" by Haitians. Twelve months after its creation, fewer than ten percent of the allotted resources were disbursed. Commitment to the ICF was also erratic - with the United States and France bypassing it almost entirely. Pledged funding failed to materialise.

With the "successful" election of Préval in 2006, a degree of political and economic stability was established. A semblance of macro-economic progress appeared to emerge. The GDP growth rate

steadily climbed and, with nudging from the World Bank, "governance promotion" assumed a priority once more. Promising interventions supported by the World Bank Institute (WBI), including a large-scale diagnostic study and follow-up studies of public sector capacity focused on the effects of weak governance on economic growth. Sustained interaction between public and private actors during the preparation of the diagnostics also helped legitimise a national governance strategy. But owing to "serious constraints at the sector level", the WBI aimed to invest in strengthening capacity of non-governmental players and promote collective action, reinforcing the "demand side of governance" as the key ingredient to improve the overall governance environment.[6]

The Anatomy of State Failure: from Below and Above

"Bad" governance is typically viewed as a consequence of endemic weaknesses in Haitian society. Lip-service is occasionally paid to the crippling effects of geopolitics and the latent racism of outsiders. It is, of course, true that certain segments of Haitian society are responsible for the collapse of governance "from below", due to deep political, social and economic cleavages in Haitian society. These political and social problems are compounded by systematic corruption at the centre, poor macroeconomic planning and systemic poverty.[7]

Over the past five decades, political power in Haiti was narrowly confined to the political and commercial elite. Vertical and income inequality is extreme: almost fifty percent of the country's wealth is concentrated in the hands of just one percent of the population. Likewise, most citizens have and continue to work in the informal sector. Donors were content with the stability such dictatorships afforded -especially given the proximity of nearby Cuba -and the visible order they seemed to inspire. Following the meteoric rise of Aristide in the 1990s, however, a strong populist and pro-poor sentiment briefly defined the Haitian political landscape. Nevertheless, with the exception of a brief interlude in the mid-1990s, the state has been manifestly reluctant to, and incapable of, sustaining and managing accountable, legitimate and accessible public services for the vast majority of Haitians. A volatile cocktail of corruption, divisive (zero-sum) politics, weak and predatory state services outside of the capital and a precarious economic environment have together contributed to a series of violent outbursts over the past two decades.

Corruption is another monumental obstacle to legitimate, predictable and efficient governance in Haiti, endemic since the 1970s. In 2004, Transparency International rated Haiti the most corrupt country in the world (out of 145) and the situation appeared to decline even further in the following years (Carrillo, 2007). Corruption extends far beyond the ruling elite: it is burrowed deep into the security sector, judiciary, line services and parts of the private sector. As a result, donors adopted a risk-adverse approach in their dealings with Haitian institutions. Haiti today registers amongst the lowest human development indices in the world (UNDP 2004).

External factors "from above" have also done much to cripple the state's capacity to govern. Arms transfers, narco-trafficking, in-migration of deported convicts and criminal elements and geopolitical factors have all severely hampered efforts to promote rule-based and predictable governance (Gauthier, 2008; Muggah, 2005). Other external factors include multi/unilateral interference and conditionality. Pressures by the OAS on the president and his allies through threats, sanctions and withholding of aid have not yielded their desired effect (keeping Aristide from being re-elected). The fractious relations between donors and Haitian authorities resulted in uneven and wasted investment to the extent that "of the roughly USD 2 billion spent by the international community between 1994 and 1998, there is today virtually no legacy" (Hawrylak, 2005, 35; Muggah, 2006). As a measure of discontent, donors progressively bypassed Haitian authorities altogether and aimed to support civil society organisations directly.

Given Haiti's politicised environment, donors found it exceedingly difficult to locate alternative entry points to promote governance. Certain donors began to provide covert support to anti-Lavalas groups. Even in the best of circumstances, it is challenging to identify and strengthen civil society groups, typically viewed as a fundamental component of the governance agenda. Despite considerable efforts to strengthen voluntary associations, co-operatives, trade unions and NGOs as service providers, the World Bank concluded that "the country appears to have a weak civil society with limited capacity to challenge public authorities in order to enhance their performance and responsiveness to the citizenry" (World Bank, 2002).

Lessons Learned: Old Wine in New Bottles?

What lessons can be learned from this experience? Governance promotion with difficult partners in states in situations of fragility is immensely challenging. A number of lessons are drawn below to help guide policy-makers and practitioners promote good governance.

Correctly define external and internal bottlenecks: owing to the scale, magnitude and regularity of Haiti's governance impasse, diagnosis and decisions on aid allocation are often rendered rapidly and in a reactive manner. In the process, donors frequently adopt conflicting objectives, fail to consult, in some cases "punish" partners by prematurely withdrawing assistance, and in others fail to provide guidance to set priorities, execute programmes, and monitor or measure outcomes. Because of the complexity of Haiti's political and social realities, it is not especially "legible" to donors,[8] The Haitian case amply reveals that donor behaviour matters. The presence of too many donors with competing interests consumes the scarce time and energy of domestic policy-makers.

Privilege political solutions over technical quick-fixes: the scope for direct outside intervention and governance promotion with states in situations of fragility and difficult partners is perhaps more limited than once believed. In some cases, the most appropriate course of action may be to do nothing at all, however unpalatable this might at first appear to politicians, interest groups and human rights activists. Also accepted is the idea that public institutions cannot be created by transposing models from wealthy to poor countries, but by a process of state-society bargaining. In Haiti, bargaining is tricky due to the challenges of locating appropriate agents and interests, the politicisation of public institutions and their lack of accountability and the violence that so often accompanies formal and informal state-civil society exchanges.

Avoid either/or approaches to governance promotion: one lesson is that "either/or" approaches to governance - targeting public institutions or civil society - may do more harm than good. Neither on its own holds the key to unlocking good governance. Instead, governance strategies could explicitly take account of the dynamic relationships between the two clusters of actors, and build incentives toward collective action. Such a strategy carries certain risks as successful intervention depends on a sound grasp of the political and social context. This requires competent and relatively unbiased (and Creole-speaking) personnel - individuals in distressingly short supply. In Haiti, the low levels of perceived legitimacy of the government, high levels of illiteracy and weak systems of communication limit the prospects for progressive collective action.[9]

Move beyond the labels: too often, apolitical labelling leads to formulaic interventions. To be effective, good governance requires thinking differently about civil society. A key strategy adopted by donors following Aristide's contested election win in 2000 (and again since 2004) was to redirect aid to supposedly "progressive" elements in civil society and effectively bankrupt a "morally bankrupt" state. But there is nothing intrinsically benign about civil society. Stung with poor returns, civil society is now treated with suspicion as a dangerous entity not to be trusted. Again, this misreads the

inherent complexities within civil society.[10] There are, of course, opportunities to support "change agents" from within civil society - but it must be understood that these actors operate with a heterogeneous constellation of interests that are alternately independent of and reliant on state institutions. More attention needs to be given to diagnosing the relationships between particular state authorities and civil society actors, and the design and support of representative institutions to facilitate (peaceful) political exchange and the channelling of grievances.

Adopt a long-term approach: there are no shortcuts for achieving good governance. Donors must know how to adopt a long-term vision, challenging conventional aid cycles and domestic political-electoral horizons. They need to improve their own internal organisational and policy coherence, and create a more positive environment in which to adapt policy, paying attention to the rules and mechanisms of engagement. Failure to do so could yield more difficulties.

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V. South Sudan

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This note aims to highlight positive and negative experiences in the provision of technical assistance (TA) for the Ministry of Finance and Economic Planning (MOFEP), Government of Southern Sudan, and draws lessons learned in terms of how this TA has influenced and helped build the capacity of the Ministry to perform core state functions.

Introduction

The Ministry of Finance and Economic Planning of the Government of Southern Sudan (MOFEP) was formed from scratch, along with the rest of the Government, in October 2005. Due to the oil revenues allocated to Southern Sudan under the 2005 Comprehensive Peace Agreement (CPA), it immediately assumed responsibility for managing hundreds of millions of U.S. dollars in monthly revenue. However, it had no Public Financial Management (PFM) systems in place, and very limited human capacity; some of its staff was inherited from the old Sudanese Government, while others came from the Sudanese People's Liberation Movement (SPLM). To assist it with its task of developing PFM systems and economic planning, the MOFEP received mainly two types of technical assistance from partners: (i) long-term advisory support in the areas of planning, budgeting, and treasury systems; and (ii) assistance for carrying out core functions in procurement and accounting on behalf of the government.

At the outset, use of technical assistance posed several challenges. One of them came from the fact that the SPLM administration went overnight from managing an annual revenue of several thousand dollars to about USD 1.5 billion from oil transfers alone, creating immediate feelings of decreased dependency on aid and technical assistance as a whole. The large levels of Southern Sudan's own new revenue meant that aid made out a smaller portion of the total budget and, thus, international actors had less influence on the government's pro-poor spending and expenditure decisions as a whole, as well as limited options to enforce transparency and accountability through the budget. This clearly made the job of technical assistance difficult.

Secondly, international support - including TA - was complicated by the complete lack of infrastructure and communication (no decent accommodation, no health facilities, no commercial banks, no phones besides satellite phones, no internet access, etc). In addition, it was initially difficult for the then-Minister of Finance and Economic Planning to get legislation through Parliament and the fact that there was no enabling law did not make things any easier. Furthermore, continuous in-fighting in the SPLM following Garang's death made progress difficult to achieve. Finally, the rather complex unity model imposed clear restrictions on the Government of Southern Sudan's ability to establish functioning systems and get a full picture of the fiscal situation (*e.g.* oil transfers took long

to materialise and even when they did, there were no systems to assure stakeholders that it was being done transparently).

These challenges imposed limitations on the developmental impact of the different types of technical assistance and thus restricted capacity development. It is probably too early to assess whether the technical assistance provided has served to make the Government of Southern Sudan more accountable to its citizens, as this can only be assessed in the long run.

The long-term advisory support

The Ministry of Finance and Economic Planning has received various types of long-term technical assistance ranging from economic planning to budget formulation and treasury systems. The developmental impact of this long-term assistance is mixed. Some of these can be considered highly successful, while others can be taken as a complete failure.

The successful long-term technical assistance is modelled on working very closely with national counterparts. It has entailed actually working side-by-side, sitting together and building relationships as the work is being done on a daily basis. The relevant advisors (Planning/Budget, Treasury) appreciated the local situation, and assisted the Ministry to develop simple systems for planning, budget preparation and execution, which could be readily used and owned by counterparts. Moreover, they appreciated that perfect systems could not be developed overnight, and adopted an incremental approach, whereby, once the basics of the systems are established, improvements are made each year, in line with the increasing capacity and ownership of the government. In this way, the technical assistance provided has been conducive to building local capacity and it hopefully will lead to sustainable development in the long run. In addition, these advisors work together in a co-ordinated and harmonised manner among themselves and with other donors, so that there is a consistent dealing with the Government of Southern Sudan. The relevant advisors had extensive experience in similar post-conflict environments (Kosovo, Uganda).

Further, it is important to note that the technical assistance provided to the planning/budgeting function was made easier by the up-front agreement that the Government of Southern Sudan would finance two-thirds of the total cost of implementing the practice (JAM)[11] framework, whose direct impact was a commitment to a certain level of pro-poor spending. At the same time, this indirectly made it easier for technical assistance to operate and get accepted in the Ministry. From this, one could conclude that good planning and up-front agreements - based on a national vision - make implementation and the work of technical assistance effective.

On the other hand, there is one clear example of unsuccessful long-term technical assistance (Budget) extended to the Ministry of Finance and Economic Planning. The advisers worked alone and recruited their own local staff to assist them, instead of engaging with Ministry counterparts. They often based themselves in a project office far from the MOFEP and only came to the Ministry on occasion to consult and give instructions. They had limited experience working either in post-conflict environments or in Africa (or in any developing country for that matter). To a large extent, they tried to impose an advanced budgeting system on the Ministry, using software that was far too advanced. This then resulted in running one system in addition to the simpler one that the government was trying to establish with the help of other donors. While their intention may have been to deliver a "best-practice" system, they did not appreciate the need for an incremental approach in an environment of limited capacity. More importantly, this technical assistance did not co-ordinate with other development partners, who were also trying to establish a budget system for the Ministry of Finance. On the whole, this resulted in competition which damaged and delayed an important

process, as well as the reputation of international actors vis-à-vis the Government of Southern Sudan. It can be concluded that this experience hampered efforts to develop institutional capacity and cohesion within the Ministry.

An evaluation of long-term technical assistance yields mixed results. The successful long-term technical assistance described above has been conducive to capacity development. It focused on working with local counterparts and in so doing impacting skills. Harmonisation and co-ordination efforts among donors - providing the government with one streamlined, consistent message - helped the process of nation building. On the other hand, the unsuccessful technical assistance was not only disruptive to the work environment and to local processes but also killed capacity development altogether, as it even went to the extent of taking away local personnel to have them work with technical advisers in separate offices. This is made worse when the donors are not co-ordinated but instead compete amongst themselves, further undermining dealings with the government.

As to whether the long-term technical assistance is coherent with other donors' efforts, the two extreme cases described above show the extent to which donors can be incoherent in providing assistance to the Government of South Sudan. If donors were able to consult and co-ordinate with each other, they would be able to ascertain their level of impact and evaluate whether or not it is working.

The output of the technical assistance that proves beneficial will hopefully result in better management and planning of public resources, enhance public services, and, in the long run, develop government accountability to its citizens.

In order to be effective, long-term technical assistance has to be focused on local counterparts, be sensitive to systems in place, and be focused on building relationships in a context where donors harmonise their processes.

Technical Assistance for core functions in procurement and accounting

The Government of Southern Sudan received technical assistance from private entities to perform core government functions in procurement and in accounting. These two functions were considered essential to service delivery. One of them was paid using the Government of Southern Sudan's own resources and the other one was paid for using resources from a bilateral donor.

Evaluating whether this type of technical assistance lends itself to capacity development depends to a large extent on the structure of the contract. In the case of South Sudan, it can be said that the contracts did not address this issue and, as such, the private companies hired to deliver these services focused on doing so at the cheapest possible cost. One of the companies was based in Nairobi, and the transaction costs of their involvement were enormous (*e.g.* each fund release involved at least two flights between Nairobi and Juba; one for the check signature and one for the cash; the fact that they were not present in Juba on a permanent basis in the beginning meant that there was limited capacity transfer involved).

Going forward, the development community should seek to provide support for contract negotiation to the countries in fragile situations that are offered technical assistance and to ensure that these contracts include a capacity development dimension, in addition to ensuring value-for-money and monitorable deliverables. States in situations of fragility often do not have the capacity for contract negotiations.

This type of technical assistance, if properly delivered, may ensure that there is proper accountability in the use of public resources and transparency in public procurement, which hopefully can help enhance citizens' confidence in their government. On the other hand, while such a system might be justifiable in the short term to create accountability and transparency, it may in fact undermine the long-term legitimacy of the government by providing technical assistance that is too far away from those that are being held accountable.

Lessons Learned

The impact of the technical assistance provided to the Ministry of Finance and Economic Planning of Southern Sudan can be assessed as having mixed results. Some of it has been positive leading to capacity development while some of it has been destructive and has not contributed to capacity development in any way.

For technical assistance to be conducive to capacity development, it ought to be relevant, be focused on counterparts and be closely integrated into their day-to-day work. The personnel providing technical assistance should have relevant experience in similar situations. Technical assistance is further enhanced in situations where the donors providing the assistance harmonise their operations.

Technical assistance will only impact the government-citizen relationships if it leads to the creation of products and systems that enhance accountability and transparency in the long run.

VI. Timor-Leste

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Introduction

Timor-Leste may be a textbook case of how *not* to build capacity in states in post-conflict and fragile situations, and of the damage that can be done to citizen-state relationships when capacity building and capacity substitution efforts run amok.

A basic message throughout this note is that capacity building is a means, not an end, and must be driven by development priorities. If a country - in this case, Timor-Leste - and its donors are not in agreement on what needs to be done, where it needs to be done, and when it needs to be done, capacity-building programmes are more likely than not to fail.

Timor-Leste's Capacity Problem

Timor-Leste, a country of roughly a million people, had a tough start in life. It was occupied by the Portuguese for 450 years, by the Japanese during the Second World War, by the Indonesians for 24 years, and finally become an independent nation in 2002. None of its occupiers was concerned with creating government - or country - capacity. This alone would have made forming a new government a major challenge, but there was more. In retribution for an unexpectedly (on the Indonesian side) strong majority vote for separation from Indonesia in 1999 (four-fifths of the population voted for independence), the pro-Indonesian militia launched what amounted to a scorched earth policy as they left the country. Almost all infrastructure of any consequence was destroyed, 2000 people killed, and two-thirds of the population left homeless.

Timor-Leste's nearly 500-year colonial legacy left the country bereft of capacity at every level. Half the population is unable to read or write: the UN Human Development Report lists just 16 countries in the world with lower literacy rates (UNDP, 2008). Low education standards in the population at large spill over into the civil service. Thirty mid-level Ministry of Finance employees at levels three and four (there are seven grade levels in the Timorese government system) recently tested at a third grade average math proficiency. Timor-Leste has a serious capacity constraint.

Have Capacity Building Efforts Paid Off?

Much of the development assistance that has come into Timor-Leste in the past six years has been aimed at capacity building. AusAID has supported a large civil service capacity-building programme

for a number of years. The Asian Development Bank lists 32 Timor-Leste projects on its website launched since 2000, of which 30 are for technical assistance (ADB). The World Bank and other donors also have large capacity-building programmes.

Have these programmes borne fruit? Yes, but mainly in terms of an employment programme for foreign advisors. There are at least 17 donors active in Dili, 15 or so other UN agencies, plus embassies and international NGOs. These donors and agencies support an army of foreign advisors and consultants. A recent inventory shows a total of more than 300 donor-supported advisors and consultants working in Timor-Leste government offices, of which roughly 250 are resident in Dili. Many of these advisors are doing capacity building activities, or focusing on longer-term strategic plans and issues. There is little evidence, though, that these efforts have increased the government's capacity to execute its development programme. Even intermediate outcomes such as budget execution still lag. The 2008 State of the Nation Report states that on a cash basis, only a little more than half the last two years' budgets were executed by year end.

With less than 10% of the executed budgets going toward capital expenditures, it is no wonder that Timor-Leste's economy is still struggling. In fact, there is evidence that donor capacity building efforts may be undermining the Government's ability to perform, by engaging in "capacity stripping" (Draft Document) - the tendency of donor agencies to compete with the government and each other for Timorese talent.

Few donor-supported advisors and consultants speak Tetum, Portuguese, or bahasa Indonesia, the working languages of Timor-Leste. To function, they need multilingual Timorese counterparts, which means they end up hiring mostly Timorese who can speak English and the country's working languages, are competent and can work in an international culture. Since the supply of these qualified Timorese is highly limited, donor demand drives up their "price". Timorese drivers in the UN system earn what senior government officials make, sometimes more. Mid-level Timorese in the international system can earn upwards of 10 times government salaries at comparable levels.

This wage escalation leaves the government in a no-win situation. It has to deliver and do so quickly to gain legitimacy in the eyes of the people, but donors have bid away the very people who might help. Donors then finish off the capacity stripping job by making sure that what capacity is left in the government gets taken up in endless donor-demanded meetings. So, far from improving government/citizen relationships, donor activities in Timor-Leste may well have undermined those relationships.

Are Capacity Building Efforts Integrated into Government-Led Strategies?

One of the ironies of Timor-Leste is that it could, if it wanted to, say no to donors. It has, at last count, in excess of USD 3 billion offshore in its Petroleum Fund, more than USD 3,000 for every man, woman and child in the country - so it really does not need donor money. Nevertheless, the government has often let donors do more or less what they want. And, unfortunately, what most want to do is to build "capacity", launch long-term development projects, and "show the flag".

The result of these donor priorities is clear in Timor-Leste's performance since independence. As the 2008 State of the Nation Report shows, in those areas that matter most to people—housing, public services, jobs, basic infrastructure - there has been some progress, but it has been slow. Most of it has been urban-based - especially in Dili - leaving rural Timor-Leste, or 80% of the population, little better than it was at independence. The government understands that unless people see progress, its time in office may be short, but donors do not seem to share this sense of urgency, or have not until

recently. And without agreement on development priorities, donors' capacity-building efforts are unlikely to be either correctly targeted or appropriately timed.

Recently, there has been some acknowledgement of the need to get donors and the government on the same page with respect to priorities and implementation. The government's 2008 National Priorities exercise identified six areas for special attention by donors and the government: public safety and security, social protection, employment and income, improved social service delivery, and clean and effective government. More important than the selection of these priorities is the exercise's attempt to establish a limited number of measurable outcomes, set timetables for delivery, and identify the responsible agencies. Progress to date has been slow, but the concept is right.

Are Donors' Efforts Coherent and Coordinated with Other Efforts?

As is the case in many post-conflict settings, each donor in Timor-Leste sees their respective country's model as the one to follow. The legal system is Portuguese, the civil service commission Australian, port management German, and the list goes on. Moreover, few - if any - of these systems were designed with Timor-Leste in mind. The courts function in Portuguese (with imported Portuguese judges) - a language 90% of the population does not understand. The civil service commission exercise is based on successful efforts in Australia's Tasmania and Victoria provinces—hardly appropriate models for Timor-Leste, where issues of merit and performance rewards are still works in progress.

Bottlenecks and Success Stories

There are three fundamental problems with Timor-Leste's donor programmes: they do not focus on the country's critical near-term needs; they are not co-ordinated; and there are way too many foreigners overwhelming the government. After six years of engagement, there is no coherent programme to improve public services in urban and especially rural areas. There is no identifiable national job creation programme (there are pilot programmes underway). There is no co-ordinated effort to reduce Timor-Leste's critical housing shortage. As mentioned above, a recent National Priorities programme is trying to fix some of these shortcomings, but the jury is still out on this effort.

On co-ordination, there is very little beyond the usual once-a-month donor meetings. Donors produce their own plans and strategies, the government produces its own, and the relationship between the two sets of documents is never clear. Of course, in public - at donor consultative groups, for example - everyone sings from the same song sheet, but on the ground this is not the case.

On advisors, as mentioned above, the number now in the government is large and overwhelming. Increasingly, government officials say their staffs are becoming demoralised by the number of expatriates in their organisations, signalling that government staff really cannot do anything by themselves. Even so, the flow continues. Hardly a day goes by during which another advisor from another donor country is not brought in to the Prime Minister's office to get introduced and pay his or her respects. Even though the Ministry of Finance has 50 or so full-time foreign advisors, when the government wanted help with their 2009-2013 strategic agenda, they called in yet another advisor.

On the Timor-Leste side of the table, there are two bottlenecks of equal power. The first is genuinely low capacity. The stories of third grade math proficiency in the Ministry of Finance and a population of which half can neither read nor write are but two of many that underscore Timor-Leste's capacity problem both in and out of the government. But there is a second problem that does not figure much in donors' capacity building efforts: there may be too little *demand* for capacity.

Those who lead ministries complain constantly of the lack of capacity in their ministries, but incentives among ministerial staff to acquire skills, and to perform, are weak at best. As is common in the civil services of developing countries, no one gets fired. People move up the promotion ladder more or less automatically. There are little or no consequences for lack of outputs or outcomes. Without strengthening the demand side of the capacity problem, without introducing at least a degree of accountability into the system, more push on the supply side - more training, more advisors, more technical assistance - is unlikely to lead to better-run ministries and departments. Increasing the demand for more capacity is not something that the donor community can do directly. It has to come from the government itself. It can start, as suggested below, by shining light on the workings of government.

Lessons Learned for capacity building, and PDG

Timor-Leste's experience with efforts to build capacity suggests five lessons for future programmes, and a role for the PDG in Timor-Leste:

1. Capacity building has to start with clarity on the *government's* priorities, objectives and goals. Donors need to understand and respect this. Technical assistance is, for the most part, a free good to the recipient country. It is all too easy for harried government officials to agree to yet another technical assistance team that is not central to the government's priorities, rather than risk the ire of a development partner by saying no.

2. Demand for "capacity" has to be increased by setting measurable outcome goals, identifying who is responsible for delivery, when that delivery will take place, and what actually happens on the ground - and making all this public.

3. Transparency - making sure citizens know which programmes are coming to their communities, how much these programmes cost, who is responsible for implementing them, when they will be completed, and what the results were - is essential not only for the success of most development programmes, but to increase the demand for capacity as well. This is the beginning, not the end-point, of creating capacity and improving governance in weak institutional settings.

4. Capacity building needs to move beyond central governments to districts and sub-districts where most security, public services, jobs and basic infrastructure will be delivered. This requires a different kind of technical assistance than is now the case. Rather than rich country consultants, this model needs technical support that recognises the very low base from which most local agencies are starting, and the need for language skills and cultural affiliations consistent with these local settings.

5. Related to #4, capacity-building efforts need to recognise and take into account the basic human resource and institutional constraints the country will continue to face for a very long time. This means more South-South technical assistance (more appropriate institutional background), and more linking of districts and communities so that home-grown successes spread.

Many of these lessons are for the government and other donors, but there is, as well, a message in them for the PDG. The Partnership's role in Timor-Leste has to start with the recognition that other, more established donor agencies will be defensive of their turf and also looking for opportunities. But by their nature, most development agencies are drawn toward concrete, definable projects for which

they can claim (sole) responsibility. The Partnership's role could aim to increase the effectiveness of the system as a whole, rather than to fill gaps other donors have left. Getting governments - especially local governments - to take capacity building seriously will take a change in incentives.

It is questionable whether civil service reforms or commissions will bring about this needed change (a recent World Bank Independent Evaluation Group (IEG) report on public sector reform efforts supports this scepticism). A starting point along the road to changing incentives in the government is to give citizens the information they need to hold their government (and donors) accountable. The PDG could devote itself to finding ways to get credible information flowing in the system, and through that information help citizens connect with their government. One possibility would be to work with the government to set up "information houses" that will work at the district, sub-district and community levels to inform citizens (this idea is developed in more detail elsewhere).

This is a critical "public good" on which other donors in Timor-Leste have yet to focus, but is essential both to deliver the government's short-term agenda and to increase demand for capacity. The PDG could facilitate the transfer of experiences from successful regional programmes, such as Indonesia's Kecamatan Development Program, or Afghanistan's National Solidarity Program, or at least the transparency and information aspects of these programmes, to Timor-Leste. Such an effort would go a considerable distance toward making national and local government more accountable, and, more importantly, in strengthening the link between Timor-Leste's government and its people.

There are, of course, risks in this decentralised approach to service delivery, but Timor-Leste's capacity problem has no risk-free solutions.

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NOTES

1. PDG (2008), Partnership for Democratic Governance Core Document: Mandate and Procedures, SG/PDG(2008)1.

2. It is worth noting that this does not need to apply to all citizens. As research (such as the work of Ted Gurr, Frances Stewart and others) has shown, the salience of inter-group inequalities can be a significant driver of conflict, whatever the nature of the group identity. See also Brinkerhoff (2005).

3. Emerging work linking New Institutional Economics and state building also endorses this model. This was addressed at the April 2008 USAID symposium, *Poverty Reduction in Conflict and Fragile States: Institutions and State Legitimacy* (USAID, 2008).

4. Or, indeed, significantly less domestic credibility. This idea requires much further thought.

5. The government wants to see a larger share of donor resources channeled through the state budget. As the Minister of Finance observed, "channeling resources through the budget helps build capacity in government, strengthens government's legitimacy largely through its role in service delivery and improves accountability." (ARTF, 2008)

6. Communication with Susana Carrillo (WBI), September 2008.

7. More than 2/3 of the population of 8.4 million are below the poverty line, life expectancy hovers at approximately 50 years, less than 40 per cent of Haitians have access to safe drinking water. Haiti is also one of the most environmentally degraded countries in the world.

8. Political and social analysis of changing local circumstances is critical and sorely lacking in the Haitian context. Less than one percent of international policy-makers, UN practitioners or NGO personnel speak Creole, the lingua franca.

9. The anti-corruption strategies promoted by the World Bank and the ULCC offer instructive lessons into an effective both/and approach to governance reform, though its favouring of NGOs risks repeating previous practice.

10. The same goes for "elites" who cannot be reduced to a wealthy class of mulattoes in the glittery enclaves of Port-au-Prince or Miami, Florida: they include a combination of upper- and middle-class professionals, intellectuals, artists, private citizen groups and networks in and outside the country who can contribute human, cultural and financial resources.

11. The Joint Assessment Mission (JAM) for Sudan presents the reconstruction and development requirements for the consolidation of peace, and for attaining broad-based growth, poverty reduction and sustained human development towards the Millenium Development Goals (MDGs). It is covers the six years interim period and extends beyond external financing requirements. It aims to cover the constellation of needs for Sudan's post-conflict reconstruction and development. The JAM's output is best seen as a "Framework for Sustained Peace, Development and Poverty Eradication," which will be supported by domestic efforts and resources, as well as development partners, in addressing underlying structural causes of conflict and underdevelopment.

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