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Demand-driven governance

**An analysis of the interventions
of international aid agencies**

NIBR
Norwegian Institute for
Urban and Regional Research

Abstract:	This Working Paper reviews demand-driven governance as a concept, as an element of international donor policy, and as a set of principles which have characterised aid and development interventions in certain post-conflict contexts. Particular attention is being paid to the case of Nepal, and to the interplay between scales of governance, community-state relations and donor coordination if this model is to succeed in facilitating sustainable development in a post-conflict context.
Summary:	English

Preface

This report discusses the use by donor agencies of demand-driven governance programmes in the context of five post-conflict countries, with an in depth case study of Nepal. Based on a desk review of donor experiences in Afghanistan, Sierra Leona, Sudan and Zimbabwe, and field work in Nepal, the report draws attention to the strengths and weaknesses inherent in the demand-driven approach.

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Executive summary

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Background

This report is an analysis of demand-driven governance in post-conflict contexts. Demand-driven governance is a concept that is visible in the policies of development agencies over the last decade. It has been formulated as a response to criticism concerning the centralised nature of many development interventions, and the failure of these to be responsive to locally formulated needs. In this report, this term will be reviewed (i) as a concept, (ii) as an element of international donor policy, and (iii) as a set of principles which have characterised aid and development interventions in certain post-conflict contexts. The context of conflict and post-conflict is at the forefront of the analysis, as it has been suggested that this approach has a key strength in the difficult political situation following social conflict.

Methodology

The discussion is based on a reading of policy documents and academic literature, and the analysis is backed up by fieldwork in one post-conflict context, Nepal. Field work was carried out in July 2008 when representatives of seventeen aid organizations and government officials were interviewed.

Findings

Demand-driven development in Nepal is understood as demand-driven development projects or programmes. Popular participation has been a key element and a driving force in service delivery and infrastructure development programmes, particularly through Village Development Councils (VDCs) and District Development Committees (DDCs). In addition, a multi-stakeholder model can be discerned through these demand-driven programmes through other forms of community participation, as well as contributions the government, NGOs and the private sector. As the situation in Nepal moves towards stable peace, one challenge is to build the government's capacity to meet demands for services and infrastructure at the community level. Whereas communities and civil society organisations have a high capacity to generate demands, the government's capacity to respond, to plan, to prioritise and to implement is limited. Building the capacity of governance institutions in Nepal therefore remains a crucial challenge. Furthermore, the links are

still weak between projects or programmes and government plans and decision-making processes.

Conclusions

In addition to the Nepal case study, examples of other conflict-torn countries where institutions like UNDP, UNCDF and the World Bank are present have been drawn upon to strengthen the analysis. Based on these findings – and on the general literature on this topic – certain strengths, weaknesses and success criteria of the demand-driven governance model can be identified:

–   First and foremost, demand-driven programmes must be context-specific and flexible. The complexity of social conflict, and the variation between post-conflict contexts, suggests that demand-driven governance programmes work best when they adapt to the specific situation on the ground, rather than adhering to a particular model developed by an international donor agencies. This being said, the demand-driven approaches of UNDP, UNCDF and the World Bank are the result of trial-and-error in the work of these organisations during the last few decades, and have therefore incorporated a lot of first-hand experience and evaluation in their frameworks.

–   Interventions must emphasise facilitation of community-local state relations from the beginning. This entails a strong nationally coordinated framework, i.e. the incorporation of demand-driven structures and governance systems at a local level into a national development strategy.

–   Demand-driven governance interventions should capitalise on what exists. Previous decentralisation initiatives, for example, can be built on and expanded. Finding constructive ways of engaging with this institutional infrastructure can minimise the problem of parallel structures.

–   While post-conflict contexts are often marked by a pressing need for efficient local delivery mechanisms, this emphasis on speed and expediency can come into conflict with real and meaningful participation.

–   Because of the paralysing impact of conflict on legitimate state structure, an important component of demand-driven governance is to build government capacity at all political scales. Institutional and political resources at the local and sub-local level are required to allow demands formulated in the communities to be directed to governance mechanisms, and evidence shows that successful implementation takes time.

–   Post-conflict situations require conscious efforts to foster local civil society and enhance organisational capacity. When civil society structures are weak and fragmented by lines of conflict, demand-driven governance must include targeted representation of minorities and women and, possibly, alternative forms of community organisation that foster reconciliation between factions of the society.

1 Introduction

Demand-driven governance is a term that has gained prominence in debates on aid and development, and in the strategy documents of international donor agencies. Formulated as a contrast to supply-driven, centralised development programmes, notions of demand-driven development and bottom-up accountability resonate with the international consensus on aid policy – as set out in the Paris Declaration on Aid Effectiveness (OECD 2005) – as well as with the trend towards decentralisation of political governance in developing countries. But while demand-driven governance can be recognised as an approach with considerable influence on the strategies of development agencies such as the World Bank and UNDP, there is arguably some confusion as to which practices this term refers to. For instance, the World Bank's definition of *Community-Driven Development* and UNDP's concept of *Decentralised Governance for Development* both overlap with the notion of demand-driven governance (see, for example, UNDP 2004; World Bank 2006).

This report will examine demand-driven governance on three levels. Firstly, it contains an introductory discussion of the concept. Secondly, it reviews policy reports and practitioner's guides of international development agencies such as the World Bank, UNDP and UNCDF. On the basis of this documentation, the report seeks to address whether a coherent and operationalised model of governance in development can be identified. Thirdly, the report reviews experiences of demand-driven governance as a model of international development intervention. In addition to a desk review of the policy reports of international agencies in relation to post-conflict societies in Africa and Asia, the report bases its analysis on primary sources through a fieldwork study on local governance structures in post-conflict Nepal. More specifically, this report focus on two core topics in relation to demand-driven governance: the *relationship between state institutions and civil society* in demand-driven governance; and, the applicability of such a model in *contexts of post-conflict reconstruction and development*. Together, these components will allow for the identification of important strengths, weaknesses and success criteria of demand-driven governance.

2 The concept of 'demand-driven governance'

The concept of demand in a developmental context is not unproblematic. The first question which arises is: demand for what? In a development context, this can relate to resources in general or particular services. The focus on governance, however, suggests a demand for something less tangible, such as accountability or transparency. Using the term demand in this context is perhaps less intuitively appealing than in relation to the distribution of services. We should be careful not to conflate the term 'demand-driven governance' with that of 'demand-driven development', although the two are closely related. In addition to the distribution of aid and resources associated with community-driven development models, the demand-driven governance approach places an emphasis on political legitimacy – and refers explicitly to sub-local mechanisms of accountability and transparency. In other words, the concept of demand-driven governance reflects an attempt to link an emphasis on local participation with the notion of 'good governance', and by so doing it arguably offers an added meaning to the latter term (Coston 1999:482):

> "The demand-side of good governance addresses the will of the state
> to operate in an accountable, transparent and responsive manner."

Another relevant question, regardless of what the subject of demand might be, is: what kind of dynamic does demand actually refer to? On the one hand, it can be understood in a *binary relation to supply*, and some analysts do indeed refer to demand-side governance in the language of rational choice and economic theory. Coston (1999), for example, calls for 'sufficient competition' among special interests, and hence portrays civil society as a market-like arena. Moreover, some demand-driven programmes emphasise individualised forms of participation (e.g. through personal scorecard evaluations), thereby framing governance as a product to be evaluated by consumers, or citizens. An alternative definition would be to formulate demand as a *politically formulated need.* This arguably better captures the socially contested nature of demands in a developmental context. But even if such needs are put forward collectively by civil society actors, their legitimacy and representativeness in the community will inevitably vary. Still, development initiatives and governance systems that are responsive to such demands 'from below' – rather than merely to the requirements and conditionalities of external donors – are likely to generate outcomes that are more responsive to the people and communities who they are supposed to serve.

Neither academic contributions on the topic nor the policy documentation from international aid agencies provide a clear-cut definition of demand-driven

governance. We can, however, discern certain key principles which seem to be highlighted repeatedly in the literature. For the purpose of this report, we can define demand-driven governance as an approach to development which places emphasis on the following characteristics:

- a *decentralised* component of resource allocation and distribution;

- substantial *participation and co-determination* from local actors and civil society organisations;

- alignment and coordination with *political authorities and governance structures at a local scale*, or a future plan to establish such a relationship;

- a set of 'checks and balances' to ensure local transparency and allow community constituencies to hold state- and developmental systems accountable ('*bottom-up accountability*').

As will be shown, these principles have been very influential in the strategies of donor organisations, and the next task of this report is to look at the ways in which demand-driven governance has been adapted and operationalised in the policy documents of these institutions.

2.1 Demand-driven governance and development policy

The World Bank increasingly upholds improved local governance systems and the empowerment of marginalised and poor local communities as essential requirements for meeting the UN Millennium Development Goals (MDGs). This emphasis is reflected in different parts of their developmental activities. Their *social funds* programmes, for example, have been set up in more than 60 countries to channel funding from international donor agencies and national government directly to community-driven development programmes. The value of the World Bank's social funds now totals more than USD 7 billion. The overarching principles of demand-driven governance are also reflected in the World Bank's decentralisation programmes, which has become an important part of its public sector policy framework. Similarly, the World Bank's 2007 initiative to strengthen its engagement on governance and anti-corruption identified 'local participatory governance' as a major program area (World Bank 2007:20).

The United Nations Development Programme (UNDP) and the United Nations Capital Development Fund (UNCDF) have both developed approaches which align closely with the aims of demand-driven governance. UNDP has identified *Democratic Governance* as one of five areas central to achieving the MDGs. This, in turn, is organised into seven priority areas: demand-driven governance falls under their - *Decentralization, Local Governance and Urban/Rural Development* priority area and has been operationalised through a practitioner's model known as Decentralised Governance for Development (DGD) (UNDP 2004). Here, it is acknowledged that responsive and representational governance must be established across all political scales, and decentralisation is seen as a prerequisite for local accountability in development programmes. UNDP claims that the DGD approach can be identified in more than 100 of their country programmes, as well as in their urban-targeted and

global initiatives. The organisation maintains that UNDP as a development agency has a comparative strength as a legitimate broker and facilitator. This makes it well-suited to establish a framework for citizen participation and community empowerment. UNDP's DGD activities are done in participation with different stakeholders on the ground, as well as a range of international donors (UNDP 2004). DGD is also designed as a framework and an institutional supplement to the interventions of UNCDF.

UNCDF works closely with UNDP. The organisation specialises on small-scale investments and capacity-building in the Least-Developed Countries (LDCs). Alongside their financial sector development approach (or, rather, as a complement to it), they have introduced *Local Development Programmes* (LDPs) which combine local governance reforms with participatory planning and local public decision-making. The UNCDF is developing a long-term policy focus on Local Economic Development (LED), working under the assumption that "rural local government can substantially enhance the prospects for economic development" (UNCDF 2008:1). UNCDF has initiated 20 Local Development Programmes in 17 LDCs, primarily in Africa and Asia (UNDP 2004). In contrast to DGD, LDP is explicitly rural in its approach and attempts to address the higher levels of poverty and weaker local government service delivery functions that typifies these areas. LDP has a sub-national institutional focus, placing the interrelations between local government and community institutions at the centre of attention. The establishment of a local development fund is typically combined with participatory planning mechanisms, as well as efforts to scale up successful policies to the national level (UNCDF 2008). LDPs are often jointly funded by UNDP and UNCDF.

A review of evaluation work commissioned by World Bank and UN agencies reveal the promising, but tricky, potential of the demand-driven approach. Helling *et al.* (2005) raise some important questions about the problems of incompatibility between different forms of local development initiatives in the activities of the World Bank. The authors distinguish between three approaches to development:

1. Decentralised sectoral approaches: designed to "increase the effective voice and choice of individuals and communities in determining what services are provided and how" (Helling *et al.* 2005:31).
2. Local government approaches: involving decentralisation and capacity-building of government structures.
3. Community support approaches: social funds and other mechanisms that channel resources and devolve decision-making directly to communities.

The report finds that all three of these approaches are – on their own – insufficient avenues to effective local development. Whereas sectoral programmes often fail to adapt to local conditions and an integrated local development agenda, local government approaches are often marred by insufficient funding and the risk of 'elite capture'. Finally, community support approaches are also susceptible to elite capture, and frequently prove unsustainable and lacking in coordination. To overcome the weaknesses of these models, Helling *et al.* (2005) suggest an integrated approach, where linkages between sectors, local government structures and communities are

secured through multi-sector local planning, integrated funding streams and shared infrastructure systems.

An evaluation of the demand-driven approach by the UN's International Fund for Agricultural Development (IFAD) reveal some challenges in the implementation of these programmes on the ground (IFAD 2008). Firstly, community mobilisation was effective as a strategy, but only succeeded in involving a small percentage of the population. Secondly, the poorest communities struggled to participate, as they could not afford to raise the small proportion of the investment costs which the beneficiaries were required to contribute. Thirdly, the approach was more successful in the area of social investments, as opposed to income-generating projects, as the former issue was more suitable for village-level mobilisation. Fourthly, without any strong linkages to government structures, the different demand-driven initiatives were too scattered to create synergy effects in terms of local economic development. In sum, the evaluation argued for a higher level of coordination and alignment between donors, government structures and community-based organisations. In other words, demand-driven *development* would arguably be more successful if it contained a component of demand-driven *governance*.

From this brief discussion, it becomes clear that while the term demand-driven governance is only occasionally used by development organisations, the principles which have been identified above are visible in the policy-making of these international institutions. The focus in the remainder of this report will be the applicability of this approach in post-conflict settings, and the implications of demand-driven governance on the relationship between different levels of the state and local civil society.

2.2   State-civil society relations in post-conflict contexts

Countries that have experienced conflict represent particularly challenging environments for the establishment of local, demand-driven governance structures. In these situations, local and regional state structures are typically weak and/or lack legitimacy. Strategies that rely solely on state reconstruction are therefore inappropriate in light of the pressing needs on the ground. Even so, the time following social conflict has been upheld as a window of opportunity for this model. In other words, it has been suggested that demand-driven governance has a comparative advantage over other approaches to governance and reconstruction. While the establishment of parallel structures of aid disbursement and reconstruction projects might be an effective way of addressing immediate needs, they tend to undermine the capacity of fragile states to regain credibility and legitimacy in the long term. But even though parallel structures such as the World Bank's social funds programme have been criticised for disempowering local state structures and circumscribing decentralisation programmes, Faguet and Wietzke (2006) argue that this criticism primarily holds relevance during the establishment phase of such programmes: over time social funds often improve "their ability to adapt to new demands from the local level and/or function as a platform through which more coordinated decentralisation programmes can be implemented" (Faguet and Wietzke 2006:314).

Demand-driven governance models arguably provide a constructive middle ground, striking a balance between efficiency and sustainability. The UNDP report "Governance for the Future" actively encourages civil society support and participation, and acknowledges that

> "civil society's experience in areas such as advocacy, service provision and policy-making at the community level is helpful during peace-building processes. In post-conflict situations, development intervention from the international community benefits from alliances with civil society organizations that work to expand political participation, promote ethnic harmony and reconciliation and create hope for the future." (UNDP 2006b:115)

In this way, civil society cooperation can strengthen state legitimacy. At the same time, post-conflict situations are not just characterised by weak state institutions but often also by a weak and shattered civil society (Goovaerts *et al.* 2005). Therefore, a key challenge in the post-conflict phase is to support the reconstruction of both local state and civil society structures, and encourage them to work together.

The general lines of conflict are often reflected in local political community structures. Also, the power geometries of traditional political hierarchies can be exacerbated by flows of external funding (Jackson 2005). Therefore, a naïve approach to civil society participation risk exacerbating tensions in post-conflict societies. Thus, there is a need to "create alternative forms of community organisation that foster reconciliation between factions of the society" (Strand *et al.* 2003:9).

There seems to be a consensus on the importance of the role of government in demand-driven reconstruction efforts. First, chances of success increase when credibility and legitimacy is established at the level of the nation-state (UNDP 2004; Helling *et al.* 2005). Second, the accountability of national government must be matched by concerted efforts to create sustainable structures – financially, politically and socially – at the local scale. Importantly, when local government establishes a constructive partnership with international aid agencies and community structures, this offers an opportunity to tangibly demonstrate the state's ability to respond to popular demands and the public sector's capacity to deliver on citizens' needs (Cliffe *et al.* 2003). Local governance structures in post-conflict contexts can also, according to Brinkerhoff (2005), provide an arena for low-intensity agreements regarding service delivery to be played out which, in turn, can pave the way for more substantial conflict management.

While most of the literature focuses on the impact of popular participation on governance structures, synergy effects work both ways. Some authors argue that the right kind of state intervention can have positive consequences for practices of community participation. For example, the state apparatus can bring about land reform or other forms of structural redistribution in local communities where development programmes run.

These socio-economic reforms will, in turn, empower marginalised constituencies and pave the way for community participation on more equal terms (Das Gupta *et al.* 2004:49):

> "With greater intra-community equality, there is less of a trade-off between using communities' advantages in local information, and elite capture. In turn, this helps build a more developmental polity and society."

The importance of this point notwithstanding, government-led efforts to create equitable conditions for establishing bottom-up accountability in contexts where states are weak or lack legitimacy are problematic.

From this general discussion, the report will now delve into some concrete cases where these dilemmas play out on the ground. The examples which follow illustrate how the principles of demand-driven governance are evident not only on a rhetorical level, but also in ongoing programmes in conflict-torn countries around the world.

3 Experiences with demand-driven governance and conflict

3.1 Community- and district level governance during reconstruction: the NSP and the NABDP in Afghanistan

In 2002, during the early stages of the war in Afghanistan, the UN drafted a discussion paper which acknowledged the need to locate the interaction between state and civil society at the local level (UNDP/UNCDF 2002). At the same time, it was recognised that due to the risk of elite capture, existing state structures had to be transformed to become more open, inclusive and participatory. The willingness by the international community to contribute financially to the reconstruction of Afghanistan posed some serious questions regarding the disbursement of donor money. From 2002-2005, only 10 per cent of multi-donor trust fund finances were channelled via the Treasury, as the status of the Afghan state was very much 'under construction'. UNDP and the World Bank put mechanisms in place that attempted to construct a sustainable middle ground between, on the one hand, direct budget support to the Afghan state and, on the other hand, parallel systems of emergency aid.

The World Bank introduced a demand-driven development model in Afghanistan in 2002, through the establishment of the multi-donor Afghanistan Reconstruction Trust Fund (ARTF). An independent assessment noted in 2005 that the ARTF "is seen to be in line with 'best practice' principles for structuring and managing trust funds in post-conflict situations" (Scanteam 2005:1). The component of ARTF which is most aligned with the notion of demand-driven governance is the National Solidarity Programme (NSP). NSP was established in 2003 under the Ministry of Rural Rehabilitation and Development (MRRD), and have an estimated programme budget of USD 929 million from 2003 to 2010. Donors include the World Bank and the Norwegian government, and the funds are channelled via the ARTF and other social and bilateral funds.

The NSP places emphasis on local participation and empowerment throughout its programme activities. By the end of 2007, the NSP had involved facilitating the establishment of 18,491 Community Development Councils (CDCs), leading to the drafting of 18,234 Community Development Plans (CDPs). Resources are transferred directly from the trust funds as block grants to bank accounts set up by the CDCs. The communities themselves identify appropriate uses for the block

grants. The NSP describe the community-driven nature of this programme as follows (NSP 2008):

> "Through the promotion of good local governance, the NSP works to empower rural communities to make decision affecting their own lives and livelihoods. Empowered rural communities collectively contribute to increased human security. The programme is inclusive, supporting entire communities including the poorest and vulnerable people."

The Asia Foundation in 2007 characterises the establishment of CDCs through the NSP as "one of the most significant and successful programs undertaken by the Afghan Government with donor assistance" (TAF 2007:24).

The sub-local focus of the NSP is complemented by another initiative, known as the National Area-Based Development Programme (NABDP), which is also coordinated by the MRRD with funding support from the UNDP and other international donors,. The NABDP was initiated by president Karzai in 2002 as a long-term development and infrastructure strategy. It entered a second phase in 2006 with a renewed emphasis on participation and local governance. The targeted budget for NABDP's second phase totals USD 164 million. The Norwegian government became an active donor in 2006. In its second phase, 'community empowerment' was introduced as one of four main components, and the NABDP institutionalised this approach by establishing District Development Assemblies (DDAs) in 306 districts in all 34 provinces. By 2006, 36 per cent of Afghanistan was covered by DDA structures. The district level focus of the DDAs complements the sub-local community participation of CDCs. These levels of governance are integrated into an overarching developmental framework known as Comprehensive Development Planning. The DDAs consist of chairpersons from the CDCs, which have been elected through secret ballot. The DDAs are responsible for formulating District Development Plans (DDPs) which list their priority projects in relation to the Government's wider development strategy. The DDAs are in the process of being recognised as legitimate units of government at the district level, while they receive their mandates from the CDCs.

Afghanistan have seen the establishment of two parallel, but complementary, systems which combine funding from UNDP, the World Bank and other international donors with funding and incorporation into the governance structures of the Afghan state. While the NSP quickly established a demand-driven system of resource allocation through block grants to sub-local community structures, the NABDP gradually evolved from an infrastructure-based development programme to a more governance-oriented system. The DDAs establish an important political scale in between the community-oriented CDCs and national government, while, at the same time, bridging international donor funding with a long-term strategy of building state capacity and legitimacy. The NABDP's 2006 report state that the "strong cooperation with line-ministry departments and stakeholders at the district and provincial levels has led to success" (UNDP 2006a:5). However, while links with regional and national government have been strong, the heavy dependence on donor money at all levels of government have led some observers to suggest that the autonomy and sovereignty of the Afghan state is too weak to support a process of democratisation (Surhke 2008). In other words, while these governance systems

might play a constructive role in the allocation of resources, the nation-building exercise in Afghanistan is too young to allow this community-driven approach to lead to democratic governance.

Another criticism that was raised, was that the status of the CDCs was not sufficiently clear, reflecting one of the key dilemmas of the demand-driven governance (TAF 2007:39):

> "Community Development Councils were formed in the villages, but while some sections of the government view them as governance institutions, others consider them to be temporary mechanisms for programming project funds."

Echoing the call for integrated sector-local government-community approaches advocated by Helling *et al.* (2005), the TAF report's key recommendations include an improvement of cooperation with municipal government, and the establishment of sector-led development programmes in core areas such as education and health. In a similar vein, Lister (2005:1) noted that

> "In the absence of an overall vision or strategy for local government, a multitude of uncoordinated and potentially contradictory bodies are being established at provincial and lower levels, some with access to large sums of donor funding."

This criticism is mirrored in a 2007 CMI report commissioned by the Norwegian Ministry of Foreign Affairs, assessing Norwegian civilian involvement in the Faryab Province of Afghanistan (Bauck *et al.* 2007). Norwegian assistance is mainly channelled via programmes under the NABDP. The CMI report scrutinised the relationship between CDCs and DDAs and higher echelons of government. For example, the Provincial Development Committees (PDCs) received mandates from the community- and district-based structures, while at the same time receiving decrees from the President. Also, it was being monitored by so-called Provincial Councils, and received financial support from external donors and line ministries. This created a "tension and unclarified authority" in the Faryab Province between the centre and the periphery (Bauck *et al.* 2007:15). This tension was exacerbated on a province level through ethnic differences, and complicated by external funding streams. In short, the report found that "several striking issues" of governance and intra-governmental relations needs to be addressed if Norwegian assistance to the country is to deliver sustainable results (Bauck *et al.* 2007:29).

The challenges which have met demand-driven initiatives at community- and district levels should also be seen in relation to political dynamics at the level of the nation-state. Lister (2007) claims that many Afghan politicians and policy-makers tend to favour a centralised model of the Afghan state. This is in part motivated by a strong concern for the power of local leaders and criminal networks over the lower echelons of the state. The citizenry at large has also a good reason for supporting a cautious approach towards decentralised state power, as many Afghans want to avoid falling under the command of local military leaders and their power base.

The establishment of CDCs and DDAs as steps on the road to a coherent, multiscalar Afghan state are also hampered by sectoral and ministerial tension.

According to Lister (2007), this threatens to undermine efforts to build local state structures through the Ministry of Rural Rehabilitation and Development (MRRD). The relatively well-functioning track record of the CDCs has led supporters of the National Solidarity Programme (NSP) and other donor-funded programmes to suggest that these should be the building blocks in a post-war subnational state system. Other power bases of the Afghan nation-state, such as the Ministry of Interior, see such a strategy as 'power-grabbing' and outside the mandate of the MRRD. This was also evident in a by-law on the position of the CDCs which was passed in 2006 and which, according to Lister's description, was "carefully worded and retained considerable ambiguity, reflecting different positions among Cabinet members" (Lister 2007:10). Without consensus at the level of the nation-state on the constitution of subnational state structures, the development committees/councils at a community-, district- and provincial level are unlikely to represent sustainable and legitimate state structures in the future.

By way of summary, the reconstruction efforts that have taken place alongside the military conflict in Afghanistan have had a strong emphasis on local governance mechanisms since 2002. It has taken some time, however, for the diverse set of new and existing institutions to establish synergy effects between local state and civil society structures and the entry of external donor resources. Whether demand-driven governance in Afghanistan proves to be a success story, ultimately hinges on whether the local institutions continue to bolster state legitimacy and whether the ability of these institutions to drive local development initiatives is sustainable in the long run without extensive donor support.

3.2 UNDP and UNCDF in Sierra Leone

This country, which experienced an exhausting civil war from 1991-2000, presents a significant challenge to the demand-driven approach; not only because the conflict continues to create divisions between people on the ground, but also due to the fact that traditional power structures – *chiefdoms* – make up the local political fabric in most areas. This latter point makes the notion of bottom-up accountability problematic as traditional hierarchies and forms of subordination threaten the representativeness of community-based structures. In the past, community-level committees appointed by international aid agencies have tended to be dominated by local elites, and thereby marginalised women, migrants and the poorest. The role of traditional political structures and lineages in Sierra Leone in relation to external aid efforts remains a contested issue in the academic literature (see, for example, Fanthorpe 2005; Jackson 2005).

The UNDP is involved in the Decentralization and Local Governance programme in Sierra Leone, where they claim to be "supporting 'transformative' initiatives that address the roots causes of the conflict to foster democratic governance within the overarching goals of achieving the Millennium Development Goals" (UNDP 2008b:1). In 2004, the Government of Sierra Leone adopted a decentralisation policy which was formalised through the Local Government Act. UNDP and other donors have contributed budget and technical support to the implementation of this policy. In addition, UNDP initiated a collaboration with UNCDF in 2007, which intended

to combine UNCDF's Local Economic Development (LED) approach with the government-led political decentralisation process. UNDP-UNCDF launched a pilot project in Sierra Leone's Eastern Province, known as the Kenema District Economic Recovery Programme (KDERP). The KDERP covers the 2007-2011 time period. The programme contains an equitable approach to development planning: outside funds are channelled into the community as a Local Development Fund (LDF), whilst there is a simultaneous focus on local revenue generation, economic development and service delivery. Both traditional leaders and local councillors take part in the decision-making, as do community-based village and ward committees. There has not been conducted any evaluations of this programme as per 2008. Parallel to UNDP/UNCDF's role in development governance in Sierra Leone, the World Bank and the African Development Bank jointly funds a programme entitled National Social Action Program (NSAP). The NSAP also uses a community-driven approach based on direct community financing and public works initiatives in close cooperation with the communities in which it operates. The NSAP is mainly focused on infrastructure projects, however, with less emphasis on political governance mechanisms (NSP 2004).

3.3   UNDP in Southern Sudan

Southern Sudan represents another example of negotiated peace and decreasing violence levels coinciding with an expressed willingness from the international donor community to provide substantial financial contributions towards reconstruction and development. The donor community has mainly channelled resources through World Bank-administered Multi-Donor Trust Fund-Southern Sudan (MDTF-SS) on a long term basis, complemented by medium-term assistance through the Sudan Recovery Fund for Southern Sudan (SRF-SS). SRF-SS is a joint partnership of the Government of Sudan and the UN and has donor pledges totalling USD 121 million as of 2008 (UNDP 2008c). Since the Comprehensive Peace Agreement (CPA) was signed in January 2005, Southern Sudan embarked on an ambitious state-building project in a region characterised by "a fragile peace, a lack of infrastructure and basic services, a depressed economy, and nascent governance and rule of law structures with significant and urgent capacity-building needs" (UNDP 2008c:1).

In addition to central state functions such as a new Presidency, Constitution and government, there have also been efforts to establish state structures at the local scale. While the construction of a Southern Sudanese state starts from scratch, the region is characterised by traditional political structures which cannot be overlooked in the establishment of decentralised governance mechanisms for the coordination of development programmes. For example, Harragin and Chol (1999) point out that international aid agencies have tended to prefer traditional grazing groups as partners in aid distribution, rather than kin-based networks. The latter were less visible to external agents but had a historical advantage in coordinating already existing local safety mechanisms, thereby representing a more effective and representative alternative (Conning and Kevane 2002).

UNDP claims to be actively implementing a demand-driven approach to development and state-building in Southern Sudan through a range of programmes

organised under its *Democratic Governance* policy area. Donors include Norway, Denmark, the Netherlands, DFID and the European Commission. Of particular relevance to the demand-driven agenda is the *Sudan Post-conflict Community Based Recovery and Rehabilitation Programme* focusing on building capacity in local government authorities and civil society. It also involves the establishment of village development committees to increase participation in local economic development, food security issues and service delivery. Also noteworthy is the *Good Governance and Equity in Political Participation in Southern Sudan* programme, targeting female participation in decision-making at a local government level. Finally, the *Local Government Recovery Programme in Southern Sudan* combines efforts to establish a policy framework for local government with the establishment of a Local Development Fund to channel donor funding directly to local governance structures.

In a 2007, the Norwegian Institute for Foreign Affairs (NUPI) conducted an evaluation, commissioned by OECD/DAC, of the international engagement in Southern Sudan after the CPA. Here, the balancing act between, on the one hand, "the objectives of state building and donor coordination" and, on the other hand, the imperative to "act fast in order to create rapid peace dividends" was acknowledged as a threat to building accountability and civil society participation on the ground (Haslie and Borchgrevink 2007:6). The report concluded that a weakness in the coordination of state-building and development programmes has been the focus on top-down institution-building. While the approach might have reduced transaction costs for developmental efforts, it simultaneously jeopardised the accountability and legitimacy of local structures. Overall, the documentation and reports from UNDP and other multilateral institutions are paying little attention to local forms of participation and accountability. It is hard to measure whether the demand-driven governance principles at a policy level have translated into actual effects on the ground in terms of increased local accountability, given the limited amount of evaluation data explicitly concerning these issues. The Southern Sudan example is still relevant, as it illustrates how these ideas are promoted even in contexts where structures of local governance and civil society are extremely weak.

3.4   Political crisis in Zimbabwe

Zimbabwe finds itself in a different situation than the previous examples, as the ongoing political crisis has increased levels of internal conflict and led to suspension of bi- and multilateral development cooperation. Nevertheless, the country represents an interesting context in which to examine the potential for demand-driven governance for a number of reasons.

First, the donor countries take a great interest in the ongoing political process and have showed willingness to contribute substantial financial resources in a future reconstruction and stabilisation process. Second, in spite of the broken diplomatic ties between the Zimbabwean state and donor governments, significant financial support has been transferred directly to Zimbabwean civil society organisations performing service delivery functions and engaging in political advocacy in the country (Norad 2008). These aid flows have been channelled to the beneficiaries either through UN agencies or international NGOs (UNDP 2008a). This has enabled

community-based structures to remain active during times of political crisis. Consequently, they could play a crucial role in the reconstruction of the country. A key challenge, once a political solution has been reached, would be to establish constructive links between already existing aid networks and the renewed bi- and multilateral support to the government. Interestingly, the 2008 UNDP report on *'Comprehensive economic recovery in Zimbabwe'* stresses the importance of re-establishing aid flows at a national level through budget support and sector programmes without mentioning the need for a demand-driven approach and parallel local structures (UNDP 2008a). The Norwegian government was heavily involved in bilateral development cooperation before the political crisis deteriorated in the early 2000s, and has expressed commitment to playing a part in a new reconstruction process in Zimbabwe.

Third, at the time when the political situation deteriorated, some sectors of the Zimbabwean public sector were in the process of decentralising (Eriksen *et al.* 1999; Derman *et al.* 2000; Conyers 2003) – signalling an increased potential for participation and decision-making at a local level. Building on these initiatives could represent promising paths towards consolidating state legitimacy, local governance and external donor support.

The World Bank's *Low-Income Countries Under Stress (LICUS)* Trust Fund has been active in Zimbabwe since 2006. Activities have focused on the social sector, with programmes in the hospital sector and in the areas of poverty and HIV/AIDS treatment. The LICUS Trust Fund actively uses NGOs in the implementation process. Along with a focus on service delivery mechanisms, the LICUS Trust Fund emphasises capacity building in relation to governance reform as one of its target areas (World Bank 2008a). Its involvement in Zimbabwe has included piloting public- and social accountability tools, such as community score cards and citizen report cards. The sustainability of these activities, however, is called into questions due to the lack of participation from the government. A World Bank evaluation identified this as a challenge, noting that line ministries had expressed little interest in participating in these programmes, since no money was being transferred to them (World Bank 2008b). The Zimbabwe case differs from the other examples in this report in that the donor community still awaits the political situation but will, in the event of a regime change, be able to engage with a relatively sophisticated state system where previous decentralisation and governance reforms opens up for some crucial continuities. Zimbabwe shares this latter feature with the country which forms the empirical case study of this report, namely Nepal.

4 Demand-driven governance in post-conflict Nepal: a case study

The case of Nepal represents a post-conflict society where demand-driven development programmes and governance mechanisms have come to dominate the post-construction agenda. The terrain in which these systems are established, however, is complex and shaped by previous efforts of decentralising the Nepalese state, as well as of the parallel political structures that emerged during the conflict years. After the civil war, which lasted from 1996 to 2006, the surge in the Maoist uprising culminated in the election of the new Constitutional Assembly (CA) on 10 April 2008, where the Communist Party of Nepal (Maoist) (CPN(M)) became the dominant party. While Nepal has a vibrant civil society – encompassing ethnic and caste groups, women's groups, community organisations and political parties – many constituencies have been excluded from political power. The Maoist agenda has been for a more inclusive Nepal with participation of groups previously excluded by the dominance of Hindu high caste groups in public administration and in politics.

On 20 April 2008, the Constitutional Assembly (CA) declared Nepal a Federal Republic. Over the next two years the CA is expected to work out a new constitution for Nepal, including details on the design of a sub-national governance system. The Interim Constitution of Nepal has a separate part dealing with the form of state and local self-governance. Part 17 of the Constitution addresses the need for an inclusive and democratic state and for progressive restructuring of the state to bring an end to discrimination based on class, caste, language, sex, culture, religion and region by eliminating the centralised and unitary form of the state. The Constitution pronounces the establishment of 'interim local bodies at the District, Municipality, and Village level… through the understanding of all consenting parties to the agreement reached on the November 7, 2006 with the CPN Maoist.' It further states that a High Level Commission will be constituted to recommend for the restructuring of the State. The final decision of restructuring of the State rests with the CA.

Nepal does not have a colonial history, but its economy still is heavily reliant upon foreign donor aid. Most donors delivered aid through sub-local systems of distribution. The current trend in Nepal is social inclusion and demand-driven governance, reflected in the Three Year Interim Plan of the National Planning Commission (GoN 2007). The Three Year Interim Plan (2007-2010) is based on provisions made by the Interim Constitution for the devolution of rights, promotion of inclusive local democracy and a policy of making the local governance bodies the subsidiary government responsible and accountable for service delivery and local development works. The plan delineates a participatory planning system based on

people's aspirations and local demand through inclusion and mainstreaming at the local level. According to the 10th Plan (2007-2010), the GoN aims to "create an environment that makes the government, non-government and other development related institutions accountable to the local bodies working as the Local Government within the devolved structure by adopting decentralization and devolution as the main policy of development works and operation of the State and also as a main means of promoting and empowering the local government; and promote the access and ownership of the women, children, *Dalits*, *Adibasi*, *Janajatis*, *Madhesis*, Muslims, persons with disability and backward marginalized groups and regions (in terms of geographical, social, economic and cultural), in the local governance process and in development and service delivery according to inclusion policy".

Hence, the 10th Plan offers a good opportunity to make local development programmes more transparent, participatory and inclusive. For the first time in Nepal, the Interim Constitution has spelt out that the local self-governance system will be strengthened by making the local bodies transparent and effective through reform in policy, institutions, and process.

Throughout the years of conflict the dominant model for development was through service delivery programmes where communities were involved in the planning and operation of services through local organisations. The emphasis on community-based development encouraged donor agencies to continue their support especially in the interior parts of the country where the government could not access due to instability resulting from the conflict between the Maoists and the government.

A key challenge for development in Nepal is to build sustainable practices of development cooperation which do not undermine the commitment to decentralise and democratise the state. In other words, demand-driven governance must not operate in isolation from processes of state transformation, but rather legitimise these and create a space for allowing communities to hold donors and governments accountable. This section will review several initiatives that have been rolled out in Nepal. Mirroring the definition of demand-driven governance formulated in the introduction, these programmes will be discussed along four main dimensions: components of decentralisation; levels of participation and co-determination; coordination between local state structures and development programmers; and, finally, mechanisms of bottom-up accountability.

4.1   Decentralisation in Nepal

As indicated above, there has been two parallel initiatives in recent Nepalese history which both aim to bring resources (and decision-making around the management of these resources) closer to the communities: firstly, through government efforts to implement a decentralisation programme in the 1990s and; secondly, as a result of an international donor policy of distributing resources through community-based structures on the ground. The achievements and limitations of both these initiatives must be understood in light of the civil war.

The process of decentralisation in Nepal can be traced back to the 18th century, but the present institutionalisation of local political democracy stems from a government

initiative in the early 1990s (Dahal *et al.* 2002). Following the restoration of democracy in 1990, local elections were held in Nepal in 1992 and in 1997. Representatives were elected to 75 District Development Committees (DDCs), 58 Municipalities and 3913 Village Development Councils (VDCs). When their terms expired in July 2002, local bodies were dissolved by the government with the dissolution of Nepal's House of Representatives by the king in May 2002, the return to monarchical rule, and the military conflict. Local bodies have not been elected since. Hence, the functions of these local structures were transferred to appointed committees. The Local Development Officer (LDO) – legally assigned to function as the Secretary of the DDC by the Local Self Governance Act (LSGA) - was charged with heading the DDCs. The absence of elected representatives means that the decisions of the DDCs cannot be made legally binding. Responsibility for operation of the VDCs was transferred to a committee headed by the Secretary of the VDC. The committees were authorised to exercise the powers given to local bodies through the LSGA.

The DDCs have been responsible for participatory planning introduced with the LSGA. Annual district plans should be approved by the DDCs and sector plans are forwarded to the respective ministries. According to the participatory planning model, inputs for the development plans should be provided by the VDCs. The LGSA also stipulates that the DDCs should formulate five-year District Development Plans (DDPs) through a participatory process.

The promise of local democracy held by these systems has been circumscribed by a long period of instability which has created weak governance institutions. This has been acknowledged by the National Planning Commission (GoN 2007:15):

> "Although there have been efforts to generate meaningful participation of people in service delivery after decentralization and institutionalization of local self-governance system, continued conflict and absence of elected people's representatives has not allowed remarkable progress to be obtained in this area."

Incomplete decentralisation and the conflict impact have hampered the effectiveness of local political structures, by creating a lack of clarity on responsibilities between the DDCs and line agencies. Despite a process whereby some functions and budgetary responsibilities of the Ministry of Education, the Ministry of Health and the Ministry of Agriculture were handed over to the DDCs from 2001/2002, the DDCs do not have a role in the formulation and implementation of policies in the devolved sectors. The central bureaucracy has not been prepared to relinquish control to the districts and the line agencies were not prepared to report to the DDCs as they continued to be accountable to the central government.

The lack of opportunities for raising revenues has further constricted the operations of local bodies. The current financial transfer system is based on the equal allocation among VDCs, regardless of their population, their local revenue generating capacities and the state of their economic development or poverty level. In 2008 Rs. 4 billion was allocated to VDCs based on this formula. The Ministry for Local Development argues for a new formula for allocation of funding that takes into account population size, poverty levels, and VDC performance. Each VDC is made up of nine wards and Rs. 100.000 is transferred annually to each ward within the VDC. Moreover, each

ward is run by a committee of five members, and altogether there are 172.000 ward representatives nation-wide. There is a threshold of Rs. 100.000 for project implementation by DDCs and smaller projects are implemented directly by CBOs.

In addition to sidelining local elections, the insurgency had a devastating impact on the local administrative capacity. Due to the prevailing security situation government officials seldom dared to venture outside the district headquarter. Similarly many village level officials were forced by the Maoists to leave, and government offices were destroyed and offices and records were burnt. Similarly other initiatives such as the District Transport Plan (DTMP) and Resource Maps collapsed due to the insurgency. Financial transfers to VDCs and DDCs continued throughout the conflict but with limited provision made for monitoring of spending.

As a result of the factors discussed above, the DDCs lack the organisational capacity and managerial and administrative competence to carry out their functions and responsibilities. They possess only limited technical skills required to function as effective development agents in the districts - in particular DDCs in remote districts lack basic office hardware.

Nevertheless, training programmes that have been implemented with donor support include training in internal auditing, the use of accounting software, and participatory planning. For example, DLGSP has provided training in participatory planning to enhance the capacity of DDCs to respond to community needs through the management of community-driven processes.

Yet, the lack of local state capacity must also be seen in light of other parallel, structures where resource allocation and political decision-making took place. Firstly, the Maoists set up a parallel administration in areas under their control. At the village level 'People's Committees' were formed and charged with spearheading a combination of participatory and coercive change. Local level programmes and projects supported by the donor agencies without government involvement were welcomed by the Maoists. Such development activities included community and leasehold forestry, the provision of drinking water, rural trails construction, micro irrigation, health services etc. Secondly, user committees and other local organizations supported by international development agencies formed a structure parallel to that of the government. Indicators suggest that people's access to services such as health, education, and rural infrastructure, particularly construction of rural roads has improved during the conflict. With the violent conflict and a weakened state apparatus in mind, the continuation of development efforts at the local level is indeed remarkable. Local spaces of development in Nepal are therefore to a considerable extent dependent on demand-driven development programmes.

4.2   Civil society participation in development programmes

A demand-driven approach to community-based development has enabled donor agencies to continue their support throughout the conflict. UNDP, UNCDF, the World Bank, IFAD and DFID all fund projects based on demand-driven principles. These programmes cover key developmental sectors such as energy, micro-finance,

local governance and employment. This research has focused on the following programmes:

Decentralised Local Government Support programme (DLGSP)

- participatory planning and decision-making in service delivery
- funded by UNDP and Norway (USD 15.9 million; 2004-2008)

Micro-Enterprise Development Programme (MEDEP)

- gender-sensitive financial support to poor and marginalised communities
- funded by UNDP, DFID, NZAID and AusAID (USD 5.1 million; 2004-2010)

Rural Water Supply and Sanitation Fund Board (RWSSBS)

- demand-driven fund managed by user committees, coordinated by DDC and VDC members and the Ministry of Physical Planning
- funded by IDAF (the World Bank) and DFID

Rural Energy Development Programme (REDP)

- design and execution of micro-hydro projects through building local capacity for sustainable, community-managed, and equitable rural energy service delivery
- funded by IDA (the World Bank), UNDP, GoN (USD 18 million; 1996-2009), co-funded by local committees

Poverty Alleviation Fund (PAF)

- demand-driven programme with direct community funding, based on cost sharing and capacity building in the local communities
- supporting the Government's 5-year plan (2003-2008); funded by the World Bank and IFAD (USD 142 million; 2004-2012)

Decentralized Financing and Development Programme (DFDP)

- capacity building of local governments on financial issues
- funded by UNCDF and DFID (USD 10.1 million: 2005-2008)

Enabling State Programme

- empowering civil society groups and providing government support
- funded by DFID (USD 27.5 million; 2001-)

Livelihood and Forestry Programme (LFP)

- NGO-implemented programme, coordinated by District Forest Officers (DFOs)
- bilaterally funded aid programme of DFID and Government of Nepal (£18.7 million; 2001-2011)

While donors in Nepal often prefer a model where implementation was secured through a Nepali NGO, most of the international programmes in this research, attempt to mobilise target communities directly through community-based organisations (CBOs). CBOs in this context refer to either user groups set up by the donor agency, or pre-existing local organisations that receive additional funding and mandates through participating in the development programme. The characteristics of the demand-driven development model of today become clearer when contrasted with the Integrated Rural Development Model (IRDP) of the 1970s and 1980s which was supply-driven in the sense that planning was carried out without community participation. Similarly, the government-initiated DDP mechanism that was the result of the decentralisation drive in the 1990s failed to create participatory planning at the district level in the way it was originally envisaged. In spite of this, target group participation in donor-funded service delivery projects and programmes has been strong.

With the state apparatus still weakened, a sustained international donor presence is crucial to the development of Nepal. A number of international development agencies remain in the country, as indicated by the list above. Some of these programmes have as many as ten different donors involved in the funding of a single development programme. In this context, there is a huge responsibility on part of the different international agencies to coordinate their funding and involvement. Still, donor coordination and harmonization - necessary for identification of resource gaps, reduction of crowding in of resources in sectors and geographical areas of donors' comfort, and for checking fragmentation of aid - are relatively weak in Nepal. These weaknesses continue to challenge aid effectiveness and sustainability.

Local participation takes different forms. Some programmes mobilise communities through savings and credit schemes, either alone or in combination with service delivery and infrastructure programmes (e.g. DLGSP and MEDEP). Communities have also taken part in planning, implementation, and running of services. Some of the programmes involved setting up user groups or electing local officers in charge of coordinating local development initiatives. Other programmes attempted to base participation on already existing structures, such as the VDCs and DDCs. In programmes such as PAF and LFP, NGOs were used as intermediaries in the implementation of the programme. Establishing well-functioning demand-driven programmes requires sensitivity to context-specific conditions and a flexible approach taking into account the particular challenges of the sector and the specific actors and roles involved. One official put it succinctly by saying that policy implementation depends on "functions, funds, and functionaries".

The programmes studied in this research use different methods to establish representation in the communities. REDP, for example, was initiated in consultation

with many stakeholders to ensure viability. Locally, the REDP bases its operation on all households in the community taking part and reaching consensus decisions. In addition, the programme is gender sensitive by requiring that one man and one woman from each household are represented. MEDEP attempted to ensure representativeness by identifying target groups. The composition of target group participation in MEDEP is as follows: 20 per cent Dalits, 43 per cent indigenous and 37 per cent other poor groups. In the DFDP programme, DDCs are responsible for ensuring that women and Janajatis have at least a 15 per cent share of representation each, which is in line with national guidelines. In RWSSB, cash and labour contributions by communities should account for 30 per cent of the total contribution. Together with participatory planning and decision-making, this contributes to a sense of local ownership (or 'buy-in') in RWSSB's activities. Likewise, in REDP, the cost is shared between donors and communities: the project provides 50 per cent of the costs while 50 per cent is provided by the people (including a loan of 10-15 per cent of the cost). This system was adopted from the beginning and has been functioning throughout the conflict years. A similar arrangement characterises the PAF model, where social mobilisers are working in each village across 25 different districts. In this programme, local people contribute 20% of the value, whereas the rest is provided by donors through small infrastructure projects.

Another important strategy in making these interventions lead to sustainable outcomes is through capacity building. Most of the programmes reviewed have capacity building programmes as in-built components. Often these efforts are directed towards the DDC level, where much of the coordination responsibilities lie. In the DLGSP programme, training in support of participatory planning has been given to DDCs to enhance their capacity to respond to community needs through the management of community-driven processes. In MEDEP, skill training has been an integral component in the micro-finance activities, which includes support to communities in identifying markets. Overall, the various programmes have incorporated measures to transfer skills and build capacity for local coordinators, maintenance personnel and DDC representatives.

The process of capacity building is an important element in ensuring long-term sustainability of these projects. Sustainability was also addressed in relation to the loan practices that these programmes engaged in. In the REDP programme, people were encouraged to timely pay back of the loans to ensure sustainability. This had proved problematic during the conflict, however, as the Maoists prevented the people from repaying the loans in some areas.

4.3   Coordination with governance structures

One of the most crucial factors in relation to the sustainability and legitimacy of demand-driven approaches in Nepal is the extent to which these programmes manage to establish accountability and coordination with local government and other structures of governance. This aspect has several potential benefits for development and democratisation. Government institutions can learn from the way in which accountability and responsiveness have been ensured in the community-based service

delivery programmes. In turn, successful practices can be integrated into a national development strategy once the capacity of the post-conflict state allows it.

Community-based delivery of services and infrastructure did, for a decade, take place in a context of political and military mobilisation. When this uprising eventually led to regime change it paved the way for the formation of a new coalition government. The Maoists dominated the new government and were able to fill the post of Prime Minister. Since the 2008 elections, expectations have been high and political parties and civil society organisations together are in the process of articulating the demands of formerly excluded groups. A number of informants pointed to the real challenges connected with strengthening the supply side of the delivery system to ensure that the government begins to deliver on the expectations that have been created.

Creating a dynamic relationship between the state apparatus and external development efforts represents a challenge at all levels of government. At a national level, the main challenge in the governance area is to ensure coordination among the Ministry for Local Development, the Ministry of Finance, and the National Planning Commission. One crucial issue is how the capacity of the government for policy-making, planning and implementation can become strengthened, while at the same time becoming vertically integrated with the DDC level and the community level.

This study found that *links to the local governmental bodies tended to be weak*. Until 2002 before local bodies were dissolved subsequent to dissolution of Parliament in 2002, a number of donors supported capacity-building efforts at the sub-national level. However, with the escalating conflict, the absence of elected members, and the lack of a clear strategy for the future, donors scaled back their support or pulled out altogether. In the post-conflict era, DDCs often did not have information about ongoing activities in their districts, in particular activities run by non-governmental organisations (NGOs). Planning and prioritisation at the DDC level took place only through very loose mechanisms, for example projects tended to be listed but not prioritised in the annual district plan. This effectively reduced district plans to a compilation of NGO initiatives. The expansion of service delivery by the non-governmental sector, also pose a challenge to the planning system because many NGOs report their activities neither to DDC, nor to the VDCs, and also do not take part in the local level participatory planning processes.

In the LFP, District Forest Officers were responsible for monitoring the forestry programme, and did thus represent a link between the NGOs and the formal political system. However, these officers were only accountable upwards in the state hierarchy – to the central government – and not to local governance structures such as the DDCs. It is left with the concerned LFP coordinator at the local level to maintain coordination and reporting to the government through the concerned DFO. Field-level interaction with the representatives of political parties also revealed the weak linkage between the DFO, LFP and the beneficiary community. Hence, maintenance of linkage of LFP with the national level community or leasehold forestry programme is fully dependent upon the relationship between the LFP coordinator and the concerned DFO. The linkage between LFP and the national level community forestry programme seems weak at the central level, too. In this respect, the programme did not to bridge the ideals of bottom-up accountability with the need to coordinate their activities with local governmental bodies.

Likewise, in the MEDEP structure, a project board with representatives from relevant ministries has been set up to support Local District Officers, who chair the programme in the districts. But as mentioned above, a pause in local elections dating back to the conflict years has meant that these officers do not work on a democratic mandate. Hence, local accountability is circumscribed. The sustainability of the MEDEP project outcomes after withdrawal of donor support to the programme has posed a challenge from the outset. Hence, if creation of institutions at the local level is important, capacity building is necessary for such institutions to become sustainable. With the realization of the necessity of strong linkages between the programme and the local government i.e. DDC, District Enterprise Funds have been established in all 31 programme DDCs with the fund already deposited by the programme in 25 DDCs of the programme districts. A co financing arrangement from DDC depending upon their financial capability has also been arranged, which is expected to encourage DDCs to take a leadership role towards promoting local entrepreneurial capacity for the development of local micro-enterprises.

Many of the programmes were aware of shortcomings in governance mechanisms, and pursue measures to counter these challenges. The Poverty Alleviation Fund (PAF) had drawn some criticism for not working with the VDCs and the DDCs, leading to a change in their approach. Reporting procedures were being changed, and the fund will report regularly to the DDC. The DDCs, in turn, will monitor their programmes. Also, the applications sent to PAF from NGOs will be gathered by the Local District Officer. Finally, PAF is working with the relevant technical line agencies in sectors such as agriculture and health.

Demand-driven governance structures must be *coordinated across different political scales*. REDP had relatively comprehensive mechanisms to ensure such coordination at a ground level. The programme has clear criteria for selecting VDC representation in order to overcome bias. Moreover, the project supported DDCs in energy planning and hence linking the programme to the DDC level. Communities were empowered through this process, by establishing ties between particular projects and the district planning process. There was clearly a need to build the supply and response capacity of the state, also at a central level. DLGSP is a prime example of this type of programme. In addition to measures geared towards building capacity at the district level, the programme has supported the ongoing decentralisation process through provision of support for the National Planning Commission (NPC) and the Ministry for Local Development.

But the challenge goes beyond mere coordination. DFDP, which is the largest project for capital grants to DDCs, operated in a way that opens for *sharing responsibilities with the local state*. Through a fiscal transfer system to local governments, the programme supports capacity building of local governments on financial issues. The programme also has a performance based funding system which increases transparency and accountability. Project document books are to be signed by the user groups, VDCs and DDCs, and projects are handed over to communities upon completion. The DFDP continued to work with local governments through the conflict, covering 24 districts in the country.

But despite these exceptions, demand-driven governance in Nepal is characterised by very weak donor coordination. As a response to this, and in line with the Paris

Declaration on Aid Effectiveness, Nepal has launched a National Action Plan on Aid Effectiveness based on an OECD/DAC survey conducted by the government in March 2008 (GoN 2008). This plan is intended to enhance the ownership and the leadership of the government. According to the survey findings, 26% of the aid budget flows outside the financial management system of the government. Similarly, only 34 per cent of technical assistance is reflected in the government system. 68 per cent of aid is spent following the country financial management system and 59 per cent of procurements are made in accordance with Nepal's procurement systems. All this leads to the conclusion that while the government is weak to prioritize, allocate, disburse, and monitor aid receipts, fingers are also pointed towards the donor community for absence of transparency and accountability when they manage aid by themselves.

Related to this discussion, is the potential to scale up the practices of demand-driven projects to a government level. There is some evidence that successful demand-driven practices have had influence on policy formulation at a national level, as the government has adopted models introduced by the aid agencies:

– The modality for the Rural Energy Development Programme was implemented by the government in 35 districts (the World Bank and UNDP funded programme)

– MEDEP lobbied the government in relation to its policy on micro-credit, the three year plan of the government includes the implementation of the programme in all districts

– The government agreed to the establishment of District Micro-Enterprise Fund with arrangement for DDCs to contribute matching fund to their capacity.

4.4 Bottom-up accountability: checks and balances at a local level

In addition to the capacity-building and ownership that can take place in various government institutions as a result of the above-mentioned state-donor links, this cooperation can also serve to *make government accountable to local communities*. More importantly, demand-driven development can – if properly integrated with governance systems – allow for local communities to participate in promoting transparency and accountability. As already mentioned, there are certain systems in place to encourage top-down accountability in Nepal. The assessment of Local Development Officers by central authorities in Kathmandu is an example in this regard. But it is the opposite kind of accountability which is of particular interest to this study. Even here, there are some notable examples: the government has introduced public auditing at the local level, and civil society organisations have worked on expenditure tracking (e.g. through the National Vigilance Centre, Commission for the Investigation of the Abuse of Authority – CIAA). Here, the responsiveness is restricted to each project.

An organisational actor which plays a crucial role in securing accountability in Nepal is Pro Public. This NGO, founded in 1991, is dedicated to make "the government bodies aware of their duties and responsibilities" by focusing on issues such as good governance, environmental justice, gender rights, and consumer protection (Pro Public 2006). This study found that Pro Public has an extensive campaign organisation, with a network covering all the 75 districts of Nepal: the organisation had also established good governance clubs in 64 districts, arranging radio programmes, public hearings, public audits and drafting a 'citizen's charter'. Pro Public made use of a citizen report card system and monitored how public money was distributed at the district level, for example on health and education issues. A number of other organisations operate parallel to Pro Public's activities in Nepal: e.g. Global Alliance of Parliamentarians against Corruption and Global Anti-Corruption Watch of Parliamentarians, and the local chapter of Transparency International. Besides their traditional advocacy role, some of the organisations work to support government capacity to respond to demands – for example by supplying computers for more effective processing of public case loads.

The relative success of these projects notwithstanding, they are based in the capital and can be characterised as NGO-driven, rather than community-driven. At a national level, there was a general lack of transparency and accountability between central government and aid agencies. Further down the hierarchy; the absence of elected DDC representatives made for *weak accountability structures at a district level*. Still, some donor practices represented notable exceptions to this conclusion. In DLGSP, for example, parallel support provided by the programme at the national, the district and the community level is viewed by programme staff as a major strength of the programme. Building on the participatory planning provision in the Local Self Government Act of 1999, the programme seeks to strengthen the downward accountability of the DDCs. The beneficiaries (user groups) of the programme are involved in public audit processes. Moreover, PAF has put in place some promising transparency measures: e.g. each community-based organisation (CBO) has a display board with budget information.

The DFID-funded ESP programme represents another model for accountability. One of the ideas of the programme is to enable the people to *seek better public services* by supporting civil society groups. The government, however, seems reluctant to own and acknowledge the achievements made through ESP, although the programme works at a national scale, with the claim of seeking full government cooperation. The programme offered support to the NPC when the commission prepared its three-year plan (GoN 2007).

4.5   Concluding remarks on the Nepal case

Demand-driven development in Nepal is understood as demand-driven development projects or programmes. Popular participation has been a key element and a driving force in service delivery and infrastructure development programmes. The models adopted by donors, especially bilateral donors, have not changed significantly over the last decade - although methodologies have been refined and adjusted. In addition to their emphasis on participation by communities, a number of the programmes

have worked with the VDCs and the DDCs adopting a *multi-stakeholder model*, drawing on contributions from communities, the government, NGOs, the private sector.

As the situation in Nepal moves towards stable peace, one challenge is to build the government's capacity to meet demands for services and infrastructure at the community level amid high aspirations of the people. Whereas communities and civil society organisations have a high capacity to generate demands, the government's capacity to respond, to plan, to prioritise and to implement is limited. The conflict prevented district level elections due in 2002 from being held, curtailed the movements of district level officials, and reduced capacity-building programmes by donors - resulting in the incomplete implementation of the Local Self Government Act introduced in 1999. Undoubtedly, the civil war has been a main factor in circumscribing the capacities of the governance institutions at the district level. Consequently, many argue that *building the capacity of governance institutions* is a crucial challenge.

For historical reasons and due to the constraints generated by the conflict, the district level is primarily accountable to the central government. To some extent, communities and civil society organisations, within the framework of projects and programmes, are gradually being enabled to generate demands and hold donors and project staff accountable. Yet, between projects or programmes and government plans and decision-making processes *the links are still weak* and sometimes they do not exist at all.

5   Conclusion: Strengths, weaknesses and success criteria of demand-driven governance in post-conflict contexts

This report has taken a critical look at demand-driven governance on three levels: as a concept, as an element of international donor policy, and as a set of principles which have characterised aid and development interventions in certain post-conflict contexts. When tracing the concept of demand-driven governance as defined in the reports of international development agencies of the last ten years, one will encounter a number of slogan-like phrases which combine the words "community", "demand", "governance", "development" and "democracy" in new and creative ways. Behind this rhetorical confusion, however, it is unclear to what extent the particular models have been operationalised as distinct from each other. Still, they have in common that they signal a focus, on part of the international development community, on sub-local governance systems and development programmes.

The organisations and programmes that have been mentioned in this report clearly express a strong commitment towards local participation and bottom-up accountability. Nevertheless, the challenges that have confronted all these interventions seem to imply that the key criteria for successful demand-driven governance ultimately lies in the programmes' ability to tailor its presence to fit the particular context, rather than in the model itself. That being said, some general insights can indeed be extracted from this review. These will be conceptualised here as the strengths and weaknesses of demand-driven governance in post-conflict contexts.

Clearly, demand-driven programmes have certain key strengths. The case studies reviewed in this report show responsiveness to local needs which has a greater potential of empowering communities than centralised forms of development cooperation. By responding to requests by local organisations, an emphasis is placed on popular participation and mobilisation. This increases the legitimacy of state-building exercises and demonstrates the power of multi demand-driven governance systems. In post-conflict situations, demand-driven governance can counteract problems associated with weak or destroyed formal institutions by introducing a gradual approach to institution-building while addressing immediate demands on the ground. The institutional models introduced by these programmes can, in turn, demonstrate participatory models for local government to adopt. The decentralisation and flexibility represented by demand-driven models entails that concrete developmental outcomes are not given, but that chances for partnering previous enemies and ensuring long-term sustainability in a post-conflict situation are

all the greater. Multi-donor trust funds in Afghanistan and community-based programmes in Nepal represent examples of this model which has been documented as relatively successful in extremely challenging contexts.

At the same time, insofar as demand-driven development and governance can be distinguished as a coherent approach, it seems to be susceptible to certain pitfalls. One weakness that is often mentioned in relation to these programmes is the effect of establishing parallel channels and local structures. Even if this is done with the utmost care and consideration, there is a clear danger of undermining local government structures – however weak – and jeopardising the long-term sustainability of development. Moreover, local structures are open to elite capture, and can also fuel (and institutionalise) local lines of conflict. Importantly, poor and marginalised groups might not be in a position to effectively articulate their demands and risk being further marginalised if these programmes are implemented indiscriminately. In particular, demand-driven approaches face challenges in societies marked by high inequality and individualised power in traditional or military leaders.

In conclusion, these cases highlight some success criteria for demand-driven governance. These criteria refer either to conditions found in the societal context – such as a higher success rate in equal societies with some level of social infrastructure – or relating to the modality of the development interventions themselves. Therefore, to follow this argument to its logical conclusion, demand-driven programmes must be *context-specific and flexible*. It seems clear that neither decentralisation nor local development structures can guarantee bottom-up accountability. The complexity of social conflict, and the variation between post-conflict contexts, suggests that demand-driven governance programmes work best when they adapt to the particular situation on the ground, rather than adhering to a pre-defined model developed by an international donor agencies. This being said, the demand-driven approaches of UNDP, UNCDF and the World Bank are the result of trial-and-error in the work of these organisations during the last few decades, and have therefore incorporated first-hand experiences and evaluation results in their frameworks.

The second point is more specific, namely that development interventions must emphasise *facilitation of community-local state relations from the beginning*. This entails a strong nationally coordinated framework, i.e. the incorporation of demand-driven structures and governance systems at a local level into a national development strategy. This element has not yet been addressed in the Zimbabwean case, but was highlighted as one of the reasons why efforts in Afghanistan have been moderately successful. More resources should be allocated to local governments to fund, coordinate and plan community based development interventions in order to avoid gaps and overlaps and to ensure complementarity with government efforts where required. Effective coordination presupposes an ongoing dialogue between government and civil society groups at the local level to delineate roles and responsibilities. At the same time formal arenas for decision-making should be strengthened to transparency and accountability.

Thirdly, these overarching strategies should *capitalise on what exists*. Many of these country cases are marked by previous decentralisation initiatives which, partly due to social conflict, have been left incomplete. By finding constructive ways of engaging with this institutional infrastructure, external interventions in the form of

development programmes can ensure continuity and sustainability, and minimise the problem of parallel structures. However, as the Sierra Leone case shows, some contexts present donors with the dilemma of whether to engage with traditional political structures, which have their own problems of hierarchy and dominance. Needless to say, there is no clear answer as to how to negotiate the traditional power bases, which might (or might not) have legitimacy on the ground, with parallel aid structures and very weak local government institutions.

Fourthly, the examples seem to point towards a certain trade-off between short-term and long-term ambitions: *balancing the precariousness of the post-conflict situation with the aim of long-term sustainability* is something which all the programmes mentioned in this report has aimed for. The case of South Sudan exemplifies this point. On the one hand, there is an immediate need for local delivery mechanisms. Consequently, an explicit ambition on part of international aid agencies to create peace dividends in the short run, which can help establish legitimacy and support for the programmes in local communities. On the other hand, this emphasis on speed and expediency can be in conflict with real and meaningful participation, in addition to the above-mentioned pitfall of undermining government capacity. The post-conflict imperative of reconstruction also raises some other dilemmas. Whereas some observers stress that sectors essential to post-conflict recovery should be prioritised – fishing, farming, construction work could be some of these – other reports argue for a multi-sector approach, as single-sector programmes seem to fail to respond to the local political agenda.

The fifth point identifies another key theme, namely the need to *build government capacity*. This was raised as a crucial factor in the Nepal case study, and it relates to the important issue of accountability. Without potent government structures at all political scales, central government's ability to ensure that village and district level government has a clear mandate is greatly reduced. Conversely, institutional and political resources at the local and sub-local level are required to allow demands formulated in the communities to be directed into the state system, not just at external donors. This refers not only to demands relating to resource allocation, but also to ability of local constituencies to hold political authorities accountable. As the Nepal case illustrated, this can only be done if there is democratic legitimacy and institutional capacity to act on these demands at a local level. Bottom-up accountability of local structures is critical, but not sufficient. The legitimacy of demand-driven governance structures at a district- and province level also hinges on these having sufficient financial resources (from either government or external donors) to fund demand-driven initiatives. Coordination is another key factor in this regard. Even in situations where efforts have been made to have a long-term strategy of state capacity-building, such as the ARTF in Afghanistan, there is a risk of creating a governance system of contradictory and uncoordinated structures. Because demand-driven governance is an approach which entails a gradual shift from parallel structures towards an integrated governance system, evaluations and policy reports stress that successful implementation takes time. Some social funds have been able to greatly improve their impact on local governance over time, and both the Nepal and Afghanistan case seem to imply that this potential can be fulfilled – given that there is a strategy of integration and sustainability from the start.

Finally, many post-conflict situations require conscious efforts to *foster local civil society and enhance organisational capacity*. In other words, demand – which was defined as a politically formulated need in the introduction to this report – can not be taken for granted. Neither is it indiscriminately articulated by all groups of society. To the contrary, these demands are expressions of local politics. This is an important insight, and not the least in a post-conflict situation. In Nepal, conscious efforts to ensure the representation of minorities and women have been important. In war-torn countries such as Afghanistan and Sierra Leone, the need to create alternative forms of community organisation that foster reconciliation between factions of the society has been suggested. In other words, community participation must be broadened and deepened to achieving decentralised governance. But this raises another important point, which relates to the double role played by community-based organisations: these organisations are simultaneously alternative service providers *and* watch dogs. If demand-driven development programmes limits the scope of CBOs to that of providing developmental services, external interventions risk silencing the watch dog role of such organisations. In effect, this leads to a process of local depoliticisation. Put differently, demand-driven development can, if implemented in a one-sided fashion, circumscribe demand-driven governance.

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