



Final Thematic and Case-Study Report of Work Package 4b

**Multi-stakeholder Partnerships for Socio-Economic Development
in Post-Conflict Reconstruction**

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Executive Summary

The research conducted by MultiPart's Work Package 4b (WP4b) investigates how, to what extent, and under what conditions multi-stakeholder partnerships (MSPs) that are activated in the area of socio-economic development can contribute, if at all, to post-conflict reconstruction policies and programs that positively impact on human security.

This research report is divided in five sections.

Section 1 defines 'socio-economic development' in the context of contemporary forms of international assistance and intervention in areas that are affected by armed conflict. It provides a brief genealogical account that illustrates that socio-economic development is far from a self-evident category when studying post-conflict societies, where security and development-related questions take the shape of a number of dilemmas that are strictly linked to our understanding of changes in war and post-war economies. The WP4b research team chooses not to focus on 'development' as a sector to deal with separately, but instead to analyze the functioning and the direct and indirect social implications of planned economic development initiatives.

Section 2 elaborates this further, introducing a reading of development in terms of human security. An approach that bridges 'wants' and 'fears' means that socio-economic concerns are addressed in a way that mitigates against threats and risks to livelihoods that are linked to the likelihood of conflict recurrence. An overall theoretical framework is presented through the discussion of key definitional and operational aspects. Conceptual tools for understanding in terms of human security those MSPs that pursue socio-economic development aims are identified, along with the main challenges that typically characterize social and institutional contexts that have experienced armed violence. Employment generation, income generation and good governance/transparency are singled out as key to an integrated human security framework that is concerned with needs, process and outcome.

Section 3 embarks upon the task of empirically reviewing and discussing emerging roles and forms of MSPs in socio-economic development, identifying genealogies and existing trends, as well as by setting expectations with regard to both the role of key actors in the partnership process and possible outcomes. Furthermore, it discusses those methodological aspects (and limitations) that were taken into account by the WP4b research team in selecting cases for analysis and in formulating specific research aiming at a deeper understanding of operational mechanisms and strategic issues.

Section 4 presents the in-depth case studies that have been conducted in the three target countries of MultiPart, i.e. – the Democratic Republic of Congo, Afghanistan and Kosovo.

In Kosovo the *Active Labour Market Program (ALMP)* is commonly regarded as a relative success story in tackling a strategic question such as youth unemployment: the case illustrates the add-on benefit of state-building in terms of capacity building and legitimacy generation through improving the ability of the state to provide employment. Although the EU is not formally a partner of ALMP, the not-so-positive role that it had in the recent past through its direct commitment to steering Kosovo's 'economic development', and the unique position it has assumed since Pristina declared independence make the lessons learned from adaptive UNDP-sponsored employment generation programs extremely important: WP4b research sheds light on positive outcomes and on the limits that characterize the functioning of ALMP.

In the Democratic Republic of Congo the *Extractive Industries Transparency Initiative (EITI)* was initiated with the explicit purpose of transforming extractive activities from driving war economies to promoting transparency and good governance, building state capacities and ameliorating the dilemmas stemming from the 'resource curse'. In spite of its strong potential, it is not possible to give a positive assessment of the initiative: Wp4b in-depth analysis shows how deficiencies have very much to do with how EITI has been implemented.

In Afghanistan the *Microfinance Investment Support Facility for Afghanistan (MISFA)* became the centre of a number of mechanisms for cooperation between the key microfinance stakeholders. This MSP is an attempt to link the nascent Afghan microfinance sector to global microfinance knowledge networks, the sizeable donor funds to the limited number of MFIs present in Afghanistan, and Afghan government leadership to a program that many considered as belonging to the private sector. Mechanisms and platforms for participation were purposefully kept at the minimum, and deepening or broadening of participation only took place for expected effectiveness and efficiency outcomes – thus deviating from the idea of an MSP from a human security perspective (in which participation's potential to contribute to equity, accountability and local knowledge would be valued in its own right).

Section 5 summarizes key findings and looks into implications and considers a possible role of the EU in post-conflict development, with a specific focus on MSPs. No conclusive evidence can be drawn about the impact of MSPs *per se* in socio-economic development. The analysis illustrates how the very existence of a partnership often fulfils an important performative goal, irrespective of concrete achievements. The larger the number of partners that are involved, the more costly may become a process that gives shape to meaningful common actions, and to effective policy implementation. It may be therefore better for partners to reach a situation where MSP initiatives are pursued with little energy, just enough to avoid a break-up, but not enough to produce real change. Restricting the number of partners in the name of effectiveness, on the other hand, may subtract something from the idea of multi-stakeholdership.

WP4b finds a value of ‘minimal impact’ in ‘un-real cooperation’; just getting the government and civil society to talk about functional needs in post-conflict can often be considered an achievement in its own right. The most plausible impact to be observed is thus often on processes; indications can be found that participation in the partnership may prove to have transforming effects on partners and on partners’ relations. This transforming effect can take the form of deepened or broadened participation in an initially ‘restrictive’ MSP, typically when the latter is faced with new challenges.

Most times the initiative for MSP development is top-down; it is typically built on pre-existing piloted experiences which have become ‘ready-made templates’ exported and adapted from other contexts. This effort it is often undertaken by an organisation that is already pursuing developmental objectives in the given country, and that may borrow the template from another agency in another context. This raises a number of dilemmas concerning adaptation to specific time and space contexts, as well as of footprint and ownership. The most promising dynamics in terms of human security are probably to be found in MSPs operating for integrated socio-economic development, which stem from a participatory approach to area-based development needs. WP4b could find no evidence of solid area-based MSPs in the three countries under observation.

A. INTRODUCTION

Chapter 1

MultiPart's Research on Socio-economic Development

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1. Socio-economic development and the 'liberal peace'

The post-Cold War era has seen a formidable momentum for international activism aimed at managing armed conflicts. Arguments predicated on traditional realism and military security have been leaving way to strategies that were based on the 'liberal peace' argument, which is ultimately premised on the idea that free market, democratic political systems and international institutions bring about prosperity and peace (Gleditsch, 2008).

When read in a 'post-conflict context', this argument is underlain by the idea that once basic security conditions are assured, and acceptable rule-of-law institutional standards are (re)established, the correct implementation of free market principles will propel economic growth, and that growth may unravel typical development contradictions. Growth, in other terms, represents a boost that is likely to have a positive impact, among other things, upon those wounds that tend to fuel political instability.

Historically this scheme comes to gain prominence, to the point of becoming almost commonsense, along with the shipwrecking of the belief in the linear progress of modernization, where development was not only driven by the state, but also served to constitute and consolidate the state. This scheme was challenged on two sides.

On the one hand, alternative narratives emerged, focussing on the structurally exploitative nature of the capitalist system: they either advocated the need to de-link developing countries from 'development' and trade, or to reverse bottom-up development strategies, connecting them to the real subjects of development, the poor, by means of inclusion, participation mechanisms and local empowerment.

On the other hand, the neoliberal model deepened the assumptions of the old modernization paradigm. By the 1980s neoliberalism had become hegemonic: unlike traditional liberal thought, in its most radical variant the new discourse saw society and politics as endogenous *vis-à-vis* the market, which was conceived as the product of individual performing practices and strategies. Here, development comes to be defined as the flat consequence of macroeconomic adjustment policies. No distinctive development strategies are to be identified, since development comes as a byproduct of economic policies: one can indeed speak of

‘development by default’.¹ In this context, the very subject of the present study – organizational arrangements and programs engaged in socio-economic development – tends to evaporate.

The eclipsing of ‘development dilemmas’ on the part of neoliberal certainties did not last longtime. As the limits of the new orthodoxy became evident in the weakening (and often in the violent implosion) of state structures along world peripheries, acute concern for political stability took center stage. From the second half of the 1990s onward, a shift in mainstream development policy occurred: strategies were reconsidered through a call for bolstering fragile states, and imperatives to build stronger institutions, good governance, responsible regulation – and even to tackle global and local poverty. Underdevelopment came to be increasingly associated with the fuelling of conflict and geopolitical instability.

Closely linked to the liberal conceptualization of peacebuilding (Paffenholz, 2010: 48), the debate on development assistance and aid effectiveness in fragile and conflict states is one that is based on the idea that development programs work where recipient countries adopt sound institutional and policy reforms. The interconnection between development and security – or the ‘development security nexus’ – came to pervade research agendas and assistance policies. To put it with UN Secretary General Kofi Annan words, ‘development and security are inextricably linked’ (Annan, cited in UN 2004: vii).

This brief genealogical account helps illustrating that socio-economic development is far from a self-evident category when studying post-conflict societies. Tensions exist in the conceptualization and – for research purposes – in the definition and in the operationalization of socio-economic development: as with security, the power of definition over development also implies power to define the material content of practices and the subsequent policy responses (Stern and Ojendal, 2010: 7). Thus, on the one hand, one may find emphasis on those economic conditions and practices (e.g. growth and growth-oriented policies) that favour the attainment of development standards. On the other, one finds the opposite logic at work: definitions that lay emphasis on the salience of targeted forms of social intervention to secure the conditions for economic performance. As a result, the term ‘social’ is often omitted, both by those who refer only to ‘economic development’ (assuming that society and the social will follow) and by those who refer to ‘development’ *tout court*, identifying it as a historical question and a discreet area of intervention. This paradoxically leaves the researcher with the task of reflecting on the social component of socio-economic development.

Socio-economic development in post-conflict can therefore be a number of things: an evolving set of practices (programs, projects, or arrangements - such as specific MSPs); a measurable, index-able state of things; a process; a stated policy goal. Understanding how external actors conceive of socio-economic development, and how this is filtered and negotiated among actors

¹ Critics see in neoliberal approaches a form of ‘reversed Marxist fundamentalism’, indebted to the idea that the establishment of an economic model inspired to given principles would pacify society and end history. Faced with the triumph of neoliberal policies, radical critics questioned both mainstream and alternative development discourses as fed by three fallacies: failure to alleviate poverty, failure to take distance from neo-colonial power practices, and failure in understanding that globalization undermined the state as the key agent and referent of the development process (Schuurman, 1993). Along with the post-modern fringes of these failures, a school of ‘post-development’ emerged, claiming that development was counterproductive, inherently corrupt, and a vector of greater inequalities (Escobar, 1995; Esteva, 1997).

and with local partners is not the specific purpose of this study. However, a study on how development-oriented programs impact on human security and on the building of peace cannot ignore the tensions that characterize the definition of development initiatives, nor the fact that this definition takes place in the context of a broader scheme or model, that can be referred to as the liberal way of development. The latter, unlike modernization strategies, is not to be expected to engage in economic catch up, rather, it can be expected to privilege notions such as adaptive self-reliance and sustainability. It will not aim at reducing the life-chance divide between the developed and the underdeveloped world, but it will often characterize itself as the development component of today's strategic planning (e.g., counterinsurgency), as a means to strengthening state legitimacy in the global south (Duffield, 2010: 56-57).

Post-conflict development packages stem from the assumption that aid agencies, donor countries and local actors agree in strategic and operational terms, and should therefore be able to work together:² concepts such as 'integrated mission' (Brahimi, 2000) dominate the landscape, and bring together ambitious and complex programs ranging from institutional reform to economic development, and a large set of actors, including donor-funded NGOs. The story of liberal development is the story of bringing different actors to cooperate, and how this cooperation may be institutionalized. The story of MSPs is part of this broader narrative.

In this present research report, we shall not engage in a lengthy discussion on what socio-economic development is or should be: once this premise is made, we concentrate instead on definitions that are largely in use, and on issues which are understood as crucial, whatever definition is applied, while focusing on aspects which have a clear 'social' component and thus are expected to help improve 'human security'. We do not deal extensively with purely 'social projects' (e.g., health, education, care for refugees).³ Rather, we choose to move *within* the context conditions set above, and to deal chiefly with economic development and its implications not only for economic activity, but also for the social development of a region or a country. We do therefore not single out 'social development', or 'development' tout court, as a sector to deal with separately, but instead we analyze the functioning and the direct and indirect social implications of planned economic development initiatives. The underlying assumption is that if a country wants to achieve a sustainable "freedom from want" it has to create an economic base, which generates enough employment and income, out of which social expenditures can be financed.

2. A 'conflict-sensitive' approach

Our study of socio-economic development has to start from recognizing that it is the post-war (or intention to speak of the overcoming of armed violence) that defines the study of the role of MSPs in development.

² This assumption is made possible once one single model of peace and stability has emerged as relatively hegemonic and uncontroversial.

³ See for a detailed analysis of education in (post) conflict countries the large UNESCO project on "Conflict, Education & the Global South" at the University of Amsterdam; see also the work of the Inter-Agency Network for Education in Emergencies and its impressive Resources Database, see <http://www.ineesite.org/>.

Development cooperation entered the peacebuilding debate in the early 1990s (Paffenholz, 2006). At the same time, the relationship between development and conflict has been established in the scholarly literature (Lemke, 2003; Henderson and Singer, 2000). Typically, the ‘development approach’ to post-conflict peace-building makes a linkage between the outbreak and recurrence of conflict to the persistence of poverty and inequality (Collier et al., 2003). This approach is illustrated by the World Bank 2000/2001 report on attacking poverty, which came after a decade of denial of the link existing between inequality and political violence (Woodward, 2005). The Report focuses on complexity of deprivation and, accordingly, sets out the remedies in terms of opportunity, empowerment and security. The Report highlights the linkage between poverty and conflict, as in Bosnia-Herzegovina or Sierra Leone, where failed development led to conflict (WDR, 2000/2001: 33). It argues that inclusive development has the potential to break a cycle of conflict (*ibidem*: 11), or address critical peace-building goals: ‘sustainable returns’ in post-conflict are a case in point (Maconachie et al., 2006).⁴

The literature on sustainable and inclusive development has called attention to the perils of distorted development to violence.⁵ Since the late ‘90s, and especially in the light of the negative effects that humanitarian aid had in complex emergencies (e.g., Rwanda, Sudan, Bosnia), academics and practitioners have highlighted the potential for relief and development assistance to have unintended impacts that worsen conflict. In recognizing the potential negative impacts of external assistance, a ‘Do No Harm’ approach has been promoted among international donors, intervening agencies and implementing partners. Since much of today’s development work occurs in countries experiencing or recovering from violent conflict, development, humanitarian and other external actors have been increasingly aware of the need to go beyond ‘Do No Harm’ and to seek to have a positive impact on the conflict context. ‘Conflict sensitivity’ has been proposed as a concept that is applicable and vitally important in different contexts, such as emergency assistance, development cooperation as well as peacebuilding efforts all interfere into a given context and do not automatically build peace. The conflict-sensitive approach, which can be defined as “the capacity of an organisation to a) understand the (conflict) context in which it operates, b) understand the interaction between its operations and the (conflict) context, and c) act upon the understanding of this interaction in order to avoid negative impacts and maximise positive impacts on the (conflict) context.”⁶ A number of conflict sensitive methodologies and tools have been developed through which donors and organisations started assessing the impact of their humanitarian, development or peace building intervention into a situation of actual or potential conflict.⁷

⁴ According to Mesic and Bagic, who studied the return of Serbs to Croatia, employment and the prospects of social mobility have been critical not just for the return of refugees but for their decision to stay (Mesic and Bagic, 2008). By contrast, a lack of economic prospects or, more specifically, economic decline, as Donais argues, has led to a reversal of successes achieved at a political level in dealing with the returns in Bosnia-Herzegovina (Donais, 2005); Cf. Black, *et al.*, 2006; Cf. Carlowitz, 2005.

⁵ Even the criticism of inclusion as a strategy for maintaining the World Bank’s hegemonic practice underlines the challenge of equitable development strategies; cf. Eadie, 2007

⁶ See the work on Peace and Conflict Impact Assessment of the German GTZ, the British DfiD, the World Bank as well as the FEWER Resource Pack on Conflict Sensitivity.

⁷ See, for example, www.conflictsensitivity.org.

More recently, the debate on conflict sensitivity has been simultaneously deepened and extended. On the one hand, the terms and concepts of ‘conflict sensitivity’ and ‘conflict-sensitive approach’ have been interpreted as an entire ethos as to how organisations could strategise, plan, implement and evaluate their work (Barbolet, Goldwyn, Groenewald and Sherriff, 2005), rather than as only a set of tools for impact assessment. On the other hand, conflict-sensitive approaches are being applied to new areas such as the private sector as well as to the activity of the whole multiplicity of peace building actors, ranging from governments, international organisations, NGOs and other agencies to private firms, MNCs and CSOs.

Whereas there is nowadays a general understanding of the need that all efforts undertaken in a conflict prone area are conflict-sensitive (i.e. aware of how they affect the dynamics of conflict), it is not always clear that interventions intended to prevent (the resurgence of) conflict and build peace must also be accountable for their impact on the specific factors that drive and shape a given conflict (see, for example, OECD DAC reports). This implies that for conflict-sensitive interventions to have also conflict preventive nature, they should have the potential for influencing the factors driving the given conflict. In the context of the present research report on MSPs, the ‘development problematique’ is read in terms of its potential and actual influence on specific conflict driving factors. The question to be answered is whether or not MSPs, that pursue socio-economic development goals, are relevant in terms of reducing the potential for conflict in post-conflict environment, and – if so - what kind of characteristics such MSPs have or should have.

In so far as the scholars have argued that development⁸ and economic growth are critical for transforming the quality of peace (i.e. for the shift from a negative to positive peace) the risks of inequitable development are equally significant. In Kosovo, as Abdela argues, the post-conflict reconstruction unfolded without addressing gender inequalities (2003). Sambanis (2008) has argued that development of institutions and policies that generate economic growth are critical for turning a short-term success of United Nations peace operations to long-lasting peace.

The understanding of positive peace is coterminous with a broader conceptualisation of development, in so far as the latter also subsumes the development of institutional capacity as well as social capital, alongside its policy aspect. Competing definitions create competing priorities as well as different benchmarks for measuring impact. Pickering and Pouligny elaborate a bottom-up perspective (Pickering, 2007; Pouligny, 2006). Others, such as Junne and Verkoren, explicitly advocate a comprehensive approach, based on a sectoral understanding of post-conflict development tasks (2005). Roland Paris highlights and prioritises institution building in peacebuilding (2004). This line of critique contends that the need for social cohesion exhibited by post-war societies is hard to be reconciled with political and economic competition in conditions where institutions are weak. Political power allocation through elections, and the launching of a free market are turbulent processes: more often than not, the reduction of democracy to ‘monitored electoralism’ and the translation of market mechanisms in sole terms of privatization *cum* liberalization and deregulation have had divisive effects,

⁸ The concept of development here is taken in a minimalist sense as ‘capital accumulation’ (Slay, 2005).

sometimes resulting in the augmentation of social vulnerability, the expansion of crime, and the reinforcement of political instability, and the exacerbation of conflict.

Analyses rooted in the tradition of political realism, on the other hand, caution liberal forms of intervention and assistance against overlooking the pervasiveness and the resilience of the security dilemma in post-hostilities contexts. Trust and cooperation are not easy to instil when key actors are mostly preoccupied with survival imperatives and relative gains: agreements will tend to be extremely precarious, and peace spoilers will easily have their way. A security framework can take shape through external engagements, in a situation of asymmetry of motivation and time-commitment that typically proves to be extremely challenging: considering resource limits, socio-economic development rarely gets to receive priority vis-à-vis the overwhelming preoccupation with security.

3. The remnants of the war economy

Economic recovery from armed conflict encompasses competing aims of emergency assistance, rebuilding of infrastructure and the creation of a sound economic system to support long-term development. Economic recovery depends on the system preceding the conflict as well as on the transformations that took place during the conflict itself. This appears to be particularly relevant where the post-conflict reconstruction efforts coincide with a transition from the state economy to a free market-based system. Most importantly, socio-economic development has to do with the way in which wartime economies have been affecting life. The relationship between war, society and the economy, however, is one far from easy to read and track to uncontroversial lines of causality. As a matter of fact, much of the debate about armed conflicts in the post-bipolar era have been on the transformation of (the character, the nature of) prevailing forms of warfare: war economies are very much part of this debate.

One of the key arguments positing a changed and changing nature of prevailing form of conflict in the global context is the expansion of war economy. Muenkler argues that ‘new wars’ in the global era do not follow conventional time-intensity patterns, and cannot ‘simply’ burn themselves out, because they, and their protagonists, continue to find alternative sources of funding, facilitated by regressive globalisation (2005: 10). Accordingly, the post-conflict phase is replete with predatory elites and patronage networks, all of which continue to benefit from integration in trans-planetary and transnational illicit flows. One of the paradoxes of the post-conflict economic transformation in areas such as Kosovo is a slow change of the state-owned economy to a market economy, as opposed to a very swift adaptation of the illicit economy to the global environment.

As a consequence, the inherited clandestine structures are much better able to offer an instant and effective way of addressing the vital question of livelihood, as illustrated by the control of poppy production by former tribal warlords in rural Afghanistan. This is particularly poignant in the post-conflict context when unemployment is high, and the formal economy is not working. Importantly, both in resource poor and resource rich post-conflict zones, these

dynamics are conducive to distorted development, favouring the enrichment of the very few and the bare survival of the very many. The access to oil or diamonds, as in Iraq and Sierra Leone respectively, is a harbinger of ‘resource curse’ that perpetuates and exacerbates inequities at the root of the conflict rather than a guarantee of prosperity. Any involvement in the post-conflict context has to be wary of reproducing inequalities and divisions that contributed to conflict escalation and intractability. At the same time, the insistence of ethnic cleavages tends to underplay the flourishing of interethnic collaboration of members of different ethnic groups that are and were in conflict. Most times, such interethnic collaboration, actually undermines rather than promotes peacebuilding. Unabashed interethnic exchange is not limited to grey economy.

Neoclassical economics does not recognize informal economy as such; it tends to consider it as a transitory or circumstantial phenomenon, as a sort of antechamber of the formal economy, which is bound to be ‘reabsorbed’ as excess of regulation and social intervention is dismantled through ‘economic reforms’. For this reason, it provides poor grounds for the design of policies aimed at socio-economic development in the context when much of the economy is informal, if not criminal. For this reason, a political economy approach appears to be better suited to explain war and post-war economies, and to identify more effective response.

The political economy of post-conflict reconstruction ought to aim at contrasting those parallel, extra-legal economies that affect the power balance between the profiteers and donors on post-conflict setting (Wennmann 2005). If we accept that development is not a policy, a discreet area of the post-conflict effort, a narrowly conceived economic(ist) and legal(istic) focus: ‘stay-in-your lane’ policies are bound to be ineffectual. The dismantling of war economies depends also on advances in institution-building and good governance that reinforce the economy-oriented effort and vice versa.

Next chapter explores how this relationship has been conceptualised in literature, and how this is relevant for the study of MSPs in post-conflict through a human security perspective. Chapter 3 will then look into actors and stakeholders in peace-driven efforts.

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Chapter 2

Socio-economic Development as Human Security

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The discussion in the introductory section of this paper has noted the ambiguity in understanding and approaching socio-economic development issues within the peacebuilding framework. The following section focuses on distinct aspects of socio-economic development from a perspective of an individual's fears and wants that underlie socio-economic dimension of human security as a holistic concept.

1. Focus on individual concerns and vulnerabilities

For an ordinary person living in a conflict-affected country the most important concern is the return to normal existence. This means first and foremost being able to go about daily life without fear to one's physical security, to earn decent living that provides existential stability to individuals and families, to have access to health care and education and enjoy adequate social safety and social protection provisions, all of which are aspects of human life deeply compromised in the course of violent conflict. War causes immeasurable human costs and inflicts damage to physical, social, economic and institutional infrastructure that society needs in order to recover and rebuild in a way that will strengthen its capacity to withstand the risks of conflict recurrence. Crucially, and reflecting all these constraints, in its aftermath war leaves profound and widespread socio-economic insecurity,⁹ which lies at the very core of human vulnerability that individuals and communities experience as they attempt to rebuild their lives.¹⁰ This vulnerability encapsulates a sense of powerlessness that people feel faced with the challenge of transforming the circumstances of their lives shaped by the experience of war. As suggested by Collins, 'Those who lack power can't safeguard their basic political, economic and social rights and may not be able to protect themselves from violence (2003: 10).'

⁹ It is not uncommon that economic policies pursued as part of post-conflict recovery such as price liberalization, privatization and fiscal austerity reinforce vulnerability.

¹⁰ In fact, and against an inherently contextual nature of the notion of human security, socio-economic insecurity is one of the foremost aspects of human insecurity commonly experienced by individuals and communities living in war-torn societies whether it is the case of Kosovo, DRC or Afghanistan as three distinctly different societies.

Socio-economic insecurities that arise out of a lack of jobs and income generation opportunities, insufficient or absent social provisions, inadequate access to healthcare and education, which themselves are consequence of a depressed post-conflict socio-economic context, are particularly pronounced for those most affected by war- related disruption and trauma such as war invalids, refugees, returnees, displaced people, demobilized soldiers, women and youth. For majority of individuals belonging to one of these categories the loss of assets alongside numerous other aspects associated with physical and social displacement and a lack of employable skills, present a formidable obstacle to reintegration into economy and society. And this in itself creates an ongoing threat to a prospect of lasting peace eventually taking hold in so far as economic marginalization and attendant social exclusion can rekindle tensions that tend to linger for a long time after open violence is over. Disaffection over a lack of employment prospects and job discrimination by young people, or demobilized soldiers for example can be a trigger for renewed violence (Duval, 2005).

Taking an individual as its focal concern, human security informed response to peace-building ultimately has to carry a potential to ameliorate and eventually help eliminate the powerlessness that prevents individuals and families to restore and rebuild stable and resilient livelihoods.¹¹ This means an approach to peace-building through socio-economic development that can address not just immediate needs that secure day to day survival but also work as to strengthen the capacity of an individual, family and community to adapt to a constant change in circumstances.

2. Employment as a foundation of economic security and the many dimensions of human security

At an individual level, access to regulated, well remunerated and secure employment is the mainstay of economic security. Having an opportunity to earn living is at the same time closely related to social aspects of one's life i.e. access to medical care, education and social protection all of which are necessary to instill in an individual a sense of well being and self-reliance associated with the notion of human security. A person can have a job but still feel her/his wellbeing is undermined as medication or improvement in housing is unaffordable, access to school or hospital impossible due to poor infrastructure or some other reasons eg. marginalization and exclusion based on ethnic or religious grounds, or if appropriate safety nets e.g. insurance, savings etc. are lacking. This is an expression of the multidimensional nature of human security and the interconnectedness of its various components,¹² bearing important implications on the design and implementation of peace-building initiatives in the socio-economic field. Not only do they ought to reflect the complexity of fear and want aspects of human insecurity, but the response has to come in a manner that is conflict sensitive i.e. that

¹¹ This is conveyed in the claim of empowerment that human security purports.

¹² In a similar vein, socio-economic aspects of human security are closely linked to food security, personal security, environmental security etc.

reduces the risks of conflict erupting again and the progress in peacebuilding achieved unraveling.

Providing employment and income generation opportunities in the regular economy is critical in terms of rebuilding economic capacity of an individual in the aftermath of violent conflict. Widespread informal employment, a legacy of war economy that every contemporary post-conflict country has to confront, works only to underline the importance and urgency that need to be assigned to employment creation in this context. Although informal employment in its most benign form of survival and coping activity can offer an important source of livelihood for many during the conflict and its aftermath, it generally does not provide a source of security and protection commensurable to formal, regulated work. In fact it is often almost certain route to social exclusion and poverty. Furthermore, against the nature of contemporary war economy in which outright criminal activities take prominent place, there is a latent risk of increased economic criminality in post- conflict period as its many protagonists adapt to peace in a pursuit of further opportunities outside the framework of regulated economic activity. This in turn reinforces socio-economic insecurities throughout society, particularly of those with no stable sources of living and no social and political influence such as refugees, internally displaced, or youth.

Employment generation also has implication from the perspective of state fiscal capacity in that an increase in formal employment helps boost public revenue generation, which leads to improvements in public goods provisions.¹³ Improvements in the delivery of public goods help strengthen state legitimacy as by far the most critical aspect on which the outcome of post-conflict peace-building depends. Peace-building requires stable and functioning institutions and state weakness is not only an impediment to postconflict stabilization but arguably can itself be a source of human insecurity.

Underdevelopment and deprivation, which are common to most conflict- affected countries, tend to become even more entrenched in the course of violent conflict due to destruction and disruption of formal economy, the collapse of the frameworks (informal and formal) for social assistance provision, damage to community cohesion and diminished and sometimes destroyed capacity of the state to perform its main tasks. In such a context, unemployment, low wages, lack of job security, poor social provisions, inadequate medical care, and a lack of access to training and education all combine to exacerbate existing and create new vulnerabilities. Both poverty and inequality, which often feature prominently in the complex set of causes in which violent conflicts are rooted, typically not only intensify but also reshape as a result of conflict; the emergence of “new poor” consisting of segments of pre-war middle class is one such example. Refugees, internally displaced people, women and youth are also disproportionately represented among the poor. For instance, in Kosovo where one of the MSP case studies is located, the youth population accounts for the majority of unemployed and has been on the rise.

The link between employment/income generation and poverty and political/democratisation agendas of peacebuilding has been neglected in the existing practice of peacebuilding (Bojicic-Dzelilovic, 2009). In fact, poverty and destitution can influence the extent to which

¹³ Informal employment has the opposite effect of undercutting public revenue.

formal political and cultural rights, often at the foreground of peace-building initiatives focused on institutional solutions (eg.constitution making), can be exercised. Poverty and inequality represent a strong barrier to participation in economic, political and cultural sphere. This can in turn determine to what extent the goals other than socio-economic recovery, though intricately related to it, including democratization and good governance, can be reached. Participation is integral to the notion of human security.¹⁴ Thus, both poverty and inequality must be addressed in pursuing socio-economic development in the aftermath of violent conflict, which brings into sharp focus the importance of employment generation as key to poverty reduction. Not only it provides income to satisfy the basic needs of individuals and their families, but access to jobs and productive economic activity restores one's self-reliance, dignity and independence eroded in the context of violent conflict. Those are essential in overcoming one's insecurities brought about by war- related disruption of everyday lives as well as in empowering individuals and families to tackle future risks and potential threats. Hence, access to regular, secure and well-remunerated employment is central to improved socio-economic security in the aftermath of conflict as the all- important dimension of human security, which as highlighted in the introduction to this Report, is somewhat sidestepped in the prevalent approach to peacebuilding.

Economic empowerment is also directly related to the promotion of good governance as another pillar of peacebuilding. By furthering participation and social inclusion, economic empowerment achieved through stable employment and sustainable and resilient livelihoods is tied to good governance in a two- way relationship. On the one hand participation and social inclusion are the key components of good governance, while on the other hand good governance in the way of stable regulatory framework, rule of law and adequate and effective public goods provisions works to ensure stable livelihoods and decent jobs and thus promote economic empowerment¹⁵. Participation and inclusion are equally indispensable in creating a framework for increased transparency and accountability of all actors involved in the effort to support socio-economic recovery in the post- conflict context. Tackling any of these aspects on its own, as it is often a practice in various post-conflict reconstruction initiatives, is bound to have limited impact on attenuating circumstances that contribute to human insecurity in conflict- affected countries. Rather, responding to the multidimensional nature of human security through socio-economic development requires a range of expertise, procedures and different actors that the MSP framework appears well placed to furnish.

¹⁴ This is one of the key messages of the NHDR for Afghanistan, which argues that: 'Human security is thus not a mere challenge of "protection" and "provision", but one of empowerment and participation. [...] People are not only passive recipients of "security", or even mere victims of its absence, but active subjects who can contribute directly to identifying and implementing solutions to the dilemma of insecurity (NHDR, 2004)'.

¹⁵ Furthermore, social exclusion reinforces the distance between the state and the citizens, erodes the trust in the state and its legitimacy.

3. Socio-economic development in post conflict from the ground up: challenges of sustainability, reintegration and reconciliation

The discussion so far has gone at substantial length to argue that the concern for economic and social conditions of ordinary citizens and their specific conflict-related vulnerabilities, as well as addressing them in a holistic manner, is indispensable to the achievement of stable and durable peace. Clearly, restarting economy is crucial aspect of peace-building, and fostering economic growth is an important precondition for addressing various aspects of socio-economic insecurity, whether the concern is job/income creation, provision of health and education, social welfare etc that reduce living standards and impair life prospects of large segments of conflict-affected population. In the same vein, it is the best way to lift the general population out of poverty (UNDP, Post conflict economic recovery: enabling local ingenuity, 2008). Creating conditions for an economic take off has indeed been at the center of the international assistance to post-conflict rehabilitation, once the initial phase of humanitarian assistance has drawn to a close. The approach to assisting socio-economic development in the context of peace-building supported by the international donors and international financial institutions has however put primary emphasis on achieving macroeconomic stability as a precondition for economic growth, despite often different doctrines on post-conflict development embraced by the main actors taking part in the effort and their respective institutional backgrounds, e.g. World Bank, UNDP, international NGOs, to name but a few. In recognition of the important role of poverty both in the outbreak of conflict and its potential recurrence, the adoption of poverty reduction strategy has as of late become an integral part of the overall strategy aimed at socio-economic development in conflict-affected countries, although with serious shortcomings regarding the provision of safety nets and social protection with most detrimental effect on those worst affected by war.

In many cases, including albeit to a varying degree the countries that are subject of this study i.e. Kosovo, Afghanistan and DR Congo, post-war economic reconstruction initiatives that have followed this approach to socio-economic recovery, backed by international financial and technical assistance, have brought about economic stabilization, primarily in terms of price stability, jump started commercial activity and reignited economic growth. But the foundations of this growth have been unequivocally circumscribed and have fallen short of providing strong foundations for sustained, broad-based and self-reliant development that would advance human development and uphold human security. One of the most frequently voiced critiques concerns mediocre record of most post-conflict recovery programmes to spur job creation on a scale and of a profile that would address in substantial enough and meaningful way massive post-conflict unemployment and underemployment, and contribute to livelihood creation especially of those worst affected by conflict. This is in fact the all important aspect when approaching socio-economic development from the perspective of an individual's needs and wants. The importance of generating employment that is regulated, provides adequate and regular payment as well as a base upon which to build social security provisions, in relation to economic security is underlined in the Human Security Commission Final Report. According to

the Report, “ people build or lose their economic security at the workplace” (Commission on Human Security 2003: 78).

Without going into detailed analysis of the complex implications that the lack of broad-based economic recovery has on various aspects of peace-building, it is important to emphasize its fiscal impact because of its ramification on various aspects of human security via the capacity of public authorities for public goods provision. Weak fiscal capacity of post-conflict states has manifested itself in an inability to raise sufficient public revenue and manage expenditures in a way that would be supportive of peace-building. Despite large and specific needs for public funds in the context of post-conflict recovery, the emphasis on fiscal consolidation and restructuring of public expenditures have had as a consequence that many of those needs have been inadequately met or not at all. For example returnees, refugees and displaced people have often found themselves in a precarious situation with regards to satisfying basic needs because they are physically isolated from the opportunities to find employment, access health care or education for their children due to poor physical infrastructure. Likewise, the quality of healthcare and education has suffered as a result of inadequate public investment as has the quality of public administration, etc. In resource rich countries such as DR Congo lack of transparency in the management of public revenues and the corrupt practices of predatory elites have been a particular problem and a strong factor that has retarded development of institutions overseeing socio-economic development. It has undermined public goods provision to the detriment of the improvement in living standards of DR Congo’s citizens.

The type of economic growth that has been achieved within the framework of post-conflict economic recovery with its focus on macroeconomic stability has had direct repercussion on the extent to which post-conflict economic recovery has effectively tackled a range of socio-economic insecurities facing people as a result of war. Strong private sector (especially foreign investment) led economic growth that creates substantial formal employment and provides foundations for adequate social safety provisions has failed to take firm roots. Moreover, its benefits have been unevenly distributed across society, often reinforcing inequalities, including horizontal inequalities such as between particular ethnic groups or regions. Therefore, a long term sustainability of economic growth triggered by post-conflict economic recovery programs remains questionable as is its potential for ameliorating conditions that contributed to the conflict in the first place such as underdevelopment and associated lack of international competitiveness, high levels of inequality including horizontal inequality, and inadequate public spending on social services. Thus, while the existing approach to socio-economic development favoured by the international donors in the aftermath of violent conflict has the potential to initiate economic growth, the quality of that growth remains problematic as far as its potential to contribute to the reduction of multiple vulnerabilities facing an individual in the aftermath of violent conflict is concerned. It is a type of socially divisive growth that creates or exacerbates existing inequalities thereby limiting the benefits that economic growth has on poverty reduction. In the final outcome, it reinforces social exclusion thereby undermining the prospect of an individual (re)gaining the capacity to act upon risks and threats to her/his security which is at the core of human security idea of empowerment and emancipation.

The focus on job creation as a way of tackling economic insecurity in the aftermath of violent conflict does not stop at providing jobs as such; social inclusion and reintegration through more equitable job opportunities are equally important in enhancing human security and reducing the risk of renewed violence. As ILO contends, ‘concern for the quality of development has to underpin strategies and policies of post-war economic reconstruction so that they ultimately can secure the respect for human rights, secure the voice of the people taking part in it and improve their well being’ (Date-Bah, 2003: 2). In view of the holistic nature salient to human security concept, the dominant approach to post war socio-economic recovery with its focus on macroeconomic stability and growth has thus far provided inadequate mechanisms to tackle postwar poverty effectively. Human security-informed socio-economic development initiatives call for physical and material security of an individual and community to be tackled in a comprehensive way that would respond to the actual needs but do so through a process that promotes participation, inclusiveness and equity so that the risks of further instability are removed. The example of refugees, returnees and displaced people that has been recalled frequently throughout preceding discussion is illustrative of the challenges to post-conflict initiatives aimed at socio-economic development posed by the need to tackle mutually dependent aspects of human security. Integration and empowerment of young people, especially those who have been involved in fighting, is another case in point. Failing to integrate them into productive activities carries a risk of increase in crime and even recurrence of armed conflict. But it is of utmost importance how the process of integration through employment schemes is pursued. For young people in Kosovo for example, other than the concerns of economic opportunity and existential security, the issue of equal opportunity, fairness and inclusion is important in reshaping identity relations. Furthermore, and in line with human security concerns, addressing the needs of youth in post-conflict goes beyond enabling their immediate, productive engagement; it extends to their role as the next generation of economic and social actors, preparing them to be active and responsible citizens (World Bank, 2007: 27), who are able to engage in political life and issues of governance. All these aspects have to be taken into consideration when assessing the issues of job creation for youth as seemingly primarily an economic concern when approaching it from the human security perspective.

The same observation applies to microfinance as another aspect of post-conflict socio-economic development selected for the study within MultiPart, which aims to address the problem of employment and income generation at the local level. Microfinance, a provision of small scale financial services (credit, savings, insurance, money transfer) to low-income clients who have no access to mainstream, formal financial institutions, and microcredit in particular, is considered to have the potential to contribute to economic and social recovery from war through employment creation and consumption smoothing (Nagarjan, 2003: 225). It can provide income, employment and help (re)build assets lost or diminished in the course of the war and help bolster the capacity of an individual and family to withstand future threats and risks. At the same time, as a development strategy that focuses on rebuilding and restarting local economies it carries a potential as peace and reconciliation tool (cf. Doyle, 1998).¹⁶ In the

¹⁶ Microfinance initiatives in post-conflict environments usually aim to work across the divisions created by the conflict, and operate on the principle of inclusion, participation and cohesion.

framework of MultiPart research that looks at the impact of MSPs through the human security lens microfinance initiatives carry the potential to address the needs of population affected by an experience of violent conflict in a holistic way, and respond to all three dimensions of human security i.e. freedom from fear, freedom from want, participation and empowerment. With regards to access to jobs, it has the potential to provide opportunity for economic security through self-employment in a way that is supportive of reintegration and social inclusion through for example joint community schemes in areas with minority population. By providing an opportunity for securing livelihoods it can help people move out of dependence on humanitarian aid and increase their self-reliance, empowering them in the process, and reducing their vulnerabilities. In this context microfinance provides one possible tool that can give an initial impetus to recovery at the household and community level, and contribute to the regeneration of local economy in the situation when the benefits of the 'top down' policies remain elusive.

The key principles of microfinance (e.g. participation), some of the mechanisms used (group lending), and the focus on dialogue and reconciliation, can potentially contribute to rebuilding of social capital in the aftermath of conflict. This in turn is one of the essential aspects in building effective institutions and strengthening governance. And finally, and of no less importance, through its potential to have quick impact on the lives and livelihoods of targeted population keen to restore the sense of normalcy in their lives after conflict, it can help boost support for other more time consuming and politically sensitive peace-building initiatives such as those in the area of corruption or transitional justice.

4. Legitimate authority and state strengthening through socio-economic development initiatives

The activities aimed at socio-economic development in post-conflict do not take place in a vacuum but need functioning institutions. The importance of institution-building is highlighted both in the peace-building and state-building literatures. The question is how can institution-building as related to socio-economic development be analysed from the perspective of human security. We argue that the key notion is that of legitimate authority and how the key attributes of a process through which human security in the area of socio-economic development is achieved i.e. participation, inclusiveness and empowerment link to transparency, accountability and ultimately legitimacy of public authority.

The analysis of MSPs in socio-economic development will be informed by this complex understanding of human security as a relational concept. The MSPs are not political actors per se, and, therefore, the discussion of the MSPs in relation to construction of the legitimate political authority is primarily linked to the capacity aspect of legitimacy. However, although not political actors, the MSPs, nonetheless, do produce political outcomes through their activities. More specifically, the socio-economic MSPs in micro-finance, transparency and employment selected for this Work Package, will have direct impact on governance, which, in turn is critical to the establishment of legitimate authority.

A conception of governance as a relationship between state and society (Brinkerhoff (2007: 18), goes beyond the technocratic nature of public administration and economic resource management focus of peacebuilding initiatives and incorporates its socio-political dimension. In the post-conflict environment, the aspiration to good governance is directly linked to capacity-building whereby the concept of capacity denotes the ability to function effectively based on the availability of human expertise, which is also affected by the material conditions. Mass displacement and dispersal, often of best-qualified segments of population, and widespread destruction of infrastructure, including administrative buildings, is one of the features of new wars which undermines this capacity. A broad conceptualisation of governance also emphasises the role of civil society and its interaction with state structures, whether they are national, regional or local. To the extent that the core functions of governance in post-conflict societies are: assuring security, achieving effectiveness, and generating legitimacy (Ibid: 4-7), their substance, viability and validation depend on the public participation and public dialogue.

Therefore, viewed from the perspective of (re)building legitimacy, socio-economic MSPs in post-conflict have a potential to enhance human security by contributing to state-strengthening - in terms of enhancing the state-capacity to govern, improving the quality of governance and by boosting the state ability to deliver public goods, not just in terms of quantifiables, such as jobs, but also in terms of transparency. These goals can be met due to the nature of the MSP partnerships as well as due to MSPs outputs. For example, the multi-stake holder structure of the MSPs is potentially well-suited to address capacity-weaknesses, by building institutional capacity through collaborative arrangements within the MSP (as illustrated by the state's involvement in the micro-finance MSP in Afghanistan). Alternatively, the MSPs activities, such as job search in Kosovo and transparency in DR Congo, have a potential to enhance state-capacity and state strength, understood in terms of output. According to Rotberg (2003: 2-4), state strength and its legitimacy are determined by the levels of effective delivery of the most crucial political goods that are hierarchically ordered starting with security, mechanisms of dispute resolution and regulation, as well as essential freedoms, whilst including the provision of education, healthcare, etc. However, as emphasised above, these human security dividends can be forfeited if other elements in the process such as participation, inclusiveness and empowerment are disregarded.

5. Socio-economic development and human security: The bridging perspective

MultiPart's human security framework is concerned with both process and outcome. One of the key challenges from the perspective of MultiPart has been to operationalise the concept without being reductionist, which would ultimately violate the holistic approach to human security adopted by the project. At the same time, the approach needs to avoid the conflation of development and human security. How to maintain a conceptual distinction between development and human security while applying a human security lens to development? The

proposed approach is of ‘bridging’, as used by Glasius (2008). She argues that ‘[p]erhaps the most unexplored potential of the human security paradigm is to bring together ‘want’ and ‘fear’ dimension into one framework’ (Ibid., p. 38).

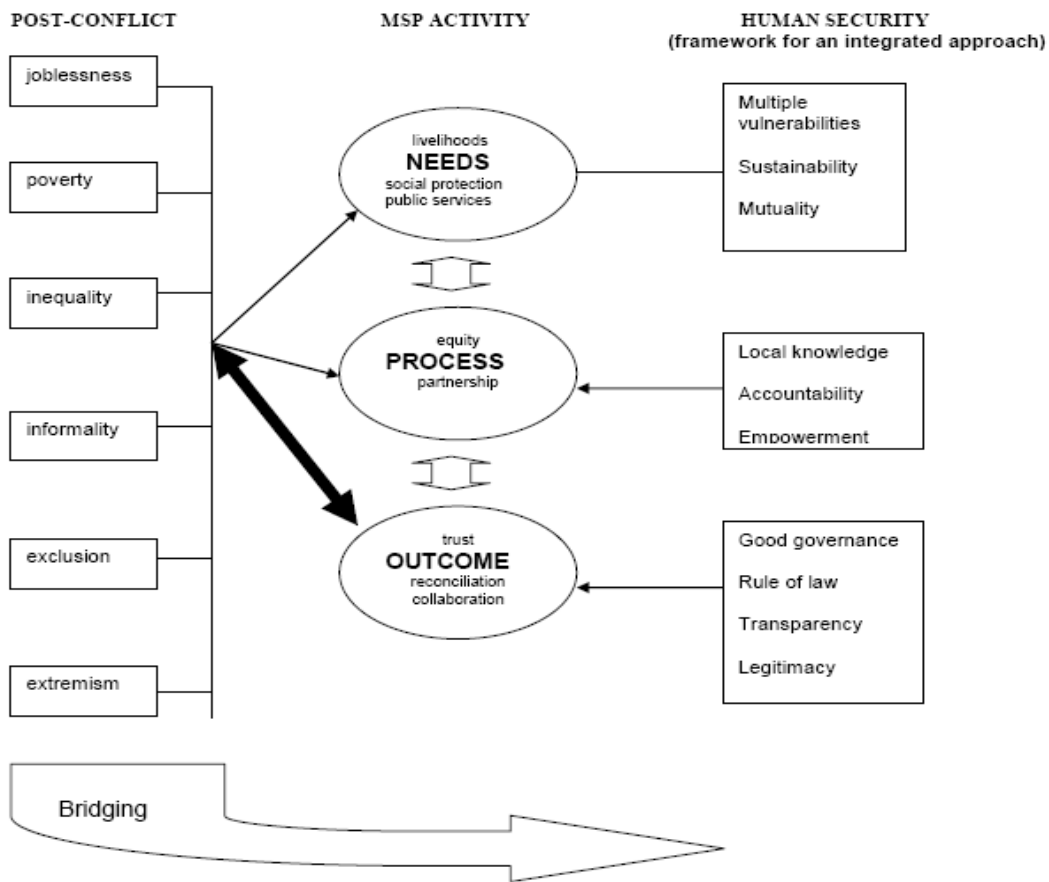
We operationalise the connection between socio-economic development and human security through the concept of bridging by elaborating how aspects of socio-economic development (as illustrated by employment generation, income generation and good governance/transparency, which are key areas of the three selected MSPs in socio-economic development) relate to human security priorities, which are more narrowly framed by the specificities of the post-conflict environment. There are three rationales that underpin this approach: that post-conflict (in)security is structural (Francisco, 2007), and relational (Weber and Berger, 2009), while recognising the mutuality of developmental and - security challenges (Poku, Renewick and Porto, 2007).

Bridging ‘wants’ and ‘fears’ would mean an approach whereby socio-economic concerns are addressed in a way that mitigates against threats and risks to livelihoods that are linked to the likelihood of conflict recurrence. In the assessment of the impact of MSPs from a human security perspective, the aim is to establish the extent to which they address simultaneously concerns of security/good governance/democratisation/rule of law/ reconciliation.

In this framework, the focus is on the process because that is where MSP as an actor can make a difference in that they can contribute to responding to both freedom from fear and freedom from want through empowerment. Socio-economic development initiatives, informed by human security perspective, ought to have the potential to not only meet the specific needs but at the same time uphold the development of social capital (particularly of a bridging type), and contribute to improvement in community cohesion, if they are to contribute to conflict resolution and transformation. This would mean for example, when designing employment initiative to include an education component, since (primary) education as such is a human right, it is important for productivity improvement and hence economic gains, but it is also a key to social cohesion and good citizenship. Added to this, there has to be an assurance that access to opportunities will not be taken away on the discriminatory grounds, e.g. religion, gender, ethnicity or age.

The following graph illustrates how human security impact of socio-economic development in the framework of peacebuilding can be conceptualised.

Graph 1: SOCIO-ECONOMIC DEVELOPMENT AS HUMAN SECURITY



The lefthand side of the graph summarises key characteristics of the post-conflict context, as an environment in which the MSPs carry out their activity. These are: joblessness, poverty, inequality (understood broadly to include gender, ethnic, age, income, including among different social groups), informality, exclusion and extremism. The middle part defines the MSP activity in post-conflict divided in three categories: needs, process and outcome. These categories have been designed in line with the MultiPart’s approach to human security. Further, all these categories are framed by the post-conflict context- the needs that MSPs’ activity aims to respond to; the process by which this is pursued; the outcomes of this activity- which is depicted in the direction in which the arrows point . As far as the outcomes are concerned, there is a two-way relationship. While the post-conflict context frames what outcomes to target in the pursuit of human security goal, the outcomes themselves have direct implications for the post-conflict context in general, and the employment, revival of formal economy, social inclusion, etc. in particular, reflecting the relational aspect of the concept of human security. as captured by the third column in the graph.

The integrated framework for human security as outlined in the graph is based on the following logic:

First, that MSPs in the area of socio-economic development are established with the goal to meet in a sustainable way specific NEEDS (e.g. livelihoods, social protection, public goods provision, etc), taking into account multidimensional and interconnected nature of various dimensions of conflict- related vulnerabilities (in other words, how sustainable provision for each of those needs hinges on other aspects being tackled simultaneously- for example, food security is tied to infrastructure capacity, which is summed up by the notion of mutuality of security concerns).

Second, PROCESS through which MSPs pursue their activity, in order to be human security relevant, has to rest on active promotion of equity and inclusiveness (ethnic, religious, age, gender), participation; ownership; accountability; local knowledge. Critical to the human security perspective is that an individual is a human security recipient and an actor. His/her involvement/input is therefore critical not just in tailoring right policy instruments but also in legitimising them. All the above mentioned aspects of PROCESS are critical to empowerment.

Third, OUTCOMES understood in terms of advancing human security and promoting peace-building include: reconciliation, coexistence, mutual collaboration and trust. These, in turn, provide a foundation for building responsive institutions defined by good governance and the emerging legitimate authority that is underpinned by the rule of law. Lastly, they promote open and equitable relations, based on transparency and accountability.

The arrows connecting needs, process and outcomes, indicates their linkage. The MSP activity is then linked to human security to show how the analysis of the activity of socio-economic development MSPs in terms of needs, process and outcomes can be mapped out in order to assess whether it transcends a 'narrow' conceptualisation of development and we can, consequently, talk about their human security impact. Ultimately, the bridging arrow indicates not just what the MSP do, but that they potentially facilitate transformation from insecurity to human security.

6. Summary and key pointers for case-study analysis

- The concept of bridging has been used to conceptualise socio-economic development through the human security lens
- Bridging 'wants' and 'fears' implies addressing socio-economic concerns in a way that mitigates against threats and risks to livelihoods linked to the likelihood of conflict recurrence
- To address human security a socio-economic MSP has to recognise and address the mutuality of security concerns
- The MSP needs to go beyond a 'narrowly' conceptualised development although how it does so is not exactly prescribed (some MSPs like the youth employment in Kosovo

may further human security through its primary activity and its conflict-sensitive design; the micro-credit MSP may advance human security by increasing participation apart from income generation, etc.)

- The MSPs are most likely to contribute to human security- in terms of human security as a process- by putting in place a framework for an integrated approach that will address freedom from fear and freedom from want simultaneously through empowerment

The following hypothesis addresses directly the MULTIPART's research questions while taking into account the elaboration of a human security approach to socio-economic development. Hypothesis: in view of the human security lens on post-conflict development, and, specifically, the emphasis on the process, it can be hypothesised that an MSPs, which by definition combine partners of different profiles (e.g. both municipal and national state institutions, international organisations, civil society, etc.) are well placed to potentially further human security through the quality of interaction of the participating partners by addressing a range of potential security 'gaps' that they represent (e.g. state actors representing state weakness and therefore lapses in accountability, transparency, and, therefore, public goods provision, which enhances human insecurity). The potential impact will be enhanced through the 'mandate' of a given MSP and its responsiveness to the post-conflict needs that are addressed in a human security-compatible manner (mindful of mutuality of security concerns and multidimensional aspect of human insecurity).

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Chapter 3

Multi-stakeholder Partnerships in Post-conflict Development

1. Introduction

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The literature on the ‘new wars’ is ripe with reflections concerning the loss of primacy on the part of the state or - at least – the state as we have known it through the process of its formation in modern times. Following the thinning of the divide between war and post-war, a parallel could be drawn here with regard to the way in which the state loses its primacy in post-war as well. Far from meaning that state interests and state practices are absent from post-conflict scenarios, this means that, more often than not, the job of rebuilding is one that knows the involvement of a wide gamut of actors and agencies. With some schematism, one may claim that the nature of actors involved in socioeconomic development could be represented along four polarities: state/nongovernmental, business/nonprofit, internal/external, and formal-official/informal-extralegal.

In a typical ‘post-conflict’ situation, several international donors, especially humanitarian agencies, flock together as soon as the level of violence declines, to cater for the immediate needs of the people affected by violence and destruction: to provide shelter for refugees, health care for the diseased, the wounded and the traumatized, to restore basic infrastructure, etc. Our study does not concentrate on the period immediately following large-scale violence, in which the work of humanitarian agencies dominates. Much has been written on the challenges that these organisations have to face in the immediate aftermath of violence. We are more interested in the following phase, in which more structural steps are taken, in which more permanent institutions are set up, and in which economic development resumes.

This introductory section explores expectations regarding the role played by various types of partners in development initiatives, with the aim of identifying recurrent patterns that may orient the study of MSPs. Section 1.2, by contrast, will provide an empirically rich overview and a typology of existing MSPs in socioeconomic development. Section 1.3, finally, will sum up the key methodological considerations that have led the MULTIPART Working Package 4b in studying MSPs in socioeconomic development.

1.1. The role of domestic public authorities

Although the past decade has been one characterized by the “re-discovery of the state,” it is a fact that some foreign donors hesitate to cooperate with state institutions. USAID, to mention but one, has strong reserves in this respect. Other donor countries, on the contrary, try to beef up state structures in order to strengthen “fragile states” and avoid that they become “failed states.” The very fact that domestic public officials in postconflict countries are often inexperienced is for them a reason to enter partnerships: this choice may allow them to reach the financial means and the knowledge that are needed to adapt to international standards.

Foreign actors may initially relate to state institutions, but then take some distance again, once it turns out that state representatives have a dubious past, are often corrupt and not really competent. After bad experience at the national level, foreigners may turn to the local level, because they expect that local authorities are more committed to serve their communities, and because transparency may be higher, only to discover later, perhaps, that they entered into an alliance with a local strongman, who instrumentalized foreign partners for his own benefit.

1.2. The role of donor countries

For donor countries, participation in (or contributions to) multistakeholder partnerships is part of general development aid, and thus is politically driven. Development aid agencies have to satisfy domestic constituencies in their home country and emphasize aspects that play a role in the actual development discussion at home. Even within national governments, there are often fundamental differences with regard to development strategies, especially in postconflict situations. In the US, e.g. there is often a “poor and inefficient coordination among departments and agencies” (Del Castillo 2008, 207).

Between the US and European countries, there are often large differences with regard to the strategies to be pursued, with some governments being more market oriented, while others have more confidence in public administrations or in NGOs. Even if different national governments agree on an emphasis on “good governance”, they still probably would all have different views what exactly such a term (or any similarly elastic term) entails. While some coordination is provided by the OECD (DAC), this remains more at the level of rhetoric and does not go into the details of any local situation. As long as different government agencies give a different content to these terms, the common use of the same language can lead to misunderstandings and mistrust, which is reflected in their interaction on the ground and in international forums.

1.3. The role of international organizations

The term “international community” is more often than not a smokescreen behind which serious disagreement and lack of coordination hide. The post-conflict economic policies proposed by different international organizations can differ quite dramatically. While in El

Salvador, Mozambique, and Cambodia, for example, the UN urged governments to increase spending on peacebuilding-related programs, the IMF pushed in the opposite direction, demanding fiscal constraint (Paris 2004, 228). But also within the UN, there is a well-known lack of coordination. In Bosnia, for example, the “United Nations did not respond as a system but rather as a series of separate and largely autonomous agencies. Each had its own institutional dynamics, formulated its own priorities, and moved according to a timetable of its own devising” (Paris 2004, 228). Even within the UN Secretariat, there is a kind of cultural gap between the different departments, mainly between the Department of Peacekeeping Operations (DPKA), the Department of Political Affairs (DPA), the Department of Economic and Social Affairs (DESA), which is hardly involved in U.N. activities in postconflict countries, and the Office for the Coordination of Humanitarian Affairs (OCHA). The relations between the different departments is often characterized by some rivalry. For the EU, the same can be said. In Kosovo, e.g., more than 20 EU agencies are at work, many of them deny explicitly to have any thing to do with each other.

1.4. The role of private business

One of the roots of the discussion on multi-stakeholder partnerships is the discussion in Western countries about public-private partnerships (PPPs) in general, in which the complementary roles of both sides have been stressed.

Some expect from “business-based peacebuilding” a new approach “to assist an ailing international conflict resolution regime weakened by indecision in the international community, ideological differences between participants and, to some extent, outdated ideas about high-level diplomacy and mediation” and deplore that “the peace and conflict resolution community has been slow to embrace or even study the potential business-based peacebuilding” (Sweetman 2009, 1 and 10)

The private sector consists on the one hand of large (mostly multinational) enterprises, and on the other had of a large number of small and medium sized local companies (SME), often family businesses, with some being part of the formal economy, others being part of the informal economy. Specker (2009: 2) mentions a number of aspects why these small companies can play a crucial role in the peacebuilding process.

In spite of this crucial role, small enterprises are rarely involved in MSPs.¹⁷ They do not have direct connections to international actors. Individually, they are not interesting for international

¹⁷ Some NGOs tend to work together with small companies. Sweetman (2009, 30) mentions the cooperation between International Alert with small and medium-sized companies in Azerbaijan, Armenia, Georgia, Abkhazia, Nagorno –Karabakh and South Ossetia. This process has not necessarily been smooth, but it has been steady”. See N. Killick (2002), ‘Conflict Prevention in Azerbaijan’, in: V. Hauffler (ed.), *Case Studies of Multistakeholder Partnership*, New York: UN Global Compact. See for the contribution of local business also N. Killick and C. Gündüz (2005), ‘The Peacebuilding Potential of Local Business’, in: P. van Tongeren, M. Brenk, M. Hellema, and J. Verhoeven (eds.), *People Building Peace: Successful Stories of Civil Society II*, Boulder: Lynne Rienner Publishers, and N. Killick, V.S. Srikantha, and C. Gündüz (2006) ‘The Role of Local Business in Peacebuilding’, in *Berghof Handbook for Conflict Transformation*, Berlin: The Berghof Centre for Constructive Conflict Management. See for an example of involving local business in Somalia, especially in reforming the pastoral economy, see Sweetman (2009), p. 46-47.

ventures, because of the limited scope of their activities. Only in exceptional cases, individuals with an SME background or representatives of umbrella organisations would participate in MSPs.

Large companies more often play an active role in MSPs. The flow of Foreign Direct investment to 42 fragile and conflict-affected countries has more than quadrupled from US-\$ 5 billion in 2000 to US-\$ 20.9 billion in 2006.¹⁸ Unfortunately, it is not easy to quantify how much of this investment went into raw material exploitation, into utilities (like telecommunications), into manufacturing, or into other sectors.

A special role is played by companies in the extractive industries, which often look for partnerships with public authorities and NGOs. Sweetman describes how the British Petroleum Exploration Colombia (BPXC) “originally funded community programs simply to get community support for the company’s programs, but over time (...) changed to a focus on strategic regional development and peacebuilding. (...) BPXC uses a tri-sector partnership model, with business, government, and NGOs working together. This is common among extractive companies that are sensitive to unrest in their operational areas.”¹⁹

Working on petroleum companies in conflict areas, “Simpson noted that they prefer to act in what he calls ‘New Partnerships’. These are coalitions of businesses, governmental, and non-governmental actors that focus on common problems. They include public-private partnerships, beyond business-borders partnerships (stretching business efforts outside their operating orders), open-stakeholder partnerships (recognizing the shared interests in private and public sectors along with civil society), and public partnerships, where businesses join with public groups to provide services traditionally reserved by governments, like protection, education, and providing clean drinking water and housing”.²⁰

Overall, however, the literature on contributions from the private sector to address violent conflict deal more with the *promises* than with concrete contributions (Forman and Patrick 2000).

1.5. The role of NGOs

Instead of cooperating smoothly with private business, many NGOs in the past were keen to see transnational corporations leave conflict-affected countries. “Transnational Advocacy Networks had a role in many companies pulling out of conflict areas, like Talisman in Sudan and De Beers in Congo” (Sweetman 2009, 24).

NGOs do not work so smoothly with governments either. In Afghanistan, e.g., they also hesitated to cooperate with the government, because that implied that they “had to abandon

¹⁸ Specker 2009, 4 – citing “UNDP workshop Post-conflict Economic Recovery, Bujumbura, October 2009” as the source.

¹⁹ Sweetman (2009, 38-39), referring to L. Zandvliet, Y. Campos Ornos, and D. Reyes (2004) *Efforts to Operate Constructively in a Context of Conflict: Best Corporate Practices in Colombia*, Cambridge, MA: Collaborative for Development Action.

²⁰ Sweetman (2009, 46), citing J. Simpson (2004) *Breaking the “Curse”- Sharing the Wealth in Developing, Resource-rich Countries*, Calgary: World Petroleum Council.

their principles of impartiality independence, and neutrality and rally behind the new government, which needed to prove its legitimacy by providing services that NGOs had supplied in the past” (Del Castillo 2008, 173).

NGOs had also considerable difficulties to work with each other. Some had been in conflict-affected countries for a long time and established long-term, high quality linkages with a variety of stakeholders. But “the long-established NGOs (suddenly) had to compete with new NGOs and private contractors, many of which had no experience in the country and were attracted to it by the prospects of large-scale financing” (Del Castillo 2008, 173).

The strengths of NGOs is often seen “in their ability to act as bridges, facilitators, brokers and translators”.²¹ They have a lot of grassroots connections. They have detailed information about the needs of different population groups. They can provide working –level information to companies and supporting companies’ and help to gain acceptance within communities. They are often well equipped to facilitate training processes (Specker 2009, 3). But they have lost much of their independence in recent years, mainly because their financial base has increasingly become dependent on government sources.

1.6. Converging towards the partnership

The past two decades have given rise to a dramatic number of MSPs that have been initiated in various post-conflict settings with the aim of contributing to post-conflict socio-economic development. There are many reasons for this. Some result from general “drivers for change”, others from more particular interests and potential advantages for specific actors. Among the causes singled out in this analysis, the causes (a) to (c) can be regarded as general “drivers for change”, while the others are more felt by some actors than by others. International actors are in search of local knowledge, donors seek better coordination, but all may hope to learn from other participants. Prominent causes are:

a) *The weakness and ineffectiveness of the State and, not unrelated to this, the lack of trust in the State on the part of internationally-promoted neoliberal development strategies:* Instead of channelling funds to public authorities, many donor agencies prefer to support directly international and local NGOs to perform specific tasks.

b) *The rise of public-private partnerships (PPPs):* The past few decades have seen an enormous rise of public-private partnership in many highly industrial countries, to combine the advantages of both sectors in more efficient projects. MSPs can be viewed as an attempt to widen the basis of PPPs, overcoming some of the critiques that their mushrooming and functioning has received.

c) *Acknowledgement of complexity:* The rise of MSPs is also a reaction to the enormous complexity which all actors encounter. And which they try to cope with by bringing partners on board which have specific experience or assets that others lack.

²¹ Goodhand (2006: 166), citing M. Edwards and A. Fowler (2002) ‘Introduction: changing challenges for NGDO Management’, in: M. Edwards and A. Fowler (eds.) *The Earthscan Reader on NGDO Management*, Earthscan, Sterling VA, p. 9.

d) *The need for context-specific local knowledge:* It has also more and more been realized that successful projects depend on a successful adaptation to local circumstances. There are no “one size fits all” solutions. Therefore, local actors have to be taken on board which can bring the necessary background knowledge of the local conditions to any venture.

e) *The need to avoid duplication:* The large number of donor agencies has led to a situation in which many organisations set up (expensive) offices in crisis areas, which often did more or less the same. To avoid duplication and reduce overheads and achieve economies of scale, a pooling of resources can be very valuable.

f) *The need for better donor coordination:* Even if there is no duplication, there is a dramatic need for better donor coordination. There is an enormous need for cross-sector coordination, which normally would be done by a government. For this reason, it can be an advantageous if government representatives participate in a project. In a weak state, it can also be a form of capacity development to enable the government to take on the task of coordination at a later stage.

g) *The need to become a learning organisation:* The world changes quickly and all organisations have to expand their learning capacity. Working together with other organisations helps to become aware of different perspectives and helps to avoid that organisations remain inward-looking and unable to react to changes in the outside world.

The above mentioned set of reasons can all be translated into questions that help analyse which specific aspects lead to the creation of MSPs and whether (and to what extent) a given MSPs really did fulfil the expectations as expected: did they really keep state authorities out of areas where the state is expected to play a role? Or did they rather contribute to capacity-building of state authorities? Did the MSPs combine the advantages of the private and the public sector - or did they pool the disadvantages of both? Are they better able to cope with complexity than projects started by single actors, public or private as they may be? Do local partners add local know-how, or are they only included for symbolic reasons? Do MSPs reduce duplication of efforts, and do they contribute to better coordination between different actors? Do the partners stimulate each other in a sound way to become learning organisations and to adapt faster to a changing environment? These questions lie at the heart of the matter, because if MSPs turn out not to be sufficiently different from “other projects,” then there is little reason to study MSPs as a special category.

Be that as it may, one has to start with a reconnaissance of empirical patterns in MSP formation. Once a typology is attempted, the criteria that we adopted for studying MSP in socioeconomic development

2. MSPs in Post-conflict Development: an Overview

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A thorough mapping of MSPs in post-conflict settings active in the socio-economic realm is a challenging task owing to the width of the field encompassing the different productive sectors all the way to subjects areas such as water and sanitation, education, health, and so on. To this it should be added that the universe of MSPs is quite diverse as ‘MSPs vary enormously in terms of their purpose, scope, complexity, level of engagement (local to global), size and diversity of partners. Different types of partnerships are motivated by diverse factors, have varying governance requirements and face distinct operational challenges’ (Malena, 2004:3). Then, following a broad scoping exercise it was decided that rather to attempt to categorize the various MSPs found along one or another dimension, this overview should focus on depicting those most commonly found and that shared most characteristics, that is:

- i) ‘MSPs in the extractive sector’, or local-level MSPs typically initiated and sponsored by large extractive multinational corporations (MNCs) as to secure a social license to operate;
- ii) ‘Standard- setting MSPs’, global initiatives with a local projection proposed by the international community as part of an overall effort to address the linkage between natural resources and conflicts;
- iii) ‘MSPs for integrated socio-economic development’, local-level initiatives spurring from a participatory, and often holistic approach embodied in programs carried out by international actors;
- iv) ‘MSPs in the utilities and services sectors’, an heterogeneous group of MSPs in the two sectors spurred mainly by the 2002 Johannesburg World Summit for Sustainable Development, and the 2005 Tunis Word Summit on Information Society.

From a methodological perspective, then, it is important to underline that no claim of completeness is made here as many other relevant MSPs in post-conflict settings are found, perfect examples of this being the WP 4b case studies chosen for Afghanistan, and Kosovo. On a related note, it is also worthwhile stressing that in this section, although while addressing one or the other of the four groups of MSPs mentioned above, the words ‘type’ or ‘typology’ will be used that is done in a loose way and for easiness of writing as no comprehensive categorization attempt is put forward.

As for the content, for each one of the MSPs groups presented, an effort has been made to outline the rationale for MSP forming, and typical subject-areas covered by the MSP, as well as roles of bilateral and multilateral cooperation actors. Also, for each of them various examples are offered stemming from a number of post-conflict countries and, when deemed relevant, of more broadly fragile states. Indications are also given as to whether the outlined typology is

found in the countries chosen as MULTIPART case studies and, if not, as to possible explanations for a lack of it.

Lastly, although any possible evaluation of the impact on Human Security of the different groups of MSPs sketched here goes well beyond the scope of the mapping exercise undertaken, whenever feasible insights on this aspect are offered as a contribution for MULTIPART WP4b overall discussion and analysis. Unfortunately this has not always been possible and, even when it was done, the evidence supported cannot be termed robust for a number of reasons. The paucity of rigorous evaluations of MSPs- one of the reasons why MULTIPART was undertaken in the first place- obviously represented a big obstacle. An additional limitation is that, even when it has been possible to review studies and academic works mostly relying on primary data, none of them was found to use Human Security as a evaluative yardstick and some were quite narrowly focused on project or programme outcomes.

2.1. MSPs in the Extractive Sector

A first typology of MSP most commonly found in fragile, and more specifically post-conflict states, is one connected to large investment projects chiefly those undertaken by MNCs in the extractive sector. Typically it is the MNC itself the proponent or initiator of the partnership seen as a mean to gain a “social license to operate” from the host community.

2.1.a - From corporate philanthropy to MSPs forming

While MSPs in the extractive sector have mushroomed over the past 10-15 years the trigger for this wave of partnerships can most probably be attributed to the events in the Ogoniland of Nigeria and the ensuing harsh lesson for Shell and the extractive industry at large.

After years of social unrest and demonstrations against Shell in the Ogoniland led by the Movement for the Survival of the Ogoni People, the company, which had to absorb losses of roughly 200 million US dollars, resolved to shut down operations in the area in 1993 (Haller et al., 2007: 86). The chief concern of the company became then to counter the international protest that was mounting against the company and shortsightedly decided to embark in an exercise of ‘damage limitations’ instead of seriously engaging with the affected communities (Rowell, 1994). The PR strategy devised could not do much for haltering protests and international media attention on the company’s activities, and all the more so as in 1995 the murder of Ken Saro Wiwa and other eight Ogoni leaders by the Nigerian government, as well as the planned dumping of the Brent Spar buoy, spurred widespread consumer boycott in Europe (Skjærseth et al., 2004:6).

The events prompted the company in 1997 to rethink its overall relationship with the hosting communities which, since the 1950’s, had followed a traditional model of corporate philanthropy whereby it would donate equipment and infrastructures to communities seen as “passive dependents” rather than “active partners” in their development’ (Shell Petroleum Development Company of Nigeria Limited, 2004: 164). Nowadays, it is the extractive industry

at large which has come to see community acceptance and the “social license to operate” as a very valuable asset (Creamer, 2010).

The importance of obtaining a social license to operate within the extractive industry has much to do with a number of specific characteristics of this sector. As Bray (2005) points out ‘for petroleum and mining companies, location is everything’ and they are prepared to deal with political risk and insecurity if geological opportunities are sufficiently attractive. However, while risks are significantly lower in the exploration phase, they increase drastically at the production stage, at which point the company has expensive fixed assets to protect. Meanwhile positive expectations raised in the host communities fade as the adverse social and environmental impact on the everyday lives becomes all too evident leaving room for a growing resentment. Underlying the conflict-inductive potential of the extractive sectors Bray states ‘[b]oth petroleum and mining are capital-intensive industries that offer limited employment opportunities. They create immense wealth, but for a few rather than for many’ (Bray, 2005: 9).

2.1.b - Typical roles and structure of ‘tri-sector partnerships’

Within this framework tri-sector partnerships -or MSPs involving business, civil society and government- have increasingly been perceived by the industry as a way to gain social buy-in and touted by many, including the Business Partners for Development sponsored by the World Bank and DfID, as a way to decrease the risk of civil disruption and manage stakeholders expectations (Zadek, 2001).

In so far as local communities are concerned, they look at it as a way to rip some of tangible benefits associated with the MNC presence which would otherwise just be channeled to the central government in the form of royalties. Often these partnerships also feature the presence of local-level authorities- so that the company can fend off communities’ perceptions of the MNC being the welfare provider- as well as national and/or international NGOs that bring to the partnership technical expertise and ability to dialogue with local communities. In some instances international organizations or bilateral donors feature as conveners or facilitators hence reducing the potential reputational risk, chiefly on NGOs, of being seen associated with the MNC and its activities.

Then, for instance, BP after engaging with the Business Partners for Development programme in 1999 ‘began to promote a ‘tri-sector’ partnership model centered on long-term regional, non-oil dependent, economic development’ (Warner, 2003: iii) in the Casanare Department of Colombia. Shortly afterward the following initiatives took off (adapted from Warner, 2003):

- Grupo Gestor – a forum for promoting long-term economic and democratic development across the region. Members of this formalized MSP are the company and ECOPETROL, two regional NGOs, the Yopal Diocese, the Governor, the regional Chamber of Commerce, and representatives of the region’s cattle ranchers and millers.

- the School for Leadership and Governance – a partnership to address the institutional and governance weaknesses in the Department identified as a key obstacle to regional development by the Grupo Gestor. The programme leaders soon assumed overall management of the scheme, while BP, the local municipalities, and the Departmental government provided financial support. Inputs for the curriculum were also provided by community development organizations, the Casanare university, and ECOPETROL, which had already initiated a similar programme in another part of the country.
- construction of the Nunchia-Morcote road, a new transport route through a remote northern region of the Department made possible by a public-private partnership arrangement between BP, the Governments of Casanare, and the Boyaca Department. Purportedly local communities have been involved in both the design phase and long-term maintenance of the road which has helped to reduce the effect of opposition from insurgency groups.

On occasions, the typical model outlined above has been changed and adapted either because of a weak legitimacy of the government or because it was the legitimacy of the company itself into question (Davey, 2001). Then, for instance, Statoil decided to adopt a proactive approach upon entering Nigeria which resulted in the creation of the first and much praised corporate-community development foundation in Akassa in the Bayelsa state. The Akassa clan was chosen because an Environmental Impact Assessment identified Akassa as the community most likely to be affected by any oil accidentally spilt from exploration wells in Statoil's offshore blocks located in deep water off the coast of Nigeria (StatoilHydro, 2008). The company then called in the NGO Pro Natura International that conceptualized and facilitated a participatory community development model (Oruwari, 2007) whereby the 19 communities are brought together into a corporate community-based organization called the Akassa Development Foundation (ADF). The General Assembly of the ADF- in which existing community groups such as youth, women, the Council of Chiefs, and others send representatives- each year adopts a development plan for the Akassa Development Area.

Through a prioritization process the representatives decide which community projects shall have the highest priority and hence be financed. The projects to be financed are in the areas of health facilities, educational support, women and youth in development, natural resource management, micro-credit, institutional capacity building and infrastructures. Transparency is also particularly emphasized, as ADF publishes accounts and expenditure reports monthly in the community and quarterly in local newspapers and its accounts are also audited annually by external auditors (StatoilHydro, 2008). Recently the ADF has also been successfully advocating closer partnership with government institutions that have in some instances supported financially a few projects, and in others borrowed and institutionalized some of the models proposed (microcredit and savings schemes). The much praised Akassa Foundation model seems also to have facilitated inter-organizational learning having been adapted and replicated by Elf in Eastern Obolo and Opobo Nkoro, and by Nexen in the Oron community of the Akwa Ibom state (Idemudia, 2007: 15).

In so far as the three countries selected by MULTIPART- the Democratic Republic of Congo (DRC), Kosovo, and Afghanistan - are concerned, the only examples of this typology of MSP are to be found in DRC owing to its mineral endowment. Hence according to the mapping undertaken, it is worthwhile mentioning the “Banro foundation” initiated by the Banro company, and the Extractive Industries Global Development Network a three years project concluded in 2009 which involved a number of extractive companies²².

2.1.c - *Inferring about impacts on human security*

It seems that in the vast majority of cases, any positive contribution of this MSP typology to Human Security in conflict or post-conflict countries is offset by the much broader negative impact induced by the extractive industry conflict-inductive potential referred to above. Pearce (2004) for instance gives a thorough account of how oil development had a pivotal role in the escalation of the armed conflict in Casanare. Davy et al. indicate how the expectation of economic opportunities resulted in large-scale immigration and ensuing growing disaffection with local communities, and how ‘[t]he injection of cash into the local economy and the presence of contractors fuelled corruption and extortion, causing civil conflicts to escalate’ (Davy et al. 1999:1). Similarly the Niger Delta, probably the largest laboratory of MSPs connected to the extractive industries’ operations, is far from being pacified.

Perhaps the biggest obstacle that hinders a positive contribution in Human Security terms is what Idemudia (2007) refers to as a failure of these initiatives to address the MNC ‘negative injunction duties’. The author embraces the distinction of two forms of corporate social responsibility obligations made by Simon et al. (1972 in Idemudia) whereby ‘while affirmative duties require the pursuit of moral and social good, negative injunction duties entail avoiding and correcting social injury caused by the corporation’ (Idemudia, 2007: 5). Hence ‘while individuals may be expected to exhibit varying degrees in their commitment to promote affirmative duty, everyone is expected to refrain from injuring others’. Idemudia (2007:20) then notes how ‘[i]ssues of compensation, strengthening of local capacity in the event of oil spills and partnership geared toward effective enforcement of environmental laws in the oil industry are [...] considerations not included’ in any MSPs in Nigeria. Meanwhile gas flaring has been going on for the past 50 years (Basse, 2008) and since 1976 more than 100 million gallons of oil have been spilled into the fields and waters of the Niger Delta and the Gulf of Guinea in over 6,000 recorded oil spills²³. The effects of this environmental disaster alone on the inhabitants’ human right to health and right to a food²⁴, just to name a couple, as essential

²² The Extractive Industries Global Development Network was initiated by USAID and the NGO Pact together with Anvil Mining, Tenke Fungurume Mining (Freeport McMoRan), First Quantum Minerals, and AngloGold Ashanti. Thanks to a budget of roughly 9,3 million USD per annum the project has implemented activities in 114 villages/towns on four mining concessions in the Provinces of Katanga and Orientale (Ituri District). (Hayes, 2008).

²³ Data retrieved from the website of ‘Stepping Stone Nigeria’ at <http://www.steppingstonesnigeria.org/deltastatistics> [last accessed on March 18, 2010]

²⁴ Notably, in 1996 two NGOs- the Nigerian Social and Economic Rights Action Center and the US-based Center for Economic and Social Rights- brought a communication against Nigeria at the African Commission on Human Rights. The claimants maintained that the military government of Nigeria, which had been directly involved in oil

components of Human Security, surpass by large any possible positive contribution brought by the MSP. Alas this failure to address the MNC ‘negative injunction duties’, or the social harm caused, through the MSP or otherwise does not seem to be limited to Nigeria.²⁵

2.1.d - *International advocates for MSPs in the extractive sector*

Perhaps the greatest supporter and powerful advocate of this typology of MSP has so far been the World Bank first through the Business Partner for Development initiative and then through the Oil, Gas and Mining Sustainable Community Development Fund.

Business Partners for Development was designed to ‘study, support and promote strategic examples of partnerships involving business, government and civil society working together for the development of communities around the world’ (<http://www.bpdweb.com/>). A project-based initiative over a 3 years period- from 1998 through 2001- Business Partners for Development supported some 30 projects in 20 countries grouped under four clusters: natural resources, water and sanitation, global partnership for youth development, and global road safety partnership. Typical activities of each cluster have been workshops, study visits, trainings, and research.

Meanwhile, in 2001 after intense criticism by the NGO community concerning the World Bank Group involvement in the extractive industries, Dr. Emil Salim, former Minister of the Environment for Indonesia, was indicated as Eminent Person to the Extractive Industries Review which was eventually finalized in December 2003 after wide-ranging stakeholders’ consultations (Salim, 2003). As a response to some of the recommendations contained in the Extractive Industry Review, the World Bank Group then committed to establish ‘a fund that would facilitate an enhanced contribution to sustainable development at the community level for oil, gas and mining projects’²⁶.

The ensuing Oil, Gas and Mining Sustainable Community Development Fund (CommDev) was launched in 2006 as ‘a mechanism to fund practical capacity building, training, technical assistance, implementation support, awareness-raising, and tool development more flexibly and efficiently as an integral part of an extractive industry project, or otherwise, with a particular

production through the State oil company in consortium with Shell, had caused environmental degradation and health problems resulting from the contamination of the environment among the Ogoni People, hence violating a number of articles of the African Charter on Human and Peoples’ Rights. In a landmark decision, the Commission ruled that the Ogoni had suffered violations of, among others, their right to health, and right to a right to a general satisfactory environment favourable to development, as well as the right of the Ogoni people to freely dispose of their wealth and natural resources. Significantly, although not specifically provided for in the African Charter, the Commission found that the Nigerian government had also committed massive violations of the right to adequate housing, and of the right to food (African Commission on Human and Peoples’ Rights, 2002).

²⁵ Guáqueta for instance in her detailed account of the private sector involvement in peacebuilding and conflict prevention in Colombia, underscores how ‘notably absent from all this activity and debate, was discussion of more controversial issues, such as business connections to paramilitary groups and to drug trafficking in some regions of Colombia’ (Guáqueta 2006:280).

²⁶ CommDev website at <http://commdev.org/section/aboutus/background> [last accessed on March 18, 2010]

focus on ensuring that communities benefit from extractive industry developments²⁷. In addressing MSPs between industry, government, and civil society as one of the proposed tools, CommDev indicates that ‘such arrangements can build on the strengths and capabilities of each actor to produce greater and more sustainable development impacts as well as profits’.

Other international actors that, according to the mapping undertaken, have been found to actively support the outlined typology of MSPs are USAID, DfID- that, as indicated, has also contributed funding to carry out the Business Partners for Development initiative- and occasionally UNDP. None of them although had a championing role comparable to the one assumed by the World Bank.

2.1.e - *MSPs in the Extractive Sector and the EU*

According to the review conducted, no involvement of the EU in this sort of MSPs has been found, neither as a convener, nor as partner. Likewise there are not indications of the EU playing any supportive role for these MSPs, let alone a championing one. As detailed in the next section, it appears indeed that the EU has, at least so far, sought to address the wider problem of valuable resources and conflict within the realm of standard-setting MSPs established at the international level- although with a national and local level projection- rather than through support for local MSPs in the extractive sector geared towards securing a social licence to operate by companies.

2.2. Standard-setting MSPs

At the turn of the Millennium, much discussion spurred from the findings of the research performed by Collier and Hoeffler (2000) presenting statistical evidence on how the extent of primary commodity exports was the largest single factor to influence the risk of conflict. Hence, the argument went, while discussion of civil conflicts was dominated by the narrative of grievance, greed was the real motivation for rebellion (Collier 2000). The economic agendas of civil wars took then the center stage as the academia and the international community attempted to grasp a better understanding of the interplay between natural resources and conflict, and all the more so as exposes of NGOs, such as Global Witness, helped to shed light on the role of valuable commodities in sustaining conflicts worldwide.

Against this background, it is maintained here that standard-setting MSPs have been piece and parcel of the international community overall response to address the linkage between natural resources and conflicts, primarily to fend off civil society calls for traditional ‘command and control’ strategies to address corporate malfeasance in developing countries. Hence, below are recalled the three main ways in which valuable commodities are thought to be linked to conflict -through the so-called resource curse; by sustaining ongoing conflicts; and by breeding

²⁷ CommDev website at <http://commdev.org/section/aboutus/background> [last accessed on March 18, 2010]

localized conflicts- followed by a brief description of the standard-setting MSPs proposed to address or at least mitigate them.

2.2.a - The resource curse and the quest for accountable revenue management

Abundance in natural resources has been shown to be correlated not only with the so-called Dutch disease and to external price shocks but also with ‘a tendency to make bad governments worse’ (Bray 2005:10). Indeed, as revenues make taxation less necessary, governments become less accountable and opportunities for corruption abound, together with rent-seeking activities hence fuelling grievances.

The issue of transparency came at the forefront when in 1999 the NGO Global Witness published a first report exposing the looting of the Angolan oil state revenue by the ruling elite made possible by the secrecy surrounding signature bonuses and royalties (Global Witness, 1999). The NGO further called upon the extractive industries to disclose their payments to the government as to avoid being complicit with the plunder of the country’s wealth. As McMillan (2005) pointed out, ‘[a]cting alone, a company would have little sway over the government, because it could be ejected from the country. If the companies were to influence the government, they would have to act in concert’. Then, when two years afterwards BP decided to disclose the amount of money paid as a signature bonus for operating an offshore well in Angola, the government reacted harshly threatening BP with contract termination, while the other extractive companies present in the country choose not to act. Meanwhile Global Witness’ proposals were gaining strength in civil society, and through the “Publish What You Pay” campaign financed by George Soros momentum was building, also thanks to the backing of the British government²⁸. In 2003 Blair publicly declared support for the initiative, although the disclosure of payments was not to be mandated upon the extractive companies relying instead on their voluntary compliance.

The United States viewed the issue of transparency in global oil deals warily as it was trying to increase its oil supplies from Africa hence backing came only ‘after the transparency proposal had been watered down by deleting all obligations on the oil companies [shifting] the onus for disclosure from the oil companies to the oil-producing countries’ (McMillan, 2005: 11) and thus the global MSP named Extractive Industries Transparency Initiative (EITI) was born in that form. Unsurprisingly, the World Bank, which had put the fight against corruption high on its agenda since the end of the 90’ies, became a strong supporter of the EITI, a perfect complement and entry point on transparent resource management for its work at country-level.

2.2.b - Resources sustaining conflicts: the case of conflict diamonds

²⁸ The support to MSPs by the British Government has indeed been found as a constant element. This is coherent with the New Labour ‘approach to governance based on partnership between business and the public sector, which aimed to meet the need for better public services without the tax and spend approach that had traditionally been associated with Labour Governments’ (McRudden, 2006).

The second main channel through which valuable resources affect conflict is by sustaining it. Again civil society had a pivotal role in exposing this link. First Global Witness with its 1998 report connecting diamond trade with conflicts in Angola, Liberia and Sierra Leone (Global Witness, 1998), and then Partnership Africa Canada through its 2000 report exposing the role of diamonds in prolonging the conflict in Sierra Leone (Smillie et al., 2000) drew considerable media attention. As a result the traditional brand image of diamonds as a symbol of purity was being tarnished while they started to be associated with war atrocities. The expression ‘blood diamonds’ entered the common talk.

Still in march 2000, the Panel of Experts tasked to assist the UN Security Council’s Angola Sanctions Committee presented its report detailing how UNITA was smuggling diamonds and implicating Burkina Faso, Rwanda and Togo in the diamonds-for-arms trade (United Nations, 2000). Only two months later, the major diamond trading and producing countries, representatives of the diamond industry, and NGOs met in Kimberley, South Africa to determine how to tackle the blood diamond problem. In 2003 after three years of negotiation an international diamond certification scheme was established.

The Kimberley Process Certification Scheme (KPCS) is a joint initiative of governments, industry and civil society that aims to stem the flow of conflict diamonds, defined as rough diamonds used by rebel movements to finance wars against legitimate governments. It is a commodity tracking scheme whereby participating states can only legally trade with other participants who have also met the minimum requirements of the scheme. Under the terms of the KPCS, participating states must meet ‘minimum requirements’ and must put in place national legislation and institutions; export, import and internal controls; and also commit to transparency and to the exchange of statistical data. A major support to the establishment of the Kimberley Process has been given by the government of Canada, itself a diamond producing country and hence with a major stake in ensuring that a viable scheme would be put in place.

2.2.c - Resources breeding localized conflicts: addressing the issue of security

In the previous section dealing with MSPs found in the extractive sector it has been described the mechanisms through which the extractive sector can cause or just exacerbate grievances by affected communities leading to localized conflict. As indicated, a paramount concern to the industry is to ensure that its expensive installations are not sabotaged and to this effect security forces are often deployed. On several occasions though those in charge of providing security, either government forces or private contractors, have disproportionately reacted to the threat posed, if any, and committed egregious human rights abuses along the way²⁹.

²⁹ A number of companies have been challenged in court for complicity in human rights abuses undertaken by security forces, including for example ExxonMobil in relation to its operations in the Indonesian province of Aceh; BP (re: Colombia); Freeport-McMoRan (re: West Papua); Unocal (re: Burma). For details concerning these and many other cases, please consult the Business and Human Rights Resource Center website at <http://www.business-humanrights.org/>

Against this background, in 2000 a specific initiative took off, called the Voluntary Principles on Security and Human Rights, an MSP between a number of governments –Canada, Netherlands, Norway, United Kingdom, USA and later Colombia and Switzerland- human rights NGOs and 16 extractive companies. The set of principles addresses three main areas - risk assessment, interactions between companies and public security, and interactions between companies and private security – as to guide extractives companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms. Last year, following the annual plenary meeting it was announced a renewed focus on “in-country processes”, that is multi-stakeholder forums that support implementation and integration of the Voluntary Principles at the country level.

2.2.d - Standard-setting MSPs and the EU

Then, while some indications concerning the role of the various international community actors within the above MSPs has been given, a last word should be devoted to the role of the EU. The EU is an active participant of the Kimberley Process Certification Scheme. As of 2007, the EU is also part of the EITI and in supporting it, as it has been said by Louis Michel, European Commissioner for Development and Humanitarian Aid, the EU ‘exercises gentle pressure on other countries such as China to adopt the EITI’ (Michel, 2009). In this context it is also important to briefly mention a EU program aimed at combating illegal timber logging, the Forest Law Enforcement Governance and Trade (FLEGT) initiative which aims at leveraging access to the market EU by introducing a licensing scheme for timber and Voluntary Partnership Agreements with timber-producing countries. FLEGT then it is not in itself an MSP but somewhat promotes the forming of local MSPs as to design and implement reform policies in line with the FLEGT requirements relating to good governance, combating corruption, and supporting law enforcement. Then for instance, in the Bikoro territory of the DRC Equator province, the International Union for Conservation of Nature through its project “Strengthening Voices for Better Choices” aimed at complementing the African regional ministerial forest law and governance initiative and FLEGT, has created multi-stakeholder platforms of government, civil society, and the private sector at local, territorial, and provincial levels for jointly working towards better forest governance (Klaver, 2009). The DRC is also part of the Kimberley Process Certification Scheme, and is a EITI candidate country.

2.3 - MSPs for integrated socio-economic development

As recalled by various authors within this Final Thematic and Case-Study Report of WP4b, the importance to jumpstart the economy and to provide social services for a territory that has witnessed a violent conflict cannot be overemphasized. The challenge further lies in the fact that if true dividends of peace are to be created for the local populations, pre-existing structural inequalities should also be addressed -and redressed- in the process.

One of the tools developed by the international community to meet this critical challenge are what we termed here MSPs for integrated socio-economic development. Within this group are to be found local-level initiatives usually spurring from a participatory, and often holistic approach, embodied in programs carried out by international actors. Donors and international organizations are not acting as partners in the MSPs but rather as conveners and sponsors, and furthermore lend to the initiatives technical expertise and funding to implement MSPs-driven projects. Then, while said programs might often be termed top-down in their overall design and strategy, they embody a strong bottom-up character.

The first examples of these local MSPs originated within a comprehensive UN-led program in Central America for the reconstruction of the region and the reintegration of refugees, targeting communities rather than individuals. In a situation in which uprooted populations were perceived and dealt with as a security threat (Sollis and Schultz, 1995), it was decided to support the peace-building process in former conflict areas through local mechanisms of participation that, while allowing for consensus building, would ensure investments in key, and often neglected, sectors.

Owing to this original and successful experiment, some three “signature products”- area-based development programs; local-level human development programs; local economic development agencies- ensued. These have been widely replicated in post-conflict countries and beyond, and all of them encompass the creation of inclusive local-level MSPs as a way to foster social capital.

2.3.a - *Supporting peace in Central America: PRODERE*

The *Programa de Desarrollo para Desplazados, Refugiados y Repatriados en Centroamerica* (PRODERE) came out as an official outcome of the International Conference on Central American Refugees held in 1989, itself an international community’s follow-up to the Esquipulas II Agreements that committed the Central American governments to peaceful negotiations and democracy (Dijkzeul, 2000a).

PRODERE main objective then became "to contribute to the peace process in Central America, by providing assistance to populations affected by military conflict to enable them to successfully resettle in their places of origin and by providing development support to the communities in which they live” and to this effect it was active in the Guatemala, El Salvador, Nicaragua Belize, Honduras, and Costa Rica (Dijkzeul, 2000b).

Whether out of a willingness to act as a peace-builder in the area (Sollis and Schultz, 1995) or out of a desire to lend a helping hand to the ruling Christian Democratic parties in El Salvador and Guatemala (Dijkzeul, 2000a), the Italian government, by far its main sponsor, showed a significant and tangible commitment to PRODERE by proving funding for 115 million USD.

PRODERE started up in 1989- when peace accords had not yet been signed and conflict was still ongoing in El Salvador, Nicaragua and Guatemala- as an autonomous program for which the UNDP Office for Project Services was selected as executing agency owing to UNDP in-county presence. Its structure was made up of 6 national sub-programs, a Central Coordination Unit, with a function of regional back-stopping and overall management, and a regional sub-programme named EDINFODOC (*Educación, Información, Formación, Documentación, y Investigación*) whose purpose was to ensure learning and dissemination of best practices (Salomons: 2002)³⁰. Under the national sub-programs there were field offices in each one of the departments where PRODERE was active which benefited from considerable autonomy as to ensure that the program would be effectively responsive to communities' priorities and hence demand rather than, as it often happens, supply-driven.

Remarkably, for the first time in UN history four agencies -UNDP, UNHCR, WHO, and ILO- participated in the same program and had to operate in a truly integrated manner (Salomons, 2002), a requirement the Government of Italy had insisted upon.

PRODERE then adopted an area-based design - targeting marginalized communities with high concentration of refugees and IDPs³¹- in a non discriminatory way- no distinction was made between returnees, former combatants, and local population- through a participatory methodology and a 'whole person' approach by 'promoting interagency, multi-sectoral projects aimed at expanding opportunities for access to health, education, and employment while supporting initiatives for the protection of human rights and the preservation of the environment' (Dijkzeul, 2000a: 10)³².

In its first phase of operation, PRODERE, while still maximizing opportunities for local populations involvement, focused mainly on providing relief and addressing the basic needs of the target areas, which helped establish a perception of neutrality towards the program and gave it credibility.

³⁰ EDINFODOC was established 'to support the systematization, sharing, and dissemination of information on program population, techniques, and results, not just in the Region itself, but also with Italian counterparts [including] the Italian Government, other development institutions, universities and experts' (Salomons, 2002:23)

³¹ Dijkzeul (2000a:10) enlists the criteria used for selecting the target areas, and those were areas:

- with a large concentration of displaced people and refugees,
- who were living in extreme poverty,
- in communities that had suffered from intense political violence, destruction of the social fabric, and destroyed productive capacities,
- where some land was available for the displaced people and refugees, or where nonagricultural activities were possible,
- and where a minimum basic infrastructure would be available,
- but, with little or no international support.

³² The design of PRODERE owed much to a small pilot project initiated in 1986 by ILO and UNDP and much admired by the Italian Government (Sollis and Schultz, 1995) that had many elements of novelty at the time: a focus on internally displaced rather than refugees, and on communities rather than single beneficiaries; it employed a participative action methodology; and it held periodical briefings to which officials of other UN agencies would participate to foster collaboration (Dijkzeul, 2000a).

Gradually the focus then shifted on establishing and consolidating local mechanisms of participation from the bottom up as participation was both end and mean of the program. Hence the first to be established were the communal committees which ‘included 50 to 100 families belonging to one community and helped to organize a social system in which former refugees, former combatants, and other community members could participate directly in taking decisions close to their hearts, such as provision of social services, community development, and security’. (Dijkzeul, 2000a: 14). Whenever the municipality was too large for the communal committees to directly interact with the municipality, an intermediate level was created: the micro-regional committees. Micro-regional committees would bring together the communal committees and the municipal authorities, but also, they had to promote economic self-management (Dijkzeul, 2000a: 14). Above those, there were the municipal committees which ‘had a broad participation of the mayor, council members, other public authorities, judicial representatives, civil society representatives, members of micro-regional committees, local business and religious leaders, as well as former combatants and other local groups’ and their main focus was usually on ‘conflict resolution, land ownership, public investment, and administration of local development’ (Dijkzeul, 2000a: 15). Eventually also departmental committees were established whose purpose was to work with several sub-committees.

Functional sectors have also been strengthened by using joint planning and ensuring wide stakeholder representation and the following bodies were created, often involving several municipalities and parts of departments:

- Local Health Systems;
- Local Education Systems;
- Local Economic Development Agencies;
- Local Mechanisms for the Protection of Human Rights.

Notably, while Local Health Systems were already part of the WHO approach in the region, Local Development Agencies -although applying a model which spurred through Europe from the 50ies on- were a novelty. Extremely noteworthy was also the fact that human rights were seen as an essential component of the inter-sectoral and multi-sectoral approach as PRODERE ‘was the first major multilateral development program to include human rights as a central component’ (Sollis and Schultz, 1995: 7). Hence, the Local Mechanisms for the Protection of Human Rights first embarked in a documentation campaign to re-establish citizens’ right of returnees; then helped to establish land titles hence unlocking investment in properties’ improvements; supported the legalization of local organizations contributing to their sustainability; and finally created awareness and facilitated debate over human rights in countries where to do so had been considered tantamount to subversion (Sollis and Schultz, 1995) .

2.3.b - *Some remarks on PRODERE’s impact*

PRODERE operated in 13 areas spread in six countries, benefitting directly some 600 thousand people and indirectly roughly a million more. It has been undoubtedly marked by some shortcomings, as the failure to integrate a gender perspective, and a delay in Nicaragua in positioning itself as a neutral actor due to the highly politicized context of the country (Sollis and Schultz, 1995).

Nevertheless, it is fair to say that the program is widely acknowledged as a big success. In fact, in a situation in which uprooted populations were perceived and dealt with as a security threat PRODERE has been ‘instrumental in tipping the balance of power away from military to civilian authorities throughout the region’ and, thanks to it, investments in social and physical infrastructures stopped being made according to counterinsurgency criteria (Sollis and Schultz, 1995). Through its area-based approach and its development committees, it supported the peace-building process in former conflict areas by allowing for consensus building and reconciliation. The program has also been able to ‘overcome the innumerable legal, political, and institutional obstacles -that often lead to marginalization of local population groups- by creating consultative capacity-building mechanisms’ (Dijkzeul, 2000a: 22). PRODERE by strengthening human rights institutions and through its grassroots human rights activities ‘helped change the local human rights culture’ (Sollis and Schultz, 1995:8). The Local Economic Development Agencies also made an important contribution by promoting local entrepreneurship and ensuring much needed access to credit (Lazarte et al., 1999). Last but not least, the program allowed for substantial investment in traditionally neglected sectors such as health, and education.

Overall it seems plausible to affirm that PRODERE had a positive impact on Human Security as encompassing both freedom from fear and on freedom from want.

2.3.c - PRODERE’s multi-pronged legacy

As stated, PRODERE had a number of unique features at the time it was implemented, and stemming from it a number of tools have been adopted and replicated by the UN and the international community at large:

Area-Based Development programs have been implemented in a number of post-conflict countries starting from the CAREERE program in Cambodia - for which the UNDP- Office for Project Services personnel was brought in to determine the relevance and applicability of the PRODERE experience to the local context (Barnes and Retiere, 2001)- to Somalia, Bosnia and Herzegovina, Serbia, Tajikistan and more. The area-based development approach has become a sort of signature product of UNDP defined as ‘[t]argeting specific geographical areas in a country, characterised by a particular complex development problem, through an integrated, inclusive, participatory and flexible approach’ (Harfst, 2010:9). The problems to be addressed through area-based development are then no longer confined to those that are conflict-related but also include disasters-related; poverty-related; and exclusion-related (Harfst, 2010). So, for instance in the Europe and CIS region, area-based programs have also been implemented in Ukraine and Uzbekistan. It has nevertheless to be pointed out that, from a cursory comparison

between PRODERE and the ensuing streams of area-based development programs not all of its constituent elements have been maintained perhaps diminishing somewhat its overall potential³³.

Local-Level Human Development Programmes (PDHLs) and similar initiatives such as the Anti-Poverty Partnership Initiatives (APPI), and the recent ART initiative are usually carried out by UNDP but also by IFAD, ILO, WHO, UNOPS, and other UN agencies and greatly increased in number following the Copenhagen Summit of 1995. According to their definition PDHLs:

aim to promote human development that meets the needs of the population in a way that is equitable, peaceful and sustainable, while, at the same time, combating the causes and phenomena of poverty and social exclusion. They utilize an integrated territorial approach in order to create a systematic impact on: good public administration practices; the protection of the environment and historical heritage; internationalized local economic development; and policies affecting social, health, education and cultural services. They also employ joint decision-making and participatory working methods so that development comes from the active contribution of all those involved, without any form of discrimination. They are based on collaboration between the public sector, citizens' associations and the private sector. They operate at the territorial, national and international levels. (source: UNOPS Report on Multilateral Human Development Programmes 2004 in Cutillo, 2007)

A key feature of PDHLs is the involvement of decentralized cooperation actors, first piloted through PRODERE. Although not specifically designed for this purpose, PDHLs are most commonly, albeit by no means exclusively, found in post-conflict states. PDHL have been financed by Italy and increasingly by other Governments -including Belgium, Brazil, Canada, Spain, Sweden, Switzerland and the United Kingdom- as well as from local authorities³⁴.

³³ Salomons for instance points out that PRODERE same as CARERE undoubtedly 'profited from a political climate that built considerable donor interest, and [...] worked in a funding environment where there were sufficient resources for reconstruction and recovery at the national level' (Salomons, 2002:22). It is however doubtful that the same can be said for all the area-based programs developed over the years, some of which seem to be confined to a demonstration effect often not even sufficiently exploited upon due to the limited involvement of key Ministries at the central level. Moreover, as often the funding is narrowly earmarked by donors, limitations arise in carrying forward area-based interventions and ensuring that the communities' priorities are effectively attended for. Also, while PRODERE could count on effective coordination between different UN agencies, many of the "second generation" area-based programs featured only UNDP whose mandate, albeit broad, it does not encompass all sectors. Lastly, human rights, which featured centrally in PRODERE, have not received comparable attention later on in most area-based development programs. In sum, it seems that many of the potential limitations of area-based programs as outlined for instance by Vrbensky (2008) are to be attributed more to the second generation of area-based programs than to its progenitor PRODERE.

³⁴ Just in 2002 it was reported that 'in Italy, 14 Regions, 35 Provinces, 1 Autonomous Province, 5 Mountain Communities and 130 Municipalities, participated in these initiatives, bringing their own experience and their solidarity. In 2002, the funding pledged by these local administrations totalled USD 2,333,500 while other decentralised cooperation resources contributed a further USD 1,683,000' (UNDP et al., 2003:8)

Local Economic Development Agencies (LEDAs) are often supported through PDHLs as well as through area-based development programs or even in isolation. They were initially set up by the ILO and/or UNDP and nowadays they can count on a dedicated joint UN program - featuring the presence of the two agencies together with UNIFEM and UNOPS- called ILS-LEDA (International Links and Services for Local Economic Development Agencies). Although it is possible to point to three generations of LEDAs being promoted by the UN (Milio, 2009), all of them differ structurally from ordinary business promotion services and some of their common features are that:

they are made up of representatives from all interested local public, private and civil society sectors; they are territorially based, in an area that corresponds to the middle level of political and administrative decentralisation; they are non-profit structures; they are run by democratically elected collegial organs; they promote qualification in the local economy, integrating vulnerable areas and groups in productive activities, generating employment and safeguarding environmental resources (UNDP et al. 2003:306).

Furthermore LEDAs' services are provided according to priorities established by the local actors and they are self-sustaining often thank to the interests on credit disbursed to local entrepreneurs (Milio, 2009).

2.3.d - *MSPs for integrated socio-economic development and the EU*

In so far as the EU is concerned, the first remark would be to note how the area-based approach is in line with many of the organizations' conceptual underpinnings -the peace-development nexus for instance was at the core of the decision to set up the EU on the first place- and strategies pursued within its own borders, such as the Lisbon strategy to promote local employment or the area-targeted funding available through the European Regional Development Fund. Nevertheless the EU does not seem to have been so far a major champion and active proponent of the area-based approach in post-conflict countries.

A notable exception to this have been the EU-financed Laboratories of Peace in Colombia. At a time when the EU was looking for putting forward its alternative model to the US-led Plan Colombia, it came across the Programa de Desarrollo y Paz del Magdalena Medio (PDPMM) a home grown project³⁵ created in 1995 which had been sustained by the World Bank and UNDP for some years and decided to finance it (Barreto, 2007). The EU insisted upon its name being change to Laboratory of Peace and its area-based strategy on development and sustainability

³⁵ The genesis of the PDPMM is quite interesting as it first stemmed from 'a Public-Private Partnership (PPP) as developed between the state petroleum company Ecopetrol, the petroleum industry labour union USO and the local diocese of the Catholic church to carry out an assessment of the social and economic conditions of the region' (Guáqueta, 2006:20). After the participatory assessment was carried out and presented, it emerged the idea of initiating the PDPMM and presented to the World Bank. It is then an interested example of MSP involving an extractive company that moves away from the more narrowly defined typology of MSPs geared towards obtaining the 'social license to operate' described in this chapter.

with a strong focus on peace and human rights became the model for EU involvement in the country³⁶.

Lastly, according to the outcomes of the WP 4b overview of the MSPs found in Kosovo, Afghanistan and DRC, it can be said that some of the initiatives surveyed spur from the “PRODERE’s legacy”. In Kosovo, the Italian cooperation and the European Training Foundation- the EU agency which supports education and training in countries surrounding the EU and the Italian government- supported through the LEEDAK project the establishment of a LEDA in the Kamenica Municipality³⁷.

In the DRC, according to the UN Country Assistance Framework for the period 2007-2010, it is indicated that in the country area-based recovery programmes would be piloted in selected communities and if ‘found to be effective, efficient and equitable, the ABR [area-base recovery] approach may be scaled-up’ (UN Democratic Republic of Congo Country Team, 2007: 82).

In Afghanistan, the National Area Based Development Programme (NABDP) was launched as a National Priority Programme in 2002, with a Memorandum of Understanding between UNDP and the Ministry of Rural Reconstruction and Development which is charged with the program implementation. In its second phase (originally 2006-2008) NABDP focused on support to District Development Assembly institutionalization, poverty reduction, and institutional capacity development. Now entered in its third 5-year phase, NABDP through area-based implementation is supposed to focus on: productive infrastructure that will serve to link rural communities as part of the Government’s broader agricultural and rural development strategy; and continuing to strengthen and link District Development Assemblies³⁸.

³⁶ Notably one of the specific objectives of the EU Country Strategy Paper for Colombia 2007-2013 is to consolidate the Laboratories of Peace financed between 2002-2006 through the financing line on “Peace, Stability and Alternative Development” (Comisión Europea, 2007). 70% of the EU assistance to the country is devoted to the “Peace, Stability and Alternative Development” line (Comisión Europea, 2007).

³⁷ The LEEDAK acronym stands for Local Economic and Employment Development in Albania and Kosovo. The project, which run from 2003 through 2006, had has its main objective ‘[t]o establish a model framework and tools for local partnership building and to determine the effectiveness of local partnership building as a feature of local governance in addressing local economies and jobs borrowing on practice and experience from the EU and transition economies’ (Perianu, and Kearney, 2005)

³⁸ Information retrieved from the MRRD-National Area Based Development Programme website at <http://www.mrrd-nabdp.org/>. Although an analysis of the NABDP goes well beyond the scope of this paper some questions could arise as to effective viability of the approach in Afghanistan if we accept Solomon’s theory that these sort of interventions ‘have the best chance of success when the centre is viable’ (Solomons, 2002:8), a condition that does not seem realized in Afghanistan (on this point see also the Thematic Paper on Decentralization by Izzi for WP4c) . In fact, Solomons (2002) stressed that central to PRODERE program achievements seems to have been the presence of a relatively strong central authority, that, while initially not particularly committed to the program, caved in to the pressures of the UN and the international donor community and introduced the required and enabling legislative framework.

2.4. MSPs in the Utilities and Services Sectors

While the first three groups of MSPs addressed here- MSPs in the extractive sector; standard-setting MSPs; and MSPs for integrated socio-economic development- clearly stemmed from attempts to address specific challenges of post-conflict or more broadly fragile States, the MSPs bundled in this last category do not share this feature. The MSPs presented here were spurred mainly by two major UN conferences- the 2002 Johannesburg World Summit for Sustainable Development, and the 2005 Tunis World Summit on Information Society- in which multi-stakeholder initiatives have been perceived and endorsed as a way to overcome governmental negotiation and implementation bottlenecks and inadequacies.

2.4.a - *MSPs take center stage: Johannesburg and Tunis*

Although the UN system was already involved in a number of MSPs -chiefly thanks to the activism of the then Secretary General Kofi Annan geared towards engaging the private sector (Zammit, 2003)- it was at the 2002 Johannesburg World Summit for Sustainable Development that the ‘partnership approach’ received their highest endorsement³⁹. For the first time MSPs -labeled ‘Partnerships for Sustainable Development’ or ‘Type Two Partnerships’- were officially designated to complement the traditional intergovernmental ‘Type One’ agreements (Stewart, 2008). Martens (2007) indicates that the root causes for the emergence of partnership as a ‘new mantra’ (UN General Assembly, 2004a) are manifold including ‘both general dissatisfaction on the part of governments, international organisations and NGOs with the agonizingly slow pace of the cumbersome global negotiation process, and the lack of will and capacity on the part of many governments to engage in binding financial commitments to achieve global agreements, or to translate such existing commitments into practice’ (Martens, 2007:4). Then, for instance in its 2004 resolution titled ‘Towards Global Partnerships’, the UN General Assembly emphasizes that:

all relevant partners, in particular the private sector, can contribute in several ways to addressing the obstacles confronted by developing countries in mobilizing the resources needed to finance their sustainable development, and to the realization of the development goals of the United Nations through, inter alia, financial resources, access to technology, management expertise, and support for programmes, including through the reduced pricing of drugs, where appropriate, for the prevention, care and treatment of HIV/AIDS and other diseases. (UN General Assembly, 2004b)

³⁹ For instance, in a speech delivered in May, hence ahead of the Summit, Kofi Annan maintained ‘[a]t Johannesburg, Governments will agree on a common plan of action. But the most creative agents of change may well be partnerships -- among Governments, private businesses, non-profit organizations’ (UN Secretary General, 2004). Zadek then writes ‘[t]he Johannesburg Summit was more than anything about partnerships. Just as Rio was as much about legitimising the role of NGOs in global governance as it was about the environment, Johannesburg was about the legitimacy of the role of business in development, working with public bodies and civil society organizations.’ (Zadek, 2004:3).

During the Johannesburg Summit more than 200 MSPs, or Type II Partnerships, have been announced and the Commission on Sustainable Development was designated by the World Summit on Sustainable Development as the focal point for discussion on partnerships that promote sustainable development. In furtherance of its mandate, then the Commission on Sustainable Development has developed a database containing information based on voluntary self-reports from partnerships themselves, which now showcases 348 of them⁴⁰. According to official data, as of 2008, nearly two thirds of the partnerships featured the UN system involvement (UN Economic and Social Council 2008). The UN system's eagerness of entering into MSPs have spurred a number of criticisms -especially as major MNCs were and still are routinely featuring as partners- and various authors have cautioned against tangible shortcomings of this approach (Martens, 2007; Utting and Zammit 2006; Andonova and Levy, 2003; Zammit 2003).

Similarly to what had happened with the 2002 Johannesburg Summit, so the 2005 Tunis World Summit on Information Society too 'led to an explosion of interest in partnerships that use ICT for development' (Unwin, 2005:31). Hence, the Tunis Agenda for the Information Society read in its paragraph 98:

We encourage strengthened and continuing cooperation between and among stakeholders to ensure effective implementation of the Geneva and Tunis outcomes, for instance through the promotion of national, regional and international multi-stakeholder partnerships including Public Private Partnerships (PPPs), and the promotion of national and regional multi-stakeholder thematic platforms, in a joint effort and dialogue with developing and less developed countries, development partners and actors in the ICT sector.
(...) (United Nations, 2005)

Contextually at the Tunis summit, it was initiated a World Summit on Information Society (WSIS) stocktaking process entrusted to the International Telecommunication Union aiming to provide a register of activities carried out by governments, international organizations, the business sector, civil society and other entities, in order to highlight the progress made since then. The WSIS stocktaking database reported that as of January 2010, more than 4 thousand initiatives had been registered, 2208 of them being partnerships, although much less of these would qualify as proper MSPs for MULTIPART purposes.⁴¹

2.4.b - *What significance and relevance for post-conflict countries?*

⁴⁰ Data retrieved from the Partnership for Sustainable Development Database at <http://webapps01.un.org/dsd/partnerships/public/welcome.do> [last accessed on 24 February 2010].

⁴¹ Data retrieved from the WSIS stocktaking Database at <http://groups.itu.int/Default.aspx?tabid=750> [last accessed 24 February 2010]. The same website points out that business sector was present in less than 6% of the partnerships, hence at the most 6% of the initiatives registered would qualify as MSPs.

In addressing Type II partnerships, Compagnon (2008) notes how ‘more institutionally developed, middle-income economies in the Third World are more attractive to Northern partners, thus more often involved in partnerships than the poorest countries’. It has to be added that this statement holds all the more true if the countries in question are emerging from conflict. It is worthwhile then to recall that, in cautioning the UN against unintended outcomes of partnerships featuring MNCs, Zammit (2003) indicates that MSPs ‘provide opportunities for corporate image enhancement, vehicles for market penetration by providing already powerful enterprises with preferential access to developing country markets, and other means of increasing competitive advantage and policy influence, for example, through privileged access to developing country governments’. Hence if gaining a market competitive advantage is a plausible rationale for a MNC to enter into an MSP, it follows that big corporations will not be eager to participate in MSPs operating in post-conflict countries whose local markets are seldom sufficiently enticing to overcome the risks on the ground.

Moreover, it can broadly be said that in some crucial sectors, such as water provision, MSPs have not taken off the way it was hoped for by major international players. The World Bank BPD Water and Sanitation cluster, for instance, noted how the context in which was originally framed had changed significantly and how some of the assumptions upon which it had been premised had been somewhat simplistic as, for example, ‘private sector participation first waxed with the prospects of new money pouring into developing countries, then quickly waned with exchange rate crises, cancelled contracts and other troubles’ (BPD Water and Sanitation, 2007).

Hence it seems that recently attention has shifted more towards the so-called ‘Pro-Poor Partnerships’ that for instance UNDP supports through its Public-Private Partnerships for Service Delivery facility. Pro-Poor Partnerships are ‘intended to deliver basic services to the poor and, most likely, by the poor themselves, thus, enhancing their access to adequate affordable services while providing them with economic and livelihoods opportunities’ (UNDP, 2007:2). Pro-Poor Partnerships usually feature the presence of local government, private sector providers, and civil society as to ensure ‘greater pro-poor benefits through community-based entrepreneurship development among the poor or disadvantaged groups, and increased service coverage with adequate community-based monitoring of the service delivery’ (UNDP, 2007:3). While Pro-Poor Partnerships for service delivery have, for example, been successfully piloted in Katmandu (Plummer, 2002), a limitation to their being extended in post-conflict settings is the level of technical skills that need to be present both at the national and local level as to ensure an enabling framework for the MSP to emerge and succeed (Sohail et al. 2008).

According to the mapping undertaken within MULTIPART, ‘Pro-Poor Partnerships’ for service delivery have not been found in any of the countries chosen as MULTIPART case studies. In so far as the broader fields covered by ‘Type II partnerships’, a number of MSPs

concerned with the preservation of bio-diversity of the Congo River basin are to be found in the DRC⁴².

MSPs in the field of ICT for development seems to be more easily found in post-conflict countries although most commonly as project implemented in-country within the framework of regional or global MSPs. Usually, then the ‘local content’ results in participation of national ministries but civil society is not represented if not in an implementing modality. Afghanistan, for instance, is a country where a number of these initiatives are present. In DRC instead, DfID through its ‘Catalysing Access to ICT in Africa’ program facilitated the creation of a multi-stakeholder ICT policy advocacy group named *Dynamique Multisectorielle pour les Technologies de l’Information et de la Communication*⁴³.

2.4.c - *MSPs in the utilities and services sectors and the EU*

Lastly, in so far as EU involvement in this sort of MSPs is concerned, it is worthwhile mentioning the EU Water Initiative (EUWI). EUWI was announced during the Johannesburg Summit because as the then EC President Romano Prodi said ‘[t]he water crisis is a crisis in governance. We will promote better water governance arrangements and transparency, building on stronger partnerships between governments, civil society and the private sector.’ (European Commission, 2003:24). The EUWI then emerged as an international political initiative based on a participative multi-stakeholder approach. EUWI operates through different working groups and these groups have either a regional focus (e.g. Africa; Eastern Europe, Caucasus and Central Asia; the Mediterranean; and Latin America) or they concentrate on cross-cutting thematic issues (e.g. research and finance) (EU Water Initiative, 2009). Out of the regional working groups, by reading the EUWI 2009 annual report, it seems that so far the only the Mediterranean Working Group has devoted substantial energies in effectively promoting multi-stakeholder processes at national level.

⁴² A list of many MSPs active in the Congo River Basin and a short description can be found on the WWF website at [http://www.panda.org/what we do/where we work/congo basin forests/wwf solutions/key alliances/](http://www.panda.org/what_we_do/where_we_work/congo_basin_forests/wwf_solutions/key_alliances/) [last accessed on 24 February 2010]. Additionally for a description of the Community Conservation Committees established with GTZ support in the Kahuzi-Biega National Park, please consult the following webpage: <http://www.berggorilla.de/english/gjournal/texte/33kahuzi.html> [last accessed on 24 February 2010]

⁴³ For additional information on the *Multisectorielle pour les Technologies de l’Information et de la Communication* see Adam et. Al (2007).

3 - The Study of MSP in Socioeconomic Development

by the WP4b research team

Before we embark on designing a research strategy on MSPs that will provide guidance for in-depth analysis, we wish to recall the definition of MSPs as clarified in the report on Working Packages 2 & 3, and to develop a few insights on the different analytical dimensions that are relevant when studying MSPs in the socio-economic sphere.

MultiPart adopts the following operational definition of Multi-stakeholder partnerships:

Multi-stakeholder partnerships (MSPs) bring together several stakeholders - i.e. actors (private or public) that have a shared interest in the outcome and demonstrate some degree of ownership - to address a particular issue.

On the basis of this definition, the following operationalization of the different characteristics of MSPs is proposed:

- 1) *Actors*. For an MSP to be selected for MultiPart research, there should be at least three types of actors, e.g. public, private or civic, and the involvement of at least one public sector actor is required.
- 2) *Geographic range*. MultiPart will focus on MSPs that are aimed at promoting the solution of one or more issues of national, regional or local interest within specific countries, though this might entail the inclusion of international players.
- 3) *Time scale*. MultiPart will focus on MSPs that have had a life cycle of at least two years.
- 4) *Operation and degree of institutionalization*. MultiPart is primarily interested in MSPs that are (or were) operating in this quality and are (or were) engaged in substantive activities relevant to their primary goals. A minimum degree of institutionalization is another necessary requirement.

On the basis of this general criteria, when addressing the question of the partnership one can distinguish between at least three dimensions along which MSPs can differ from each other:

a) *National vs. International*: The international participation in an MSP can be very strong – to the extent that the national component is only a fig leaf to cover international intervention, or it can be very weak and be not more than a catalyst that brings together domestic actors.

b) *Private vs. Public*: The MSP can be very state-centred, with different government authorities dominating the venture, or it can be primarily a private venture with some marginal government participation.

c) *Exclusive vs. inclusive*: In a ‘post-conflict’ country, it is especially important to know whether any kind of initiative is a venture that has a potential to bridge the existing cleavages or whether it is in fact a partisan instrument of one side in the conflict to advance its interest at the cost of others. MSPs could, often without the awareness of international partners, be instrumentalised by one party or another. Alternatively, it could also be an explicit instrument to bridge the gap and contribute to cooperation and reconciliation. The impact on peacebuilding obviously would be quite different.

MSP scope. In the study of socioeconomic development, our research team sought to identify MSPs at different levels (national, regional, local), so as to develop a deeper understanding of how the working of MSPs is related to overall development. How are local, area-based development projects which directly improve Human Security linked to national policies and development prospects, and how do national initiatives translate into changes at the local level which may (or may not) improve human security?

Our team was aware of the fact that there could well be tension between the two levels: large mining projects and dams, for example, could have a huge potential for local damage, but a high potential for macro-benefits. Rather than choosing for one specific level of analysis (either “strategic” large scale projects or smaller but, presumably, more directly human security-related), WP4b chose to elaborate on the tension between the two, and analyse how the actors involved perceive and act upon this tension. In doing this, one may differentiate between projects which are just intended to keep (or get) things stable and constant, and transformative projects which aim at identifying a niche for long-term socio-economic development, and a rewarding position in the world economy. Both types of projects (local and larger-scale/national) are relevant from a peacebuilding perspective. Both can bring together people from the fighting communities. Small-scale local infrastructure projects can contribute to collaboration and reconciliation, if they lead to a situation in which “hurting others would hurt your own interests”. Large scale projects could eventually lead to more far-reaching change, - e.g. access to the electricity network of neighbouring countries could change living conditions

for large groups and change their ability to engage in income generating activities (which could form an alternative to warfare).

There can be a tension between socio-economic projects with a special emphasis on conflict reduction and projects which aim more at long-term economic development: immediate employment creation for unemployed youth may make a short-term contribution to conflict reduction (by offering an alternative to armed struggle), but this may be done in a way that does not address long-term development needs (or even stand in the way to achieve these).

MSP objectives. A more important distinction between different types of MSPs than the distinction along the three dimensions in the “MSP cubus” (international vs. national; private vs. public; inclusive vs. exclusive (partisan) is a distinction according to the motives behind MSPs. In this respect, one can distinguish between those MSPs which have been formed in order to improve State capacity (where NGOs are formally subordinated to State authorities but *de facto* dominate since they have the money, the staff, and the expertise. Subordination is done from the perspective of Statebuilding and to “counterbalance” the dominant role of foreign partners).

Another important analytical distinction regards MSPs that have been formed to avoid State activity (as a result of US policies) and help to re-label “tied aid” into “contribution to a Global Alliance.” Finally, when speaking about motives, one should take into account the existence of MSPs which mostly serve decorative (PR-)purposes: this happens when the partners’ interest does not go much further than mentioning “cooperation” in their annual report. The fact that our preliminary mapping exercise identified several “dead” MSPs (i.e., initiatives devoid of content) provides an indication that this category might be much larger than expected.

3.1 – What to select? A cautionary note

The MULTIPART project rest on the assumption that MSPs have a different impact, compared to projects and programmes which are run by a single actor (e.g. the State or an NGO), or compared to those that involve a combination of two actors only in a PPP-like joint venture. Unfortunately, the project does not have resources that allow to compare MSPs with other projects in order to test this hypothesis.

The reason why MSPs might be more successful lie in the fact that they can pool the different resources available to the different stakeholders, that they can take more different views into account, that they are therefore more reflective and resourceful. On the other hand, there could also be a downside of carrying out projects in the form of an MSP: the discussion between different stakeholders could cost a lot of energy and could make decision making rather clumsy and time consuming. It could even block decision-making altogether. It could also lead to a higher risk of abandoning the project, if the partners cannot agree any longer on the modalities of its continuation. In the in-depth case analysis presented in Chapters 3, 4 and 5 we try to find out whether these expectations are justified or not.

As for the impact of MSPs, given the mentioned limits in the comparative basis our research team was aware from the very beginning that it was difficult to distinguish between “a good project in general” (i.e., one that contributed to freedom from fear and freedom from need) and a “good project whose positive impact is mostly due to the fact that it was carried out in the form of an MSP.” The fact that a project is successful may have nothing to do with the fact that it was an MSP. As a matter of fact, it could have been a success in spite of being an MSP. More research that allows greater variation is therefore needed: the very fact that the researcher can analyze only few cases of MSPs will hardly allow to formulate truth claims that aim at generalization. The interpretation of the results of the case studies is therefore to be handled with the greatest caution possible.

A second set of problems is derived from the questions that arised during the phase of preliminary case selection, which led to in-depth analysis of specific MSPs. Mapping all MSPs in three countries in all sectors of social and economic development was impossible, since this preliminary exercise alone would, in fact, have consumed all the research time available. MultiPart criteria for MSP selection were to be applied to a reasonably limited list of initiatives.

Instead, our research team initially intended to focus on three key sectors, such as mining (mineral raw materials in general), energy (especially electricity generation), and finance (especially microfinance initiatives). This choice appeared to be justified not only by the existing consensus in literature with regard to their being crucial for economic recovery in *any* post-conflict period, but also in the light of the evidence of their strategic role that they play in the three countries that MultiPart has selected for close scrutiny. In other words, they would provide an avenue for further research in one specific sector in each of the three countries central for the MultiPart project.

However, we decided in the end to pursue a less rigidly sector-based approach, also with a view to introducing differences in types of MSPs. A sector-based approach would probably be not be conflict-sensitive enough. When one looks at the contribution of MSPs to a reduction of conflict intensity a more holistic, question-based approach to the nexus that exists between conflict, socioeconomic development and human security seems to be more appropriate, especially if such a choice is made in a way that does not imply losing sight of those economic sectors that key domestic and international actors consider to be strategic for socioeconomic development. For this reason, the WP4B MultiPart research team has agreed upon the need for a more diversified spectrum, looking at important fields of economic activity which have themselves been a bone of contention (e.g., mining in the DRC) or activities which can potentially bridge the gap between conflicting parties and enable a broad range of economic and social activities (e.g., microfinance in Afghanistan), or to wide programs that have been aiming at direct employment generation in a situation where job losses, migration and

unemployment among young generations has been very important in moulding conflict patterns (e.g., Kosovo).⁴⁴

3.2 – What to look for?

Empirical analysis for WP4p was mostly conducted on primary sources, notably interviews, documents and direct observation. Given the list of primary MultiPart questions received from Multipart Working Packages 1 and 2, moving towards the distillation of detailed ‘questionnaire’ questions (i.e., the direct questions that led in-depth and field case analysis) meant spelling out *secondary research questions* that relate specifically to MSPs in socio-economic development.

In correspondence with each primary research question, a number of sub-questions that would guide the analysis were therefore identified and made explicit (see annex 1). In addition to this, at a level that is less theoretically-driven, a tertiary set of questions was proposed as a contribution to the analytical effort of desk and field researchers (see annex 2). Finally, a set of in-depth questions specifically targeting the selected MSPs, was transmitted to researchers in the form of a questionnaire.

⁴⁴ In the case of Kosovo, before orienting our research towards employment generation, we had first put the entire energy-electricity strategic sector under scrutiny, without finding cases that would minimally qualify as MSP. Then have been looking for an example of area-based development, hoping that we could find an area which would also allow us to have a look at a strategic sector of the economy; once again, we could not find a clear case of MSP.

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D. CASE STUDIES ON MULTI-STAKEHOLDERSHIP SOCIO-ECONOMIC DEVELOPMENT

Chapter 4

Generating Employment in Kosovo: the Active Labour Market Programme (ALMP)

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ACRONYMS

ALMP	ACTIVE LABOUR MARKET PROGRAMME
EAR	EUROPEAN AGENCY FOR RECONSTRUCTION
EC	EUROPEAN COMMISSION
EGP	EMPLOYMENT GENERATION PROJECT
ELL	ESSENTIAL LABOUR LAW
ERIK	ECONOMIC REVITALIZATION IN KOSOVO
EU	EUROPEAN UNION
ILO	INTERNATIONAL LABOUR ORGANIZATION
IMF	INTERNATIONAL MONETARY FUND
MEOs	MUNICIPAL EMPLOYMENT OFFICES
MEST	MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY
MLSW	MINISTRY OF LABOUR AND SOCIAL WELFARE
OJT	ON THE JOB TRAINING
PESs	PUBLIC EMPLOYMENT SERVICES
PISG	PROVISIONAL INSTITUTIONS OF SELF-GOVERNMENT
RECs	REGIONAL EMPLOYMENT CENTRES
UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME (IN KOSOVO)
UNMIK	UNITED NATIONS MISSION IN KOSOVO
VTCs	VOCATIONAL TRAINING CENTRES
WB	WORLD BANK

ACTIVE LABOUR MARKET PROGRAMME (ALMP)

Description	<p>The Active Labour Market Programme (ALMP) for Youth has been selected as the Kosovo MSP case study for the thematic research of WP4b on socio economic development.</p> <p>The ALMP for Youth seeks to:</p> <ol style="list-style-type: none"> 1) Strengthen the capacity of labour market institutions to provide individualized services to clients and to sequence active labour market institutions; 2) Provide direct assistance to unemployed youth through a number of active employment measures by partnering with enterprises which require additional
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⁴⁵ The author would like to express her gratitude to Valon Murati and his team at the Human Rights Centre of the University of Prishtina. Thank you for your availability, useful suggestions, insights and provision of material that made this research possible.

	<p>workforce.</p> <p>ALMP was initiated as a conflict-relevant project aimed at tackling the frustration and discontent originated by the very high rates of unemployment that characterize Kosovo's recent and less recent history. In the aftermath of the riots of March 2004 international and local institutions embarked on employment policies to boost the employability and employment prospects of disadvantaged youth. The EGP program was then started. ALMP grows out of the expansion and the adaptation of EGP.</p> <p>ALMP promotes inter-ministerial collaboration (between MEST and MLSW) and favours communication between companies, VTCs and RECs.</p>
<p>Actors involved</p> <p>A) International:</p> <p>B) Public:</p> <p>C) Civic:</p> <p>D) Private:</p>	<p>A) UNDP, Norway, Denmark, ILO.</p> <p>B) Ministry of Labour and Social Welfare and related Regional Centres, Ministry of Education Science and Technology, Municipal Offices</p> <p>C) Few NGOs, Don Bosko Centre</p> <p>D) Employers and Entrepreneurs</p>
<p>Ownership</p> <p>a) Investment:</p> <p>b) Planning:</p> <p>c) Decision making:</p> <p>d) Implementation:</p>	<p>a) \$5,321,737.23 have been invested to fund the Programme between 2005 and 2008; mainly Norway and Denmark as donors but also UNDP and MLSW have funded it.</p> <p>b) Not applicable</p> <p>c) Through Project team's decisions; Project Board meetings and Regional Boards meetings. UNDP and MLSW have been the main decision making actors; the civil society's role is very weak in terms of presence and ownership.</p> <p>d) Ongoing</p>
Issue area	Socio-Economic Development; Employment
Geographic range	Throughout the whole Kosovo region.
Time scale	It is an expansion of the UNDP Employment Generation Project (EGP), activated in 2005 and known as ALMP from January 2007 onwards
Operation & institutionalization	ALMP is characterised by a good level of institutionalization, given by MLSW and MEST involvement and the fact that ALMP is very much in line with the Governmental YEAP.

1. Introduction

After the March 2004 riots and claims⁴⁶ brought back the politicians' attention towards the increasing poverty and unemployment affecting Kosovo, priority was given to the activation of projects able to quickly create job opportunities, contributing to alleviate poverty on the one hand and to re-establish Local and International Organisations' political legitimacy on the other. Given that complex task, a multi-stakeholder partnership (MSP) composed of Local and International actors was considered the best formula in order to start a Programme with those characteristics. The Active Labour Market Programme (ALMP, originally born as Employment Generation Project - EGP) partnership would bring local ownership and empowerment while international actors would ensure technical expertise, donors and programme coordination

46 For an account of the violence that took place in March 2004, see: MultiPart (May 2010). *MultiPart Country Paper on Kosovo: ETC*. Graz. Available at http://www.multipart.eu/index.php?option=com_content&task=view&id=78&Itemid=148.

capacity. Furthermore the intended MSP's structure would be based on the involvement of public, private and -to some extent- civic actors: this would widen the opportunities of sustainability and increase the coordination of specific experiences relevant for the alleviation of unemployment, increasing efficiency gains chances for the Programme.

This MSP was originally conceived as a short term pilot programme that would have lasted for no more than two years; it was incorporated in the medium term gradually becoming more and more institutionalised through Ministerial components' involvement and aiming to develop institutional capacities. Its chances to last in the long term are linked to the still not-so-assertive political willingness to incorporate it in wider efforts and programs to address poverty in Kosovo.

One of the main purposes of MULTIPART is to investigate all the possible linkages between socio-economic development and human security. ALMP as an MSP could contribute fostering processes characterised by participation, inclusiveness and horizontal equality criteria, institutions' empowerment and legitimacy; all these elements are conducive to human security and peace building strengthening.

In order to map and understand the mechanisms through which ALMP can have this impact, Chapter 1 delineates why ALMP was selected as an MSP case and, after considering its main characteristics and framing the context in which ALMP started operating, identifies what are its potential human security implications; Chapter 2 depicts ALMP's formation, composition and development over time and operations; Chapter 3 looks at the internal process characteristics of ALMP (effects of the MSP on its members) while Chapter 4 at its external impacts (impacts on beneficiaries and external stakeholders). In Chapter 5 the role of the MSP's main international actor is delineated, and linkages with the EU are presented. Chapter 6 sums up the main findings of this case study and outlines lessons learnt/recommendations.

1.1. Youth unemployment and the Active Labour Market Programme in brief

ALMP is an MSP captained by the United Nations Development Programme (UNDP) and by the Ministry of Labour and Social Welfare (MLSW) of Kosovo; it involves several other partners, who are committed to giving response to the problem of youth unemployment in Kosovo.⁴⁷

Kosovo's formal rates of unemployment among young people are the highest in the Balkans and in Europe. Although social statistics regarding Kosovo can hardly be considered reliable,⁴⁸

47 In general International Organizations and Statistical reports in Kosovo refer to 'Youth' as the segment of population aged between 15 and 24 (e.g., UNICEF, UNDP; ILO); unless otherwise specified, this study, adopts the ALMP criterion: 'young beneficiaries' of ALMP are between 15 and 29 years old.

48 "There is a considerable disregard of statistics. Data are missing, are processed or published with delays or have glaring discrepancies for key statistical data"(UNDP/HDR, 2006: 32); moreover there is no recent census to which it is possible to refer in order to access disaggregated statistical data; the last Kosovo census was completed in 1981.

different sources estimate that youth unemployment can be assessed around 40% and 50% (Mukkavilli, 2008: 13; UNDP/KS, 2006: 3); this means a rate that is approximately 4,8 times higher than the average of the European Union (Konjufca and Murati, 2008: 40). Moreover, since youth constitute a sizeable proportion of the population of Kosovo. Kosovo has the youngest population in Europe: over half of its people are under the age of 25 (UNDP/HDR 2006:15). Young people continue putting pressure on the labour market, which is unable to absorb them. It has been calculated that nearly 30.000 young people leave the school system and enter the labour market every year; this figure is disproportionate *vis-à-vis* the number of jobs available (EGP report, 2006: 3). Increasing problems of exclusion affect Kosovo's labour market, particularly the less-educated, young women, ethnic minorities and disabled young people. One of the pressing characteristics of youth unemployment is that 98% of the Kosovans unemployed in the 15-24 age-group has no previous work experience (Mukkavilli, 2008: 13). Not surprisingly, therefore, Kosovans consider youth unemployment a major, unresolved issue.

ALMP is the continuation and expansion of the EGP, a Programme that UNDP launched in 2005 in partnership with MLSW and Kosovo municipalities. It was originally designed to serve as a pilot programme to test which approach could work best in the Kosovo context, in order to ease unemployment and stimulate job creation.

The political impetus behind the creation of EGP first and ALMP later, can be traced back to the aftermath of the March 2004 violent riots. Large part of the analyses that followed these events laid emphasis on the dismal socio-economic conditions and the widespread unemployment affecting Kosovo as a root cause and trigger fuelling this violent turn.⁴⁹ The March 2004 events kick-started MLSW and UNDP efforts to plan and launch an initiative which could prove their willingness to tackle the unemployment problem.

The EGP intended outcomes focused on generating immediate - and short-term - employment opportunities through labour intensive public work and facilitating the employment of young graduates from Vocational Training Centres (VTCs) by providing employers with incentives. From 2007 onwards, with the launch of ALMP, priority was given to the expansion of the Programme's targets and *modus operandi*. The new programme focused more on the articulation and deployment of specific 'active measures' that would provide assistance and facilitate direct 'first employment experiences' among unemployed youths. At the same time, it aimed at developing the capacity of labour market institutions to work autonomously, also through direct support to young job seekers, through the provision of individualized services⁵⁰(UNDP/EGP 2005; UNDP/EGP 2006; UNDP/ALMP 2007; B/ALMP/11).

49 This event is particularly relevant for the MULTIPART research aspect more concerned with adopting a human security investigative perspective on socioeconomic development in general and (youth) un/employment in particular. The human security implications of Kosovo socio economic un/development are analysed more in detail in section 1.3.5.

50 Programs aimed at easing unemployment had already been activated in Kosovo (see sections 1.3.3 and 1.3.4) but no one had such a specific focus on Youth.

1.2 - ALMP as MSP

One of the most peculiar characteristics of ALMP as an MSP is that both International and National interests are represented. However, only the UNDP, the most relevant International organization involved has real control and the final say over the Programme's main decisions.

The Project Board (Programme Steering Committee) and Regional Boards ensure representation of both International and National interests but they follow more a bilateral rather than multi-stakeholders approach. In fact, only the UNDP and MLSW representatives sit in these boards. In terms of National representation, the participation is mainly public. Two Ministries, MLSW and the Ministry of Education, Science and Technology (MEST) are represented but also private companies take part in this MSP.

ALMP has been inclusive as for the commitment to guarantee, also through positive discrimination, high rates of participation for the beneficiaries represented by people belonging to ethnic minorities, women and people with special needs (even if problems with Kosovo Serbs from Mitrovicë/Mitrovica are unchanged). However, it could also be defined exclusive in its composition as it has not taken very much into consideration the involvement of grassroots and civil society components within the Programme, losing or excessively procrastinating a good opportunity to empower and finally lay the ground for a stronger local - not only institutional - ownership of the Programme.

ALMP qualifies as a MSP by the criteria that are specified by Multipart:

Actors

ALMP was conceived first of all by MLSW in collaboration with UNDP. Gradually it has become an MSP, setting the involvement of a diversified variety of actors. Public national actors are involved: mainly MLSW but also MEST through representatives at national, regional and municipal levels. National private and civic stakeholders take part as well in this MSP: enterprises and companies, Don Bosko Vocational Center, few Non Governmental Organisations (NGOs). Furthermore, the international public involvement is given by UNDP and the International Labour Organization (ILO) while the International Private presence is secured by Norway and Denmark as donors.

Actors diversity is thus one important characteristic of ALMP, although it is observable - and lamented - scarce involvement of grassroots and civic organizations (B/ALMP/6; B/ALMP/16), that would have allowed the system to be more inclusive and sustainable, building on existing youth networks and direct experience.

Geographic focus

ALMP has been activated and implemented Kosovo-wide, in cooperation with MLSW employment offices at local, regional and municipal level and it is operational in all Kosovo regions. The project sought to include also the northern part of Mitrovicë/Mitrovica where, however, the institutional and beneficiaries response was very modest.

Time scale

ALMP was officially born in January 2007 but it was indeed the continuation of EGP, which was implemented in 2005 and 2006. ALMP is currently operational and its funding is granted until the end of 2011.⁵¹

Institutionalization, Operational profile and Functionality

ALMP has a defined form of Governance with UNDP and MLSW - at the central level but including within it the Regional Employment Centres (RECs), Municipal Employment Offices (MEOs) and VTCs - being the core leaders of the project and guiding a diversified partnership. Process and procedures of ALMP are described by the Operational Guidelines (Annex III, 2007 - UNDP/ALMP). They reflect ALMP's functioning, describing in detail every actor's role and procedures according to which the project is designed, approved, monitored and evaluated. These guidelines include also a Memorandum of Understanding (MOU), which provides the framework for the working relationship between the Parties (Company, trainee, MLSW, UNDP), specifying 'duties and responsibilities' (UNDP ALMP, 2009: 14). In terms of institutionalisation, ALMP is characterised by a strong Governmental component. MLSW has allocated several human and financial resources in order to start the Programme and guarantee its implementation. Moreover, ALMP was designed in order to be in line with the MLSW mid term policy framework '*Youth Employment Action Plan 2007 - 2010*' (YEAP), matching and endeavouring most of its intended outcomes (see section 2.1), thus seeking a good level of institutionalization and potential sustainability.

Conflict relevance

ALMP is potentially conflict relevant. It does not address directly cleavages or conflict but can contribute to enhance, especially on a micro-level, a degree of human security by easing unemployment, fostering feelings of improved wellbeing and empowerment, social inclusion and encouraging young people to avoid illegal work.

Relevance to the EU

Eulex mission in Kosovo, geographical proximity, enlargement Process of the Western Balkans integration are just some factors which link the EU with Kosovo's future. Security, Rule of Law and Development implications are particularly important for the EU.

Also, young and adult unemployed Kosovans trying to migrate into the EU seeking job opportunities and all the ones who lived there during the diaspora create a link of relevance for Europe towards Kosovo, and vice versa.

The EU has not been involved directly in ALMP. Within the Pillar system it was in responsible for the 4th Pillar and for 'creating a viable public sector, establishing financial institutions, and promoting growth' (Yannis, 2003; in King, 2008). Its European Agency for Reconstruction (EAR) focused on economic reconstruction with a scarce focus on its social component

⁵¹ \$5,321,737.23 have been invested to fund the Programme between 2005 and 2008; main donors being the Government of Norway (contributing with nearly 60% of the overall budget), the former Provisional Institutions of Self Government (PISG) of Kosovo (contributing with nearly 25%), the Government of Denmark and UNDP. As reported by UNDP, "the Danish funding is going to finish this year [2010] and the Norwegian will end by the end of 2011" (B/ALMP/11).

(Selenica, 2008: 69); an MSP like ALMP could present some useful insights to fill that gap in the future. Finally, it is relevant because the EC has just started funding a project called EUKOSVET which aims to activate employment measures and fostering vocational training; negative and positive lessons learnt from ALMP would for sure be beneficial to guide and facilitate the new project's successful implementation.

Practical, logistical and security concerns

Security concerns were raised as for interviewing Serbs in the Mitrovicë/Mitrovica area, data on Serbs beneficiaries were mainly collected using the data of UNDP reports and an external evaluation report commissioned by UNDP. The latter was also useful in order to get a more detailed picture of beneficiaries perception about ALMP. The few beneficiaries interviewed by MULTIPART answered the questions during a job break and there was not enough time to go more in depth with the investigation.

2. ALMP in the Kosovo Context

This section examines which challenges a Programme tackling unemployment had to face after several years of deep socio-economic impoverishment affecting the Kosovan society. Disaggregated data on youth are presented: evidence can be found supporting the hypothesis that Kosovo's youth still exhibits increasing vulnerability vis-à-vis those dynamics of marginalization and cultural, economic and social impoverishment that characterise most of its recent history.

Traditionally Kosovo was one of the least developed regions of former Yugoslavia and had the highest unemployment rates (Yannis, 2003; in King, 2008 e Konjufca and Murati, 2008: 38). Its position improved when it was granted autonomy in 1974 but strongly deteriorated during the end of the 80s and 90s with the rise of Milosevic and Serbian nationalism. This political shift particularly penalized the Kosovo Albanians. Also due to discriminatory laws, many Kosovo Albanians lost their jobs (Ogden, 2000: 118; Héthy 2000 in King, 2008) while the young ones were forced out the formal secondary and University education system, leading to a general and rapid deterioration of skills' (IKS- UNICEF, 2008: 46). Kosovo's GDP is estimated to have decreased by 50 percent throughout the 1990s (Héthy 2000; in King, 2008). The reliance on remittances sent home by family members emigrated enormously increased (IKS/UNICEF, 2008: 18).

Many Kosovans, including youth, due to the eroding institutional legitimacy and weak access to the formal economy, were compelled to generating income from the informal sphere and black market. The already poor socio-economic condition of Kosovo was further debilitated by the war of 1998-99. Kosovo suffered large scale damage to its infrastructure and public and private property, the already low GDP decreased by a further 20% during the war (WB, 2005). Unemployment rate was calculated as 74 percent in the second half of 1999 (UNDP/HDR 2002) while informal economy soared, as well as the reliance and dependence on humanitarian aid and remittances from family members abroad.

The UN Security Council with the resolution 1244 established UNMIK (United Nations Mission in Kosovo),⁵² which, together with most of the international organizations and donors, focused on market reforms and on boosting privatisation in order to start up the Kosovan economy. However their economic formula did not succeed (Héthy 2000; in King, 2008). The rosy expectations about quick economic growth announced by UNMIK, the International Monetary Fund (IMF) and the World Bank (WB) proved to be unrealistic.

Young people in the conflict aftermath were exposed to a worrisome combination of negative factors: most of them had experienced very inadequate education, had weak skills, were poor and the vast majority had neither employment nor employment prospects (World Bank 2000; in King, 2008). In such a situation and with almost no trust in the legitimised institutions capacity to tackle their problems and offer them a job, getting involved in criminality or black market activities would seem inevitable.

2.1 - Employment generation initiatives: challenges

In relation to employment, main pressuring challenges in the conflict aftermath and preceding the formation of ALMP can be summed up as follows.

People were widely unskilled, there was need to start up basic training and advanced training for unemployed people. VTCs were built up throughout Kosovo (UNMIK EU Pillar 2000: 69); unemployed registered people had the right to access training courses which were there organised. There existed weak institutions at central and local level dealing with labour and non-existent employment centres. VTCs were built as well as RECs and MEOs to 'serve as focal points for job search, unemployment registration, and vocational training orientation' (*ibid.*). These initiatives were good but the performances of RECs, MEOs and VTCs were weak: just few eligible people could access VTCs training courses while employment offices were understaffed and underfunded; they worked mainly as mere unemployment registration services offering no further support to jobseekers (Héthy 2003, in King, 2008).

There was a legal vacuum in terms of labour relations; no regulation would apply to working conditions, which were left undefined. In 2001 UNMIK issued the regulation 2001/27 which is still active today as the Essential Labour Law (ELL). While covering important labour rights, the new regulation does so in a very imprecise manner, and the need for improvement has been voiced from many quarters (Konjufca and Murati, 2008: 24-25).

Informal and criminal economy was extremely pervasive Kosovo. The local and international institutions' attempt to take action within the context of the quasi-protectorate that Kosovo became after the war of 1999 were ultimately ineffective (Strazzari, 2008: 159); given the salience of extra-legal factors for power politics, a chance was lost not only for the strengthening of the formal economy but, more generally, also in relation to peacebuilding objectives. Poverty was widespread and, more specifically, people belonging to ethnic minorities, vulnerable groups, women, returnees, and youth in general, were at a higher risk of

52 UNMIK was assigned a strong mandate based on a pillar-based structure that entrusted diverse functional areas of responsibility to key international actors: the UN, the EU, the OSCE and the WB (Selenica, 2008:54-55).

socio-economic marginalization. International organisations sent an outspoken message about the need for actively promoting social and ethnic inclusion to the wider communities: their employment practices introduced higher levels of inclusiveness for minorities, women and young people.

This nonetheless, widespread agreement can be found on the idea that, in the conflict aftermath, local and international organizations lost the 'golden hour' to improve people's livelihoods by creating jobs in the recovery process: 'Jobs are an immediate need in post-conflict contexts, and people facing poverty, unemployment and deprivation cannot be expected to wait until the infrastructure is restored which in turn causes job opportunities to expand (Mendelson and Mashatt; 2007: 3). The expectations raised by the international community in relation to the quick economic growth, where employment opportunities would have automatically followed, proved to be incorrect. UNMIK and relevant organizations demonstrated inconsistency between the objectives of economic development announced and their commitment to employment generation as a direct objective (Woodward, 2002:3). There were few and fragmented attempts to boost employment. Amongst these, the former MLSW designed a Public Works Scheme to create temporary jobs opportunities for vulnerable and unskilled people by means of labour-intensive reconstruction projects to rebuild infrastructure and recovery of the environment (Héthy 2000; in King, 2008). However that scheme was discarded by the donors: 'funds for these purposes were anyway earmarked by MLSW in its budget again' (Héthy 2003; in King, 2008).

After five years of Interim Administration, Kosovo had thus not experienced any substantial improvement in relation to the challenges and weaknesses presented above, while poverty and unemployment were on the rise. Kosovans held PISG and UNMIK accountable for the stagnant economic conditions affecting their country. This was identified as one of the main factors boosting discontent and frustration flowing into the March 2004 violence and riots, which involved amongst others many unemployed young people (UNDP/EWR n.6, 2000).

EGP firstly and ALMP later started from the Institutional perceived need to send to the public a firm message about their concrete intentions to face the problem. Not by coincidence, EGP objectives were similar to the Employment Scheme previously discarded.

The March 2004 riots made evident two aspects that are relevant to the purpose of this study, illustrating the significance of ALMP and exemplifying the potential linkages between socio-economic development and human security. Firstly, the exacerbation of tensions pointed toward the need for reinforcing the mandate of local and international institutions emerged: concrete solutions were urgently needed to questions of unemployment and poverty. Secondly, it signified that leaders and high ranks would heed people's claims in a situation where crowds would resort to violent action. This raised some serious questions about Kosovo's stability and security, as well as about institutional capacity to acknowledge the importance of adopting preventative instead of belated curative measures to respond to citizens' problems.

2.2 – ALMP's potential impact

ALMP is emblematic in representing a MSP whose effort to tackle a deep-seated socio-economic question *can* also have important implications from a human security perspective. Evidence suggests that unemployment, especially when widely spread, such as in the Kosovo case, is detrimental to a social stability not only from a productive and economic point of view, but also in terms of human security. At an individual level, getting a decent and secure job is essential for fostering one's sense of economic security and has positive implications on many aspects and assets of his/her life (e.g., not only increased opportunity to buy commodities but also improved sense of wellbeing and community/social inclusion: see (Bojicic- Dzelilovic, Kostovicova, 2009: 12). On the contrary, youth unemployment represents a hard challenge for a society and its stability. Youth unemployment is often associated with social problems like violence, delinquency, alcohol, drug abuse, crime and suicide (UNDESA, 2007: 175). This paper has previously mentioned the powerful role played by the informal economy and its capacity to infiltrate into the social/family structure in Kosovo, as a consequence of decades of existence and organization, and its links with criminal activities. The informal economy can be particularly attractive for young people who are unskilled and unemployed and see poor prospects in the legal frame of Kosovo. Getting a role in the informal labour market usually worsens their human security asset because remuneration is often low, there is neither social protection nor job security, working conditions can be dangerous and often informal economy is connected to serious criminal activities (UNDESA 2007: 179).

Additionally, when lack of access to formal and - at least minimal - secured employment is perduring, frustration, pessimism and increased dissatisfaction against accountable institutions grow, in particular among the youth, as well as their readiness to protest and to get mobilised for what is perceived as exclusion and social injustice. Those protests, if exacerbated or exploited by extremist groups, can then be hazardous for social security and stability (UNDP/EWR n.6, 2004). As already mentioned, this hypothetical situation became reality in Kosovo, when the violent protests of March 2004 reflected - among other reasons, uncertainty about the final legal status played a major role - the profound loss of trust of Kosovans in the PISG's and the international organizations' capacities and involvement to addressing their disastrous economic conditions, starting from their employment prospects (*Ibid.*; Internantional Crisis Group, 2004, 155). A further worrying factor is that protests resulted to be controlled by KLA veterans and extremists who ignited the escalation of violence that paralyzed Kosovo for few days. Young people were an easy prey of those not so improvised 'supervisors'.

Programs such as EGP and ALMP can play a role counteracting negative feelings of marginalisation and impoverishment generated by unemployment, sending out an outspoken and constructive message about the opportunity to develop usefultskills for improving young people's employability, boosting their self-confidence by arranging first contact with a formal-working environment and supporting them with trainers, contributing to keep them away from the informal market, fostering the values and practices of social inclusion having special attention for minorities and women, and ensuring that they have higher access to the programme. This aspect is analyzed in some closer detail in section 5 below.

3. The Formation, Development and Operation of ALMP

This section investigates how and why ALMP was formed, how it developed over time and how it operates.

3.1 - How and why ALMP was formed

The previous chapter depicts the scenario which laid the ground for the formation and establishment of a MSP dealing with youth unemployment. The EGP firstly and ALMP two years later were, in a context permeated by pessimism about the future of Kosovo, the expression of a wider political response to the March protests, a concrete way to - finally - demonstrate that the PISG and the International Community were actively planning political measures to tackle poverty in general, and unemployment in particular.

Since 2004, therefore, growing political attention was given to youth unemployment. In close collaboration with UNDP and Kosovo Municipalities, MLSW launched the EGP⁵³ (UNDP/EGP, 2006). The EGP became an integral part of UNDP Programme “Economic Revitalization in Kosovo” (ERIK), which was at that time the UNDP umbrella programme clustering all the projects tackling employment and private sector development. The EGP was designed to generate immediate employment opportunities through 1) labour intensive community infrastructure works at municipality level with project activities demand driven; 2) encourage sustainable employment through the provision of financial incentives to employers to hire young graduates from the VTC registered in the MEOs and RECs . The EGP was implemented in 2005 and 2006.

In 2006 the MLSW, with the technical support of the ILO, launched the “Youth Employment Action Plan 2007-2010” (YEAP) keeping high, at least from a visibility perspective the youth unemployment issue on the political agenda. This policy framework aimed to address in a comprehensive way the challenges posed by youth unemployment, identifying strategic objectives and outcomes to be pursued for counteracting unemployment and promote, preventative and curative measures able to simultaneously address labour supply and demand. The YEAP objectives focused on promoting employment prospects of young people by enhancing their employability, increasing decent work opportunities for youth and preventing social exclusion through targeted labour market measures (UNDP/ALMP, 2007). The EGP team worked ‘to adjust’ the Programme according to these objectives and to respond to longer term improvement of the conditions of unemployed/untrained young people and better respond to Labour market requirements. the EGP's efforts shifted towards a more result-oriented approach and institutions capacity building. Priority was given to strengthening the capacity of the Public Employment Services (PES) in both the RECs and MEOs to reach and support jobseekers. UNDP hired the ILO with the specific purpose of using their technical expertise to form trained employment personnel throughout Kosovo. At the same time the Program started

53 As mentioned in chapter 1, this Project's objectives and activities were very similar way to the Public Works Scheme previously discarded by the Donors community.

implementing active labour measures: on the job training, pre-employment training, employment subsidies and internships.

In January 2007, EGP changed its name into ALMP, sometimes referred to as 'ALMP for Youth'. This turn did not alter neither the management structure nor the donors: the project team itself remained unchanged. However, the Municipalities' role as stakeholder was removed as it was not considered relevant for the purpose of the new Programme's phase anymore (B/ALMP/11).

Eventually, resources for other pipeline projects to be grouped within ERIK could not be mobilized, hence ERIK umbrella structure was no longer realizable. Therefore, gradually, also ERIK was replaced with the name 'ALMP' (B/ALMP/11).

Citing the UNDP presentation of ALMP (UNDP, 2007: 3), the program “aims to integrate the youth most affected by unemployment into the labour market by developing their employability skills and providing them with working experience. The project seeks to achieve these objectives:

- 1) to strengthen the capacity of labour market institutions to provide individualized services to clients and to sequence active labour market institutions;
- 2) to provide direct assistance to unemployed youth through a number of active employment measures by partnering with enterprises which require additional workforce.”

Over time, ALMP gradually added new measures to its activities and it increased the number of job seekers/beneficiaries to be supported. Moreover, a fifth scheme was introduced in 2007 with the “vocational training for job seekers” provided by Don Bosko, which was entrusted by UNDP. Additionally, it was ensured more active intervention to include the minorities, women, people with diverse abilities, for example by lifting the maximum age of beneficiaries belonging to ethnic minorities in order to secure their higher involvement (Mukkavilli, 2008: 20).

In 2008 another scheme was introduced: Institution and enterprises training and the partnership with the MEST were initiated, aiming to set the foundation for Interministerial cooperation and making the project more sustainable.

In 2009 the active measures were reduced to three. The table below, extrapolated from the last UNDP ALMP annual report (2009: 3), provides a good idea of the changes adopted over the years in relation to the active measures.

Public works projects 2005 - 2006	3.194	42%
On the Job Training (OJT) 2007 – ongoing	1.512	20%
Pre Employment Training (PET) 2007 – 2008	79	1%
Wage Subsidies (WS) 2005 - 2008	2.145	28%
Internship Scheme (ISch) 2006 - ongoing	449	6%

Institution and Enterprise Training (IET) 2008 - ongoing	133	2%
Vocational Training (VT) 2007 - 2008	40	1%
Total Beneficiaries Jan 2005 – Jun 2009	7.552	100%

Tab.1. *Number of beneficiaries supported in cooperation with MLSW during 2005 – 2009 project implementation*

3.2 - How ALMP developed over time: a focus on key stakeholders

The MSP composition has changed over the years; gradually more actors have been involved. Apart from UNDP and MLSW, partners being involved in ALMP are: MEST, the Kosovo Chamber of Commerce (formally but not substantially: see *infra* p.27), Private enterprises and the VTC Don Bosko, few NGOs, ILO, the Governments of Norway and Denmark as international donors. The following sub-sections will illustrate how different partners were involved in the MSP, and how joining the ALMP MSP can facilitate the pursuit of their aims.

The UNDP

During the establishment of UNMIK, the social development area of responsibility in Kosovo was cut out the main Pillars system, somehow leaving the UNDP outside the main institutional frame (Héthy, 2000). Since then, UNDP has implemented several development and capacity building programmes. Therefore it was easily identifiable as the most natural international counterpart for MLSW in its effort against unemployment. Indeed, UNDP is together with MLSW the main initiator and manager of ALMP. It invests in it a small share of money but its team is the one leading the major part of the programme functioning. The project team is headed by a Programme Manager and is formed by 5 people. UNDP's overarching aim is the one to address poverty and develop national capacities; their declared interest in joining this MSP is to gradually empower Local Institutions in order to become capable, accountable and reliable enough to scale up programs like ALMP and integrate them more widely in the governmental plans to improve Kosovo's socio-economic conditions (B/ALMP/4). The UNDP is very much proud of ALMP, also because it can be presented to the public as a very concrete and direct Programme in supporting disadvantaged young people; it also helps providing good visibility to UNDP in its work, facilitating the Kosovo Government improving Kosovans' socio-economic conditions. In 2007 Mr. Muring (ex Representative of UNDP in Kosovo), said to the representatives of donor organisations: 'I believe your tax payers would be proud if your support goes to these kinds of programmes' (Annual Rep Jan Dec, 2008: 20). In this MSP, UNDP has played a crucial role to guide MLSW to tailor ALMP for youth for the first time in Kosovo and to develop it within a wider strategic framework, in order to increase the Programme's chances to become sustainable. UNDP's role was also important to push for inter-ministerial cooperation between MEST and MLSW, in order to make those Institutions more autonomous and render the Programme stronger and more sustainable by joining their efforts.

The MLSW

The Ministry of Labour and Social Welfare is the main national partner of the Programme and is represented by 7 Regional Employment Centres (RECs), 23 Municipal Employment Offices (MEOs), 6 Sub offices and 8 Vocational Training Centres (VTCs) throughout Kosovo. The MLSW aims to maximise the impact of the project, to take the opportunity to strengthen their personnel through the training provided by UNDP and ILO and to use the working tools produced and delivered by ILO in order to replicate similar programs informed by lessons learnt and good practices. The ALMP MSP represents an opportunity for the MLSW to activate employment schemes that are completely pertinent to its mandate and can gain good visibility, also in order to send a message to the Kosovan constituencies about its efficiency and proactiveness. Additionally, the interministerial collaboration started with the MEST can be useful and can help simplifying part of their work. ALMP has also generated ministerial connections with the involved companies and enterprises; this constitutes an opportunity to continue similar collaborations with those enterprises which are regularly registered in the tax system for future programs. The MLSW had already worked with Norway and Denmark liaison offices years before as both these countries supported Kosovo in building VTC infrastructures. ALMP allowed the MLSW to expand the scope of that support so that internationals could fund not only the infrastructures but also active measures to foster vocational training and employment.

The MEST

The Vocational Education Division of the MEST is represented through Vocational Education Schools, Vocational Education students and Municipal directorates for education. MEST was involved in 2008, when the ALMP team identified the opportunity to support formal vocational education students to implement an important part of the standard curricula's requirements concerned with 'professional practice at enterprises' (ALMP UNDP, 2009: 4). ALMP started working closely with MEST in order to tailor the scheme and plan the activities for a pilot-project, aiming to impact and reverse the high unemployment rate from a preventative aspect. "It was identified a gap between what students were learning in schools and the skills that businesses and enterprises were looking for; therefore we [UNDP] chose to work more closely with MEST in order to create and develop that link" (B/ALMP/11). UNDP realized that they "could use cooperation among enterprises and link it with Inter-Ministerial cooperation in order to generate more employment opportunities and counteract such a big challenge for Kosovo." (ibid.) Even if they are active part of ALMP they have not signed yet the MOU: "This is hindering and delaying a little bit the functioning of the project but [MEST] hopes that this memorandum will be signed very soon" (B/ALMP/14). The MEST is very much interested in ALMP because one of the most difficult aspects of their work is to find ways to organize practical learning for students in enterprises: they lack the capacities and resources to contact enterprises and have scarce infrastructures in their institutions for running practical workshops. These challenges are quite addressed by taking part into this MSP. As well as the MLSW, the MEST acknowledges the benefits given by Interministerial collaboration in order to comply with the regulations regarding the practical training to be provided to their students and to get useful insights regarding the design and production of VT curricula.

The ILO

The International Labour Organization was hired and entrusted by UNDP in 2007 to provide technical assistance and continued until the first quarter of 2009. ILO was accountable to UNDP and therefore its stake was mainly related to performing a good job and present deliverable results. According to the ILO-UNDP agreement, the tasks that ILO was entrusted to carry out were: “i) ‘the review of the individualized employment assistance provided to the unemployed; ii) capacity building of staff of labour market institutions to design and conduct skills surveys among employers and detection of occupations required by the labour market; iii) identification of the mix of vocational and non-vocational skills required by priority occupations; and iv) preparation of standardized training plans for the delivery of competency-based training to young jobseekers participating in active labour market programmes’” (ILO/UNDP interim report, 2008: 4). The ILO was also entrusted to produce and deliver a set of tools, guidelines, best-practices and publications to be handed over to the MLSW as good and useful reference for carrying on and sustaining these or similar activities (UNDP/ALMP, 2009: 3).

Private Companies

By participating into the ALMP MSP, the companies access new human resources without much effort and no added cost. They are continuously supported throughout the whole process by REC trainers and therefore benefit from an optimization of resources. They can choose during the training period provided to the beneficiaries if they can trust them and if they match their requirements and, if so, employ them once ALMP schemes finish. Many companies in Kosovo are family-led and based on relatives' help and support. Some enterprise owners affirmed that ALMP schemes are a good opportunity to hire reliable and good workers without having to resort to family members, thus managing a more professional working relationship. “Our [Kosovo] private business is still family business. However serious ones have started to realize that they need professionalism in order to survive in the market. That is the reason why many of them are asking help from the RECs” (B/ALMP/13).

The Kosovo Mental Disability Rights Initiative

This is one of the very few NGOs involved in ALMP. It contacted UNDP on its own, asking to be involved in ALMP: “We understood that UNDP through ALMP cooperated with MLSW to support also people with disability. But so far persons with mental disabilities were not involved in this project. Therefore we have applied to UNDP with a concept paper” (B/ALMP/20). This NGO's main aims are, on the one hand, the direct support of people with special needs economic reintegration and self confidence and, on the other, the raising of awareness amongst the “business community and the community in general” that people with mental disabilities can work as other citizens” and “be useful members of the society” (*Ibid.*). This successful story should be looked at carefully when considering the importance of a Programme such as ALMP in promoting socially inclusive practices that can have long lasting effects at the community level, changing attitudes towards how people at risk are perceived (in this case people with special needs but the same could happen for minorities such as Roma Ashkali and Egyptians who are for example traditionally deemed to do not want to work).

This NGO's initiative demonstrates also that when some services cannot be taken up (or there is scarce willingness to do that) by institutions, civil society can compensate those lacks and make the most of an initiative like ALMP contributing to the Programme's success and simultaneously pursuing its own aims. That mutual benefit should not be overlooked by the MSP when selecting the partners to be involved with.

The Don Bosko Vocational Centre

The Centre joined the MSP because it was hired by UNDP, for training young beneficiaries who were interested in professional profiles not covered by the VTCs, for lack of infrastructures or trainers specialized in those sectors. As the coordinator of Don Bosko, Mr Gojani affirmed that their “aim is to fulfil the demands of the labour market through those profiles that are needed in the market but which cannot be offered (are not available) by VTCs. We are much more flexible (e.g. we can organize also trainings that are not part of permanent curricula) and this is why we offer much more professional profiles as part of our curricula than the State can do” (B/ALMP/6). Nevertheless Don Bosko's role “is not to compete with the State but to complement the services offered by it”. A counselor for vocational training in Mitrovicë/Mitrovica explained that if jobseekers aim to develop skills that are not covered by their structures, they “send time to time job-seekers in trainings organized by the Don Bosko Centre in Prishtina.” (B/ALMP/1) The engagement with Don Bosko ended in 2008. They were just entrusted and therefore were not involved in the organizational structure and boards.

The Danish Liaison office in Kosovo

This office has been involved in the funding the project. There was no representative of Denmark in Kosovo when the project was activated and therefore the working relationship was kept directly with Copenhagen. The Danes were specifically interested in supporting the VTC infrastructure and its functioning. Annual reports were sent regularly to Denmark by UNDP.

The Norwegian Embassy in Kosovo

Norway is very much interested in ALMP, aiming to fund projects which support the labour market and the education system making it compatible with the market economy. They are keen to sponsor education that is going “to produce qualified working force and which is closely linked with the labour market” (B/ALMP/2). The Head of Norwegian Liaison Office, Mr Kvale, at an event organized by UNDP to present ALMP in 2007, has affirmed that “I would like to characterise this project as one of the most successful projects that Norway has funded in Kosovo” (UNDP/ALMP 2007: 15). Through its Liaison Office, Norway has started funding UNDP in Kosovo's projects supporting the labour market in 2005 and has developed a good working relationship with UNDP. This is also due to the fact that UNDP ensures good levels of control of procedures, transparency and continuity of the projects. They “do not take part into the board meeting” (B/ALMP/2). Usually the liaison office does not monitor directly the work of ALMP. They tend to rely almost entirely on the external evaluations done to the project and on reports prepared by UNDP and sent to the Norwegian Ministry of Foreign Affairs. However, at least once per year, there are representatives from the Foreign Ministry coming to visit, meeting the ALMP team and discussing about reports, data and budget. The now ex (but in charge when EGP was launched) UNDP Resident Representative, Frode

Mauring, is Norwegian. This has probably facilitated the establishment of a privileged communication channel with the Norwegian representative in order to raise funds for EGP and ALMP. Norway is oriented towards a shift in terms of funding. They would be interested in sponsoring directly projects run by the Kosovo Government instead of continuing to use international organizations and NGOs as mediators; at the same time they have difficulties in trusting the government's capacity to implement projects similar to ALMP by itself. They are not very positively impressed by Kosovo Ministries proactiveness in proposing areas of interventions that need funding support : “Even though there is this wish [to fund directly Governmental initiatives] from the Norwegian side, Kosovo's institutions still do not respond as efficiently as it is needed according to the Norwegian attitude”; ”We have asked to the Kosovo Government to deliver a document which would have described in which fields we could support them in order to directly finance them and its priorities with at least half of the money donated to Kosovo. Unfortunately there is still no response to this demand. And when there is lack of interest and capacities from the side of government, projects worth million of euros go in the hand of UNDP or other international organizations” (B/ALMP/2).

Beneficiaries

ALMP established “eligibility criteria to favour those with low education and no work experience. The exception to this is the Internship Scheme which targets university graduates. The eligibility criteria for direct assistance includes: i. Coverage of the age cohort of 15-29 years; ii. A minimum waiting period of 6 months after registration at an employment centre; iii. Education up to lower secondary level; iv. First-time job seekers without any work experience; v. Preference for households getting social assistance; vi. At least half of the beneficiaries have to be women” (Mukkavilli, 2008: 18).

The beneficiaries' stake is clearly to acquire skills which can be useful for accessing employment and develop their professional profile, getting first working experience and being involved in a network that can open some doors in order to find long term employment. ALMP is particularly relevant in the Kosovo context as one of the main striking findings of researches on labour prior to EGP and ALMP launch was that 96.3% of the unemployed in the 15-24 age group had no work experience at all or, in other words, had not acquired marketable skills through either prior work experience or practice at school (B/ALMP/18; Mukkavilli, 2008: 6). This is why ALMP is perceived by young jobseekers as a great opportunity to get a foot in the door of the (formal) labour market: according to the ALMP external evaluation document, which conducted a survey with 399 young people, the level of satisfaction regarding the overall ALMP impact is very high.

Empty seats

The following sub-section focuses on partners that did not take active part in the MSP, contrary to expectations.

Kosovo Serbs - beneficiaries and companies

Despite the efforts of the project and REC in Southern Mitrovicë/Mitrovica to cooperate more closely with the Northern part of the city, the collaboration was limited. The project activities and the calls for expression of interest were widely disseminated through the media (TV, newspaper, radio). Nevertheless, the number of beneficiaries from this part of the region is minimum; the employment office in the northern part of the city, functioning with the parallel system, did not participate in the trainings and meetings organized and did not present a list of potential beneficiaries registered as jobseekers at their office (B/ALMP/11).

“It is very hard to include Serbian companies in the north of Kosovo because they are not registered in Kosovo’s institutions which are one of the basic criteria of the project. Even though we have much pressure from UNDP to include Serbs in ALMP, only 3-4 % of the beneficiaries are Serbs” (B/ALMP/13). In other Serbian areas the collaboration has not been so difficult though. In 2008 for example 33 Kosovo Serbs were beneficiaries of ALMP (UNDP 2009)⁵⁴. 29 of these were involved in the OJT scheme. Only 3 of them came from the Mitrovicë/Mitrovica region, specifically from Leposaviq/Leposavic Municipality. Almost all the others came from municipalities (mainly Gjilan/Gnijlane) of the Gjilan/Gnijlane Region where the level of tension between Kosovo-Serbs and Kosovo-Albanians is lighter compared with Mitrovicë/Mitrovica's one.

The Chamber of Commerce and Trade Unions: vanished stakeholders?

Evidence gathered through interviews (B/ALMP/7; B/ALMP/11) and official reports (UNDP/EGP 2006: 6, referring only to the Chamber of Commerce taking part in EGP Regional Panels), suggests that representatives of the Chamber of Commerce and Trade Unions should have taken part in the board, or – in some other ways - in the organizational structure of ALMP.

Apparently these actors were invited to join the MSP but did not participate (B/ALMP/7; B/ALMP/11). As one REC director puts it, “always someone from the Chamber of Commerce was invited, but they never attended. It was also planned to involve someone from the Trade Unions but, since they are divided and have problems of a common representation, it was hard to secure their representation too” (B/ALMP/7).

According to UNDP, “considering the shift of the project focus, from generating immediate short term employment to improving employability opportunities among youth implied, that some of the implementing partners, e.g. municipalities, were no longer active partners from 2007 and beyond.”⁵⁵ (B/ALMP/11) This might have happened also with Trade Unions and

54 Internal document provided by UNDP.

55 According to 2006 EGP report (:6) are mentioned as partners UNDP, MLSW, private enterprises, the Kosovo Forestation agency, the Municipalities, but also the Ministry of Trade and Industry, of Local Government Administration, of Environment and Spatial Planning. Some of these actors were involved probably in the beginning through a consultative role and then never started to be actively involved in the project. Also, one interviewee (B/ALMP/18) mentioned that the Ministry of Youth and Sport was supposed to gather all the grassroots components and involve them in the project but there is no real track about this, not being confirmed by other interviewees nor being found any related information on the reports available.

Chamber of Commerce but still their role would be extremely relevant for ALMP improvement, sustainability and expansion and it is arguable why this consideration has not been taken into due account.

What emerges from different sources (B/ALMP/11 and B/ALMP/7; Konjufca & Murati, 2009) is that historically in Kosovo, Trade Unions have barely participated in moulding and influencing the Labour Market legislation and reality. “Collective labour relations [in Kosovo] never existed in the market-economy sense of the concept.” (Héthy 2003; in King, 2008). Moreover, as result of the conflict, “the little in existence collapsed” (*Ibid.*) Also due to the small share of formal employment in the economy, Trade Unions are still weak and “lack experience in representing workers’ interests.” (Héthy, 2003; in King, 2008). However, the Kosovo Trade Unions' weakness should not however represent a justification for their exclusion from ALMP. This lack of involvement can be read as very problematic when considering what the strong neoliberal and capitalist approach, imposed in Kosovo since the conflict aftermath onwards, signified in the labour field: “[s]ocial dialogue and the involvement of social partners in policy formulation and implementation were unwanted” (Héthy 2003: 420 - 421).

During the MultiPart Roundtable on ALMP held in Prishtinë/Priština in February 2010, Trade Unions representatives confirmed that one of the biggest frailties in terms of labour conditions is that no social plan was foreseen nor sought while planning Kosovo's privatization and economic start up. Moreover, they expressed their interest in being involved in projects such as ALMP. At the same meeting UNDP specified that ALMP MSP should be enlarged and include in the next future also the Trade Unions. This actor should facilitate this inclusion process by demonstrating proactiveness and the benefits that would derive for the MSP from its direct involvement in it.

As for the Chamber of Commerce, Héthy affirms that nor this organization neither the Business Association of Kosovo, the latter uniting small private enterprises and formed in 1996, are able to fulfil the traditional functions of employers’ organisations, nor to self-identify themselves as such (Héthy, 2003: 420). The Chamber of Commerce situation is very similar to the Trade Unions one, with an important difference though: according to ALMP official documents the Chamber of Commerce was supposed to be part of the board meetings. The latter was invited to participate into several meetings but only occasionally it attended them. By definition these actors are very important for most of labour related issues but were not seriously involved, because of own scarce commitment or awareness but also because they were not assiduously contacted by the managing team.

3.3 - How ALMP operates

ALMP is comprised of the following organizational structures:

Project Team. The Programme implementation is carried out by a UNDP team headed by a Programme Manager responsible for day-to-day management and decision-making for the project.

Project Board. A Project Board (also known as Programme Steering Committee) was established to provide oversight of the project. It includes the Head of the Labour and employment Department, MLSW (senior supplier), one representative from MEST (senior supplier, added after 2008), one from the Chamber of Commerce (Senior Beneficiary) and one from the Economic Development Portfolio Manager (Executive) in the UNDP office for Kosovo (EGP quarterly REPORT, 2007: 12). They meet every three months and receive and ratify reports, consider and endorse strategic decisions related to the Programme implementation. “This board had more informative and consultative role and not decision-making role, since the main framework of the program was already set. Much more powerful are regional boards that have also decision making powers when it comes in selecting beneficiaries and companies” (B/ALMP/16).

Regional Boards. They are formed in each of the 7 Kosovo regions, each comprising: the Director of Regional Employment Centre, the Director of the VTC, one Project associate from UNDP, Employment Counsellor, one VTC trainer [theoretically also a representative of the Trade Unions, according to B/ALMP/13]. “To avoid any conflict of interest that might arise, private enterprises ‘representatives’ were not a member of the board, although initially planned.”(B/ALMP/11). This Board is the one assessing the individual eligibility of candidates beneficiaries and choosing how and where to direct him/her. Potential beneficiaries profiles are presented by responsible employment counsellors in this Board's meetings, where application and other documents are presented too. This is also the place where MOUs are prepared to be signed between parties. Respondents to interviews all generally agreed about the good level of cooperation between different parties. When problems were encountered they were unanimously discussed in order to be solved. “I think the way how this project was run by UNDP is a good model of cooperation between internationals and national institutions. We have been very much consulted during the whole process. We also took part in determining the criteria of the project. Seminars with joint participation were organized when something was decided to be changed in the project” (B/ALMP/21).

However, from the interviewees one can gather little reference to concrete situations where problems were identified and discussed. Interviewees have been generally affirming that when problems were found, there would be a discussion and final decision by vote. Many of the interviewees identified UNDP as the main leader of the partnership and programme. On the one hand, it was recognized that UNDP was open and available to discuss claims and concerns and at least to attempt to replan the programme functioning according to what was discussed. On the other hand, it was reported and in part lamented an excessive concentration of power held by UNDP. Interviewees recognized that formally the parties have equal power in regional boards too, but also that UNDP has the last word over the Programme's choices. “There is a formal power lying over regional boards, however the final verdict is over UNDP” (B/ALMP/7), affirmed one REC Director. Apart from regular Programme Board and Regional Boards meetings, after the involvement of MEST, a workshop was organized in Durres, Albania, in November 2008. It was attended by representatives of MEST, MLSW and the

ALMP team in order to discuss the cooperation between ALMP and MEST for Vocational education, collaboration between MLSW and MEST, presentation of ongoing activities as well as suggestions for future activities, cooperation between REC/MEO/VTC and ALMP/UNDP. Also, in several reports on ALMP produced by UNDP, it is mentioned that workshops are organised throughout the year to gather the MSP's partners, review and monitor ALMP process and functioning.

3.4 – ALMP's key MSP characteristics

When answering the questions of how and why ALMP was formed, how it developed over time, and how it operates, the following narrative emerges.

The political impetus behind the formation of the EGP firstly, and then ALMP, goes back to the riots of March 2004, where young unemployed played an important role in the protests against local and international institutions, claiming improvement of socio-economic conditions and employment generation. The MLSW and UNDP joined their work to form first of all an MSP able to create job opportunities, identifying as main target young registered unemployed. As long as the Programme grew (since EGP changed its name in ALMP, in 2007), the MSP focused also on strengthening Institutional capacities to run employment services and programmes. ALMP is characterised by a good level of institutionalization, given by MLSW and MEST involvement and the fact that ALMP is very much in line with the Governmental YEAP; MLSW and UNDP played a crucial role in defining which social, political and economic actors to invite and involve in the MSP. The MSP composition has changed over time: as long as new needs were identified and the complexity of the challenge to tackle unemployment was more widely acknowledged, new actors were invited on board (e.g. the MEST and Don Bosko, at later stages). However, it is important to highlight that important actors were missed out by ALMP MSP (grassroots and civil society organizations' involvement has not been pursued as a priority by neither UNDP nor MLSW; Trade Unions and Chamber of Commerce that should represent social and businesses stakes were invited but did not participate into meetings nor took part into decision making process). This is mirrored by the Project and Regional Boards composition: only representatives of MLSW and UNDP participate in these decision making and managing bodies, reflecting a quite bilateral rather than multi-stakeholder partnership mentality.

4. How Participation Affected MSP Members

This section examines how and why participation in ALMP MSP affected some of its members, in relation to their roles, capacities, empowerment, interests and vulnerabilities; moreover it investigates how participation developed further relationships within ALMP and externally.

4.1. Effects on partners

UNDP

Through ALMP, the UNDP increased its legitimacy as an Institution able to lead a partnership, attract and secure funds, identify new needs and address them, involving also new partners as long as their collaboration was deemed useful for the project optimisation. This also implied renovated trust from the donors towards the UNDP as an agency able to keep a high level of transparency in the use of funds.

The UNDP works to develop local capacities by training Kosovan public personnel, developing for them networks with donors, shifting their objectives in order to better match long term development aims. This relationship is however unbalanced as UNDP does not devolve much of the power that would allow the Ministry and other local bodies to get more ownership of the projects. While UNDP representatives affirmed that they aim to sufficiently strengthen the Ministry so that Kosovans can take more and more control of ALMP, one interviewee (B/ALMP/6) reported that ALMP “failed when it came to building national capacities. In this regard they used MLSW to facilitate the functioning of the project in regard to the local administration, companies and job-seekers. But when it came to training the professional staff of the Ministry, they [UNDP and ILO] have done in this regard very little. The training was mainly formal and not substantial” (*Ibid.*). Another one said that “the final decisions are taken by UNDP, and they are the real owners of the project.” (B/ALMP/7). Other interviewees affirmed that they could see the lack of capacities - referring especially to financial ones - of their Government but also that they felt impeded to test themselves in autonomously running the Programme, given that UNDP would adopt a rather paternalistic approach.

However, the strong control exerted by UNDP over ALMP can be read as an attempt to keep the Programme going and functioning in an efficient and transparent way and also as a response to ‘clear corruption cases that were discovered”(B/ALMP/11) “[a]nd system misuse, including attempts to legalize existing workers at the enterprise instead of admitting new labour force filtered through criteria, non-compliance with the Kosovo Tax Administration obligations etc.” (*Ibid.*).

The main challenges identified by UNDP in relation to ALMP are "unreliable data, informal economy, non functional labour inspectorate, lack of cooperation and information sharing between relevant ministries, lack of human and financial resources available at implementing partner, lack of labour demand to meet labour supply" (B/ALMP/11). To overcome these constraints and achieve the project’s objectives as set, the project team applied strict rules and procedures during the whole implementing period. This implies great effort, time and commitment of the project team to identify and avoid the misuse of system or funds" (B/ALMP/11). When corruption or bribery cases were found in enterprises, "UNDP terminated the MOU, asked return of funds, if encountered after compensation was made, and created a blacklist of enterprises not to cooperate with due to their failure to fulfil obligations as assigned in MOU" (B/ALMP/11).

As highlighted above (see section on the Norwegian Liaison Office) donors still prefer MSPs where there is an organization like UNDP ensuring a good degree of transparency and capacity

to run a complex programme like ALMP. However, this situation is slowly destined to change with donors more interested in funding Governments to run programmes in a sort of more bilateral process; it is important, therefore, for UNDP to understand how to reposition itself according to this shift.

The MLSW

The Ministry gained several benefits by joining the ALMP MSP. It acquired good visibility by increasing its most disadvantaged population groups' employability and future opportunities.

In terms of capacities, RECs and MEOs were strengthened in their programming and operational functions, when compared with the time before the project started, as reminded by an interviewer: "Prior to 2004, there was only job brokering, counselling and guidance and labour market training offered by the network of the adult training centres of MLSW"(B/ALMP/18). Since then, the Labour market policies to address labour market disadvantage were very much expanded and diversified. Public employment officers were trained in order to organize their interventions to conduct effective individual counseling sessions; develop appropriate individual employment action plans; sequence and grade the services to be provided to the individual client; monitor and evaluate individual progress (individual case management system) (Mukkavilli, 2008: 18)

Many of the officers interviewed affirmed that they felt empowered by the training provided by the UNDP and the ILO. However, as previously mentioned, it was lamented also repetition and not substantial transfer of useful knowledge in the trainings. One REC Director said that as he had grown up in a socialist economy he was interested in ALMP because it represented "a good opportunity to learn more about the Market economy too." Nonetheless, he was disappointed by the huge bureaucracy imposed by internationals. He thought that there would be less bureaucracy in a capitalist system (B/ALMP/13). Local officers complained about the high level of bureaucracy, or, in other words, the accuracy that they need to pay in delivering papers and documentation. Nonetheless, this aspect ensures the good level of transparency that UNDP is proud of.

A recurrent complaint raised by MLSW officers is related to the lack of funds for running the costs of the Programme. "People who are in charge of monitoring the schemes should be better supplied. There is a shortage of resources: telephone; cars to go on the field; tools and equipment are often lacking. There is need for more resources in order to enable the trainers to do their job, monitor the project and give some substantial feedback about it" (B/ALMP/5). ILO was similarly concerned: "A decline of the PES capacity to execute basic functions was noticed in 2008. This was mainly attributed to the cuts in staff and financing for the administration of the service. If there are insufficient resources to carry out the basic functions adequately (registration, counselling and guidance, canvassing employers), the administration of ALMPs is bound to fail" (B/ALMP/18). As for capacities development, a serious threat is posed by the personnel turnover: like in many other working spheres in Kosovo, PES salaries are modest. "With these salaries we are constantly losing our staff after they more become trained in their job. (B/ALMP/15)." Moreover, it was highlighted that there is lack of

institutional capacity due to massive institutional personnel turnover, often on the basis of not so clear and transparent political interests (B/ALMP/11). This hampers the Programme potential good impact and sustainability.

In ownership terms most of the interviewees identifies more UNDP than MLSW as leader of ALMP. MLSW officers recognize the added value given by the collaboration with UNDP, even if there is latent frustration regarding the way UNDP practices its power. On the one hand, national officers reckon that Kosovo institutions lack the capacities to carry on the project on their own, on the other, they are convinced that it is time for UNDP to devolve more power and tasks to them.

Interviews with VTC counselors and directors reveal that one of the good outcomes - somehow unintended, as they were not explicitly planned, in the beginning of the Programme, is the whole rethink of their relationship with the enterprises, that had until that time been quite modest. According to these accounts, much more room for collaboration and increased communication flow are needed so as to better matching demand and supply. First steps have been taken - and appreciated - in order to improve the work and communication flow between RECs, enterprises and VTCs and the identification of further room for improvement, as noticed by a VTC director: "We all think that we could enhance the collaboration with enterprises , improve the flow of communication so that for example if there are vacancies these are quickly communicated and advertised with us or the RECs" (B/ALMP/5).

Furthermore, participation in ALMP MSP has favoured inter-ministerial communication and work, between MEST and MLSW. Moving towards common aims and cooperating on a technical level increases the capacities of these institutions (MLSW and MEST) to improve the coordination and matching between training, labour supply and labour demand.

The MEST

By joining ALMP MSP, MEST focused on the opportunity to offer practical training to their Vocational education students. ALMP gave to them good insight in order to expand this capacity. "This project is very useful for students of the vocational high schools since even though they are obliged to conduct internships, often they can't do that because they are too many and because the market economy is not so developed and existing companies can't absorb them (sometimes companies even are reluctant to take them for internship)" (B/ALMP/14).

Through ALMP MEST strengthened its linkages and work on an Inter ministerial level with MLSW: "Not all the schools have full time [practical learning] instructors employed. Consequently, in the absence of practice instructors in some schools, the practical learning teachers will be engaged during the pilot-project implementation. The latter will also cooperate with and be assisted by the VTC trainers within MSLW, which signifies the importance of inter-ministerial cooperation" (UNDP internal document, 2008). It is still soon to see which fruits this inter-ministerial partnership will produce but its potentiality is quite clear, also to better identify and map the labour market demand and to update curricula and teachers/trainers profile.

The ILO

Although one cannot formally consider the ILO a full-fledged partner, the organization did play an important role in ALMP, and therefore in its definition as a MSP. It is worth noticing that the ILO already developed and managed similar activities (i.e., similar ALMPs) in other Balkan countries; therefore, Kosovo also represented a good further 'exercise' for them from which to extrapolate good and bad lessons learnt. The ALMP MSP gained technical and strategic insights and practical guidelines thanks to the participation of the ILO.

Private companies

They developed their capacity to find human resources being supported by public services and ALMP trainers, so that also the timing resources they spend to integrate the new young beneficiaries in the job is minimum and supported. They increased their coordination and communication capacity with RECs and VTCs. They entered a network of registered enterprises; this could further develop their strength in order to advance requests or organize their work in a more structured way.

The ALMP MSP carefully selected the enterprises on the basis of eligibility criteria. These were quite strict and revolved around: "economic sector (priority access was given to private manufacturing enterprises and agriculture enterprises, which were registered with the Business Registration Agency, with the tax administration and bank account) and workforce composition (the enterprise was required not to displace its employees or reduce their working hours and to put an experienced worker to supervise the individual beneficiaries)" (Mukkavilli, 2008: 61). However, the enterprises' selection approach did come up with criticism: "It happens that companies have illegal workers. Through these schemes [ALMP] they legalize some of the workers and this helps in general to legalize the economy and workers for some months but cannot help in sustainable employment and sustainable legalization of the economy. This also happens because of the weaknesses of the system itself. Consequently I can conclude that there is not good cooperation between the Work Inspectorate and the RECs. Also in this regard the projects should be more careful" (B/ALMP/6). This aspect needs to be taken into high consideration if ALMP priority stands up for counteracting the black economy.

One interviewed company owner reported that the cooperation with the REC started because he had some good personal relationship with people there. (B/ALMP/12). Most probably this owner had anyway all the right requirements in order to participate into the Programme. It is however important to point out that a nepotistic working approach (quite common in Kosovo) can lead to some level of discretionary subjectivity that can counteract ALMP efforts to guarantee transparency and quality. This would partly explain why the UNDP is so much firm about the need to play a supervising role.

4.2 - Benefits and vulnerabilities: the 'MSP factor'

In general, the position of every partner was reinforced by becoming part of this MSP.

Nonetheless, the reliance on international expertise and capacities in order to identify ALMP objectives, develop and implement the Programme was quite heavy. UNDP played a crucial role in attracting and coordinating the donors and make sure transparency and efficiency criteria were respected, working as actual 'supervisor' of most of the Programme operational areas; moreover it was ILO's and UNDP's technical expertise and supervision to activate the capacity building of MLSW PES (RECs and MEOs).

Acting as part of a MSP, gave also the opportunity to the partners to expand their objectives aiming to strengthen local capacities on the long run and in quite structured way, rather than "limiting" their work to address immediate employment needs.

The most common critiques regarding the role of the UNDP concern the excess of decision-making power, and the fact that the UN agency does not devolve enough functions to locals in order to really develop their capacities and autonomy, summed to perplexities about funds allocation as training provided is deemed to be quite repetitive and there is instead insufficient money to cover the Programme's running costs. However for the moment the MLSW has not developed a real strategy and is not able to run a complex Programme like this on its own.

The international presence in this MSP also contributed to channel efforts to address horizontal inequalities by guaranteeing inclusion quota for vulnerable groups (through gender, ethnic minorities, special needs, low education lenses and selection criteria) and to ensure as much as possible that selected companies fulfill legal requirements to participate in the Programme - even if some critiques were raised regarding the still embedded trend to adopt a nepotistic approach when selecting beneficiaries and to apply scarce control over companies and beneficiaries compliance with legal work and the Programme 's criteria. In a place such as Kosovo, plagued by widespread informal and illegal market, ALMP MSP sent out anyway an important message about the opportunity and the importance to access formal, legitimate jobs. This MSP created space for collaboration and dialogue amongst actors who had not previously identified this potential cooperation as a strong asset to work in a more effective and sustainable way. ALMP promoted Interministerial collaboration (between MEST and MLSW) and also favoured a much more regular and productive working communication flow between companies, VTCs and RECs.

5. On the external impact of ALMP

This section examines the intended and actual outcomes and impacts of ALMP on beneficiaries - and external stakeholders - particularly in relation to sustainability, human security and peacebuilding concerns. This is also done by including claims and views of key members and external stakeholders.

Since the creation of the EGP in 2005, one of the main lacks identified by UNDP jointly with MLSW was the incapacity of labour market institutions to plan and implement programs able to tackle unemployment and facilitate labour demand meeting labour offer. One of the two main ALMP intended outcomes was therefore: institutional capacities are developed,

institutions are able to implement, monitor and evaluate policies and programmes promoting youth employment.

The ILO was hired in order to provide technical support and transfer specialist skills to the MLSW officers (Mukkavilli, 2008: 23). The capacities of PES before the training was provided were indeed limited. As a result, before the changes resulted by EGP and ALMP implementation, many jobless people were not contacting the accountable offices because they were not expecting any useful support from the PES, as these offices were mainly limiting themselves to mere registration of the job seekers (B/ALMP/11; *ibid.*). The ILO brought orientation and refresher training for all the counsellors. The employment counsellors working in the MLSW PES underwent a training process in order to develop professional capacities and change working methodology. They acquired more competencies in order to apply a client segmentation approach that would ensure more direct attention to the needs of the client (e.g. Is he/she at risk of high, medium or long term unemployment? which kind of specific services does this client need?) and to accurately research, “collect and analyze the skills needs of enterprises and to develop competency profiles” (UNDP/ALMP, 2009: 3) in order to better match the work supply with the work demand. PES became more proactive and able to create links with other actors to support the labour market development, resulting in a pool of trained personnel able to guide and support job seekers.

Through ALMP the public's perception of PES utility changed substantially in a positive way, according to UNDP. “Before ALMP was initiated jobseekers were going to the employment office to register as unemployed and were expecting almost nothing back. With ALMP people started to realize that they could gain a real job; this also implied a high rise in the registration of the unemployed as jobseekers, because they felt that they could actually be supported by those offices” (B/ALMP/11).

The interviewed PES officers revealed a good level of satisfaction about the skills acquired and ALMP overall intervention, keeping however a pretty general description of the changes provided in terms of technical skills: “this program increased the capacities of our institutions to deal with unemployment” (B/ALMP/9), “our actual capacities have qualitatively progressed and the staff is now capable of realizing its duties” (B/ALMP/21) , “as result of this program the general performance of our institutions , of the labour market, and of our expertise has been upgraded” (B/ALMP/9). However all of them were more detailed in highlighting what is lacking in terms of -how they define them- quantitative capacities: human and financial resources. These are deemed to be insufficient to cover the running costs and operational functions to work properly. According to them funds allocation should be reconsidered. "With this kind of projects and with this amount of money it cannot be initiated and established any sustainable active employment policies in Kosovo. To achieve this and to support the comprehensive development of the labour market there is need for much more financial support. But these projects are serving as good models in this direction" (B/ALMP/9), reported a MLSW officer.

The ILO reported a similar opinion: "It is unlikely that the employment and training services would be able to implement the active measures according to the new operational guidelines without a re-alignment of human and financial resources" (ILO, 2009: 5). The ILO raised a few recommendations to UNDP regarding the sustainability and viability of ALMP. Suggestions concerned the re-alignment of human and financial resources of ALMP in order to be able to achieve the intended outcomes and a set of methodologies (e.g. extension of the IT-based system for the registration of the unemployed and of companies/vacancies) in order to ensure better transparency and accuracy in selecting participants and non participants and ALMP implementation. Moreover it was found that Employment Centres were not verifying assiduously all the time the respect of application of the legal provisions concerning (participating) enterprises paying taxes and social security contributions. (ibid.)

Most of the locals involved in ALMP agree that the big concentration of power and control held by UNDP over the project is detrimental for the development of national capacities for several reasons: first, it is perceived that consulting mainly its institutional counterparts, MLSW and MEST, UNDP lost, or temporarily hindered, one opportunity to work to develop grassroots involvement and capacities in the endeavour against youth unemployment which should rather constitute a national priority, shared by diverse components of the society (B/ALMP/6; Mukkavilli, 2008: 44-46).

Secondly, many of the administrative and operational functions which are now performed by the UNDP team - like "processing of individual applications, engagement in enterprises' selection, inspection for payment of trainers and trainees" (Mukkavilli, 2008:8) - could be assigned to local counterparts and implementing partners. This would imply more direct experience for the nationals of the management of the project, enhanced responsibility and control in order to ensure the programme functioning. The more the functions which can be delegated are instead kept within UNDP, the more it will be difficult to ensure the project's sustainability in the future. Also, the evaluation document suggested, the UNDP team could be employed for "higher-order" functions such as market research, innovative programming, documentation of lessons, best practices" (ibid.) contributing to upgrade the overall impact of the project.

Thirdly, UNDP leadership shed more light on MLSW lacks: for many interviewees it is clear that MLSW, as it is structured now, would have difficulties managing a Programme like ALMP on its own. Some actors identify the need of creating a Body dealing exclusively with the (un)employment problem in Kosovo, and coordinating Active Labour market activities and similiar initiatives. One suggests that PES should be "transformed into an independent agency [from MLSW] that would provide for financial and political autonomy" (B/ALMP/7). Another one says that "the Ministry should be the Institution coordinating diverse initiatives aiming to tackle unemployment, also in order to avoid projects overlapping, but usually international agencies do that autonomously because otherwise they could keep waiting for a long time. Lastly, there have been attempts from both MEST and MLSW to coordinate donors, international agencies and other relevant actors' efforts and work, still the coordination capacity of MLSW needs to improve" (B/ALMP/11).

The second outcome envisaged by ALMP concerns the ‘direct assistance to unemployed youth through a number of active measures, rigorously designed, implemented, monitored and evaluated’ (UNDP/ALMP, 2008: 3). This also matches YEAP outcome C1: “Increased number of disadvantaged youth participating in employment activation programmes.” (UNDP/ALMP, 2007: 5).

As already mentioned in the previous chapters, a survey prior to EGP activation revealed that one of the most urgent needs to be addressed to tackle youth unemployment was that 96.3% (Mukkavilli, 2008: 6) of the unemployed in Kosovo had no working experience, showing the importance to provide young unemployed with a substantial period of work experience “with a real employer to foster those core employability skills valued by the labour market” (B/ALMP/18). The identification of this barrier preventing young people from getting closer to employment opportunities partially explains why so much effort was spent in introducing and then continuously upgrading these active labour measures/schemes which should pragmatically help overcoming that limit.

The measures/schemes impact were monitored and, based on the evaluation and efficiency of each of them compared to the labour market demand, kept and implemented or removed. The total number of beneficiaries covered by EGP and ALMP is 7,552 (around half of these people were involved in Public works projects activated in 2005 and 2006 though, which lasted only few weeks) (UNDP/ALMP 2009: 3).

ALMP was created in order to improve the employability conditions of the group that was identified mostly at risk of long term unemployment (Youth) but also increased its efforts to respond to further potential factors of vulnerability affecting the Kosovans by paying attention to including people on the basis of their gender, ethnicity and (low) education attainment: “The individual eligibility criteria were designed around the determinants of labour market disadvantage in Kosovo, such as, age group (young people in the age group of 15 to 29 years), length of unemployment (registered as unemployed for at least six months), educational attainment (priority was granted to those who have not completed primary and secondary education), gender (the project reserved 50% of the places to young women), work experience (the project primarily targeted first time jobseekers) and household characteristics (priority was granted to those belonging to households receiving social assistance)” (Mukkavilli, 2008: 58).

According to the external evaluation, which conducted a survey with 399 young people (314 beneficiaries and 85 youngsters belonging to the control group)⁵⁶ in order to depict the impact of ALMP on the beneficiaries and the control group, in 2008 the beneficiaries had ‘a significant higher rate of employment than non-beneficiaries: 46% of the beneficiaries were employed whilst 54% were not. Among the control group, 20% of them were employed, reinforcing the

56 A control group made of young non- participants with similar characteristics to ALMP beneficiaries' ones was set up by the Programme management since 2007: "Out of the total number of eligible individuals, the Project will randomly select participants and non-participants. Non-participants will form the control group of the Project and will be used to measure the Project's performance as well as to carry out the impact evaluation. The total number of non-participants will be no less than 20% of end beneficiaries. The employment status of individuals in the control group— to be exposed only to the standard counselling and placement services— will be monitored regularly" (Annex III, Operational Guidelines ,UNDP/ALMP, 2007: 7).

idea that ALMP had a good impact in widening employment opportunities for the beneficiaries (Mukkavilli, 2008: 27).

From its very beginning, the programme has been on target reaching high percentages of foreseen beneficiaries (UNDP/ALMP, 2009). The vast majority of program beneficiaries are Kosovo Albanians. The minority groups representation stood at 21% (UNDP/ALMP, 2008:3) in 2008 and at 8% in 2009 (UNDP, 2009: 3). The explanation of this declining trend was referred by UNDP to the events related to the declaration of independence by the Kosovo Institutions (UNDP, 2009: 10). In the previous years the minorities' representation was high, similar to the one depicted in 2008. In order to secure high rates of beneficiaries belonging to ethnic minorities, often eligibility requirements have been loosely applied, selecting the candidates using positive discrimination criteria (e.g. lifting the maximum age from 29 to 35 years old for candidates belonging to ethnic minorities). "Minorities fill an important part of our project. Even though in Kosovo they represent not more than 7% of the total population, they participate in our project with 20%" (B/ALMP/9).

According to UNDP data the gender distribution is quite balanced (56% of males beneficiaries and 44% of females beneficiaries (UNDP/ALMP, 2009: 12). Also, according to the external evaluation survey, ALMP has contributed lowering the gender gap of employed participants. Whereas the survey found that 56% of employed beneficiaries were male and 44% female, among the control group 71% of employed were male and 29% female (Mukkavilli, 2008: 66; B/ALMP/13).

This supports the idea that it is important to carry on adopting a reverse discrimination strategy to ensure equal opportunities in the labour market in Kosovo. Also, the geographic coverage was quite balanced, with "46% of beneficiaries approved being from urban areas and 54% from rural areas" in 2009 (2009, UNDP: 11). This data was quite similar to the previous years' situation. The evaluation report highlighted however that especially beneficiaries coming from the rural areas experienced problems with transportation from their house to the training facilities (Mukkavilli, 2008: 77). 53% of beneficiaries interviewed affirmed that they were very much satisfied with the training provided by the employer, whilst 44% of them declared to be satisfied. Also, 50% of the interviewees said that s/he used the skills gained in the training, 25% used them very much and 16% reported they did not. This could suggest that individual employment plans rolled out by ALMP were successful matching job seekers interests and wished career on the one hand and training/employment activities on the other. However also non beneficiaries of the control group revealed that they were very satisfied with their job. In a context like Kosovo where unemployment is so widely spread, it is likely that people tend to be satisfied with anything that can secure their monthly wage.

ALMP achievements regarding this outcome are indeed many. Trainers and beneficiaries have however identified room for further improvement. In terms of understanding what training opportunities are available to young unemployed, the curriculum - which for ALMP was drafted by VTCs, MLSW and ILO (B/ALMP/1) - still needs much work in terms of designing professional profiles which are very much demanded by the labour market (e.g. electricians, plumbers) and which are not offered at the moment by VTCs (some of these profiles are

offered by Don Bosko but there is not enough absorbing capacity). These are expensive courses but could help matching labour demand and labour offer (B/ALMP/1).

Also, the external evaluation highlighted that "there are some areas of mismatch between the sub-sectors in which training was provided by the project and the current employment profile of the beneficiaries. Good market research could to some extent alleviate such distortions and direct the resources to sub-sectors in proportion to their employment prospects" (Mukkavilli, 2008: 29)

One problem which hampers the accessibility to the Project is related to the fact that large portions of unemployed youth do not register because the idea of inefficacy of the employment centres has been consolidated over the years. In this way the project misses many potentially eligible low educated un-registered job seekers. This is also why it would be important for the MSP to work more on a horizontal basis, involving civil society components and raising visibility, maximising the reach of the project by going where the young job seekers are besides the PES.

Another weakness of the Program concerns the selection criteria, which require that the "beneficiary who will benefit from the schemes is removed from the social scheme. But if he/she will not continue working and be employed after the scheme ends, he/she needs 6 months to be included into social [assistance benefit] schemes again. In this direction our system should be much more flexible" (B/ALMP/13). This situation can create a disincentive for potential beneficiaries to register as unemployed with the PES. Also, it leads some REC officers to do not inform "colleagues from social assistance department about people that are included in ALMP or LUX, in order not to remove them from the social assistance scheme" (B/ALMP/13). Officers understand that this action is not in accordance with the law but some prefer "to help beneficiaries instead of making their life harder" (*ibid.*). In terms of mainstreaming and impact, "the biggest problem with these projects is that they are planned for a limited number of people. Therefore there is disproportion between job-seekers and people benefiting from these schemes. However I consider that they are very positive, particularly for the most vulnerable groups of people. Through these projects are supported those categories of people that have limited possibility of employability" (B/ALMP/7). The good impact on vulnerable groups is recognized, however it is reminded that without scaling up the Programme to include larger population sections the scope will be very modest when compared with the high unemployment rates affecting Kosovo.

Moreover, it is generally recognized the importance of keeping specific and accurate criteria in order to secure inclusion of vulnerable groups. However, two remarks are in order here: first, officers interviewed reported that the affirmative selection criteria for vulnerable group were right in principle but problematic to be applied in reality (e.g. to keep gender balance at 50%-50% or secure training and employment placements to Kosovo Serbs in the Mitrovica/e area where the cooperation of this group's institution and population is minimal). Officers might be 'frustrated' because it implied more effort and more work in order to secure good inclusion rates - that is a necessary step- but also because the requirements are perceived as too rigid also in situations where it is very difficult to accomplish them. This should be further discussed in

the boards (it is important to maintain high quality and inclusiveness but also to act flexibly when needed).

Secondly, it was observed that whereas the schemes securing places for low skilled jobs (OJT) are particularly successful, job-seekers with higher education do not receive much opportunities from the Kosovo's institutions: "Only our Ministry [MLSW] has positively reacted in our demand to have in our REC 3 interns. Therefore actually we have one lawyer and two sociologists" (B/ALMP/13). In a Country that needs to invest also in higher skills to rule the State and where brain drain is very much lamented, it would be important to invest more resources to increase the Internship Scheme (which now represents 6% of ALMP coverage, see table 1 chapter 2.1), for fresh graduates to get first working experience.

In overall terms, ALMP is deemed useful and successful when it comes to analysing its impact on unemployed youth. In other terms, it is a widespread opinion that it has reached most of its targets; however many think that it is not sustainable. This would be the case for several reasons: because it addresses only small population's sections; because neither local institutions are strong enough to run it autonomously nor MLSW has donor coordination capacity and has not allocated further money for ALMP; because the MSP has not built upon wider social components involvement) and is rather depicted as a pilot project to be included in future wider Programmes tackling unemployment in Kosovo.

A better balance between UNDP and MLSW functions should be looked for and defined in order to positively affect the Programme and MSP and guarantee that capacities are actually developed and transferred for local actors being able to run a similar program autonomously. Without Governmental political commitment to invest in such Programs and assertive willingness to design a strategy able to convince donors to invest money in poverty alleviation by implementing employment generation activities, linked to strengthened capacities to coordinate such donors, it will be difficult anyway to guarantee any serious continuation of ALMP and similar programmes. In this sense, ALMP MSP could have prevented local actors from assuming important responsibilities in order to foster ALMP sustainability and embed the capacities to run it in their own institutions.

In relation to human security and peacebuilding, it is important to point out that among other factors, the creation of EGP and ALMP was also built as a response to the violence spread by the March 2004 riots. The outcomes of ALMP are not explicitly and directly concerned with human security and peace building but move towards the legitimization and strengthening of institutions (even if there is room for further improvement, undoubtedly PES are now more able to respond to unemployed people's needs and ALMP has contributed improving their reputation and visibility), reducing the risk of political disaffection and discontent of the constituencies; work for affirming vulnerable groups inclusion in employment generation activities, reducing their poverty and powerlessness, favouring their integration in the wider community and reducing the risk of social protests and turmoil.

6. On the Significance of International Actors

This section briefly identifies and characterises the role and significance of UNDP. It looks at how UNDP affected the MSP formation, development, operation, sustainability and how this impacted on peacebuilding and human security. It also seeks to identify missed opportunities, or what could have been done better.

The UNDP is the international actor which played a major role for ALMP MSP and impact. The main declared objective of UNDP throughout the World is to promote development and alleviate poverty: "On longer term we as UNDP in Kosovo look at the development goals as agreed by the UN assembly, which assert that poverty should be reduced by half by the year 2017" (B/ALMP/4).

The promotion of employment generation implies a multi-faceted task, requiring a holistic approach with regard to the enabling environment, as well as to the stimulation of human capital and skills development. ALMP represented for UNDP a first step, a project to see how to bring these elements together and see how they could work in the Kosovo context.

According to UNDP officers, ALMP was conceived and developed envisaging Kosovo as gradually moving towards European integration. Consequently, UNDP was interested in making the Government and specifically its main national counterpart in the MSP, MLSW, fully accountable for the Programme cycle, following indications and standardizations as presented by the path leading towards European integration.

The significance of UNDP for the ALMP MSP and Programme was thoroughly described and analysed in the previous chapters. However, here the main relevant points that help depicting this powerful organization's role are listed:

Formation: The UNDP conceived EGP firstly and ALMP later in tight cooperation with MLSW, the two actors representing respectively the international and national fathers of this initiative. UNDP was assigned to the socioeconomic component of development by UNMIK; the interests and capacities of UNDP were therefore extremely relevant to activate a Programme concerned with employment generation.

Development: The UNDP played a major role in defining how ALMP should be developed and changed according to new needs and challenges emerging and being identified. The programme structure was adjusted with the insertion of new schemes if deemed useful and the removal of the ones considered out of date or not viable. Similarly, the MSP composition changed, UNDP invited MEST to participate to improve ALMP work. This consequently created room for stronger interministerial cooperation (MEST-MLSW).

Again, it was UNDP's networking capacity to bring in the donors which allowed to gather the Programme funding. UNDP - intentional or unintentional - incapacity to identify since the very beginning important stakeholders to be included, or ensure their representation (e.g. Civil society, including youth organizations; Trade Unions; Chamber of Commerce) in the

Programme, represents a problem for ALMP sustainability and impact, even if this lack was justified by UNDP with the fact that ALMP objectives were moving in a different direction.

Operation: UNDP kept strong control over the main managing functions of the Programme while MLSW and other actors dealt mainly with the implementation steps. Formally UNDP wanted to transfer their competences and areas of work to National counterparts. Actually, this transfer is very slow and weak as UNDP deems the Programme to work better if they keep important functions in-house. The rationale behind this choice is also due to fear of corruption and lack of transparency that could emerge from devolving functions to the nationals.

Sustainability: The above mentioned choice had repercussions over the sustainability of the Programme. There is concern about national capacities to be able to manage the Programme autonomously as UNDP keeps many important functions in its own hands. However UNDP set the national development capacity as a top priority. Also, UNDP involved ILO in order to deliver technical training to MLSW officers. ILO officers reported that the sustainability of the Programme is unrealistic unless funds and human resources are going to be realigned (e.g. invest more money in sustaining the Programme functioning rather than in quite repetitive and expensive training). The UNDP's role in this case was to motivate as much as possible the national accountable actors to invest more money for covering the Programme running costs as donors would not agree to invest money in that sense (they rather want to cover expenses for beneficiaries).

Impact: UNDP played a major role in strengthening the impact of ALMP, though limited in scope, addressing youth unemployment. Also, its presence was crucial in order to secure quality and inclusion criteria: ensuring transparency; supporting formal work and valuing companies which are in line with national regulations; favouring vulnerable groups' involvement in ALMP. These aspects are essential in order to create a 'good practice and norms diffusion platform' that Locals should continue using also when the International presence will be reduced to a minimum degree.

Also, the respect of these qualitative and inclusive standards has positive potential repercussions on human security and peacebuilding objectives. Trust in institutions can be built only if there is transparency and if it is perceived that the Government invests resources and efforts to protect the most vulnerable groups (aiming however to favour every citizen's development and well-being). UNDP's role has for sure contributed to pave the way in this direction.

Considering what could have been done better, or missed opportunities, a few considerations are in order. The UNDP could have started planning a Programme like this in the conflict aftermath, when funding was more substantially flowing to Kosovo and the need to create job opportunities very visible, in order to do not lose "the golden hour" (see above). The identification of actors and stakeholders to be involved since the beginning should have been dealt with more carefully (civil society, Trade Unions, MEST) in order to create a stronger partnership, involve more the social components and favour in this way the Programme's sustainability. During the MULTIPART Roundtable held in Prishtinë/Priština in February

2010 on ALMP, UNDP representatives said that the next phase of ALMP will focus much more on enlarging the partnership including key actors such as Trade Unions, Chamber of Commerce, civil society.

One of the main challenges posed to MSPs consists in finding a balance between national and international roles and leadership. However, UNDP could have paid more attention to identify ways to devolve more its functions to the locals. Even if it is clear that the responsibility to cover the Programme's running costs lies over the nationals, UNDP could have reconsidered the way the available funding is distributed.

Through the interviews gathered during the researching process, this study came across important information regarding internationally funded Programmes in Kosovo, which have goals and objectives that are similar to those of ALMP. Among them one may mention:

The LUX Development Programme

The LUX programme is very similar to ALMP, but it supports more directly the VTCs and the MLSW VTC division (while ALMP deals more with MLSW Employment Division). Its main donor is Luxembourg. A component of the LUX Programme offers, like ALMP, OJT schemes but has involved very few participants when compared with ALMP and therefore LUX initiative is more considered to complement ALMP rather than being its competitor (B/ALMP/16).

Interviewed PES officers affirmed that "the ALMP training plan is much more complicated and comprehensive than what Lux is asking for. There is need for at least four pages detailed plan of training [with ALMP]. While for Lux the whole process is much more flexible and the plan can be prepared in just one page" (B/ALMP/17). This Programme uses national or regional (from the Balkans) expertise, lowering very much the staff cost. "The cost of the national expertise is much lower than international expertise. As alternative it is good option to use also regional expertise which is also at least half cheaper than international expertise. We in Lux Development are using experts from Albania. And only as a last resort for the fields where we lack national and regional expertise, international experts can be used" (B/ALMP/16).

EUKOSVET

Regarding EUKOSVET, this study could only gather the fragmented information that was available at the time of conducting fieldwork. The website of EUKOSVET is under construction, and therefore it is only possible to rely on the scarce information available through interviews. The EUKOSVET, also known as G6, will support RECs and different employment schemes. The project is supported by France, Germany and Sweden (B/ALMP/13).

UNDP ALMP project manager affirmed that "the EC visited us to see how we work and which areas of intervention against unemployment we are more involved in. Our idea is to collaborate more with other actors [like this] on this issue and to integrate more and more EU actors for the future" (B/ALMP/11).

A REC officer was quite informed about the Programme: “EUKOSVET 6 is under preparation. This project is having two schemes. One scheme is dealing again with on-job training and about 1.500 job-seekers will benefit and the other scheme is start-up of the business where about 500 job-seekers will benefit. This project is financed by EU, which is in the process of drafting and it is going to learn quite a lot from previous projects” (B/ALMP/17). It could be indeed useful for the EU new programme to learn from ALMP's good practices and lessons learnt in order to keep them as guidelines as well as taking into account this MSP's mistakes in order to avoid them.

7. Conclusions

ALMP MSP was born first of all as the result of MLSW and UNDP's commitment to join their work in order to create job opportunities, identifying as main target young registered unemployed. As long as the Programme grew, the MSP focused also on strengthening Institutional capacities to run employment services and programmes. ALMP is characterised by a good level of institutionalization, given by MLSW and MEST involvement and the fact that ALMP is very much in line with the Governmental YEAP. MLSW and UNDP played a crucial role in defining which social, political and economic actors to invite and involve in the MSP.

The MSP composition has changed over time: as long as new needs were identified and the complexity of the challenge to tackle unemployment was more widely acknowledged, new actors were invited on board (e.g. MEST involvement at later stage). However, in terms of actors inclusion, ALMP can be defined as a top-down MSP, aiming especially to strengthen local institutional capacities and deeming that involvement of civil society and grassroots organizations would follow. Indeed, important actors were missed out (grassroots and civil society organizations - including Youth's ones - involvement has not been pursued as a priority by neither UNDP nor MLSW; Trade Unions and Chamber of Commerce that should represent social and businesses stakes were invited but did not participate into meetings nor took part into the decision making process). This is reflected by the Project and Regional Boards composition: only representatives of MLSW and UNDP participate in these decision making and managing bodies, reflecting a quite bilateral rather than multi-stakeholder partnership mentality.

In general terms, the position of every partner has been reinforced by becoming part of this MSP. Nonetheless, the reliance on international expertise and capacities in order to identify ALMP objectives, develop and implement the Programme was quite heavy. UNDP played a crucial role in attracting and coordinating the donors and make sure that transparency and efficiency criteria were respected, working as actual ‘supervisor’ of most of the Programme operational areas; moreover it was ILO's and UNDP's technical expertise and supervision to activate the capacity building of MLSW PES (RECs and MEOs). The ALMP MSP also expanded the scope of what single actors alone would have focused on (addressing immediate employment needs), adopting a sustainability perspective aiming to strengthen local capacities on the long run.

The strong international presence of this MSP was criticized: UNDP is deemed to have excessive decision making power and to not devolve enough functions to locals in order to really develop their capacities and autonomy; this is summed to perplexities about funds allocation as training provided is considered to be quite repetitive and not substantial while there is few money to cover the running costs of the Programme. However, National actors (MLSW, MEST) have not developed, up to now, a real strategy and are not able to run a complex Programme like ALMP on their own. Moreover, the international presence in the MSP contributed to channel efforts in order to address horizontal inequalities by guaranteeing inclusion quota for vulnerable groups (through gender, ethnic minorities, special needs, low education lenses and selection criteria) and to ensure that selected companies fulfill legal requirements to participate in the Programme. In a place such as Kosovo, plagued by widespread informal and illegal market, ALMP MSP has sent out an important message about the opportunity and the importance to access formal, legitimate jobs; it contributed to set a basis of good practice and norms diffusion that have a strong role in building national capacities.

This MSP created space for collaboration and dialogue among actors who had not previously identified the existence of potential cooperation as a strong asset. ALMP promoted Inter-ministerial collaboration (between MEST and MLSW) and also favoured a much more regular and productive working communication flow between companies, VTCs and RECs.

ALMP is deemed useful and successful when it comes to analyse its impact on young unemployed (it has reached most of its targets); however many think that it is not sustainable (for several reasons: because it addresses only small population's sections; because neither local institutions are strong enough to run it autonomously nor MLSW has donor coordination capacity and has not allocated further money for ALMP; because the MSP has not built upon wider social components involvement) and is rather depicted as a pilot project. The impact on poverty cannot be notable unless there is strong political commitment behind to scale ALMP up and link it with a wider effort against unemployment, approve a final comprehensive Law securing labour protection, raise education standards, favour private investment and development/creation of new jobs.

A better balance between UNDP and MLSW functions should be looked for and defined in order to positively affect the Programme and MSP and guarantee that capacities are actually developed and transferred for local actors being able to run a similar program autonomously. Without Governmental political commitment to invest in such Programs and assertive willingness to design a strategy able to convince donors to invest money in poverty alleviation by implementing employment generation activities, linked to strengthened capacities to coordinate such donors, it will be difficult anyway to guarantee any serious continuation of ALMP and similar programmes. In this sense, ALMP MSP could have prevented local actors from assuming important responsibilities in order to foster ALMP sustainability and embed the capacities to run it in their own institutions.

Regarding ALMP MSP linkages with Human security and Peacebuilding implications, it is important to point out that among other factors, the creation of EGP and ALMP was also built as a response to the violence spread by the March 2004 riots, exemplifying the role that can be played by socioeconomic development initiatives working to attenuate human insecurity. The objectives of ALMP are not directly concerned with human security and peace building but move towards the legitimization and strengthening of institutions (even if there is room for further improvement, undoubtedly PES are now more able to respond to unemployed people's needs and ALMP contributed improving their reputation and visibility), reducing the risk of political disaffection and discontent of the constituencies; work for affirming vulnerable groups inclusion in employment generation activities, reducing their poverty and powerlessness, favouring their integration in the wider community and reducing the risk of social protests and turmoil.

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- Information on the LUX Programme can be accessed at:

http://www.lux-development.lu/pays_details.lasso?lang=uk&pays=bal&pro=12806259

- Information on the EUKOSVET Programme can be accessed at:

<http://eukosvet6.com/>

ANNEX 1: INTERVIEWS

CODENAME	NAME	POSITION	INSTITUTION	TYPE OF ACTOR	PLACE AND DATE OF INTERVIEW

B/ALMP/1	Abdullah Musini	Counsellor for Vocational Training	Regional Employment Centre Mitrovica	Public	Mitrovica, 11/12/2009
B/ALMP/2	Agon Maliqi	Project Manager and Political Advisor	Norwegian Embassy in Prishtina	Public	Prishtina, 19/11/2009
B/ALMP/3	Ahmet Beselica	Entrepreneur	Company "Iliria"	Private	Fushë Kosovë, 10/11/2009
B/ALMP/4	Tetsuo Kondo	Deputy Head	UNDP	Public	Prishtina, 09/12/2009
B/ALMP/5	Ferdane Haxhimeti	Director	Mitrovica Vocational Training Centre	Public	Mitrovica, 10/12/2009
B/ALMP/6	Anton Gojani	Coordinator	Don Bosko Centre	Public	Prishtina, 08/10/2009
B/ALMP/7	Bislim Lekiqi	Director	Regional Employment Centre Ferizaj	Public	Ferizaj, 09/11/2009
B/ALMP/8	Fahredin Tahiri	Worker (ex beneficiary of ALMP)	Company "Baumetal"	Private	Mitrovica, 11/12/2009
B/ALMP/9	Hafiz Leka	Head	Employment Division of MLSW	Public	Prishtina, 29/09/2009
B/ALMP/10	Hajriz Ahmeti	Entrepreneur	Company "Baumetal"	Private	Mitrovica, 11/12/2009
B/ALMP/11	Yllka Gerdovci	ALMP Project Manager	UNDP	Public	10/12/2009
B/ALMP/12	Qerim Bega; Bashkim Vraku; Kenan Abiti	Entrepreneur, Current employees and ex beneficiaries of ALMP	Company "Belushi"	Private	Ferizaj, 09/11/2009
B/ALMP/13	Anonymous	Anonymous	Anonymous	Public	Mitrovica, 11/12/2009
B/ALMP/14	Ryve Prekorogja	Vocational education Department Officer	Ministry of Education, Science and Technology	Public	Prishtina, 05/11/2009
B/ALMP/15	Shasivar Sadiku	Head	Regional Vocational Training Centre	Public	Prishtina, 01/10/2009

			of Prishtina		
B/ALMP/16	Vedat Macastena	Project Manager; Ex PM of ALMP	Lux Development Project	Public	Prishtina, 12/10/2009
B/ALMP/17	Alben Sherifi; Zenel Avdili; Naim Idrizi; Fadil Avdyli; Musli Beqiri	Director and trainers	Vocational Training Centre of Ferizaj	Public	Ferizaj 09/11/2009
B/ALMP/18	Valli Corbanese	Project Manager (ex ILO officer in Prishtina)	UNDP in Belgrade	Public	E-mail, 7/12/2009
B/ALMP/19	Ymrane Lila, Shkurte Kecekolla, Venoza Visoka	Owner, Current employees and ex ALMP beneficiaries	Kindergarten "Eni Adu Ars"	Private	Prishtina, 10/11/2009
B/ALMP/20	Zamira Hyseni	Executive Director	Kosovo Mental Disability Rights Initiative	Public	20/11/2009
B/ALMP/21	Zyfikli Obertinca	Head	Regional employment Centre Prishtina	Public	02/10/2009

Chapter 5

Breaking the ‘Curse’ in the Democratic Republic of Congo? The *Extractive Industries Transparency Initiative (EITI)*

by Vidya Marapin

University of Amsterdam

NAME	EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)
Description	EITI is a ‘globally developed standard that promotes revenue transparency at the local level’, ⁵⁷ aiming to have more transparency in extractive sectors. It is a coalition of governments, companies, civil society, investors and international organizations. EITI is an international initiative, which has an implementing committee operating on the national level of the DRC.
Actors involved ⁵⁸	The Comité d’Execution consists of Public: President’s Office, 5 ministries (Plan, Mines, Oil, Environment, Finance) Private: 6 representatives (unspecified) Civic: 6 representatives (amongst which Réseau Ressources Naturelles and Publish What You Pay) International:
Ownership ⁵⁹	Investment: Donors (unspecified) Planning: Comité d’Execution Decision making: Comité d’Execution Implementation: Technical subcommissions, assisted by the secretariat technique
Issue Area	Advocating and implementing revenue transparency in the sectors of Diamonds, Timber, Copper and Cobalt
Geographic Range	EITI DRC is operating on a national scale
Time Scale ⁶⁰	September 2007- May 2010 (2,5 years)
Operation & Institutionalization	

⁵⁷ <http://eitransparency.org/eiti>, 12-02-2010.

⁵⁸ Based on EITI (2009); little information was to be found in the descriptives part of the interviews

⁵⁹ Based on EITI (2009)

⁶⁰ The time scale is shortened due to implementation issues since the initiative was adopted in 2005. Also, the current ownership structure has been implemented only in 2009; the former structure (adopted in 2007) proved unviable as a result of the major presence of governmental institutions.

Regular meetings:	Rarely
Decision structure:	Multi-stakeholder

1. Introduction

The socio-economic context in the Democratic Republic of Congo is affected by post-conflict dynamics, in which the existence of conflict related social tensions still have an impact on governmental and developmental initiatives. The context is also complicated by the resilience of political networks based on patrimonial structures and the dependence of the Congolese on the enormous informal sector. The creation of political networks based on patrimonial structures, which worked by satisfying the private interests of those involved (cronyism), has led to widespread corruption within the state bureaucracy and contributed to the economic malaise (Nest et al, 2006: 18).

In the 1990s the political economy changed as a result of a booming informal economy, which ensured millions of Congolese to survive despite the highly fragmented economy, crumbling state services and economic collapse. The informal sector was assisted by social networks, such as family and clans, and civil society organizations, notably churches. (ibid.: 19), and comprised of primary commodities, trade, transport and construction. However, this informal sector crumbled under the new military elites that were allowed to dominate networks in the eastern part of the DRC. The persistence of social networks and the dependence of the economy on those networks characterize the socio-economic landscape.

The main export during the colonial period consisted of copper from Katanga, the copper-rich province which became the centre of extractive activities in colonial times, whereas other provinces lacking natural resources were made profitable by imposing a suitable crop (Turner, 2007: 29) In the period just after independence in 1960, an army mutiny led to the secession of the relatively rich mining province of Katanga from Congo. (Turner, 2007: 32) To this day, Katanga remains the main source for copper production and mining, though the divergence between Kinshasa and its province remain visible throughout the MULTIPART analysis.

The agricultural sector was also affected by the war. Rebel groups prevented villagers from cultivating fields and gathering food and wood in the forest. Especially women were prone to become victims of sexual violence carried out by soldiers. The conflict has consequently reduced goods and services that were produced and consumed on a shared basis by the same household or extended family without a process of exchange. (Kisangani, 2006: 104) The exodus of labor from agriculture to mining has had a huge effect on subsistence agriculture and overall food security. Especially in Kivus and Oriental provinces, a shift to mining took place. (Kisangani, 2006: 104) The unplanned artisanal mining of Coltan (which is slightly radioactive) in order to gain revenues from trade, has resulted in the destruction of arable land, increasing food scarcity.

The post-conflict situation in Congo is further complicated by the fact that many ordinary citizens have become dependent on the war economy, even though it impoverishes the majority, displaces millions of people, and transforms patterns of land ownership in favor of those who control instruments of violence (Kisangani, 2006: 100).

1.1. The economic context⁶¹

The DRC is an often cited example of the so-called ‘paradox of plenty.’ Extremely rich in natural resources (80% of world wide resources of Coltan, 10% of world wide resources of copper), the population suffers of extreme poverty (80% of the Congolese population lives with less than US\$ 0.20 a day). Since 2003, the return of peace in most of the country, improvements in economic management and transition to a representative government helped economic recovery. As to September 2008, a sharp acceleration of GDP growth to 10 percent was projected for 2008 in addition to a 23 percent increase in export volumes. (IMF, 2008; World Bank, 2009)⁶².

However, falling export prices on the onset of the global financial crisis in late 2008 contributed, - together with a surge in public spending, in order to tackle the escalating conflict in the eastern provinces- , to a weakened macroeconomic performance. Government, therefore, had little room through its own policies to counteract the rapid and unprecedented fall in export revenue and its impact on the Congolese economy.

The adverse impact of the shocks on the balance of payments is still intensifying. The steep drop in export prices is projected to lead to a 53 percent decline in export receipts, mainly reflecting lower receipts from copper, cobalt, and petroleum exports. Although overall imports are expected to decline in response to lower foreign direct investment and slower economic growth, the rapid deterioration of the country’s external financial position threatens to lead to serious shortages of imported goods on the Congolese markets, including petroleum products, food products and construction materials. Shortage of these goods would further undermine economic growth prospects and deepen the crisis impact, including reducing the availability of food staples in larger cities. It could thereby potentially reverse the achievements regarding peace and stability of the past years (*ibid.*).

1.2. The mining sector

Large-scale industrial mining’s (LSM) contribution to the DRC’s GDP, estimated 10% in 2006, was low compared with its buoyant contributions in the mid-seventies before the

⁶¹ Based on Country Study Paper DRC, EGMONT

⁶² International Monetary Fund (IMF). 2008, 23 December. Statement by IMF Staff Mission to the Democratic Republic of the Congo. Press Release No. 08/346. Electronic Document: <http://www.imf.org/external/np/sec/pr/2008/pr08346.htm>; World Bank. 2009, 11 February. Project for a proposed grant in the amount of SDR 66.2 million (US\$100 million equivalent) to the Democratic Republic of Congo for an emergency project to mitigate the impact of the financial crisis. Report No: 47139-ZR. Water and Urban II, Country Department AFCC2, Africa Region.

parastatal companies suffered from mismanagement. However, this is not only related to a production value reduction in large-scale mining, as a result of the decline of productivity of the parastatals. It is also due to a large tax collection gap (as mentioned above). In the DRC LSM does not really exist, because partly physical infrastructure and the ongoing conflict do not provide a basis particularly conducive to LSM investment in the short- to medium-term. The choice is therefore often not whether to mine industrially or to mine artisanally, but whether to mine at all (Garrett, 2007: 40).

Today, the mining business is dominated by artisanal and small-scale mining (ASM) as 80% of the mineral production (up to 100% in the case of cassiterite) is only mined artisanally. Since ASM is almost exclusively informal, its contribution to formal economic accumulation is minimal.

Through the nonexistence of global census data, the true extent of the DRC's ASM sector is unknown, but estimates of people working in the sector range between 500.000 and two million (ibid.: 13). Allowing for five dependents per worker, up to 20% of the DRC's population could be dependent on ASM in their livelihoods. While secondary economies remain underdeveloped, counting in those involved in current supply, trade, control and policing, ASM is a very important part of the DRC's economy.

The government has taken a number of initiatives related to the mining sector, which are of relevance to this ASM sector. In 2002 the government established the legal basis for the sector in the form of the Mining Code, written with the help of the World Bank. The Mining Regulations followed in 2003, and a Mining Plan in 2006. These initiatives underline the importance of the mining sector to the DRC's economy and development process, in which ASM has a particularly important role, as a result of its employment-intensity. However, the progress the central government has made in its sporadic attempts to reform the ASM sector is slowed by significant technical, financial, social, structural and policy-based challenges. This not only illustrates that ASM reform and formalization is a difficult task, but also that the government's capacities are over-stretched given the many other issues it has to deal with, such as humanitarian crises, military integration and continued fighting, as well as issues related to the LSM sector (ibid.: 15-23).

Before the economic crisis, the volume of investments in the mining sector was estimated at 3 billion dollars, the Kinshasa government expected tax revenue of up to 689 million dollars (against 27 million in 2005). The main drivers of the growth slowdown are declining mining output and revenue, and a sharp reduction of foreign direct investment in 2009 (projected from \$2 billion to about \$600 million). As a result, copper mining output in Katanga has been cut dramatically since September 2008 and several investment projects are suspended. Small artisanal mines are closing entirely, and larger mines are sharply reducing investment programs and production. In the mining areas around Katanga, the closure of small mines and reduction of output in large mines has had an immediate negative impact on employment (Perdrix, 2009; World Bank, 2009).

2. EITI as MSP

The MSP chosen for the thematic work package of social and economic development is the Extractive Industries Transparency Initiative (EITI), as operating in the Democratic Republic of Congo (DRC). Though the international board is in itself an MSP, the focus of research will be on the national Comité d'Execution, a multi-stakeholder political committee, dedicated to implementing the EITI standards in the DRC. The worldwide initiative is a large internationally operating platform for implementing and promoting transparency in the extractive industries, and has been found applicable for the MULTIPART research objectives in the country case context of the DRC.

EITI is a 'globally developed standard that promotes revenue transparency at the local level',⁶³ aiming to have more transparency in extractive sectors. It is a coalition of governments, companies, civil society, investors and international organizations. Given the objective to promote transparency in extractive sectors, which are usually occupied by multinationals and multiple interest seeking actors, the pursuit of a standard has been adjusted to the volatility of the sector. As EITI officials write; 'through robust yet flexible methodology company payments and government revenues from oil, gas and mining are published, and discrepancies reduced' (EITI, 2009).

Although the EITI board and the international secretariat are called 'the custodians of the EITI process', it should be noted that implementation takes place at the country level, in a process that emphasizes multi-stakeholder participation.

The international initiative sprung to life after a call from Tony Blair, at the World Summit for Sustainable Development in 2002, in Johannesburg. The first plenary conference, officially launching the initiative, was held in 2003 at the Lancaster House in London. The international secretariat was opened in Oslo only in 2007, after which 15 countries were welcomed as Candidate Countries. In February 2008 the validation methodology was agreed on, after which the first validation processes could start. The EITI principles and criteria⁶⁴, agreed at the Lancaster House Conference in June 2003, provide the cornerstone of the initiative. In February 2009, Azerbaijan became the first country to complete the validation 'grid', and has been found the first EITI compliant country. At present,⁶⁵ there are only two Compliant Countries; Azerbaijan and Liberia.

The DRC's transitional government endorsed the EITI and established a multi-stakeholder committee in 2005 with a high degree of civil society representation.⁶⁶ The DRC-EITI has created a governance structure and commissioned two studies on copper in Katanga and diamonds in Kasai. The EITI work plan for 2008 emphasized the decentralized nature of the

⁶³ <http://eititransparency.org/eiti>, last access 12-02-2010.

⁶⁴ <http://eititransparency.org/eiti/principles> (last access 14-04-2010)

⁶⁵ This writing dates April 2010.

⁶⁶ With the help of Publish What You Pay, a coalition was formed to aid the implementation of EITI, <http://www.publishwhatyoupay.org/en/where/coalitions/democratic-republic-congo> (last access 14-04-2010)

EITI in DRC and proposed three new provincial EITI offices in Katanga, Kasai and Bas-Congo. The work plan focused primarily on implementing EITI standards in the sectors of copper, diamonds and timber. Other objectives included strengthening local EITI capacity, developing a 'responsible partnership' between the DRC government and the extractive industries, the preparation and publication of a non-audited report, and the preparation and publication of the audit itself.

The DRC entered the process of validation in February 2008, and was planned to be assessed – or, to use the EITI terminology, be validated – in March 2010. This has been delayed until June 2010.⁶⁷ The first EITI report that the DRC prepared was published on March 22, 2010.⁶⁸ Though presently not yet a Compliant Country, the EITI initiative in DRC is now close to completing its validation 'grid', and possible strengths and weaknesses should surface with respect to the focus on transparency.

2.1. The aim: challenges and opportunities

EITI aims to promote transparency in the extractive industries, through the voluntary implementation of certain transparency standards on a national level. The understanding is that those standards facilitate the process of transparency in revenue reporting, and by doing so, aid the prudent use of resources, provide a solid tax base domestically, reduce corruption and violation of human rights, and in the long run support social and economic growth. This process however, is not straightforward; there are multiple loopholes and cavities which should be targeted in order to reach the long-term goal of sustainable development and economic development.

In 2007, an exploratory study was carried out by Nicholas Garrett, to map the possibilities for the EITI in DRC to include the informal mining sector, or the artisanal and Small-Scale Mining (ASM) sector. The research was carried out in North Kivu, and shows some preliminary observations in the extractive industry, especially in the artisanal sector. The report can be seen as a first step in implementing the EITI nationally, though it can be also be disputed that an actual national implementation will be possible, given the issues of local and patriarchal governance, customary law, conflict areas and the absence of national control. In the case study we will delve more into the above issues.

The report summarizes observations made in the North Kivu province of DRC, with respect to a possible implementation of EITI standards in the employment-intensive artisanal mining sector. This sector is an important economic sector, with careful estimates of up to one fifth of the country's population, or 12.5 million people dependent on it in their livelihoods. (Garrett, 2007: 6) Depending on the mineral, it accounts for up to 100% of the mineral production. However, the characteristics of this informal sector ensure that the contribution to the country's formal economic income is minimal.

⁶⁷ <http://www.itierdc.org/index.html> (last access 14-04-2010)

⁶⁸ Ibid.

With its focus on revenue transparency, the EITI has a ‘particular interest in the sizeable revenue streams’ that pass through this sector. Revenues are largely lost in the informal channels, which bypass the state’s fiscal apparatus – creating a huge tax gap- , thereby depriving the country of much required funds for development, and leaving the communities depending on ASM impoverished.

The ASM sector is characterized by diversity and dynamism, leading to a number of common attributes, such as; employment of last resort (to both skilled and unskilled workers), economic informality, inefficiency, poverty of laborers, exploitation and corruption, lack of statutory law awareness, application and enforcement, limited institutional capacity (which adds to the corruption), no accountable representation, child labor, social problems (such as local conflicts, localized inflation, increased demand on infrastructure and public services, pressure on food prices), safety hazards, health hazards, and environmental degradation (*ibid.*: 15).

The opening up of this sector to tools of revenue transparency and good governance instruments could help alter the characteristics of the ASM sector, if flanked by other initiatives to increase transparency and accountability, and provided the actors engaged find enough incentives to cooperate.

According to Garrett, there are three particular areas in which EITI can help to increase transparency in the state’s interaction with ASM; through license fees, tax payments and export charges. It remains to be seen if the informal sector could be included. However, Garrett concludes that because the ASM does not yet contribute to formal economic accumulation, EITI is not relevant (*ibid.*: 46). Including the informal sector should be kept in perspective though. The discrepancy between the large scale mining sector and artisanal mining, and the consequences for revenue disclosure, non-cash payments, and payments to sub-national governments, has also been noted by the EITI international secretariat, and touched upon in a report following a stakeholder consultation in 2009 (EITI, 2009: 112).

While increasing the transparency might enlarge tax revenue, Garrett warns that increasing the basis for taxes does not contribute to development in itself. The EITI’s contribution would be to provide information to the country’s citizens over the state’s revenues from the ASM sector. ‘It is then in the hands of the Congolese people to hold their leaders to account for the use of those revenues’ (Garret, 2007: 7). Transparency alone will not do the trick.

According to a Revenue Watch Institute analysis,

the prospects for decentralization are uncertain and this presents a major risk for EITI implementation. The current debates hinge on sharing between the national and provincial levels and the methods of fiscal redistribution. Resource rich provinces are opposed to the existing system of 'retrocession' which centralizes revenues before sharing them. They would like to collect revenues at the source and send the residual to the national level. The central government is threatening to break the existing 11 provinces into 27. The politicization of the decentralization debate also impedes a useful assessment

of the different options or their implications for governance of the extractive industries.⁶⁹

With limited institutional and human capacity at both the national and provincial levels, it is unclear how decentralization would foster more transparent and accountable management of natural resources.

2.2. Implementing EITI

Although the DRC is not yet a Compliant Country, the process of implementing EITI standards suggests the existence of a trend towards more accountability and transparency in the extractive industries. This is to be welcomed, given the weight of the mining sector in the national income of DR of Congo; mining accounts for more than one quarter (27,8 %; World Bank 2008) of the DRC's GDP (World Bank, 2008) and for practical all exports of the country (Turner, 2007: 47).⁷⁰ However, the informal sector, much of which does not add to the GDP, is expected to be much larger, though estimates stay out. Another issue is that only three industries are now being assessed on the EITI principles, namely copper/cobalt, diamond, and timber.⁷¹

Following the public statement officially announced at the EITI Conference held in London on 17 March 2005, DRC embarked on the implementation of the initiative and on endorsement of the EITI principles to strengthen transparency and good governance of the extractive industries sector. After some initial difficulties following the national elections in March 2007, the EITI implementation process in the DRC gained some momentum. Due to the commitment of all local stakeholders, some major tasks have been accomplished⁷²:

- Signature of presidential ordonnance N° 07/065 of 3 September 2007 concerning the creation, organisation and operation of the national EITI committee;
- Nomination of members of the multi stakeholder political and technical committee by ministerial decree N° 24-26 CAB/MIN. PL/2007 of 12 October 2007;
- Election and subsequent nomination of the members of the permanent secretariat by Ministerial decree N° 27 CAB/MIN. PL/2007 of 10 December 2007;
- Publication of the budgeted work program with the support of all stakeholder groups on 12 December 2007;
- In January 2008 the National Committee organised an international EITI Forum in Kinshasa;

⁶⁹ See <http://www.revenuewatch.org/our-work/countries/drc-transparency.php> .

⁷⁰ A significant share of minerals (especially copper and cobalt) is mined informally and exported illicitly. According to Turner, a local source estimated that at least ¾ of the total minerals exported were illicitly traded. The estimated losses as a result of the informal mining and illegal trade are believed to be as high as \$ 1.1 billion in 2007 (Turner, 2007: 47).

⁷¹ Information based on reporting sheets MULTIPART, provided by EGMONT institute

⁷² The information was found on <http://eitransparency.org/DR Congo>, 21/12/2009

- During a World Bank and GTZ mission to Kinshasa in March 2009, a plan for timely reporting and validation was agreed with the interim Committee and the Government;
- Preparations for the first report have succeeded; a first DRC EITI report has been published;
- Signature of ministerial decree N° 09/28 of 16 July 2009 concerning the creation, organisation and operation of the national EITI-DRC committee;
- Nomination of the coordinator of the permanent secretariat by presidential ordonnance N° 09/94 of 7 october 2009.

The actual implementation of EITI is responsibility of a multi-stakeholder political committee, called the ‘Comité d’Execution’, which constitutes the primary focus of our research. The day-to-day implementation of the work program is the task of a permanent secretariat (Secrétariat technique). Mr Olivier Kamitatu, Minister of Plan leads the EITI multi-stakeholder group. Mrs. Christian Mambu serves as the National Coordinator for EITI-DRC.

Interestingly enough, the difficulties in the implementation phase of EITI in DRC are ascribed to the post-conflict context (EITI, 2009: 46; MultiPart interviews), and touch upon issues of distrust and suspicion. The focus of EITI in the implementing process was therefore put on trust-building between and within the EITI stakeholder groups – government, companies and civil society – my means of extensive stakeholder engagement (EITI, 2009: 46). This brings an extra dimension to the research objectives of MultiPart; though not thematically involved in the issue of trust and reconciliation, the post-conflict context of the DRC and the choice of MSP necessarily adds this new angle to our scope and results. Also, the dimension of EITI on transparency and accountability, in order to facilitate social and economic development, is presented with an extra focus in their communication with stakeholder, and the implementation of the EITI standards.

2.3. EITI’s structure and scope

To implement the EITI standards, an initial bicameral structure was opted for by the government of DRC in order to overcome hostility and distrust, with a total of 68 multi-stakeholder representatives in 2007. The structure consisted of an Comité de Pilotage, Conseil Consultatif, and a Secretariat Executif. Due to the huge amount of members, and a majority of government representatives, this structure proved inadequate to take necessary decisions and lead to tangible results, and the need to achieve led to a change in the constitution of the implementing structure. Following a consultation with representatives, a progress report came out in October 2008, based on the findings of a Consultant; Ghislain Pastré. The task of the consultant was to identify problems and formulate recommendations to overcome those problems.

One of the main problems blocking the initiative in effect was the level of mistrust not only between the stakeholders, but also within the separate groups (Pastré, 2008: 8; MultiPart interviews). Especially within the newly formed Ministries du Plan and du Mines, tensions rose.

Also, the marginal participation of the government parties are being scrutinized in the report, for without the participation of the Ministries the implementation of EITI is projected to fail. The multitude of quarrels across all actors in the initiative made any progress difficult, and rendered EITI non-productive.

Following the recommendations of the consultant, and in order to overcome the above problems, a reorganization of the EITI in DRC was proposed in November 2008. The proposed structure consists of three committees and a total of 26 representatives. The structure, referred to as the 'Comité de Pilotage' has one multi-stakeholder committee, which is the actual 'Comité d'Exécution'. The technical committee consists of 6 members, who are chosen by the 'Comité d'Exécution'. The National Coordinator is appointed after a public tender procedure.(EITI, 2009: 49) With an organization that has less representatives, and a new action plan (Pastré, 2008: 15), hopes are that the Validation Grid in June 2010 will be completed. However, it is uncertain if this proposed structure has been implemented.⁷³

3. Studying EITI in the Field

The field research for the Congo case study has been organized by the EGMONT Institute, and conducted by a local researcher in DRC, Felicien Kabamba. The interviews were carried out in the period between 16 October and 23 November 2009⁷⁴, in the areas of Kinshasa and Lubumbashi (Katanga province). The analysis of this case study was done on the basis of 22 reporting sheets, provided by the EGMONT institute. The interviews were distributed as follows: 7 civil society actors, 3 private actors, 3 technical assistance to EITI, 2 EITI, and 10 public actors (of which 1 international public actor). Twelve interviews were conducted in Kinshasa, ten in Lubumbashi.

To facilitate the analysis while emphasizing the partnership approach, some of the observations have been generally classified as coming from Civil Society, Public, Private, or EITI. The technical cooperation assistance provided by CTB has been analyzed separately. An organogram is drawn of the EITI framework and the relation with the actors interviewed on behalf of their organization, in order to clarify the role of the organizations and the rationale for the interviews performed.

The installment of an EITI national committee in Congo, making the country an official 'candidate country', finally occurred in 2008, after having already expressed the wish to enter

⁷³ Based on the MULTIPART interviews for EITI, it is unclear due to the terminology used if the proposed structure has been adopted or not.

⁷⁴ One last interview was done on 15 February 2010

the EITI validation process in 2005. Since 2008, hopes have been high for the impact of the transparency framework on resource industries, government payments, internal cooperation, and ultimately enabling good governance and improved social and economic conditions for the local population.

After a delay in the starting of the national initiative within the EITI configuration, the installment in 2008 promised to be fruitful and overcome the hurdle of communication problems and accusations between the partners, and within the different groups. The problems within the government (especially the Ministry of Plan and Ministry of Mines) are specifically mentioned in both the MultiPart interviews and an official EITI report (ibid.; EITI 2009).

The rationale for implementing EITI was instilled externally by civil society organisations, to address the need for more transparency⁷⁵ in the extractive industries in resource rich countries. According to the majority of the respondents, it was directed by a civil society initiative nationally, responding to the international attention and call for transparency and good governance, also advocated internationally by the organization Publish What You Pay.

Since EITI's inception in the DRC (2007), little been achieved. Hopes are high that once running, the initiative will be beneficial to supporting peace processes, Human Security (in the broad approach we have emphasized earlier) and social and economic development, by addressing transparency issues and stimulating civil society initiatives to call for more accountability on the part of government and businesses. At present however, this is still future talk.

3.1. EITI in practice: characteristics and functioning

The EITI structure in the DRC comprises of a 'Comité d'Executif', technical sub-commissions, and a 'Secretariat Technique'.⁷⁶ The 'Comité d'Executif' is the actual multi-stakeholder partnership, where decisions are made on a consensual basis, and all partners, at least formally, have an equal weight in the decision-making process. The constitution of the Comité is 6 government actors, 6 Civil Society representatives, and 6 private actors. The official number of members in the complete structure adds to 26 members, of which 19 in the Comité d'Execution, 6 in the supporting technical subcommissions, and 1 National Coordinator in the Secretariat Technique, who is appointed by public tender, and assists the technical subcommissions (EITI, 2009: 48).

The actual organization of the EITI structure as referred to by the EITI respondents, differs from the EITI structure proposed in an official EITI report (2009): in this report, some changes have been proposed to the structure and, according to the report, implemented in DRC to ensure better decision-making and overcome problems with different members and divisions within the structure. Based on the respondents' answers and use of terminology, it

⁷⁵ Interview B/EITI/2: 'lack of fiscal culture, reliable statistics, competence in financial management, and absence of transparency in the use of natural resource revenues'

⁷⁶ Interview B/EITI/4

is unclear at the moment of analysis if the changes proposed have been implemented, or that the old⁷⁷ structure is still intact.

The organogram drawn reflects the relation with the respondents' place to EITI as an MSP, on the basis of the interviews done, and also the structure of EITI in DRC. The whole structure can be seen as the actual Multi-stakeholder partnership. In the heading of EITI is incorporated the Cooperation Technique Belge, which is part of the technical assistance of EITI, but not part of the decision-making body. The Cooperation Technique Belge is involved in the EITI framework as an external expert on good governance issues.

The Conseil and the Secretariat are part of the former EITI structure, and support the decision-making body in both consulting and executive matters. As such they are part of EITI, but not part of the Comité de Pilotage or Comité d'Execution. The alternating terminology is a result of the information provided by the interviews, and may be confusing.

In the organogram reported on the next page, the organizations that have been colored are currently part of the new Comité d'Executif. Anvil Mining is as a business actor officially implementing the EITI principles, but is not part of the Comité d'Executif.⁷⁸

⁷⁷ Structure to be implemented in 2007, signed by presidential decree No. 07/065

⁷⁸ Source: <http://www.itierdc.org/index.html> (last access 14-04-2010)

EITI
(CTB, Conseil consultatif, Secretariat Executif)

Government

Business

Civil Society

Ministère du Plan

Gouverneurat de province

Division provinciale des mines

Cadastrage minier

Office des Douanes et accises

Office Congolais de controle

Direction generale des recettes

Anvil Mining

Societe Miniere du Katanga

Federation des entreprises du Congo/Katanga

Publiez ce que vous payez

Réseau Ressources Naturelles

Asadho / Katanga

Centre des droits de l'homme et du droit humanitaire

3.2. Visibility, outcomes and impact

Since initiation and installment in 2008, only one meeting has been held in 2008, the official EITI forum in Kinshasa. Afterwards, according to both EITI sources and Civil Society respondents, no activities centered on awareness creation or promotion of good governance principles have been undertaken by the national committee to improve visibility or awareness. Any awareness creating initiatives that have been done are on the part of civil society organizations.⁷⁹ A first EITI report has only recently been published on the EITI-RDC website (22-3-2010), effectively postponing the Validation Grid from March 2010 to June 2010.

Most of the respondents (across classifications) believe that EITI has little to no visibility amongst the targeted beneficiaries, namely the local population. One respondent claims that ‘if people do know or talk about EITI, it is because they have heard of it, unaware of what it encompasses’.⁸⁰ The low visibility is partly blamed on the absence of a Katanga office, and absence of coordinated activities in the region. The absence of a Katanga office is a consequence of a decree not signed by the government⁸¹, enabling the installment of a regional office, but also to the concentration of power within EITI, and the lack to undertake activities in the province.⁸²

The adherence and knowledge of the transparency initiative amongst large businesses is fair⁸³, given that the large companies have a stake in reputational management and clearing their name with regard to charges of fraud and tax evasion claims. This however does not go for foreign artisanal mining companies⁸⁴; they are less eager to apply a mechanism designed to increase transparency. The apparent willingness of business actors to adhere to transparency methods is sadly not met by activities to increase the level of participation and adherence on the part of EITI. One business respondent claims ‘we have no relations with EITI. Perhaps they have relations with other partners, but not with us’.⁸⁵

Concerning the outcomes or results, respondents claim that talking of results or impact at this point in the evolution of EITI is premature. According to more than one respondent, it is a sure thing to expect an impact on Human Security and peacebuilding, but the initiative needs to be supported from all participants, both in capacity as well as financially, and externally from international donors. The promise that positive outcomes will be yielded in the future is what keeps most respondents motivated.⁸⁶ At present though, it is too soon to expect any serious impact: as two respondents state, ‘there is no activity, how can there be any impact?’⁸⁷

⁷⁹ Reporting sheets EITI respondents and all civil society respondents, and B/EITI/10

⁸⁰ Interview B/EITI/2

⁸¹ Interviews B/EITI/14, B/EITI/3

⁸² Interview B/EITI/18

⁸³ Interviews B/EITI/14, B/EITI/4

⁸⁴ Interview B/EITI/14

⁸⁵ Interview B/EITI/11

⁸⁶ Across all classifications.

⁸⁷ Interviews B/EITI/18, B/EITI/16

The impact on participant members is also very low: besides some respondents claiming they are applying transparency methods in their accounting⁸⁸, most respondents see no impact from their collaboration with EITI in terms of roles and capacities, empowerment and interests and vulnerabilities.⁸⁹

However, a problem shared by EITI and civil society actors is the problem of collecting information. More than one respondent⁹⁰ claims their personnel and interviewees have been held unjustly and illegally, and otherwise obstructed on business premises, either by private actors or by government institutions. The illegal detainment cannot be prevented, and constrains the gathering of vital information about business activity, needed to improve transparency.

In terms of potential significance to peacebuilding and human security, and impact on participants and external stakeholders, it is too soon given the (slow) development of EITI in Congo to expect any significant results or outcomes. All partners underline the positive impact EITI can have, though no results can be shown for it. The EITI as a partnership has all the potential, but fails to be successful.

3.3. The partnership approach

All participating actors (civil society, business, and government) agree that participation in EITI is beneficial, both in the sense of reputation management, as in longer term goals of battling corruption, good governance, aiding economic development, diminishing poverty and alleviating extortion of laborers. There appears to be consensus on gaining mutual benefit in participating in the EITI framework, though actors do believe that the objectives sought after differ, which complicates cooperation and coordination.

One of the main problems within the EITI national committee appears to be the weak participation of partners and low level of communication. More than once the level of participation is described as very weak⁹¹, and this is ascribed to 1. the diverging objectives of partners, 2. little political will, and 3. the lack of means.

3.3.1. - Different perspectives on different objectives

According to respondents,⁹² partners are believed to have diverging perspectives on the objectives they hope to attain. It appears that, although the different partners appear to work united on paper, in reality they pursue different goals and agendas.

⁸⁸ Interviews B/EITI/11, B/EITI/4

⁸⁹ Terminology corresponding to multipart questions 4 a,b,c asked in the research undertaken.

⁹⁰ Interviews B/EITI/5, B/EITI/2

⁹¹ Interviews B/EITI/2, B/EITI/3, B/EITI/4

⁹² Interviews B/EITI/2, B/EITI/3, B/EITI/14, B/EITI/18

Respondents remain critical about the government's commitment and agenda to participate in the partnership, and this view is shared across the different categories of respondents. Questions are raised about the sincere wish to implement EITI on part of the government,⁹³ due to the lagging of facilitating the process properly, overdue payment of salaries of EITI personnel, and the delay of signing a decree that enables the installment of a provincial office in Katanga. More than one respondent claims the government participates solely for the outside world to show its dedication to good governance processes.⁹⁴

When it comes to the objectives of large corporations to adhere to and cooperate in transparency mechanisms, respondents believe that it is a way to improve their reputation and credit nationally and internationally, and the adherence to the framework of the bigger companies is mentioned by EITI actors and private actors alike. This is confirmed by the business representatives interviewed. It is a way to clear their name and promote good governance, which is seen as running parallel to doing good business internationally. The willingness⁹⁵ of large business actor to voluntary⁹⁶ implement transparency mechanisms will have to be tested in each separate case. The need for independently gathered information is necessary to verify the claims made by the private sector, and assure Civil Society organizations.

Civil society actors surface as dedicated to the *raison d'être* of EITI, but there is cause for concern as well. One respondent warns that 'should EITI not progress sufficiently and effectively, and results stay out, civil society is also to be implicated by association. The main beneficiaries of the transparency process, namely the population, could see it as yet another NGO that does nothing to further their cause, and pursue agendas other than the national interest, or, even worse, function as a cover for sustaining malpractice and fraud.'⁹⁷

This remark can be seen in the context of a post-conflict setting, in which trust between different groups – state, non-state, ethnic affiliated, regionally affiliated, private-public – is very little. But it is also a consequence of the widespread corruption and patrimonial systems influencing the dynamics at play; the decay of the institutionalization of accountability, and lack of trust in legal and financial systems. The reputation of government as well as private sector and NGOs is damaged by war dynamics and a thriving war economy, and the partnership will have to earn goodwill and trust from the local population by putting the interests of the population first. Should the partnership, for whatever reason, fail to establish itself as a sincere mechanism aimed at improving living conditions, it would cause reputational damage to both the state and civil society, as well as EITI internationally. The awareness that the dynamics supporting war economies and sustaining poverty and corruption is crucial, but the stakes are – like the objectives – different.

The weak position and low capacity of partners will have to be overcome in order to resume the consolidation of EITI in DRC. And this resonates with one recommendation done by virtually

⁹³ Interview B/EITI/19

⁹⁴ Interview B/EITI/14

⁹⁵ The willingness of business actors is questioned in interviews B/EITI/6 and B/EITI/17

⁹⁶ Interview B/EITI/10

⁹⁷ Interview B/EITI/5

all interviewees: reinforce the capacities available to all participating actors. But it is not only the capacities that need reinforcing: the collaboration between partners itself is weak, and the facilitating of the process on the side of the government is also weak. The question is: why?

3.3.a - *The role of the government*

Mentioned in the reports is the crucial role of the government in the process of institutionalizing EITI as a transparency mechanism, and more so, the problems with that pivotal role.⁹⁸ The government – more specifically, the Ministry of Mines and Ministry of Plan – nominate the members who take part in the Conseil Consultatif, but they can also revoke those nominations. And, a change in government results in a change of staff, and consequently, in a different course for EITI and also different appointments.⁹⁹ One respondent claims that ‘there are things we have to accept, in order not to stop the machine from working’.¹⁰⁰

The former structure of the partnership was believed to impede effective decision-making, as a result of too many members in the partnership with equal weight in the decision-making process, and the majority of those members being government actors. The new structure of the MSP hopes to overcome that hurdle, but it remains to be seen if this new structure will yield results. The implementation of the new structure was (probably) completed months before the interviews were done; according to the interviews no positive results have been ascribed to a change in characteristics of the Comité d’Execution.

In interviews¹⁰¹ and another EITI report (2009), mention is made of tension between the two Ministries. In order to address this, a consultant was appointed to overcome the lack of trust and openness. These dynamics can be ascribed to both (post) conflict dynamics, as well as issues of good governance.

Several respondents have pointed to the lack of a provincial EITI committee¹⁰², in order to bypass the political arena at the national level, and ensure implementation of EITI standards in the region with an administrative organ present to support efforts. The creation of a Katanga office for EITI has to be formalized by changing a decree, in order to enable the installment officially. Efforts have been undertaken to change the decree, and there appears to be a large constituency for a Katanga office. The government however needs to sign this decree in order for it to become effective, and this to date has not been done.¹⁰³ Any coordinated action on behalf of EITI in Katanga remains informal only.

⁹⁸ Interviews B/EITI/2, B/EITI/3, B/EITI/4

⁹⁹ Interview B/EITI/2

¹⁰⁰ *Ibid.*

¹⁰¹ Interviews B/EITI/3, B/EITI/19

¹⁰² Civil Society, Private and EITI respondents

¹⁰³ Interviews B/EITI/3, B/EITI/4, B/EITI/5, B/EITI/14

One respondent complains that the facilitating of EITI seems to be somewhat lean: EITI has no ‘dignified office’ and resides in a ‘small cabin’. Another, more severe charge is made that salaries are not paid in time, and provided only once in three months.¹⁰⁴

3.3.b - *Lack of means*

This brings us to another issue; finances. According to EITI representatives, there is a substantial lack of funds brought in by both international actors as by the participants in the partnership. The absence of sufficient funding is presented as one of the main obstacles to realize activities and presentations aimed at awareness creation. More respondents feel there is a lack of funding, without which little can be done. A government representative states that the state itself receives only \$500.000m per annum in development assistance.¹⁰⁵

Besides the lack of funding, there also appears to be a lack of technical capacity. Virtually all respondents call for ‘reinforcing capacity’ by all participants, in order to overcome the problems with participation and cooperation. There is a need for coordinating activities and supporting efforts. To this end, the Cooperation Technique Belge (CTB) has been attracted as an external partner to assist the whole of the framework.

CTB ascribes the problems with the EITI framework to 1) Little supportive action on behalf of the government, and 2) Weak participation amongst participating partners.

Another problem lies with the incentives for change: it is questioned by some respondents whether certain partners are really willing to put effort into this partnership, and point to the lack of ‘political will’.¹⁰⁶ The questioning of motives and dedication is severe, and would need to be researched more extensively in the context of the upcoming validation grid, due 9th of March 2010.

3.3.c - *Choices and sequencing*

The lack of means and capacity and questioning of political will has effectively limited available options. The choices made in this limited context have led to the implementation of EITI only partially, and regionally. The initiative is supposed to be implemented in the whole of Congo, and extended to all sectors. At this point, however, the activity confines itself to Kinshasa, and is implemented only in three industries, namely copper and cobalt, diamonds, and timber.

According to government and EITI secretariat sources, the extension to other sectors will happen once the initial implementation in the first three sectors prove beneficial.¹⁰⁷ It is therefore a deliberate choice to not extend to other sectors. This choice is made due to

¹⁰⁴ Interviews B/EITI/4, B/EITI/19

¹⁰⁵ Interview B/EITI/6

¹⁰⁶ Interviews B/EITI/2, B/EITI/3, B/EITI/10, B/EITI/18

¹⁰⁷ Interviews B/EITI/3, B/EITI/4

considerations of (shortness of) capabilities, capacity and finances. Once more funds are available, a Katanga office is made possible, and positive results are yielded, the transparency mechanism can expand to other sectors. This decision painfully discloses the tension between adhering to principles of good governance, and the reality and practicality of implementation.

The consequence of the regional limitation is that a number of government bodies in Katanga, interviewed for the purpose of this research, reveal there is no awareness of EITI principles or presence in Katanga.¹⁰⁸

3.3.d. - *Taking responsibility*

A representative of the Ministry of Plan offered a different perspective on the lack of performance within EITI. According to the respondent¹⁰⁹, the government is involved in EITI, but it remains the tasks of each partner independently to take responsibility for a successful partnership and achievements of EITI. The structures are set by the government, but the partners need to take responsibility and control. This sharply contrasts with the earlier statements that it is the Ministry of Plan which obstructs good cooperation within EITI, due to unforeseen changes in constitution, as well as the claims that salaries are not paid in timely fashion.

Though the Ministry acknowledges there are problems with implementation, the respondent ascribed these problems to the post-conflict context¹¹⁰, from which the difficulties with EITI should not be separated. As one of the causes for malfunctioning, the ministry points to the lack of finances given by the EU, which consists of \$500.000 per annum. According to the ministry (but also other sources) this budget is too little, and more commitment needs to be shown from the side of external donors.

Another problem with the EITI and international involvement in the DRC, according to the Ministry, is that the experience demonstrates that an enterprise or donors have little chance of succeeding, once the local population does not endorse the program. This reflects back to the problem of awareness creation, and the question whether local populations have any power in holding government and industries accountable for the mismanagement in the extractive industries. A circular problem surfaces here: does awareness creation lead to endorsement, and if not, why?

It becomes clear that issues of good governance, lack of means and political will, and a setting of distrust need to be worked out before any impact on members, beneficiaries and society can be aimed at. One apparent observation is that the institutionalization of EITI principles is in need of a structured, well spelled out design for implementation, and that each partner needs to take responsibility in the partnership, in order for it to succeed. Another is a possible partnering with international donors, not just for funding, but also for the institutional support to implement the transparency mechanism.

¹⁰⁸ Interviews B/EITI/9, B/EITI/13, B/EITI/17

¹⁰⁹ Interview B/EITI/6

¹¹⁰ Interview B/EITI/6

4. Conclusions

Most of the problems with the ‘failure to launch’ of the EITI-DRC can be assigned to both issues of good governance, and post-conflict dynamics of mistrust. Though a huge change in the internal characteristics of the MSP has been implemented, it remains too short a period to assess any substantial impact on the functioning of the EITI in DRC. For now it seems though that the characteristics have little impact on the decision-making process or reasons for obstruction. More research would be needed to analyse further the elements that are related to post-conflict dynamics, or issues of good governance.

From practically all sides,¹¹¹ more engagement in EITI in the DRC, and in government processes is demanded: the importance of the EU and other international donors are often mentioned in this context. They are urged to not only donate and fund, but actively participate in the processes in order to ensure smooth cooperation and assistance in capacity and capabilities. The main problem is seen as low engagement and obstruction by the government, as a result of corruption, governance issues, and lack of awareness and willingness to change. Many respondents point to the substantial influence a significant international player such as the EU could play, given the reliance of the government of DRC on development assistance. Presently, the involvement by international donors, such as the EU, is perceived as ‘symbolic’, and not effectively supporting the initiative.¹¹²

All respondents fully realize that the delay in the institutionalizing of EITI is not due to lack of finances only, but also to a lack of political will and organizational means. The EU should become an active partner rather than a provider of funds, assisting the processes needed to consolidate the EITI framework.

Civil society, Government, EITI, as well as private actors, all seem to have faith in the objectives of EITI and the ultimate goal of transparency, good governance, and social and economic development. It is their belief in this goal that keeps them motivated to participate in an MSP that is possibly actively obstructed by the initiator itself. Transforming the extractive industries from driving war economies to adding to state income and, as an anticipated result, alleviate poverty and living standards and aid economic development, are high on the agenda of the transparency initiative.

At present though, the EITI framework is still ‘work in progress’. There is no activity outside the Kinshasa region, most activities are undertaken by Civil Society organizations, and the participation in the actual Multi-Stakeholder Partnership is described as ‘very weak’.

The MSP therefore does not provide us any conclusive results on the impact on Human Security, seen in the context of social and economic development. The absence of activities disables any impact on beneficiaries, external stakeholders, and even participants to the

¹¹¹ Classifications Civil Society, Private actors, EITI

¹¹² Interview B/EITI/5

initiative. There is no visibility of the initiative outside the capital, no beneficial impact, and no improvement on the issue of transparency to be seen.

Based on the research done for MULTIPART, obstructions can be found in the functioning of EITI, and the unbalanced control the government has over the execution of the initiative. Distrust, weak incentives and low engagement among partners add to the difficulties due to a lack of finances and means to effect implementation. The creation of awareness amongst public and private actors remains very low.

As main obstacles for the expansion of EITI and the active lobby for its implementation are specifically mentioned:

1. The absence of a Katanga office
2. The lack of finances
3. The lack of international support by exerting political pressure, facilitating good governance structures (battling corruption), support to civil society and active endorsement of EITI

More active engagement is required from both the government as well as international donors, such as the EU, to aid the processes complicated by a post-conflict context and issues of good governance. Funding only will not solve the problems encountered with the transparency initiative: what is needed is practical support in order to strengthen adherence to the transparency principles, create active awareness, reinforce capacities and capabilities, and assist the government in transforming its institutions, battling amongst other things, corruption.

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ANNEX 1 – LIST OF INTERVIEWEES

CODENAME	NAME	POSITION	INSTITUTION	TYPE OF ACTOR	PLACE & DATE OF INTERVIEW
B/EITI/1	Anonymous	Anonymous	Anonymous	Public	Gombe, Kinshasa, 16 October 2009
B/EITI/2	Jean Pierre Katende	Coordonateur	Coalition Publier ce que vous payez	Civil Society	Kinshasa, 17 October 2009
B/EITI/3	Jean Pierre Muteba	President	Nouvelle Dynamique Syndicale / ITIE, RDC	EITI, Conseil consultatif	Kinshasa, 18 October 2009
B/EITI/4	Christian Mambu	Coordonnateur	Secretariat Executif, Comite National ITIE	EITI secretariat	Kinshasa, 28 October 2009
B/EITI/5	Bienvenu Imboko	President	Reseau Ressources Naturelles, Societe civile ITIE	Civil society, EITI	Kalamu, Kinshasa, 2 November 2009
B/EITI/6	Clemence Bandungila Kasongo	Chargee d'Etude Juridique	Ministere du Plan	Public	Kalamu, Kinshasa, 3 November 2009
B/EITI/7	Jean Luc Mutombo	Sen. programme officer	Cooperation Technique Belge	Public	Kalamu, Kinshasa, 5 November
B/EITI/8	Anonymous	Anonymous	Cadastre Minier	Public	Gombe, Kinshasa, 19 November 2009
B/EITI/9	Anonymous	Anonymous	Anonymous	Public	Lubumbashi (Katanga), 19 November 2009
B/EITI/10	Padou Kasela Kawangu	Chef de service	Federation des entreprises du Congo, services economique et commercial	Private	Lubumbashi (Katanga), 19 November 2009
B/EITI/11	Anonymous	PR	Anvil Mining	Private	Lubumbashi (Katanga), 20 November 2009
B/EITI/12	Anonymous	Anonymous	Anonymous	Public	Lubumbashi (Katanga), 20 November 2009
B/EITI/13	Anonymous	Anonymous	Anonymous	Public	Lubumbashi (Katanga), 21 November 2009
B/EITI/14	Timothe Mbuya	Vice president	Association Africaine de defence des droits de l'homme, publication dep	Civil society	Lubumbashi (Katanga), 21 November 2009

B/EITI/15	Anonymous	Anonymous	Anonymous	Public	Lubumbashi (Katanga), 21 November 2009
B/EITI/16	Anonymous	Anonymous	Anonymous	Private	Lubumbashi (Katanga), 22 November 2009
B/EITI/17	Huit Mulongo Kalonda ba- Mpeta	Directeur	Gouvernorat de province, cabinet de gouverneur	Public	Lubumbashi (Katanga), 23 November 2009
B/EITI/18	Gregoire Mulamba	Secrtaire	Centre des droits de l'homme et du droit humanitaire	Civil society	Lubumbashi (Katanga), 23 November 2009
B/EITI/19	Leonie Kiangu	Secretary	Publish What You Pay DRC	Civil Society	Kinshasa, date unknown
B/EITI/20	Rene Ngongo	Manager	Green Peace	Civil Society	Kinshasa, 20 November 2009
B/EITI/21	Augustin Mpoyi	Directeur Executif	Conseil pour la defense environnementale par la legalite et la tracabilite	Civil Society	Kinshasa, 17 November 2009
B/EITI/22	Holger Grundel	Conseiller Principal	British Embassy (DFID)	Public	Gombe, Kinshasa, 15 february 2010

Chapter 6

MISFA: an Emerging Multi-Stakeholder Partnership in the Afghan Microfinance Sector

by Bertine Kamphuis

Consultant contracted by the Sant'Anna School of Advanced Studies

MICROFINANCE INVESTMENT SUPPORT FACILITY FOR AFGHANISTAN (MISFA)	
Description	In 2003 MISFA was established as a unit within the Ministry for Rural Rehabilitation and Development (MRRD); it started as a World Bank pilot project for eighteen months. MISFA was governed by a Steering Committee of stakeholder representatives, and guided by a team of international microfinance experts. MISFA, as an apex institution, channels funds to retail microfinance institutions (MFIs). In March 2006, MISFA became an Afghan limited liability non-profit company with the Ministry of Finance as its sole shareholder. Many MFIs initially operated as NGOs, but were transformed into Afghan non-distributive limited liability companies. The MFI clients are mainly individuals, but many MFIs practice solidarity group lending as well. The ARTF, a multi-donor financing instrument managed by the World Bank, became the main funding vehicle for MISFA. The main stated objectives of MISFA are: (1) Coordinate donor funding so that the conflicting donor priorities that are endemic in post-conflict situations do not end up duplicating effort and distorting markets; (2) Help young MFIs scale up rapidly by offering performance-based funding for operations and technical assistance; (3) Build systems for transparent reporting to instil a culture of accountability.
Actors involved	<ol style="list-style-type: none"> 1. <i>Civic</i>: Most MFIs started as NGO type MFIs, initially established by international NGOs, but over time registered in Afghanistan; PARWAZ started as an Afghan NGO; AMA; MFI clients (solidarity groups, individuals); MFIs' local counterparts like mullahs, village leaders, etc. 2. <i>Public</i>: MRRD (from 2003-6 MISFA is a government unit with the MRRD, as of 2006, MRRD is represented in the Board of Directors), MoF (as sole shareholder of MISFA Ltd.). 3. <i>Private</i>: As of March 2006, MISFA (Ltd.) is an Afghan company, and the 13 MFIs have been asked to register as Afghan not-for-profit companies; FMFB; WOCCU. 4. <i>International civic</i>: the international NGOs that initiated many of the MFIs; CGAP; international microfinance experts (represented in the Board of Directors). 5. <i>International public</i>: bilateral and multilateral donors, World-Bank managed ARTF. 6. <i>International private</i>: the consultancy company involved in the initial set-up; investors for the SME window like Bank Alfalah.
Ownership	The representation in the MISFA Ltd. Board of Directors of multiple stakeholders shows the role of these actors in the decision making process. The Board consists of: 3 private sector persons, 3 international microfinance specialists and 2 government representatives.
Investment: Planning: Decision making: Implementation:	MFIs are not represented, but are regularly consulted by MISFA (the apex managers). The ARTF, a multi-donor financing instrument managed by the World Bank, became the main funding vehicle and donor coordination mechanism for the MISFA MSP.
Issue area	Economic and social development
Geographic range	MISFA has an explicit Afghan mandate, and the MFIs operating under the MISFA 'umbrella' currently operate in 26 (out of 34) provinces.
Time scale	MISFA was established in 2003, and currently, as of February 2010, is still operational.

Operation & institutionalization	Under the MISFA ‘umbrella’ since its establishment in 2003, MFIs have, as of December 2009, disbursed a total of over 1.5 million loans (worth about USD 724 million).
Regular meetings	Through different platforms, and institutional structures, the different stakeholders of MISFA are tied together; examples include the ARTF, AMA, representation in the Board of Directors, regular MISFA-led MFI meetings, regular MISFA-led donor meetings, etc.
Decision structure	

5. Introduction¹¹³

In post-2001 Afghanistan, microfinance was deemed critical to socio-economic objectives and the overall goal of extending the reach and boosting the legitimacy of the newly established Afghan government (Greeley, 2007: 239). Early assessments pointed towards a large unmet rural demand for microcredit, which had created a credit-poppo-debt trap (Goeldner, 2005: 29). The ‘usury rates’ of informal lending have created poppy-denominated debt, which forces farmers to continue growing poppy (UNODC, 2003).

A 2002 World Bank/Consultative Group to Assist the Poor (CGAP) mission mapped the microfinance landscape and concluded that what Afghanistan needed to recover was something radically different. The existing microfinance institutions (MFIs) were considered small in number, limited in geographic and client outreach, solely focussed on specific vulnerable target groups, unlikely to become sustainable, and unfamiliar with global microfinance ‘good practices.’ Low sustainability levels were explained by the ‘charitable approach to loan provision’ of the implementing NGOs (World Bank, 2004: 61). Additionally, NGOs had not been able to deal with hyperinflation, while Taliban-issued usury laws restricted the possibility to charge the needed interests to cover costs (Ibid.).

The MFIs needed to change; they needed to expand their client base and geographical scope and aim for financial sustainability. In line with the latest thinking on microfinance in ‘post-conflict’ settings, an apex organisation, the Microfinance Investment Support Facility for Afghanistan (MISFA), was the instrument to bring this change about. Microfinance became one of the main national priority programmes that were drafted in post-2001 Afghanistan¹¹⁴, and has remained part and parcel of the national development strategies of the Islamic Republic of Afghanistan (IRoA). The Afghanistan National Development Strategy (ANDS) mentions Rural Financial Services as one of the target areas for Agriculture and Rural Development: the 2013 target for microfinance and other financial services programmes is that ‘950,000 households [...] will benefit from improved access to financial services’ (IRoA, 2008: 22).

¹¹³ This case study relies heavily on the interviews conducted by the Afghanistan-based research team of Attaullah Nasib, Abdul Hadi Sadat and Mohammad Sharif Samsor. Without their commitment, professionalism and flexibility to work under at times challenging circumstances, this research would not have been possible. The Center for Policy and Human Development (CPHD, <http://www.cphd.af>) has facilitated this field-research in Afghanistan and has organised the Roundtable on January 11, 2010, Kabul, CPHD, where the first draft of this case study was presented. The case study remains the responsibility of the author.

¹¹⁴ The Afghan authorities integrated microfinance, and the establishment of a microfinance support facility, into the National Development Framework as an immediate priority initiative, (AIA, 2002: 39-40) and into the national budget (September 2002).

Donors and other microfinance stakeholders have supported microfinance based upon a number of assumptions. Some mention credit unavailability or poppy-related indebtedness to emphasize the socio-economic need for developing the microfinance sector; while others highlight high repayment rates, an entrepreneurial spirit or a strong repayment culture to emphasize the opportunities of microfinance for employment creation and private sector development. However, some village-based case study findings raise questions about these assumptions (table 1). Klijn and Pain (2007: 41) suggest that informal credit is widely available; only the really poor cannot get access to credit. The credit-poppy-debt trap is challenged by case study examples where poppy cultivation has been debt-relieving rather than debt-creating (Pain, 2008: iii). And a recent study in three villages indicates that microfinance investments in some rural areas are unlikely to be productive enough to recover interest payments, and that increasing informal indebtedness might be the result (Kantor, 2009). The overall deprived socio-economic circumstances, the diversity of local economic environments, the patchwork of rural livelihood strategies, and the functioning of informal credit markets influence the potential impact of microfinance on employment creation and improving livelihoods, and its varied impact according to the specific local realities.

Table 1: Assumptions for supporting microfinance development versus AREU research findings

Assumptions for supporting microfinance development¹¹⁵	AREU research findings
Unmet rural demand for credit; lack of access to credit in rural Afghanistan	‘Informal credit appears to be widely available’ (only the really poor cannot get access); ... ‘high levels of debt do not necessarily lead to households losing access to credit’ (Klijn & Pain, 2007: 41).
High microcredit repayment rates are due to a strong repayment culture	‘[Informal] repayment is far from being contract-bound and is subject to continuing negotiation and systematic default’ (Klijn & Pain, 2007: 43).
High microcredit repayment rates reflect productive investments	As informal credit can be used to repay microcredit loans, ‘high repayment rates that MFIs report may mask a build-up of informal debt’ (Kantor, 2009: xii). ¹¹⁶ Especially considering that client activities are ‘not profitable enough for most clients to easily find the money to repay’ (Kantor, 2009: xi).
Informal credit is provided at ‘usury rates’	Informal credit generally does not have quantifiable interest rates and fixed repayment periods; informal credit is often interest-free (Klijn & Pain, 2007). ‘What drives the high costs of informal credit associated with opium is the context of risk and insecurity’ (Pain, 2008: iii).
Credit-poppy-debt trap	‘[T]he levels of debt found in the [non-opium poppy growing] village studies are comparable to the UNODC reported average levels of opium poppy derived debt...’ (Klijn & Pain, 2007: 42). This ‘trap’ is limited to opium-cultivating provinces where Taliban ban was enforced; while post-2001 entry into poppy cultivation seems to have been more debt-relieving than debt-creating (Pain, 2008: iii).

2. A Microfinance Multi-stakeholder Partnership with MISFA at its centre

MISFA brings together multiple stakeholders. It is an attempt to link the nascent Afghan microfinance sector to global microfinance knowledge networks, the sizeable donor funds to the limited number of MFIs present in Afghanistan, and Afghan government leadership to a

¹¹⁵ Variety of donor or other stakeholders’ assumptions on microfinance in Afghanistan, such as on: Unmet rural demand for credit; lack of access to credit in rural Afghanistan: e.g. World Bank (2004: 59), Goeldner (2005: 29) and Rasmussen (2005: 24); High microcredit repayment rates are due to a strong repayment culture: e.g. Goeldner (2005: 30); High microcredit repayment rates reflect productive investments: e.g. Weiss (2006: 7); Informal credit is provided at ‘usury rates’: e.g. Goeldner (2005: 25); Credit-poppy-debt trap: e.g. Goeldner (2005: 29) and Greeley (2007: 247).

¹¹⁶ Based upon observations in three study villages; one close to Kabul, one in Bamiyan and one in Balkh.

program that many considered as belonging to the private sector. Apexes, or ‘wholesale mechanisms that channel funds [...] to retail microfinance institutions (MFIs)’ (CGAP, 2002: 1), became popular as a way to expand microfinance services (CGAP, 2002: 2).¹¹⁷

MISFA has built linkages with all key ‘public’, ‘private’ and ‘civic’ (cf. MultiPart, 2008: 54-55) microfinance stakeholders through a variety of multi-layered governance structures with varied degrees of institutionalisation at different levels. A web of linkages, with the apex managers (MISFA) at its centre, bind together bilateral donors, the Afghan government, mainly the Ministry of Finance (MoF) and the Ministry of Rural Rehabilitation and Development (MRRD), the World Bank (IDA), Afghanistan Reconstruction Trust Fund (ARTF) managers (The World Bank), CGAP, the 15 implementing partners (the 13 MFIs, one credit union, and a bank),¹¹⁸ the Afghanistan Microfinance Association (AMA), international microfinance experts, and MISFA’s intended beneficiaries, the MFI clients (individuals and solidarity groups). It is an arrangement that bring together multiple stakeholders that have a shared interest in the outcome and demonstrate some degree of ownership – to further the development of the microfinance sector in Afghanistan, or a ‘multi-stakeholder partnership (MSP)’ (MultiPart, 2008: 57-58).

This arrangement, hereafter the ‘MISFA MSP’, is an increasingly multi-layered MSP; it operates not only at the Kabul-level (the ‘core’ MISFA MSP). As of 2009, the regional offices of the MFIs, with the support of MISFA and the AMA, started working together more closely with each other, and with provincial government representatives. At the local level, many MFIs have established their own mini-MSPs by partnering with loan groups and local leaders. However, this case study largely limits itself to the core MISFA MSP, the arrangement that bring together microfinance stakeholders at the Kabul level, with the apex MISFA at its centre.¹¹⁹

Next to efficiency gains and synergies, MSPs can have peacebuilding and human security benefits as well (Cf. MultiPart working hypothesis), providing that the MSP’s composition, development and operation, and the circumstances under which it operates are ‘right’. MISFA MSP stakeholders have supported the development of the microfinance sector for a wide

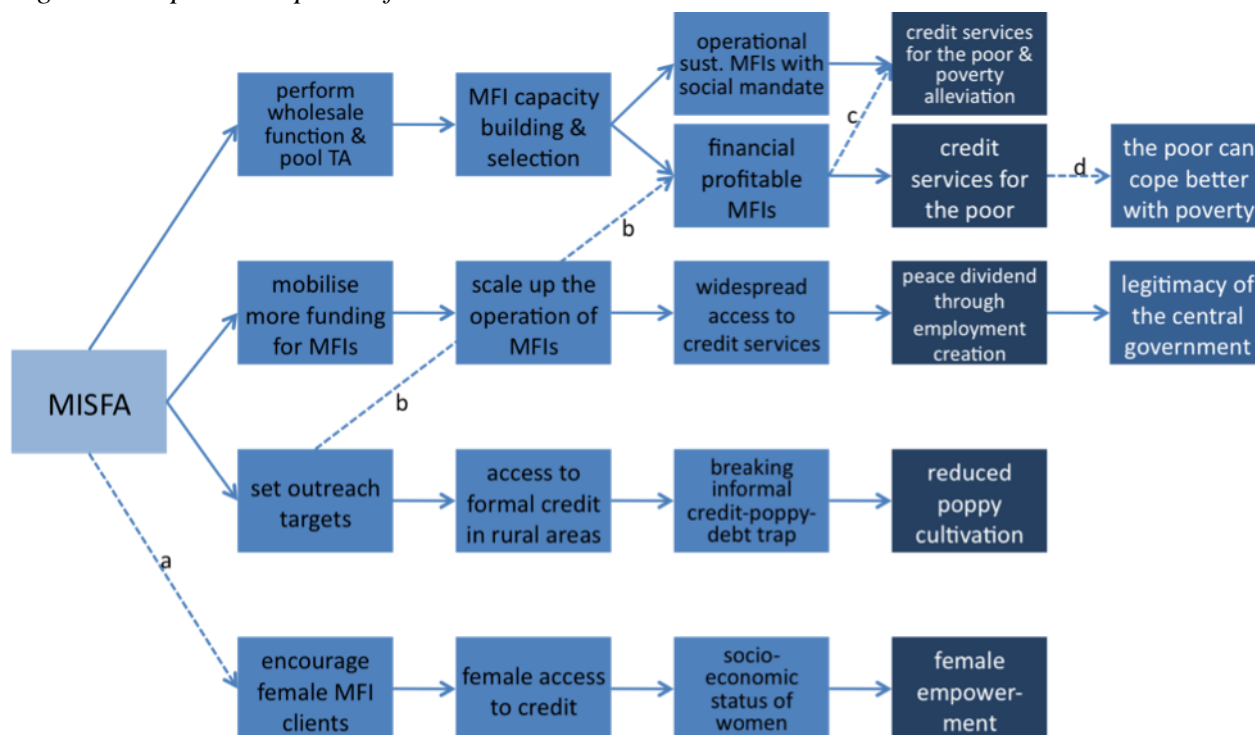
¹¹⁷ Apexes can possibly (a) build the retail microfinance market by mobilising donor funds, selecting the most viable microfinance institutions and providing hands-on guidance and supervision, (b) disciplining donors by coordinating donor efforts, harmonising donor approaches and reporting requirements, and buffering donor demands, and (c) facilitating the transformation to financially and institutionally sustainable MFIs by establishing bridges between MFIs and financial/capital markets (CGAP, 2002: 6-8).

¹¹⁸ MISFA’s microfinance partners include: (1) Mercy Corps-initiated Ariana Financial Services (AFS), (2) CHF International’s Afghanistan Microfinance Initiative (AMFI), (3) Aga Khan Foundation-initiated Afghanistan Rural Microcredit Programme (ARMP), (4) ASA International-initiated ASA Afghanistan, (5) BRAC-established BRAC Microfinance Afghanistan, (6) Christian Children’s Fund (CCF)-initiated Child Fund Afghanistan (CFA), (7) FINCA International-established FINCA Afghanistan, (8) First MicroFinanceBank, Afghanistan (FMFB Afghanistan), (9) Hope For Life (HFL), (10) DACAAR-initiated Microfinance Agency for Development and Rehabilitation of Afghan Communities (MADRAC), (11) CARE-initiated MoFAD, (12) OXUS Development Network (ODN), affiliated to ACTED, member OXUS Afghanistan, (13) PARWAZ, (14) Women for Women International-established Women for Women International Afghanistan (WWI MFI-Afghanistan), and (15) World Council Of Credit Unions (WOCCU). MADERA-initiated SUNDOQ is still on the list of MISFA partners, but has stopped providing loans as of 2008.

¹¹⁹ See Annex 3 for methodological considerations and case selection.

variety of reasons. Some, like MISFA, prioritise ‘high quality and efficient financial services to low income people’;¹²⁰ others prioritise poverty alleviation or employment creation; while others view microfinance as a tool for reducing poppy cultivation or female empowerment (Forster & Pearce, 2002: 12-13). Figure 1 gives an overview of the foremost expected impacts.

Figure 1: Expected impacts of MISFA¹²¹



3. The Formation, Development and Operation of MISFA

While donors’ enthusiasm was the main driver for establishing a microfinance programme in Afghanistan, the experience of the microfinance community with apexes was instrumental in the choice for MISFA, and its specific organisational characteristics. MISFA’s development over time can be described in terms of the limited results and (unintended) side-effects of its guiding principles of outreach, sustainable MFIs, and ‘Afghanisation’. In terms of how MISFA operates, two turning points can be identified: the 2006 incorporation of MISFA and end-2008/early-2009, when some of the MFIs started to see higher portfolios at risk, and default.

3.1 - How and why MISFA was formed

¹²⁰ MISFA Mission: http://www.misfa.org.af/index.php?page=en_Mission

¹²¹ The dotted (----) lines require some further explanation: a) the expected female MFI clients were generally attributed to microfinance in general, rather than to specific MISFA requirements; b) in this paper it is argued that the geographic and client outreach targets were not only a means for creating sustainable MFIs (through economies of scale), but also a goal in itself; c) some argued that financial profitable MFIs automatically contribute to poverty alleviation; however, recently this position has lost some ground; d) with the publication of *Portfolios of the Poor* (Collins et al., 2009) this expected impact was added to the discussion.

MISFA was established to coordinate donors' efforts, to transfer global 'lessons learned' and 'best practices' to microfinance institutions in Afghanistan, and to build an Afghan microfinance sector 'from scratch'.¹²² In post-2001 Afghanistan the idea of supporting microfinance was welcomed by donors and the Afghanistan Interim Authority, despite the reservations of some international experts. The preliminary 'needs assessment',¹²³ ahead of the Ministerial Meeting in Tokyo on 21-22 January 2002, had confirmed the demand for microfinance for social protection (of USD 10 million) in the short term, and employment creation and private sector development (of USD 120 million) in the longer term (ADB/UNDP/World Bank, 2002: 52-54). However, it is likely that supply driven factors for promoting microfinance, such as 'the urgency to start reconstruction activities, to demonstrate good practices so bad practices will not take hold, and to quickly disburse funds,' also played a role (Nagarajan, 2003: 226).

Once this momentum was created, the question was not whether microfinance should be promoted, but 'how'. Bosnia-Herzegovina's microfinance apex, the Local Initiative Departments (LIDs), served as a role model (Interview B/MISFA/7; B/MISFA/8). It was primarily praised for transforming and rationalising 17 NGOs into nine financially sustainable MFIs. It was a World Bank Human Development Unit project, funded largely by the World Bank. Its success allegedly depended upon the individual microfinance experts (rather than a consulting company, or 'post-conflict' experts) present amongst the in-country donor staff. Other success factors were that '[a]pex financing was structured to motivate MFIs to reach financial sustainability' (e.g. eligibility criteria were set progressively higher, and clear project end-terms), and the apex resisted loan disbursement pressures (Goodwin-Groen, 2003: 1-3). The Bosnian 'success story' largely justified the choice for an apex institution in Afghanistan, the World Bank/CGAP involvement and the heavy reliance upon international microfinance experts. MISFA's focus on building sustainable MFIs stemmed from the Bosnia experience as well, although the LIDs had a more mixed mandate, with peacebuilding as the primary objective (specifically targeting war-affected and economically disadvantaged groups), and building viable MFIs as a secondary objective (World Bank, 1996: 8).

In this initial founding stage international microfinance experts played a strong role in defining the 'how' (Interview B/MISFA/7).¹²⁴ The former World Bank Team Leader in the Sarajevo office, Sarah Forster, who was heavily involved in LIDs establishment, was brought to Afghanistan to set up MISFA (Interview B/MISFA/7). The World Bank had asked CGAP to

¹²² MISFA was established in 2003 to: '(i) Coordinate donor funding so that the conflicting donor priorities endemic in post-conflict situations do not end up duplicating donor efforts and distorting markets; (ii) Help young microfinance institutions scale up rapidly by offering performance-based funding for operations and technical assistance; and (iii) Build systems for transparent reporting and instill a culture of accountability' (Nagarajan et al., 2006: 16).

¹²³ This Asian Development Bank (ADB), United Nations Development Programme (UNDP), and the World Bank 'assessment' largely took place outside Afghanistan, and included few consultations with Afghan civil servants or the authorities. Needs had been hugely underestimated, (Lockhart, 2007: 12) or perhaps reflecting expected supply of donor funds, rather than indentifying reconstruction needs.

¹²⁴ The group of 'experts' that were involved seems to have been very small. Many interviewees mentioned Steven Rasmussen as one of the key persons. As one interviewee described his role: 'The godfather of MISFA is Steven Rasmussen' (Interview B/MISFA/22).

play a central role in launching MISFA. This unusual request (CGAP had a knowledge sharing rather than a project implementation, mandate and capacity), was nevertheless accepted (Interview B/MISFA/7; B/MISFA/8). Sarah Forster was positive about the opportunity to transfer the Bosnian experience to other countries: ‘There is no reason why another donor could not adapt these principles to a new context and make them work for another apex. But this is not a blueprint, and it is a lot of hard work!’ (Interview with Sarah Forster, cited in: Goodwin-Groen, 2003: 4)¹²⁵ Although MISFA was operating as a unit within the MRRD,¹²⁶ it started as a World Bank pilot project for eighteen months; initially established by an international consulting company, it was governed by a Steering Committee of stakeholder representatives, and guided by a team of international microfinance experts. The ARTF, a multi-donor financing instrument managed by the World Bank, became the main funding vehicle and donor coordination mechanism for MISFA (Interview B/MISFA/7).

3.2 - How MISFA developed over time

MISFA’s development was driven by three guiding principles: outreach, MFI sustainability and Afghanisation. Outreach was expected by donors and the Afghan authorities to create a peace dividend (a predominant donor/Afghan authorities concern) and could also contribute to MFI sustainability through economies of scale (a point raised primarily by the microfinance experts). In the period 2003-2009 the microfinance sector boomed from limited coverage, about 12,000 clients and an outstanding portfolio of less than USD 1.1 million (Nagarajan et al., 2006: 10) to coverage in 26 (out of 34) provinces, almost 435,000 clients, and an outstanding portfolio of USD 102 million. Since MISFA’s establishment in 2003 until 2009 a total of over 1.5 million loans have been disbursed, and the cumulative amount of loans disbursed is approximately USD 724 million (MISFA, 2009b). Still, the target is to have microfinance in all provinces in 2010; a target that is unlikely to be reached in the near future (Interview B/MISFA/11). Moreover, the deteriorating security situation might actually reverse this geographic expansion.¹²⁷

It is well-recognized that the expansion in outreach has been too quick and it came at the cost of MFI sustainability.¹²⁸ Mobilising funds to expand the sector was easier than building MFI capacity and, as a result, some MFIs have been growing fast, without the proper safeguards in place, and need to restructure or even get smaller (Interview B/MISFA/5). Almost all MFIs¹²⁹ in Afghanistan rely fully or to a large extent upon MISFA for cheap debt and grants (Interview

¹²⁵ The applicability of the Bosnian model, however, can be questioned (Interview B/MISFA/11).

¹²⁶ Some of the experts would have preferred it to be housed within the MoF. According to one interviewee, the Minister of Finance, Asraf Ghani, was not in favor of housing MISFA in the MoF; and instead suggested the MRRD (Interview B/MISFA/7).

¹²⁷ One interviewee mentioned a case of a MFI that had collected back its money from its clients in a certain area, because security became a problem and the MFI was afraid of losing money (Interview B/MISFA/10).

¹²⁸ The 2006 mid-term review had already highlighted the potential trade-offs between social, financial and outreach objectives of MFIs. A focus on ‘quantitative’ outreach often implied operating in conflict zones and rural areas where local capacity is particularly low and operational costs are higher, thereby delaying or reducing the opportunity of MFIs to become financially sustainable (Nagarajan et al., 2006: 5).

¹²⁹ An exception is HFL (who is, as of October 2009, not a financial partner of MISFA), but aims to apply for MISFA funding soon.

B/MISFA/3), but they still have to achieve ‘operational sustainability’.¹³⁰ Ironically, according to one interviewee, when MISFA did all the financing, the MFIs performed particularly poor (Interview B/MISFA/7). Rather than letting them fail, the poor performers received additional attention from MISFA for restructuring. In the end, MISFA’s financial position is only as strong as the MFIs (Interview B/MISFA/11). In response to the poor record in terms of MFI sustainability, a number of operational reforms were launched in 2008.

In order to build a viable and sustainable microfinance sector during much of 2003-2004, MISFA actively looked for implementing partners that could bring in an international team with prior microfinance experience.¹³¹ The idea was to subsequently focus on Afghanisation – the transformation of the international teams into Afghan institutions, with Afghan employees and management (Interview B/MISFA/11). Since MISFA’s establishment Afghans have increasingly taken up positions in the MFIs (Interview B/MISFA/15; B/MISFA/16; B/MISFA/17). In October 2009 ‘[o]ver 90 percent of professional positions and 50 percent of management positions in the sector are occupied by Afghans’ (MISFA, 2009a). Still some of the MFIs will remain managed by international staff for some time to come; they have trouble recruiting qualified staff,¹³² and high turn-over rates deflate capacity building investments (Interview B/MISFA/11).

3.3 - How MISFA operates

Since its establishment, MISFA underwent one important institutional change which had profound operational consequences and affected the MISFA MSP arrangements (table 2). It changed from a government unit within the MRRD to an Afghan limited liability non-profit company with the MoF as its sole shareholder. This change did not come naturally. Although MISFA’s mandate prescribed that it would transform into a company after 18 months, MRRD doubted whether this was the direction to be taken. The main advocates for incorporation were CGAP, USAID, the World Bank and the apex managers. They favoured a more arm’s length control of the government over the apex – a condition that in Bosnia-Herzegovina had allegedly contributed to the LIDs’ success.

Eventually, incorporation did take place but was delayed by opposition from the Afghan ministries (Interview B/MISFA/7). Although its early architects might have envisioned MISFA to close down in the long term, the Board of Directors has voted against discontinuation (within

¹³⁰ ‘Operational Self-Sufficiency (OSS) is ‘A measure of financial efficiency equal to total operating revenues divided by total administrative and financial expenses. If the resulting figure is greater than 100, the organization under evaluation is considered to be operationally self-sufficient. In microfinance, operationally sustainable institutions are able to cover administrative costs with client revenues.’ A higher degree of sustainability is Financial Self-Sufficiency (FSS), which is defined as: ‘Total operating revenues divided by total administrative and financial expenses, adjusted for low-interest loans and inflation. In a microfinance context, an institution is financially self-sufficient when it has enough revenue to pay for all administrative costs, loan losses, potential losses and funds.’ <http://www.accion.org/Page.aspx?pid=257#o> [Last accessed: February 13, 2010]

¹³¹ In a way, ‘MISFA has created MFIs in Afghanistan, rather than the other way around’ (Interview B/MISFA/5).

¹³² For example, one MFI mentioned that it has no Afghan staff with a college degree (Interview B/MISFA/5).

the parameters of the sunset clause).¹³³ It is expected that MISFA ‘is here to stay’ as a permanent support mechanism of the microfinance sector, although there might be ownership changes over time (e.g. full privatisation), and MISFA is likely to become less important for funding (Interview B/MISFA/11).

With the institutional change, formal decision-making power shifted from the Steering Committee of stakeholder representatives to the Board of Directors. The role of the Afghan authorities was changed from relatively strong operational control to arms-length involvement in the decision making. Although the MoF is the sole shareholder of MISFA Ltd., all formal decision making power lies with the Board of Directors (Interview B/MISFA/7). The unusual composition of the Board of Directors, with two government representatives (one from MRRD and one from the MoF), three international microfinance experts (assigned by the donors, but not representing them), and two members of the Afghan private sector (to be chosen by the other five) reflects MISFA’s multi-stakeholder character (Interview B/MISFA/11).¹³⁴ The Board structure has checks and balances against the politicization of MISFA. The three microfinance experts were to be selected by the donors but they were not expected to represent them. They play an important role in MISFA’s decision making (Interview B/MISFA/7), although they do not form a majority.¹³⁵ This relatively important formal decision-making role of the Board and of the three microfinance experts is somewhat balanced by the informal rules of the MISFA MSP game (Interview B/MISFA/7).

MISFA’s relationship with the MFIs changed in terms of funding arrangements and performance monitoring approach. All contracts with MFIs were revised upon this transformation; they changed from on-lending to debt-obligations. The old ‘MRRD-time’ contracts were effectively grants or roll-over of debt. The expectation on the side of the MFIs was that MISFA would turn ‘debt’ into grants upon the completion of the World Bank project in March 2005 (Interview B/MISFA/11). Monitoring of the MFIs has been weak (Interview B/MISFA/5), and MFI reports were taken at face value.¹³⁶ Both MISFA and the international headquarters of the founding NGOs (the MFI parent organizations) took a *laissez-faire* approach to monitoring. While MISFA thought that they had selected ‘the best and the brightest’ of international MFIs, and therefore did not want to interfere in their business too much, the MFI headquarters assumed that MISFA would take up this monitoring role. Since the

¹³³ According to the interviewee, there is a sunset clause in the articles of MISFA. It says something like: this company will dissolve in 5 years, unless the Board decides and justifies otherwise (Interview B/MISFA/7).

¹³⁴ According to the MISFA website the current Board Members are: (1) Mr. Mohammad Ehsan Zia: Chairman; Minister, MRRD, Islamic Republic of Afghanistan; (2) Dr. Mohammad Mustafa Mastoor: Deputy Minister, MoF, Islamic Republic of Afghanistan; (3) Ms. Rahela Sidiqi: Senior Advisor to the Chairman of Afghanistan's Independent Administrative Reform and Civil Service Commission (IARCSC) and Executive Director of Civil Service Reform Project (CSRP); (4) Ms. Mary J. Coyle: University Vice President and Director of the Coady International Institute, St. Francis Xavier University Nova Scotia, Canada; (5) Mr. Noorullah Delawari: President and Chief Executive Officer of Afghanistan Investment Support Agency (AISA); also Senior Advisor to Afghanistan’s President Hamid Karzai on private sector development and banking; (6) Mr. M S Sriram: Chairperson, Finance and Accounting Area, Indian Institute of Management (IIM), Ahmedabad, India; and (7) Mr. Klaas Molenaar: General Director, Triodos Facet, The Netherlands. *MISFA Board of Directors*. http://www.misfa.org.af/index.php?page=en_Board [Last accessed: February 13, 2010]

¹³⁵ Board decisions are based on majority vote (E-mail communication with Dale Lampe, MISFA, 4 April 2010).

¹³⁶ According to the interviewee some MFIs have over-reported their achievements (Interview B/MISFA/3).

incorporation of MISFA, the disconnection between MFIs and their international headquarters became even bigger when the MFIs had to register at the Afghanistan Investment Support Agency (AISA) as Afghan joint-stock companies.¹³⁷ They were decoupled from their founders, which had an unintended side-effect of dwindling the already weak monitoring of the MFIs. As a result, nobody was closely monitoring the Afghan MFIs, while the majority of them did not have robust enough systems to effectively manage the tremendous growth of the sector (Interview B/MISFA/11).

Table 2: MISFA MSP phase I (2003-6) vs. phase II (2006-9)

	MISFA (2003-March 2006)	MISFA (March 2006-2009)
<i>Organisational</i>	Government unit within MRRD	Afghan limited liability non-profit company
<i>Institutional</i>	World Bank project	Private entity
<i>Decision making power</i>	Steering Committee of stakeholder representatives	Board of Directors
<i>Funding relation with MFIs</i>	Grants or roll-over of debt	Debt, equity, operating grants and subordinated debt. ¹³⁸
<i>Monitoring indicators</i>	Number of clients and amounts disbursed	<i>As of 2008</i> : Portfolios, balance sheets (loan utilization and client exit monitoring)
<i>Government's role</i>	Active, operational (housing MISFA within MRRD)	Passive, arms-length (sole shareholder of MISFA Ltd)

In end-2008/early-2009, some of the microfinance institutions started to see higher portfolios at risk, and default (Interview B/MISFA/22).¹³⁹ During this period, after years of expansion, the number of active clients and borrowers decreased (Kantor & Andersen, 2010: 7).¹⁴⁰ Performance monitoring shifted from outreach to MFI sustainability indicators, such as portfolio quality and MFI accountability,¹⁴¹ and is expected to be expanded to loan utilization and client exit monitoring.¹⁴² In the same year, MISFA has improved its on-site monitoring

¹³⁷ According to one interviewee, the MFIs were registered as Afghan 'not-for-profit companies,' which are allowed to make profit but need to reinvest all profits into the company's activities. Not-for-profit companies are 'a strange legal category in-between NGOs and companies invented by the Afghan government.' As a result of this new status, MFIs that were previously NGOs no longer have access to information from the Afghanistan NGO Safety Office (ANSO), and have to pay income tax (Interview B/MISFA/5).

¹³⁸ E-mail communication with Dale Lampe, MISFA, 4 April 2010.

¹³⁹ Contrary to this perception that was expressed in many of the MultiPart interviews, Kantor and Andersen (2010: 3) suggests that the focus on outreach was a result of the sustainability requirement; 'MFIs operating as MISFA partners were tasked with achieving operational sustainability in five years... To meet this time frame, MFIs tended to focus on programme scale and outreach to reduce costs per client.'

¹⁴⁰ This reduction of lending cannot only be explained by this shift in mindset, and push for urgent reforms at some MFIs to avoid a further deterioration of their portfolios. The deteriorating security situation also affected decision to 'concentrate' MFI operations in less insecure areas, and in some regions economic opportunities remained poor due to, for example, drought or the devaluation of the Pakistani Rupee, while all regions were affected by increasing global food prices (Kantor & Andersen, 2010: 8).

¹⁴¹ Through MFI report cards, MFI performance is reviewed in the areas of governance and management capacity, sustainability and income, data management capacity, and 'impact' and product (Kantor & Andersen, 2010: 9-10).

¹⁴² The MISFA apex managers have started to re-orientate their monitoring towards loan utilization and client exit monitoring, but as of October 2009 have not reached many MFIs yet (Interview B/MISFA/11).

capacity and internal monitoring on financial exposure and in March 2009 it made provisions against potential losses (Interview B/MISFA/11). New reporting requirements for MFIs included more realistic business plans, having a trainer on staff to address capacity gaps in management and in field operations and establishing internal audit departments. According to one interviewee, as a result of this intensified monitoring about three MFIs will be merged due to their weak performance and some frauds detected in their systems (Interview B/MISFA/19). According to AREU interviews in May 2009 '[s]even out of thirteen MFIs interviewed specifically mentioned facing problems with fraud among both staff and clients' (Kantor & Andersen, 2010: 8).

4. How Participation in the MSP Affected Its Members

The MISFA MSP has created some obvious benefits for its MFI members, namely access to funding, buffering donor demands and capacity building, and its donor members, that is a donor coordination (ARTF) and wholesale mechanism (MISFA) for supporting microfinance. Except for the link between MISFA apex managers and its partners, other relations within the MISFA MSP are less developed. The benefits that MISFA created for its partners can partially be attributed to the characteristics of MISFA as a MSP. For the MISFA MSP to benefit equity, local knowledge, accountability and legitimacy, it has to be characterised by participation, inclusiveness and empowerment – a condition that is only met to a limited extent.

4.1 - MISFA partner benefits

MISFA provided MFIs a channel for easy access to relatively plentiful funds for microfinance. As a wholesale mechanism, MISFA encouraged donors to 'move larger amounts of money into microfinance than they would be administratively able to lend directly to MFIs' (CGAP, 2002: 5). MFIs generally appreciated MISFA's loans as loans with 'no strings attached'; MISFA did not voice any demands regarding beneficiary targeting, product development and the internal policies and procedures of MFIs.¹⁴³ This freedom of operation was generally appreciated by the MFIs; however it came at the cost of MFI sustainability.

Although MISFA shielded MFIs from particularistic donor requests, MFIs are heavily influenced by donor demands at the strategic level. MISFA's Board membership, with the central position of the three microfinance experts, and the ARTF have played an important role in keeping donors together. Donors' preferred application of microfinance varies widely (Interview B/MISFA/7). Donor countries, that also have a substantial military presence, indicated strong regional funding preferences (Interview B/MISFA/8; B/MISFA/21). Most MFIs indicated that they did not feel these pressures, thanks to MISFA which 'takes care of all of these demands' (Interview B/MISFA/5). At the strategic level, donor demands were translated into MISFA's mandate and working principles of outreach, sustainable MFIs, and

¹⁴³ This perspective was stressed by many interviewees (Interview B/MISFA/4; B/MISFA/6; B/MISFA/9; B/MISFA/10; B/MISFA/15; B/MISFA/16).

Afghanisation. Especially outreach was a major donor concern. At least some of the MFIs that had prioritized targeting vulnerable groups felt that they had to accommodate this concern.¹⁴⁴ Without such an institutional structure as the MISFA MSP (mainly MISFA and ARTF) to keep donors together (behind these general objectives), MFIs might have been able to shield themselves even more from donor pressures (if fragmented and divided over objectives).¹⁴⁵

MFIs also benefit from the technical assistance provided by MISFA. They generally appreciated the opportunity to tap into the pool of global microfinance expertise. MFI staff at all levels, including for example loan officers, received training through MISFA on a variety of issues, such as (how to develop) in-house training, accounting, reporting, etc. Some of them were offered training abroad, in countries with a more advanced microfinance sector (Interview B/MISFA/9; B/MISFA/10; B/MISFA/12). In fact, the anticipated access to technical training has affected the decision of MFIs to partner with MISFA as ‘non-financial’ partners, irrespective of whether they receive funding. Beyond training, MISFA has also started to play a role in product innovation and market research (Interview B/MISFA/5). Despite capacity building efforts, hardly any of the MFIs have reached sustainability in the challenging context of Afghanistan.

From the donors’ perspective, MISFA released them from having to build the in-house capacity for selecting the most viable microfinance institutions and providing hands-on guidance and supervision. Had individual donors taken up this task, then technical assistance resources would have been more fragmented and consequently less effective. MISFA hosts regular donor meetings, which are generally organized around the MISFA Board meetings, to present the Board decisions and the quarterly reporting. One of interviewees mentioned that the quality of reporting was good and that MISFA was responsive to information requests (Interview B/MISFA/22). As a result, MISFA was relatively well-received and not subject to heated donors’ debates.

4.2 - Relations within the MISFA MSP & beyond

The MISFA MSP has contributed to strengthening a limited number of relations between ‘similar’ stakeholders (e.g. intra-donor and intra-MFI). Since 2009 more efforts have been made to strengthen relationships between different public, civic and private stakeholders of the MISFA MSP, especially at the regional level.¹⁴⁶

¹⁴⁴ Roundtable discussion, CPHD, Kabul, 11 January 2010. One MFI case illustrates this clearly: while the 2005 business plan still included vulnerability targets; from 2006/7 onwards outreach became a priority and the vulnerability target was dropped.

¹⁴⁵ Ohanian (2008: 18) argues that ‘NGOs are most empowered as global policy actors when they are engaged within networks characterized by (1) multiple equipotent donors providing financial, institutional, and political resources (i.e., a low Degree of Power Concentration) and (2) incongruous donor priorities between peace-building and institution-building priorities (i.e., a low Level of Policy Coherence). In such a network, the NGO is able to insulate and shield itself from donor pressures while remaining sufficiently engaged in donor structures to draw from their resources.’ A fragmented and varied donor group, without a strong coordinating body, could have created such a position.

¹⁴⁶ Prior to 2009, some individual MFIs have – although to varying degrees – promoted the empowerment of governmental actors and traditional leaders and their clients by strengthening their capacity, and by creating new

Inter-MFI meetings are still largely driven by MISFA, which hosts MFI meetings and facilitates the establishment of the AMA. The AMA was established to become an independent representative of the MFIs, a platform for information sharing amongst MFIs (taking over some of the tasks currently performed by MISFA) and a provider of training. Prior to its establishment, coordination between the MFIs was less formalized. Although MISFA's management was involved in drafting the AMA strategic plan and pushed for formalization of MFI coordination, the establishment of the AMA also reflected MFI demand (Interview B/MISFA/11). While MISFA holds regular meetings with MFIs, the AMA holds more frequent meetings for all levels of MFI staff to learn from each other's experiences (Interview B/MISFA/6). Often, however, profound inter-MFI information sharing is hindered by a reluctance to share poor practices and failures,¹⁴⁷ the priority given to daily management tasks over knowledge sharing (Interview B/MISFA/8), and the nascent institutional structure of the AMA. To become the independent voice of the sector, the AMA needs to generate its own funding. As of end-2009, 80% of the budget of AMA is still paid by MISFA. If the AMA takes over some of the capacity building that MISFA is currently performing, this would give the AMA an independent income stream (Interview B/MISFA/11). So far, MISFA has been the main channel for voicing MFI concerns to government departments and donors. However, this situation is not ideal, as on some issues MISFA's perspectives do not reflect the ideas of the MFIs. After all, MISFA is a creditor to most of the MFIs.¹⁴⁸

Inter-MFI coordination is weaker at the provincial level (Interview B/MISFA/13; B/MISFA/14). Until 2008, coordination between MFIs operating in the same areas was weak or even non-existent;¹⁴⁹ for example in Herat the five MFIs working in this province did not meet at all, despite the initiative of one MFI to start coordination meetings. Consequently, frequently repayment problems occurred when clients were taking loans with different MFIs without informing the other MFIs (Interview B/MISFA/12). Since 2009 MISFA, in conjunction with the AMA, is organising regional coordination meetings to improve inter-MFI coordination at this level. According to a MFI working in the Western Region (Herat), 2009 was a turning point: in that year coordination improved to deal with joint problems of weak governmental support. Sustaining the emergent coordination at the provincial level is a priority. As soon as coordination is well-developed at this level, then the focus could shift to organising regular MFI meetings at the district level, as one MFI representative suggested.¹⁵⁰ Issues that require or would benefit from MFI coordination include overlapping areas of operation, human resources (such as blacklisting loan officers that have cheated, or avoiding 'aggressive' recruitment of each other's staff), security and the education of the communities. Also, by working in a larger

relationships and an environment more favourable to microfinance. However, these initiatives of regional MFI managers can unlikely be attributed to MISFA as a MSP.

¹⁴⁷ For example, although one MFI suggested sharing a blacklist of 'poor-performing' (i.e. cheating) loan officers, most MFIs were reluctant to share this kind of information (Interview B/MISFA/5).

¹⁴⁸ Roundtable discussion, CPHD, Kabul, 11 January 2010.

¹⁴⁹ As one roundtable participant mentioned: 'the difficulty [for microfinance] as compared to other sectors, [was that] there was for a long time no coordination on the ground' (Roundtable discussion, CPHD, Kabul, 11 January 2010).

¹⁵⁰ Roundtable discussion, CPHD, Kabul, 11 January 2010.

framework, they could benefit from the leverage that some MFIs have through their parent organisation.¹⁵¹

Donors' coordination largely takes place within the ARTF framework. Out of a total of USD 250.3 million grants, the vast majority (USD 183.3 million) was channelled through the ARTF.¹⁵² The ARTF also played an important role in keeping donors together. Even a donor like USAID, which is generally reluctant to support government programmes, stayed involved and even put some money through the ARTF (USD 5 million) and in MISFA directly (about USD 25 million as part of USAID/ARIES).¹⁵³ However, with the large, USD 130 million five-year USAID-funded, Financial Access for Investing in the Development of Afghanistan (FAIDA) programme entering the microfinance sector, MISFA's central position is in jeopardy.¹⁵⁴ At the time of the bidding procedure (end 2009) it was left up to the bidding parties to propose working with MISFA or not; although many of the illustrative activities mentioned in the terms of reference prepared by USAID suggest working with MISFA (USAID, 2009).

The arms-length involvement of the Afghan government has two benefits for the apex managers: MISFA gets the operational independence that it needs to operate effectively, while it benefits from its status as a national program (funded by donors through the national budget) of the people of Afghanistan (Interview B/MISFA/11). Informally, this role varies according to the interest of the ministers of MoF and MRRD. From the MoF side, concerns have been raised about the 'high' operational expenses of MISFA, and regional earmarking by donors. Donors communicate their preferences for microfinance largely through ARTF and MISFA, rather than establishing an intense policy dialogue with the MoF or MRRD on microfinance.

From the MFIs side, this arms-length involvement of the Afghan government in the MISFA MSP is not appreciated with similar enthusiasm, as many MFIs think that the Afghan government can do more to support their activities, particularly in view of religious and cultural obstacles to microfinance and lawlessness.¹⁵⁵ In fact, some MFIs have explained the GoIRA's disengagement by its limited role in MISFA's multi-stakeholders structure (e.g. Interview B/MISFA/12). However, the disengagement of the GoIRA, can only to a limited extent be explained by the MISFA MSP, as in its current position, the government is reluctant to make bold statements on microfinance (Interview B/MISFA/19). The Afghan government is not in the position to justify microfinance in front of parliament and to address the issue of interest from an Islamic point of view, let alone to publicly support microfinance. From a pragmatic

¹⁵¹ Ibid.

¹⁵² Amount (USD million) committed YR 1382 - YR 1388. In addition, approximately USD 30 million has been committed during this period in loans (E-mail communication with Dale Lampe, MISFA, 15 February 2010).

¹⁵³ Amount (USD million) committed YR 1382 - YR 1388 (E-mail communication with Dale Lampe, MISFA, 15 February 2010).

¹⁵⁴ There is also the risk of overlap of activities and possible duplication with the DfID GBP 30 million fund (possibly expanding to a USD 100 million), Harakat, the Afghanistan Investment Climate Facility. However, Harakat and MISFA have different mandates (most importantly Harakat's mandate does not include financing MFIs), and the area of potential overlap seems limited to specific research activities in the area of microfinance (Interview B/MISFA/11; Harakat website: <http://www.harakat.af> [Last accessed: February 13, 2010]).

¹⁵⁵ These points were stressed by many interviewees (Interview B/MISFA/10; B/MISFA/12; B/MISFA/13; B/MISFA/14; B/MISFA/15; B/MISFA/16).

point of view, it is pointed out that ‘a statement of a minister of MoF is not going to help in rural areas’ (Interview B/MISFA/21). Concerns about ‘interest’ drive a wedge between MFIs and provincial and municipal government representatives as well. In the absence of a broader framework for dialogue between MFIs and government representatives, one MFI explained that it had decided to refrain from reporting cases to government. The regional coordination meetings and ‘road shows’ have created more room for engagement with sub-national governmental representatives and local leaders. Relations became more cooperative when MFIs explained to local government representatives and leaders that MISFA is governmental money, clarified MISFA’s purpose, and used Islamic modes of microfinance.¹⁵⁶

Relations between the MISFA MSP and its external stakeholders (microfinance clients, local government representatives, local traditional leaders) are developing but still limited, particularly with respect to microfinance clients. While MSPs were generally expected to overcome the limited involvement of beneficiaries (that characterise traditional development programmes) and encourage participation, inclusiveness and empowerment, the MISFA MSP has not established mechanisms for ensuring broad-based, inclusive and systematic feedback from MFI clients.

5. Assessment of the External Impacts of the MSP

MISFA has been primarily evaluated in terms of outreach and, recently, in terms of MFI sustainability outcomes and to some extent socio-economic impact. The 2006 MISFA mid-term review suggested improvement in socio-economic impact measurement; a subsequent 2007 baseline study provided the baseline data and indicators to do so. This case study looks at the peacebuilding and human security impacts of the MISFA MSP, irrespective of whether microfinance stakeholders in Afghanistan defined peacebuilding and human security as their (primary) goals. This discussion concerns possible mechanisms through which the core MISFA MSP can contribute to peacebuilding and human security, based on impact assumptions, but this case study cannot confirm whether these alleged impacts became reality. It analyses to what extent the (assumed) peacebuilding and human security impacts (or the lack thereof) of MISFA can be attributed to the characteristics of MISFA as a MSP.

5.1 - Expected impacts evaluated

Expected impacts of microfinance were not made explicit by MISFA’s founders; in its early years (2003-2006) its success was primarily evaluated on the basis of quantitative geographic and client outreach indicators. The 2006 mid-term review (Nagarajan et al., 2006) had not only lauded MISFA for the fast scaling up of microfinance in Afghanistan, but also highlighted the potential trade-offs between social, financial and outreach objectives of MFIs, and suggested more systematic and standardised monitoring and evaluation. It evaluates MISFA on its ability to select quality partners and boost their capacity, the outreach, financial sustainability and

¹⁵⁶ Roundtable discussion, CPHD, Kabul, 11 January 2010.

social orientation of the MFIs (although social orientation was not an explicit expected result), and the quality of the partnerships it fosters in the sector.¹⁵⁷ The overall assessment of MISFA's performance was considered 'highly satisfactory'; in fact MISFA was mentioned as a 'prototype for building microfinance sector in conflict affected countries' (Nagarajan et al., 2006: 5). MISFA's functioning in view of the evaluation indicators is presented in table 3.

As of 2007, socio-economic monitoring and impact assessment have received more attention from MISFA MSP stakeholders (yet did not surpass MFI sustainability as a priority), in line with the mid-term review recommendations.¹⁵⁸ A 2007 baseline study on socio-economic impacts of microfinance (Greeley & Chaturvedi, 2007)¹⁵⁹ compared microfinance clients, non-clients and drop-outs. It underwrites some of the major expected impacts of microfinance (like the unmet demand for microfinance¹⁶⁰ and the productive use of microfinance loans¹⁶¹), but does not find support for improvement of the economic situation of clients versus non-clients. The impacts of the MFIs in the period of 2003-2007 in view of their expected impacts are presented in table 4. The limitation of this quantitative survey is that it is difficult to go beyond correlation (to causal relations).

¹⁵⁷ More specifically, the review covers: 'The additive effects refer to MISFA's ability to expand and sustain its operations efficiently through strengthening its own capacity, choice of quality partners, and types of services offered to build capacity of the partners. Multiplicative effects refer to the outreach, sustainability and social and economic impact of its partner organizations. Since it is too early to assess social impacts made by the microfinance institutions, the review only focused on the social orientation of MFIs – the degree to which MFIs have explicit social objectives and the mechanisms in place to support and monitor them. Diffusive effects are captured by the linkages and collaborations fostered by MISFA with various stake holders to create a ripple effect to strengthen the microfinance sector' (Nagarajan et al., 2006: 7).

¹⁵⁸ See Nagarajan, Knight & Chandani (2006: 15-16).

¹⁵⁹ The specific research objectives were 'to establish a baseline database of clients to assess the subsequent impact of the microfinance programme; to measure the impact of the microfinance programme in Afghanistan since the inception of the programme; to test and establish a few key socio-economic indicators that MFIs could monitor to track the well-being of their clients' (Greeley & Chaturvedi, 2007: 6).

¹⁶⁰ 'It would appear that there was an unmet demand for credit more or less uniformly distributed across the three categories of disaggregates with 22.3 per cent of the respondents reporting that they had not been able to procure loans. This percentage was the highest for dropouts (24 per cent) followed by non-clients (23.6 per cent) and clients (20 per cent)' (Greeley & Chaturvedi, 2007: 31). Unmet demand for variety of reasons, but 'the important ones were health (5.89 per cent), small business (5 per cent), food (3.63 per cent), housing (1.57 per cent) and agricultural input (1.28 per cent)' (Greeley & Chaturvedi, 2007: 32).

¹⁶¹ According to Greeley & Chaturvedi (2007: ix) 'Microfinance loans are, on average, larger than informal loans and unlike informal loans have been used largely for productive purposes: just under 89 per cent for the first loan rising to 100 per cent in the fourth loan cycle.' However, the definition of Greeley and Chaturvedi of productive is unconventional and quite broad, including all loan uses, except for health, food and loan repayment.

Table 3: Expected Interim Results for MISFA (2003 to 2006), Outcomes and Reviews¹⁶²

Expected results	Outcomes	Review
<i>I. Additive effects</i>		
<i>Investing in MFIs with potential to grow rapidly</i>	From June 2003 to June 2006, number of clients served grew 15 folds (12,000 clients to 197,000); portfolio outstanding grew (30 folds (US\$ 1 million to US\$ 30 million). Performance exceeds peers. About half of the MFIs grew rapidly, more than 50% every year.	Exceeds expectation
<i>Investing in MFIs with potential to become sustainable</i>	One MFI became OSS within 2.5 years of operation. Another MFI functioning for 3.5 years now has potential to become OSS soon. Many MFIs are projected to become OSS in five years since initiation.	Satisfactory
<i>Increase in Afghanisation of MISFA staff</i>	Currently, all mid-level managers and operations staff are Afghans. Well qualified expatriate staff occupy 3 positions at the top level of management.	Satisfactory
<i>Autonomous status for MISFA</i>	MISFA transformed from a government program to an Afghan company owned by the Ministry of Finance and governed by an independent board of directors within 2.5 years after its inception.	Highly satisfactory – on schedule
<i>Increase in quality of monitoring staff at MISFA</i>	Recently, the Afghan staff is exposed to many training programs and distance learning courses on financial management and performance monitoring. They are also trained in-house through guidance from an expert advisor and actively implementing improved monitoring systems.	Satisfactory – potential for highly satisfactory if trend continues
<i>Increase in quality of staff at MISFA for training</i>	While external trainers are used for training the MFIs, the Afghan staff is also recently trained to provide trainings (and not just translations).	Nearing satisfaction – needs improvement
<i>II. Diffusive effects</i>		
<i>Effective coordination with donors and government</i>	MISFA engages in dialogue with the multiple donors with varied objectives and the government to resolve issues related to the MF sector; it has expanded the donor base by attracting new donors such as USAID.	Satisfactory
<i>Facilitating AMA</i>	MISFA encouraged formation of AMA, provided grants to cover the first year operating costs of AMA and also housed the AMA coordinator within MISFA. AMA, however, is yet to take off and become a pro-active network.	Nearly Satisfactory
<i>Facilitating DMFI article with Central Bank</i>	Effectively coordinated through facilitating consultations between the central bank and the MFIs to draft the DMFI article. MISFA also disseminated the DMFI article to the MFIs.	Highly Satisfactory
<i>Facilitating MFI registration</i>	MISFA has been active in providing information to MFIs on how to register their institution as an Afghan company.	Highly Satisfactory
<i>III. Multiplicative effects</i>		
<i>Increase in transparency and accountability of MFIs</i>	All MFIs now regularly report to MISFA on a standardized format. Many MFIs are now audited and reporting to the MIX market. One MFI is currently being rated by an international rating agency. The quarterly newsletter on the website profiles MFIs on regular basis and provides useful data on MF sector.	Satisfactory
<i>Increase in MFI capacity to geographically expand further and serve vulnerable clients</i>	20 provinces, mostly in Kabul, North and North-East are covered. South and East are sparsely covered due to high levels of insecurity. But, many rural areas and poorer sections in fairly secure areas remain less covered.	Nearly satisfactory - needs improvement
<i>Increase in MFI capacity to become sustainable</i>	Only one MFI has become OSS and one shows promise. Many MFIs struggle to achieve half of the projected targets for sustainability.	Needs improvement
<i>Increase in Afghanisation of MFI staff (all operations and mid-level management)</i>	The share of international staff in total MFI staff is fast declining in all the MFIs. Four MFIs are managed by Afghans. However, there are MFIs where most of the top and mid-level management positions are still occupied by expatriate staff.	Highly satisfactory in few MFIs to nearly satisf. in some MFIs.
<i>Improvement in social performance</i>	MFI's report on a few outreach indicators, including number of women served, number of disabled clients and outreach to rural areas.	Needs further

¹⁶² Source: Nagarajan, Knight & Chandani (2006), table, pp. 24-26. Scales: Exceeds expectation; Highly satisfactory; Satisfactory; Nearly satisfactory (needs improvement); Least satisfactory.

*measurement*¹⁶³

Baseline data is collected but not used subsequently.

improvement.¹⁶⁴

¹⁶³ So far, this has not been an explicitly expected result.

¹⁶⁴ MISFA can offer technical assistance to streamline the measurement of social performance.

Table 4: Expected impacts microfinance and 2007 survey findings

Hypothesis ¹⁶⁵	2007 survey findings
Microfinance clients do not come from specific income or ethnic groups or geographical areas.	Clients are significantly better endowed than dropouts but not significantly better endowed than non-clients, which <i>could</i> suggest that client targeting is not biased on economic grounds.
Microfinance clients are economically better off than non-clients as a result of participation in the microfinance programme.	No statistically significant differences (at 95%).
Long-standing clients of the microfinance programme are economically better off than new clients.	No statistically significant differences (at 95%).
Women participating in the microfinance programme enjoy a higher socio-economic status than those women who are not participants.	The vast majority of clients, female and male, ¹⁶⁶ reported an ‘improved attitude’ in their husbands/ wives and other relatives, since joining microfinance.
Participation in the microfinance programme has led to social networks for women. ¹⁶⁷	Although relations are overwhelmingly reported as being good amongst microfinance group members, they are generally not strong enough to facilitate business advice and material support to each other. ¹⁶⁸
The level of awareness is higher among those women who are participants in the microfinance programme.	The level of awareness (on a selected health issue) was overall low; yet clients performed slightly better over non-clients and dropouts. ¹⁶⁹

¹⁶⁵ See Greeley & Chaturvedi (2007: 11).

¹⁶⁶ According to Greeley & Chaturvedi (2007: 42) ‘80 per cent of female respondents reported an ‘improved attitude’ in their husbands and other relatives, both male and female, since joining the microfinance programme.’ However, it is not clear whether this is based upon the female data, as Greeley & Chaturvedi (2007: 39) mentioned that overall figures, including both males and females, were that ‘overwhelmingly positive, the likelihood that it would vary across male and female clients, old and new clients, and rural and urban clients is non-existent.’

¹⁶⁷ This hypothesis was not mentioned in the listing of hypothesis by Greeley & Chaturvedi (2007: 11), but was mentioned in the report.

¹⁶⁸ However, it is not clear to what extent these positive relationships can be attributed to the microfinance loan; perhaps relationships were already good, and that is why people joined to form a group. Also, overall (both male and female) figures of relationships with other group members show that this percentage went down with more personal manifestations of the relationship. E.g. ‘[o]nly 8.6 per cent of the clients [both males and females] reported that they could count on group members for material support in times of need’ (Greeley & Chaturvedi, 2007: 41).

¹⁶⁹ The proxy chosen for the level of awareness was knowledge about ‘why iodised salt was important’. ‘Only 15.54 per cent of non-client women responded by saying that iodised salt prevented goitre, the right answer. The percentage was 15.94 for dropouts and 20 per cent for client respondents giving the right answer. dropouts and 20 per cent for client respondents giving the right answer’ (Greeley & Chaturvedi, 2007: 48).

Participation in the microfinance programme has empowered women.	More female clients than non-clients reported absolute control over money that they earned. ¹⁷⁰
The educational status of the members of client households is higher than the educational status of the members of non-client households.	<i>(not reported on)</i>
More client households than non-client households access health services.	Clients scored better than non-clients in terms of (reported) having immunization cards and women seeking medical advice for the illness of their children.
Microfinance plays a key role in the livelihood calculations of the participant households and acts as a safety net in times of crisis.	Clients have the lowest incidence of crisis, closely followed by non-clients; dropouts face the highest incidence of crisis of these three categories. ¹⁷¹ Credit is mentioned most often as a coping strategy; however, most took loans from friends (not MFIs). ¹⁷²
Microfinance has helped to start new economic activities and expand existing economic activities.	About 80% of loans have been used to either start a new business or expand an existing business. ¹⁷³
Microfinance has created jobs and thereby contributed to reduction in unemployment.	Every client generates an estimated 1.5 employment opportunities; if extrapolated to all MISFA clients, microfinance since 2003 has created 500,000 jobs. ¹⁷⁴
There are key socio-economic indicators that can help track the trends in the welfare status of the participant households over time.	A set of 19 indicators is suggested, despite some of its limitations (external factors, such as deteriorating security, local availability of services, etc.). ¹⁷⁵

¹⁷⁰ More specifically: ‘Of over 300 female clients interviewed, only 50 said that all decisions pertaining to loan use were taken by their male relatives 44 per cent of female clients reported absolute control over money that they earned, compared to 18 per cent of female non-clients’ (Greeley & Chaturvedi, 2007: ix).

¹⁷¹ The proxy chosen for the level of awareness was knowledge about ‘why iodised salt was important’. ‘Only 15.54 per cent of non-client women responded by saying that iodised salt prevented goitre, the right answer. The percentage was 15.94 for dropouts and 20 per cent for client respondents giving the right answer’ (Greeley & Chaturvedi, 2007: 48).

¹⁷² More specifically: ‘Of the 109 households that reported high incidence of human disease, 61 households (over 55 per cent) reported credit as the single most important coping strategy, but while 53 households took loans from friends and relatives only 7 took loans from MFIs’ (Greeley & Chaturvedi, 2007: 25).

¹⁷³ See: Greeley & Chaturvedi (2007: ix). At the moment it is unclear to the author whether, for example, ‘loans used to procure agricultural input or make improvements on agricultural land’ are considered as business expansion or not (in the data presented). E.g. an expansion of farming does not necessarily mean a business expansion; families might remain into subsistence farming.

¹⁷⁴ See: Greeley & Chaturvedi (2007: ix).

¹⁷⁵ The indicators include: ‘economic/expenditure indicators (assets including livestock and savings), social (education and health), empowerment of women (control over loan use and income derived from loan use), and service side of credit (level of satisfaction with MFI)’ (Greeley & Chaturvedi, 2007: 54).

A clear effort to fill this gap, and to understand the linkages between microfinance and livelihood security, is the recent AREU study on MISFA (Kantor, 2009). This study questions the main expected impacts of microfinance in Afghanistan. It draws attention to some ‘unexpected’ linkages between microfinance and rural livelihood security that can only be understood if informal finance, the contextual factors that influence the successful use of microcredit (like local and regional markets), and the value of credit in creating and maintaining relationships are taken into account. This study, also building upon earlier AREU work, suggests that ‘high repayment rates that MFIs report may mask a build-up of informal debt,’ as informal credit is widely available and might be used to repay formal loans (Kantor, 2009: xii), and client activities are ‘not profitable enough for most clients to easily find the money to repay’ (Ibid.: xi).¹⁷⁶ Further research is needed to understand the implications of these findings beyond the three study villages.

The AREU findings do not support the high proportion of productive use of microfinance loans found by Greeley & Chaturvedi (2007) but, instead, suggest a lower figure. This perspective was supported by an interviewee, who – based upon a small (unconfirmed) study – concluded that only 30 per cent of the loan to female clients was used for productive purposes (Interview B/MISFA/11). According to another interviewee, ‘only 10 percent of the clients use the money for business; the remaining 90 percent [of clients] is solving immediate problems’ (Interview B/MISFA/2). It is a widespread concern amongst MFIs that clients only use the loan to solve their immediate problems (rather than make productive investments).¹⁷⁷ The AREU report concludes that ‘access to credit is not in itself sufficient to ensure the desired positive impacts on client livelihood security or MFI viability’ (Kantor, 2009: ix). It recommends a reorientation to developmental (instead of a commercial) objectives for microfinance in Afghanistan. Interviewees mention that formal credit should be complementary to informal credit, however, product innovation to better fill the gap is still largely lacking.

The question of whether a commercial orientation to microfinance (aimed at establishing a cost-covering operation) can be successfully combined with poverty reduction aims is still ‘unanswered’ in Afghanistan. More generally, it is still questionable ‘whether microcredit or other forms of microfinance are helping to lift millions out of poverty’ (CGAP, 2010: 2). For some a (expected) positive answer is the primary reason for their involvement in microfinance (e.g. Interview B/MISFA/5), for others this question is secondary. The latter group maintains that microfinance is ‘about strengthening the financial sector;’ the justification for microfinance does not stem from its (expected) poverty reduction impacts, but is based upon the ability of the public money put into microfinance to kick-start private sector investments (Interview B/MISFA/7). Supported by the analysis of more than 250 yearlong financial diaries (Collins et al., 2009), CGAP (2010: 2) suggests that irrespective of the impact on income-creation, financial services ‘are vital tools in helping them to *cope* with poverty.’ It is argued that microfinance, by comparison with informal credit arrangements, can bring

¹⁷⁶ Based upon observations in three study villages; one close to Kabul, one in Bamiyan and one in Balkh.

¹⁷⁷ This concern was stressed by many interviewees (Interview B/MISFA/3; B/MISFA/4; B/MISFA/15; B/MISFA/16).

reliability to the financial lives of the poor (Collins et al., 2009: 180-181). An intermediary position is that sustainability is not an end in itself: it is a means for MFIs to do the ‘social portion of their mission, which is the real reason that they are there.’ Sustainability is needed to survive beyond the limited time span of donor attention for Afghanistan. Cross-subsidization is mentioned as a promising strategy: in case urban areas are more profitable, these benefits can be used to offset the costs of working in more remote rural areas.¹⁷⁸ To maximize its development potential the microfinance program in Afghanistan needs more linkages with development programs (Interview B/MISFA/11).

The priority given by MISFA to MFI sustainability (over addressing the needs of war-affected or other vulnerable groups) is largely due to the specific stakeholder structure of the MISFA MSP, with relatively large decision-making power allocated to microfinance experts, who tend to favour a commercial or double bottom line approach to microfinance. The discussion about impact seems to be largely a debate between international actors. Local knowledge seems underrepresented in this debate, while it might be crucial in understanding some of the ‘unexpected’ linkages between microfinance and rural livelihood security.

5.2 - Peacebuilding and human security impacts

MISFA’s primary concern with outreach and MFI sustainability has resulted in a microfinance approach that deviates on many points from human-security informed microfinance, as it is highlighted in table 5. From a human security lens, microfinance will have human security impacts through its outcomes only if its operations include a degree of responsiveness and attentiveness both to the causes of conflict as well as conflict-induced vulnerabilities, as opposed to a neo-liberal approach to microfinance (Ohanyan, 2008). Instead, microfinance is an instrument at the community level for income generation (through self-employment), social inclusion (e.g. through group lending in returnee villages), rebuilding social capital (through group lending) and creating a peace dividend (through its ability to bridge the humanitarian aid-development gap).¹⁷⁹

The extent to which a human-security informed approach is taken varies amongst the stakeholders, and in some cases they might have created ‘unexpected’ human security impacts. To the extent to which lack of access to resources and weak rural development is a cause of conflict (cf. Barakat et al., 2008; Pennes, 2008), the explicit quest of donors for geographic outreach (i.e. rural penetration) reflects responsiveness to causes of conflict, and it prioritises the creation of a peace dividend over MFI sustainability. Also, to the extent that poppy cultivation creates conflict, the ‘alternative livelihoods approach’, that some microfinance programmes take, can have human security benefits. Hence, the question is to what extent these potential peacebuilding and human security impacts of microfinance are likely to have materialised.¹⁸⁰

¹⁷⁸ Roundtable discussion, CPHD, Kabul, 11 January 2010.

¹⁷⁹ See chapter 1 above, on bridging socio-economic development and human security.

¹⁸⁰ See Annex 3 for methodological considerations: the findings of this case study concern possible mechanisms through which the core MISFA MSP can contribute to peacebuilding and human security, based upon

Table 5: Key characteristics of human-security microfinance and microfinance approach in Afghanistan

Human-security microfinance	Microfinance approach in Afghanistan	Neoliberal microfinance
Responsiveness and attentiveness to causes of conflict and conflict-induced vulnerabilities	Strengthening the Afghan microfinance sector	Focus on macroeconomic stabilization policies
Prioritising employment creation and consumption smoothing	Improving access to credit for self-employment, and escaping a credit-poppo-debt trap	Improving the business environment (through access to credit) for self-employment
Client targeting of (the communities of) returnees, refugees, women and/or demobilised soldiers	Limited client targeting (focus on outreach); as of 2008/9: ability to repay, cross-subsidization, etc.	Favouring those with the biggest business potential and ability to repay
MFI institutional and financial viability is an instrument for income generation, social inclusion, and rebuilding social capital, creating a peace dividend	MFI institutional and financial viability is a priority to ensure the sustainability of a social mandate (double bottom line)	MFI institutional and financial viability is an objective in itself

Although in the early years of the MISFA MSP, few MFIs were working in the rural areas, rural penetration has increased in recent years and, as of December 2009, 24 percent of outstanding loans is to rural clients (MISFA, 2009b). The ability of this rural presence, with over USD 170 million in loans disbursed (cumulatively), (MISFA, 2009b) to create a peace dividend and improve rural access to resources is mediated by limited local and regional market potential, insecurity, conservative attitudes towards microfinance, lack of education, and MISFA's MFI sustainability goals. Especially in rural areas with weak local or regional markets, it is questionable whether the enterprises that have been started or expanded with microfinance are sustainable (Interview B/MISFA/3). Insecurity creates loan repayment problems, which – to some extent – can be overcome by closer cooperation with local authorities so as to ensure enforcement of microfinance loan conditions (Interview B/MISFA/13). 'Conservative' attitudes regarding microfinance, specifically the associated interest payments, because interest is not in accordance with Islam, are frequently mentioned as an obstacle to rural penetration.¹⁸¹ Although the MISFA management and most MFIs

assumptions about impacts, but they cannot confirm whether these alleged impacts became reality and exclude possible impacts from MISFA's sub-national layers.

¹⁸¹ This concern was stressed by many interviewees as a major concern and they are looking abroad, to other Islamic countries like Bangladesh, where microfinance is widely practiced, for solutions such as sharia compliant products and again a more supportive role of the government (Interview B/MISFA/4; B/MISFA/6; B/MISFA/9; B/MISFA/10; B/MISFA/17). The 2007 survey challenges this widespread perception (Greeley & Chaturvedi, 2007); its findings suggested that Islam-based concerns only account for 4 per cent of the mentioned

mention that ‘in its simplest terms it is a service charge to cover costs,’ as the MFIs are not-for-profit organisations, they acknowledge that not enough has been done to address the concerns of not only potential clients, but also key MISFA MSP stakeholders, like local government representatives.¹⁸² The push for MFI sustainability is at odds with rural penetration goals (Nagarajan et al., 2006: 5). Even if MFI sustainability concerns would become secondary to peacebuilding objectives, the number of challenges remain substantial, and are unlikely to be overcome by the ‘right’ design of the MISFA MSP alone.

The presumed credit-poppo-debt trap justified microfinance as an instrument for access to alternative credit (other than poppy-denominated credit) to allow farmers to move away from poppy cultivation. The ‘trap’ seems to be limited to provinces where the Taliban ban was enforced (during Taliban time); however, in post-2001 provinces, poppy cultivation seems to have been more debt-relieving than debt-creating (Pain, 2008). Thus, it is likely to take more than microfinance to move farmers out of poppy production. Even if profitable alternatives can be found, a livelihood security strategy is most likely to entail a diversification of strategies, of which poppy is likely to remain one for some time to come. The shift away from poppy is also largely influenced by local and regional market potential, and insecurity. Furthermore, there is limited evidence for direct linkages between poppy cultivation, Taliban financing and recruitment of fighters. According to a recent ‘Strategic Conflict Assessment’, ‘it is unreasonable to assume that the cessation of funding from poppy trafficking or black market goods would lead to the large-scale collapse of the insurgency’ (Barakat et al., 2008: 34).

Both as an instrument for creating a peace dividend and improving rural households’ access to resources, and for providing alternatives to poppy cultivation, the MISFA MSP in itself, even if designed ‘right’, is unlikely to address market, security, and human capacity challenges on its own. A more fundamental possible limitation of the human-security approach is that it does not address the “‘adverse selection’ bias”: Microfinance, by placing individual entrepreneurial success at the centre, creates adverse selection in its model and ‘crowds out’ investments in sustainable productive technology-intensive activities (Bateman, 2008: 255).¹⁸³ This possible adverse effect in terms of sustainable development, irrespective of whether microfinance was human-security informed or not, limits the conclusions that can be drawn based upon the current case study.

6. Findings and Conclusions

reasons of non-clients for not taking a microfinance loan. Frequent mentioned reasons for non-engagement included ‘[I]ack of awareness (22 per cent), harsh terms and conditions (12 per cent) and perceived risk (9 per cent)’ (Greeley & Chaturvedi, 2007: 29).

¹⁸² Roundtable discussion, CPHD, Kabul, 11 January 2010.

¹⁸³ Yet, the question of whether and how MISFA contributes to socio-economic development remains unanswered in this study; instead, the question is *how, to what extent and under what conditions* MISFA – as a multi-stakeholder partnership – can be significant for peacebuilding and human security in Afghanistan.

The MISFA case study focuses on *how, to what extent and under what conditions* MISFA – as a multi-stakeholder partnership – can be significant for peacebuilding and human security in Afghanistan. Both *process* and *outcome* characteristics of the MISFA MSP were (cf. MultiPart working hypotheses) expected to explain how the MISFA MSP can be significant for peacebuilding and human security (or not). With most of MISFA’s potential impacts still open to discussion, under-researched, or even contested, the question to what extent peacebuilding and human security impacts (or lack thereof) can be attributed to the multi-stakeholder partnership characteristics of MISFA remains somewhat premature. The study therefore focussed mostly on the process characteristics of the MISFA MSP and their potential to benefit equity, local knowledge, accountability and legitimacy.

6.1 - MISFA as MSP

MISFA as a MSP brings together all the major stakeholders in the Afghanistan microfinance sector. The key and unique characteristics of the MISFA MSP are the unusual allocation of decision making power at the Board of Directors reflecting MISFA’s multi-stakeholder character, the heavy reliance upon international microfinance experience and the priority given to building a sustainable Afghan microfinance sector (over addressing the needs of war-affected or other vulnerable groups). While donors’ enthusiasm and AIA responsiveness to this enthusiasm (despite the reservations of some international experts) to support microfinance were crucial in the establishment of a microfinance programme, the driver behind MISFA’s formation, development and operation is a global microfinance expert community. This community facilitated the transfer of global ‘best practices’ (particularly from Bosnia-Herzegovina) to Afghanistan.

The MISFA MSP benefitted its stakeholders by linking the Afghan MFIs to global microfinance knowledge networks and the sizeable donor funds to the MFIs present in Afghanistan. Had individual donors taken up this task, then technical assistance resources would have been more fragmented and consequently less effective. By providing a donor pooling (ARTF) and wholesale function (MISFA) to donors, the MISFA MSP encouraged donors to contribute larger amounts of funding for microfinance. The relative isolation of MFIs from particularistic donor demands and government interference was facilitated by the intermediation function of the MISFA MSP (and its specific decision making characteristics, i.e. the unusual allocation of decision making power to microfinance experts at the Board of Directors). The MISFA MSP has contributed to strengthening relations between ‘similar’ stakeholders (e.g. intra-donor and intra-MFI). Although these are important benefits for microfinance stakeholders that can be partially attributed to the MSP characteristics of MISFA, they do not directly relate to peacebuilding and human security.

6.2. - How? To what extent? Under what conditions?

While MSPs (compared to traditional development programmes) have not only been established to address efficiency concerns, but also to overcome ownership and accountability gaps and enhance local knowledge and equity, the latter four concerns did not play an

important role in MISFA's establishment. Since 2009 more efforts have been made to strengthen relationships between different public, civic and private stakeholders of the MISFA MSP, especially at the regional level.¹⁸⁴ To date the empowerment effects of the MISFA MSP have been largely at the MFI level, by actively promoting an Afghanisation process of the microfinance sector. The MISFA MSP has been an important facilitator of the (partial) transformation from international MFIs to Afghan registered, Afghan staffed and largely Afghan managed MFIs, thereby contributing to Afghan employment and empowerment within the microfinance sector.

Relations between MISFA MSP stakeholders and their external stakeholders (microfinance clients, local government representatives, local traditional leaders) are developing but still limited, particularly with respect to microfinance clients. While MSPs were generally expected to overcome the limited involvement of beneficiaries (that characterise traditional development programmes) and encourage participation, inclusiveness and empowerment, the MISFA MSP has not established mechanisms for ensuring broad-based, inclusive and systematic feedback from MFI clients. Since 2009, the MISFA MSP has started to actively engage with local government representatives and local leaders by organising and stimulating regional coordination meetings and road shows. Anecdotal evidence suggests that cooperation and trust has improved as a result.

The initial focus on outreach and subsequently on MFI sustainability of MISFA implies that the MISFA MSP has not been particularly informed by human security and peacebuilding concerns. Although the MISFA MSP shielded MFIs from particularistic donor requests, MFIs are heavily influenced by donor demands at the strategic level. Outreach, a major donors' concern, became the main MISFA principle in its early years. Without such an institutional structure as the MISFA MSP to keep donors together, MFIs might have been able to shield themselves even more from donor pressures (if fragmented and divided over objectives). The subsequent priority given to building sustainable MFIs is largely due to the specific stakeholder structure of MISFA MSP, with relatively large decision-making power allocated to microfinance experts.

The MISFA MSP was expected, at least according to some of its stakeholders, to have a potential peacebuilding and human security impact by creating a peace dividend, improving rural access to resources and stimulating alternatives to poppy cultivation. The ability of the MISFA MSP to realise this potential is not only mediated by MISFA's MFI sustainability priorities, but also hindered by limited local and regional market potential, insecurity (lack of repayment enforcement), conservative attitudes towards microfinance, and lack of education/familiarity with microfinance. By improving the inclusiveness of the MISFA MSP, some of these challenges might be overcome. However, even if MFI sustainability concerns

¹⁸⁴ Prior to 2009, some individual MFIs have – although to varying degrees – promoted the empowerment of governmental actors and traditional leaders and their clients by strengthening their capacity, and by creating new relationships and an environment more favourable to microfinance. However, these initiatives of regional MFI managers can unlikely be attributed to MISFA as a MSP.

would become secondary to peacebuilding objectives, the number of challenges remain substantial and are unlikely to be overcome by the ‘right’ design of the MISFA MSP alone.

Furthermore, a recent study (Kantor, 2009) highlights some potential ‘unexpected’ negative linkages between microfinance and rural livelihood security that can only be understood if informal finance, the contextual factors that influence the successful use of microcredit (like local and regional markets), and the value of credit in creating and maintaining relationships are taken into account. The limited beneficiary participation in the MISFA MSP is likely to have played a role in the limited reflection and slow adjustments of the assumptions and expected impacts of MISFA, when confronted with the realities on the ground. However, the recent closer engagement of MISFA and MISFA MSP stakeholders with local government representatives and local leaders shows that the MISFA MSP is not a fixed structure and changes over time. Hence, although the MSP characteristics of the MISFA MSP have not been beneficial to systematic and meaningful incorporation of MFI beneficiaries/clients perspectives so far, the example of regional coordination meetings shows that the MISFA MSP can become more inclusive over time.

With the incorporation of MISFA in 2006, the government of Afghanistan was placed at further distance to the MISFA MSP. A more substantial government involvement could have had the benefit of a more proactive stance of the government regarding cultural and religious objections to microfinance and lack of (loan repayment) enforcement. However, in the current environment, the government does not want to get involved closely and directly, because of potential anti-government sentiments that might be mobilised by local mullahs, as interest is not in accordance with Islam. Hence, this potential peacebuilding and human security impact is unlikely to materialise under the current conditions, irrespective of MISFA’s MSP characteristics.

The case of the MISFA MSP highlights the importance of a ‘supportive environment’ and favourable conditions. Both as an instrument for creating a peace dividend, improving rural households’ access to resources, and for providing alternatives to poppy cultivation, microfinance in itself, even if organised as a multi-stakeholder partnership, with the ‘right’ characteristics, is unlikely to address the market, security, and human capacity challenges of Afghanistan on its own.

6.3 - Implications for the EU and other donors

From the above-mentioned findings and conclusions, a number of policy implications can be drawn:

- Donors’ enthusiasm for microfinance was based upon a number of assumptions on credit (un)availability, practices and rural livelihoods that remain questionable, and in some cases have been convincingly refuted by recent publications. As a result, the expected peacebuilding, human security and socio-economic impacts of microfinance in Afghanistan remain unfounded or questionable at best. Donors’ policies have insufficiently acknowledged the dynamics of informal and shadow economies,

regional differences in credit practices and livelihoods practices, and the social and power aspects of credit relationships.

- MSPs were expected to increase beneficiary involvement in policy formulation, implementation and evaluation. One of the weakest relationships of the MISFA MSP is between its stakeholders and external stakeholders, i.e. microfinance beneficiaries/client. Some of the abovementioned points are hard to avoid in a ‘post-conflict’ context (the spending pressure, the need to create a peace dividend, etc.). However, a more inclusive partnership (that facilitates feedback loops from beneficiaries) could have challenged some of the assumptions earlier and allowed for more timely adaptations of strategies. Participation, inclusiveness and empowerment are not only important in terms of process (benefitting equity, local knowledge, accountability and legitimacy) but can also improve outcomes.
- The MISFA MSP case study highlights the limitations of peacebuilding and human security impacts, irrespective of MISFA’s MSP characteristics. Consequently, taking a human-security informed approach to microfinance might not be (only) the solution. Limited local and regional market potential, insecurity, conservative attitudes towards microfinance and lack of education limit the employment and income generating potential of microfinance. To overcome these obstacles, microfinance has to be seen as part of a set of interventions directed at rural income generation and employment creation. This raises the question whether MSPs are the best instrument to deal with these challenges or whether networks (of MSPs) are more suitable.
- Microfinance can create adverse selection that ‘crowds out’ investments in sustainable, productive, technology-intensive activities. This possible adverse effect in terms of sustainable development, irrespective of whether microfinance is human-security informed or not, limits the conclusions that can be drawn based upon the current case study. The possible human security and peacebuilding impacts of MISFA as a MSP might come at the cost of undermining those economic activities that would have improved the overall structural economic environment for Afghanistan. Analysis of this possible adverse affect is outside the scope of this case study, but could potentially have substantial policy implications.

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Annex 1: List of interviewees

Codename	Name	Position	Institution	Type of actor	Place & date of interview
B/MISFA/1	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 23 July 2009
B/MISFA/2	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 10 August 2009
B/MISFA/3	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 18 August 2009
B/MISFA/4	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 31 August 2009
B/MISFA/5	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 29 September 2009
B/MISFA/6	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 10 September 2009
B/MISFA/7	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 5 October 2009
B/MISFA/8	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 5 October 2009
B/MISFA/9	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 29 October 2009
B/MISFA/10	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Herat, 11 October 2009
B/MISFA/11	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 11 October 2009
B/MISFA/12	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Herat, 11 October 2009
B/MISFA/13	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Herat, 7 October 2009
B/MISFA/14	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Jalalabad, 25 October 2009
B/MISFA/15	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Jalalabad, 29 October 2009
B/MISFA/16	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Jalalabad, 29 October 2009
B/MISFA/17	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 17 November 2009
B/MISFA/18	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 7 December 2009
B/MISFA/19	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 17 December 2009
B/MISFA/20	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 6 January 2010
B/MISFA/21	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	Kabul, 7 January 2010
B/MISFA/22	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	<i>Anonymous</i>	N/A

Name interviewee	Position	Institution
Abdul Karim Haidar	Director	FMFB
Abdul Wasi Behsoodi	Manager	NIFC
Bryan Hoppe	Chief Operating Officer	HFL Afghanistan
Chris Bold	Microfinance Specialist (former DFID)	CGAP
Dale Lampe	Director Operations	MISFA Ltd
Doreen Broska	Private Sector Development Advisor	DFID
Essa Khan	Provincial Manager	FINCA
Habib Ur Rehman Mayar	Aid Coordination Officer	MoF
Jawid Ganji	Provincial Manager	MADRAC
Moh. Aminull Islam	Manager	BRAC
Mohammad Ehsan Zia	Minister of MRRD / Chairman MISFA Board	MRRD
Mohammad Nabi Waqar	Head of Office	Ariana
Mohd. Aman Sediqi	Acting Manager	Parwaz
Naim Yari	Head of Branch	FMFB
Nurul Islam Chowdhury	Team Leader	ASA Afghanistan
Obaidullah Rafiqi	Provincial Manager	WOCCU
Parwiz Kawa	Head	AMA
Pascal Arthaud	Country Director	SUNDOQ
Rahela Hashim Sediqi	MISFA Board member	IARCSC
Stephen Rasmussen	Sr. Microfinance Advisor / Manager Technology Program	CGAP
Storia Sadat	Director	Ariana
Tariq Khan Baluch	CEO / Country Director	FINCA

MFIs:	14
Government:	2
MISFA (apex managers):	1
MISFA (Board):	2 (of which 1 Government)
AMA:	1
Donors:	3
<hr/>	
Total:	22

Annex 2: List of roundtable participants



MultiPart/CPHD Roundtable on MISFA: Microfinance Investment Support Facility for Afghanistan (MISFA): Benefits for its stakeholders and peace building and human security impacts, Monday January 11, 2010 | 13:00 – 16:00 | CPHD, Kabul University.

Participant Full Name	Institution	Position
Nurul Islam Chowdhury	ASA Afghanistan	Team Leader
Charlotte Schneider	MADERA	Administration and Finance Director
Parwiz Kawa	AMA	Head
Waheed Ulfat	MADRAC	Manager
Dale Lampe	MISFA Ltd	Director Operations
Paula Kantor	AREU	Director
Wahid Gharwal	Kabul University	Professor
Aziz Fanoos	Kabul University	Professor
Zia Rafat	Kabul University	Professor
Jawida	Kabul University	Professor
Abdul Hadi Sadat	CPHD	MultiPart Researcher
Mohammad Sharif Samsor	CPHD	MultiPart Researcher
Atal Ahmadzai	CPHD	Research and Capacity Building Officer
Bertine Kamphuis (facilitator)	MultiPart	Country leader

MFIs:	3
MISFA (apex managers):	1
AMA:	1
Academia/research:	9
Total:	14

Annex 3: Methodological considerations

This annex discusses the case selection and main methodological challenges of the research conducted by the in-country team of researchers and the author on the case study MISFA MSP, the methodological considerations that influenced the decisions that were taken, and their implications for the case study.

To be considered as a MSP, the following MultiPart criteria apply: *Definitional criteria*: (1) at least three different types of actors, (2) some role in decision making and operational issues by these actors, (3) and a minimum degree of institutionalisation; *MultiPart relevance criteria*: (4) a geographic focus of its activities within the country, (5) functionality (beyond purely declarative) and longevity (of two years or more), (6) applicability to the research questions, (7) a balance among issue areas, and (8) relevance to the EU; and *Researchability criteria*: (9) availability of data and (10) practical, logistical and security concerns. MISFA fulfils the definitional and MultiPart relevance criteria; however, researchability is compromised by the financial and logistical constraints of the MultiPart project in combination with the country context (insecurity, remoteness, limited infrastructure). Table 6 presents a detailed discussion of MISFA compliance to MultiPart MSP case selection criteria.

Table 6: Selection criteria for MISFA

<p>(1) <u>Actors</u>: at least three different types of actors:</p> <ol style="list-style-type: none"> 1. <i>Civic</i>: Most MFIs started as NGO type MFIs, initially established by international NGOs, but over time registered in Afghanistan; PARWAZ started as an Afghan NGO; AMA; MFI clients (solidarity groups, individuals); MFIs’ local counterparts like mullahs, village leaders, etc. 2. <i>Public</i>: MRRD (from 2003-6 MISFA is a government unit with the MRRD, as of 2006, MRRD is represented in the Board of Directors), MoF (as sole shareholder of MISFA Ltd.). 3. <i>Private</i>: As of March 2006, MISFA (Ltd.) is an Afghan company, and the 13 MFIs have been asked to register as Afghan not-for-profit companies; FMFB; WOCCU. 4. <i>International civic</i>: the international NGOs that initiated many of the MFIs; international microfinance experts (represented in the Board of Directors), CGAP. 5. <i>International public</i>: bilateral and multilateral donors, World-Bank managed ARTF. 6. <i>International private</i>: the consultancy company involved in the initial set-up; investors for the SME window like Bank Alfalah.
<p>(2) <u>Process</u>: the representation in the Board of Directors of multiple stakeholders shows the role of these actors in the decision making process. MFIs are not represented, but are regularly consulted by MISFA (the apex managers).</p>
<p>(3) <u>Institutionalisation</u>: through different platforms, and institutional structures, the different stakeholders of MISFA are tied together; examples include the ARTF, AMA, representation in the Board of Directors, regular MISFA-led MFI meetings, regular MISFA-led donor meetings, etc.</p>
<p>(4) <u>Geographic focus</u>: MISFA has an explicit Afghan mandate, and the MFIs operating under the MISFA ‘umbrella’ currently operate in 26 (out of 34) provinces.</p>
<p>(5) <u>Functionality & longevity</u>: MISFA was established in 2003, and currently, as of February 2010, is still operational. Under the MISFA ‘umbrella’ since its establishment in 2003, MFIs have, as of December 2009, disbursed a total of over 1.5 million loans (worth about USD 724 million).</p>
<p>(6) <u>Applicability to the research questions</u>: MISFA is relevant to MultiPart research in view of the expected (by its supporters) impact on promoting social and economic development; the ongoing debate on peacebuilding/social development versus institutional and financial sustainability objectives of microfinance; its evolving governance structures, allowing for some ‘before’ and ‘after’ comparison of membership benefits and</p>

external outcomes under relatively equal <i>ceteris paribus</i> conditions.
(7) <u>Issues</u> : MISFA has been selected for the socio-economic development issue area, while three other MSPs have been selected for the other three issue areas. ¹⁸⁵
(8) <u>Relevance to the EU</u> : the EC, through un-preferenced contributions to the ARTF, might have been an indirect donor of MISFA, but it is unlikely that these un-preferenced grants played a large role in funding MISFA. ¹⁸⁶ EU member states, like Denmark, Finland, Sweden, UK, and the Netherlands, are MISFA donors (through ARTF preferences or otherwise).
(9) <u>Availability of data</u> : website, mid-term review, and other reports.
(10) <u>Practical, logistical and security concerns</u> : time, logistical and security constraints prevented MultiPart researchers from interviewing MFI clients. This is a major shortcoming, which has only been partially addressed by using existing publications that relied upon substantial field-based research.

The methodological challenges that researchers faced during the research on MISFA concern the quantity, timing, and representativeness of the interviews conducted and the prescribed (cf. MultiPart methodology) impact assessment of the MSP. They follow from the limited MultiPart resources for in-country research, and the challenging environment in which the research had to be conducted (security concerns, elections, etc.). In response, it was decided in consultation with MultiPart partners to focus the limited research resources on the ‘core’ (Kabul-based) multi-stakeholder partnership of MISFA. Also, MISFA’s role in SME financing was largely left out of the research.¹⁸⁷ In late 2006, MISFA’s mandate has been expanded to include a Small and Medium Enterprise (SME) window ‘that on-lends funds through local banks for small and medium enterprise loans, with support from USAID’ (MISFA 2009a). Since its establishment, three SME partners¹⁸⁸ have disbursed a total of 1914 loans (each ranging from USD 3,000-300,000), with a cumulative value of over USD 31 million. However, considering its recent establishment and limited information available, this SME window is not part of the MultiPart research focus (MISFA 2009a). The envisioned phase two of the in-country research, the impact assessment of the MSP, was scaled down substantially.

MISFA is a multi-layered MSP; it operates not only at the Kabul-level (the ‘core’ MISFA MSP), but also at the provincial level, where some regional offices of the MFIs with MISFA and AMA support work together with each other and provincial government representatives, and at the community level, where many MFIs have established their own mini-MSPs by

¹⁸⁵ Disbandment of Illegal Armed Groups (DIAG) for security; National Solidarity Program (NSP) for democracy, good governance and rule of law; and the Action Plan on Peace, Justice and Reconciliation for confidence building, reconciliation & inter-communal bridge-building.

¹⁸⁶ The EC has contributed USD 330.051 million to the ARTF since the beginning of the fund - i.e. almost 10% of the total volume of contributions. The EU expressed preference for the following programmes/projects: Justice Sector Reform Project (USD 14.206 million); National Emergency Employment Programme (USD 14.553 million); and the National Solidarity Program (USD 66.518 million). The rest of the ARTF contributions (i.e. almost USD 215 million) were un-preferenced and therefore went both to the Recurrent Cost Window and in the Investment Window of the ARTF. It is however not possible to trace the exact contribution to each window, given the functioning rules of the Trust Fund (World Bank, 2009; E-mail communication with Bernard de Schrevel, Delegation of the European Commission to Afghanistan, 14 February 2010). However, considering that donor preferences for MISFA match ARTF commitments to MISFA, it is unlikely that EC un-preferenced grants played a large role in funding MISFA.

¹⁸⁷ MISFA’s SME window had only been established recently and limited information was available; hence, including the SME financing dimension of MISFA would have required substantial research resources that would come at the cost of researching the core MISFA MSP.

¹⁸⁸ First MicroFinanceBank, Afghanistan (FMFB Afghanistan), Bank Alfalah and OXUS Afghanistan.

partnering with loan groups and local leaders. Much of the potential peacebuilding and human security impact of the MISFA MSP is expected to depend upon the quality of the partnerships at the provincial, district and community level. Nevertheless, resource and security constraints precluded substantial field research at these sub-national levels. MultiPart in-country researchers conducted interviews in three locations, in the capital Kabul, and the provincial capitals Jalalabad and Herat.¹⁸⁹ Six (out of a total of 22 interviews) were conducted in provincial capitals; this number is limited, included only MFI provincial managers, and was largely used to deepen understanding of the provincial perspective on the core MISFA MSP. Additionally, some of the regional coordination had been launched in late-2009, after the periods of field research at the province level. The findings presented in this case study, therefore, cannot be generalised to the whole MSP, and all its layers; they are limited to the core MISFA MSP, and largely reflect developments up until end 2009.

MultiPart (2008) suggested a two-staged approach for the in-country research, in which the second phase would be largely dedicated to an assessment of the impacts of the MSP in two or three selected focussed issue areas or types of beneficiaries. As this would require substantial research time in remote areas, the decision was made to focus the limited resources largely on the question of the quality of the partnership. Hence, no beneficiaries (MFI clients) have been interviewed. This is a major shortcoming, which has only been partially addressed by using existing publications that relied upon substantial field-based research. The findings of this case study concern possible mechanisms through which the core MISFA MSP can contribute to peacebuilding and human security, based upon assumptions about impacts, but they cannot confirm whether these alleged impacts became reality and exclude possible impacts from the MISFA MSP's sub-national layers.

This case study largely draws upon 22 interviews (Annex 1)¹⁹⁰ and a limited number of publications on MISFA. In addition, a roundtable discussion has been organised at CPHD, Kabul University, on January 11, 2010, where the first draft of this case study was presented, and valuable input and feedback was provided by the 14 roundtable participants (Annex 2). Although MultiPart researchers have put substantial effort into identifying and communicating with all major MISFA MSP stakeholders of the core MSP, some stakeholders were more difficult to access than others. Out of 22 interviewees, 14 work for MFIs. While MFIs are present at all levels of the MSP, this unbalanced selection of interviewees inevitably compromised the representativeness of the interviewees.¹⁹¹ As a result, the findings presented in this case study on the perspectives on the relations within the MSP to some extent might be overstating the MFI perspective. The limited number (22) of total interviewees, together with the short time span during which interviews were undertaken (July 2009-January 2010) and the high turn-over of staff and limited institutional memory at most of the organisations that

¹⁸⁹ Interviews in Kabul were conducted in the period from July 2009 to January 2010, in Herat from 6 to 16 October 2009, and in Jalalabad from 25 October to 2 November 2009. Some further information was acquired through a limited number of e-mail exchanges between the author and some of the interviewees.

¹⁹⁰ Some of the interviews were conducted by the author, while for the remainder the author had to rely upon interview reports (for example, see Annex 4), as the interviews were conducted by the in-country research team.

¹⁹¹ A similar bias occurred with conducting interviews on NSP. Based upon the author's own observations, it seems that donors and government officials are more difficult to access, especially for Afghan researchers.

were part of the MSP, were important barriers to understanding how the MSP had developed over time.

Annex 4: Example Interview Reporting Sheet

REPORTING SHEET – MULTIPART WP5c Afghanistan MISFA						
ID	5	C	4	B		
a.	0	0				
b.	DD/MM/YYYY					
c.	1. Kabul 2. Other, name province				:	
d.	1. Municipality 2. Rural Area, name village				:	

INTERVIEWEE DETAILS Fill in according to confidentiality agreement	
e.	Interviewee Full Name
f.	Organization
g.	Department
h.	Programme
i.	Title/Position
j.	Gender
k.	Working at this organization since
l.	Phone No.
m.	E-mail

j. 1. Female
 2. Male

k. // DD/MM/YYYY

l. [Grid for phone number: 11 empty cells]

0. PART 0 MISFA DESCRIPTIVES	
IF 3 or 4, Provide information: Documents retrieved [Name doc; date; hardcopy/softcopy; public/confidential]: ■	
<u>Actors involved in MISFA:</u> <ul style="list-style-type: none"> ▪ Civic: ▪ Public: ▪ Private: ▪ Int'l civic: ▪ Int'l public: ▪ Int'l private: 	1. Confirmed it is correct 2. Does not know 3. Incorrect; provided information without source: 4. Incorrect; provided information with source:
<u>Operational aspects:</u> <ul style="list-style-type: none"> ▪ Starting date: ▪ Expected final date: 	1. Confirmed it is correct 2. Does not know 3. Incorrect; provided information without source: 4. Incorrect; provided information with source:
<u>Institutionalization:</u> Basis for cooperation (e.g., contractual) Regular meetings	1. Confirmed it is correct 2. Does not know 3. Incorrect; provided

	Decision structure	information without source: 4. Incorrect; provided information with source:
	<u>Coverage:</u> (e.g., nation-wide, provincial)	1. Confirmed it is correct 2. Does not know 3. Incorrect; provided information without source: 4. Incorrect; provided information with source:
	<u>Financial:</u> Total budget Annual budget Investment per stakeholder	1. Confirmed it is correct 2. Does not know 3. Incorrect; provided information without source: 4. Incorrect; provided information with source:
	Show interviewee organogram and ask for feedback. Draw feedback directly on the picture.	1. Confirmed it is correct 2. Does not know 3. Incorrect; provided information without source: 4. Incorrect; provided information with source:

1. PART 1. CHARACTERISTICS & TYPES OF MSPs	
Three main bullet points:	
<ul style="list-style-type: none"> ▪ 1 ▪ 2 ▪ 3 	
1.	

2. PART 2 – POTENTIAL SIGNIFICANCE OF MSP REGARDING PEACEBUILDING AND HUMAN SECURITY	
Three main bullet points:	
<ul style="list-style-type: none"> ▪ 1 ▪ 2 ▪ 3 	
2.	

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3. PART 3 – FORMATION, EVOLUTION, COMPOSITION AND OPERATION OF MISFA

Six main bullet points:

- 1
- 2
- 3
- 4
- 5
- 6

PART 3A – MISFA FORMATION PROCESSES

PART 3B - EVOLUTION

PART 3C - MISFA COMPOSITION & INTERNAL OPERATION

PART 3D – MISFA’s RELATION WITH EXTERNAL STAKEHOLDERS AND BENEFICIARIES	

4. PART 4 – IMPACT OF PARTICIPATION ON MISFA STAKEHOLDERS
Six main bullet points:
<ul style="list-style-type: none"> ▪ 1 ▪ 2 ▪ 3 ▪ 4 ▪ 5 ▪ 6

PART 4A – MISFA IMPACT ON THE ROLES AND CAPACITIES OF YOUR ORGANISATION	

PART 4B - MISFA IMPACT ON THE EMPOWERMENT OF YOUR ORGANISATION

PART 4C - MISFA IMPACT ON INTERESTS AND VULNERABILITIES OF YOUR ORGANISATION

5. PART 5. PEACEBUILDING & HUMAN SECURITY IMPACT ON EXTERNAL STAKEHOLDERS AND POTENTIAL BENEFICIARIES

Three main bullet points:

- 1
- 2
- 3

5.	

6. PART 6. ROLE OF INTERNATIONAL ACTORS THAT SUPPORT OR PARTICIPATE IN MISFA	
Three main bullet points:	
<ul style="list-style-type: none"> ▪ 1 ▪ 2 ▪ 3 	
6.	
7. PART 7. POLICY IMPLICATION FOR AND/OR RECOMMENDATIONS ON EU ROLE MISFA	
Three main bullet points:	
<ul style="list-style-type: none"> ▪ 1 ▪ 2 ▪ 3 	
7.	
7.	

8. PART 8. FOLLOW UP		
8.	Are you available for a second interview in a month or so, regarding some further follow up questions?	<ol style="list-style-type: none"> 1. Yes 2. No
8.	Explain confidentiality options and confirm confidentiality preferences	<ol style="list-style-type: none"> 1. Agrees with including his/her name in MULTIPART report 2. Prefers confidentiality; agrees to include his/her position and organization in MULTIPART report 3. Prefers confidentiality; agrees to include organization in MULTIPART report 4. Prefers full confidentiality

D. CONCLUSIONS

Chapter 7

Conclusions and MSP-related implications for the EU's engagement in socio-economic development initiatives in conflict-affected countries

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7.1 - What kind of instruments are MSPs in post-conflict development?

WP4b researchers did not embark upon the study of multi-stakeholder partnerships (MSPs) on the basis of the expectation that they may constitute a panacea, or a way to square the circle of development dilemmas in 'post-conflict'. Post-conflict recovery – geared to increase human security – needs the cooperation of many actors – which takes place in many forms, including MSPs which bring together domestic and international public, private and civic actors. Yet, a number of considerations induced us to expect low degrees of cooperation in actual terms. In complex situations such as those experienced by countries emerging from armed conflict significant obstacles are to be overcome by local and international actors to arrive at a common approach. The different parties will have to make an enormous investment, especially of time (and thus money), to agree on common activities and on a division of task and financial contributions.

The research team was therefore aware of the fact that cooperation might be started for different reasons than the objective to achieve better results in the form of socio-economic development impacting on human security. Engaging in a partnership after mass hostilities may have the objective of anticipating and preventing critiques. It may in the first place be a performative act, or an act of justification towards their own constituency, rather than an instrument to achieve better results in the field.¹⁹² "Partnerships" and "cooperation" always sound good: once "good intentions" are stated, others can always be blamed further down the road of the process of implementation. For example, a government that has no interest in enhancing transparency can obtain the best possible outcome: a continuing lack of

¹⁹² A good example is the shift in activities by BPXC from simple programs to assure community support "to a focus on strategic regional development and peacebuilding. BPXC's change was not exclusively motivated by conflict-specific factors. Global criticism of BP's actions in many areas also played a part, especially two television documentaries that aired in 1997" – Sweetman (2009, 38), citing A. Campbell, (2002), 'Fuelling Conflict of Financing Peace and Development?', in *Country Indicators in Foreign Policy*, Ottawa: Carleton University.

transparency, on the one hand, and the image of a government struggling to improve transparency, on the other.

Well known partners increase the prestige of other actors. A simple business company can improve its image in the eyes of its clients if it can say that it cooperates with “the United Nations.” Transnational companies can improve their standing, if they can refer to common initiatives with governments, international organisations, and NGOs, etc. National governments, often seen as autocratic and corrupt, can improve their image in the eyes of donor countries if they can demonstrate that they cooperate with NGOs. Companies and governments are not the only organisations that “perform an act”. The same can be true for NGOs. Goodman cites Richards who describes that NGO programmes, too, can take the form of “ritualized theatre, which is acted out strategically for internal and external audiences” (Goodman 2006, 167). NGOs can fend off accusations that they weaken governments and lack democratic legitimization, if they work with other NGOs and local governments. All MSP partners thus benefit from being seen in the company of the other partners.

The very existence of the partnership already fulfils an important goal, independent of the concrete achievements of the partnership. This can explain why the WP4b researchers, in initiating this research, came across so many partnerships which for all practical purposes seemed to be nothing more than a dead letter. The existence of a very large number of empty partnerships has been one of the most revealing results of the effort to make an inventory of MSPs in the three countries in question.

The larger the number of partners that are involved, the less attractive it is to start a real decision making process that gives shape to meaningful common actions. This would demand considerable management time and costs (and risk publicised failure). It may be therefore better for all, to have a situation where MSP initiatives are pursued with little energy, just enough to avoid a break-up, but not enough to produce real change.

If real change is intended, the cooperation tends to be limited to fewer partners – thus subtracting something from the idea of an MSP. In other words, the study of MSP in the field of socio-economic development puts the researchers in a situation where they run the risk of either selecting partnerships with many different categories of actors, but relatively little real action and impact- or, by contrast, of focussing on actual, effective and efficient partnerships whose functioning tends to blur the definition of MSP.

However, the commitment to the MSP should also be considered as a window of opportunity, and the life of an MSP as a process that also has unintended consequences. In this sense, one should probably stress the value of a minimal impact even of ‘un-real cooperation’; just getting the government and civil society to talk about functional needs in post-conflict can often be considered an achievement in its own right. The question, in this case, is to what extent can the participation in the partnership prove to be a transforming experience for the partners. Along this line, our findings confirm that the most plausible impact to be made is on processes.

Most of the (sparse) literature on post-conflict economic recovery concentrates on the macro-level, insufficiently taking the human security dimension into account. Local initiatives often do take this perspective, but these local projects which address the immediate needs of the population need to be integrated into a larger framework in the medium term. This collaborative framework has to be supportive of the local and regional initiatives, which otherwise are often doomed to fail in the long run.

Multi-stakeholder partnerships here emerge as appropriate instruments to operationalise simultaneity and comprehensiveness in a single framework of a complex intervention in the post-conflict context, one which would entail the simultaneity of action in the rule of law, good governance, public service delivery, capacity building, etc. By the same token, the human security approach, whose value resides in its bringing ‘want’ and ‘fear’ into a single framework has proved an appropriate framework for their assessment.¹⁹³

Within the following section overall conclusions addressing the main research questions that have guided the research of WP4b team are presented.

7.2 - Findings and conclusions from case-study MSPs

a. EITI-related implications for EU engagement in socio-economic development initiatives in conflict-affected countries

EITI falls within those standard-settings MSPs that have un-consistently characterised the international community response to the problem of the connection between the management of natural resources and conflicts, as it has been seen above.

The EU commitment to EITI has been officially undertaken at two distinct levels: within the Africa-EU Partnership on Democratic Governance and Human rights as well as through the Joint Statement on the Africa-EU Energy Partnership.¹⁹⁴ Transparency in the management of natural resources has thus been directly linked to both the development of democratic governance processes and the attraction of greater private investments for economic development.

¹⁹³ In fact, human security is an integrated approach in itself, as the deepening of security from a focus on the state, to a focus on individuals and communities is integrated with the broadening of the security agenda from the focus on direct violence to “non violent” threats to human lives. See Heye Scheftel, ‘Multi-Stakeholder Partnerships for Human Security’, in *Revue de a Sécurité Humaine*, vol. 8, Spring 2009, pp. 43-56.

¹⁹⁴ In late 2008 the EU, together with the African Union Commission, also called for the widening of the EITI membership as well as for elaboration ‘on the basis of EITI principles, national transparency plans and guidelines for companies in the energy sector.’ African Union Commission and European Commission launch an ambitious Africa-EU Energy Partnership, MEMO/08/555, Date: 08/09/2008.

In terms of the results achieved by EITI in the Democratic Republic of Congo, it is not possible to give a positive assessment of the initiative, as no visibility (especially outside the capital city), no beneficial impact, and no improvement on the issue of transparency are to be seen. If the goal is to transform extractive industries from driving war economies to adding to state income, and by proxy alleviating poverty, raising living standards, and aiding economic development, high on the transparency agenda, then two related questions arise: are there any benefits in the MSP as an institutional form/method, and as a project to tackle human insecurity? What are the implications for the EU?

When viewed from the perspective of the EITI in Congo, this multi-stake holder partnership has a potential to address directly a number of goals supporting human security, and hence its value for the EU. Apart from its primary reasons – i.e. transparency, good governance and tax collection, which directly stem from this initiative in extractive industries - it also had a potential to address a number of equally important and competing imperatives such as *state strengthening by the involvement of government and institutions* such as the Ministry of Plan and Ministry of Mines; *democratisation and accountability* by creating a setting for consultation between government and non-government (civil society), and *participation and public goods provision* (through its involvement of wider population in good governance initiatives and a delivery of the rule of law, etc.).

These observations correspond to the identification of *needs, process* and *outcomes* as dimensions to observe MSP impact during the post-conflict phase (see Chapter 2). The weaknesses or the outright absence of any difference as far as human security is concerned has more to do with ‘how’ this partnership is implemented rather than with whether it should be implemented.

When EITI Congo is concerned it seems to show that the *process* matters at least as much as the *outcome*, and if there are any human security dividends to be expected, they are more likely going to be in the process, creation and recreation of political relationships in post-conflict not just between different ethnic groups, but also between different sites of politics (society, business, state, etc.) as well as across different scales (local, national, regional, transnational).

b. MISFA-related implications for the EU engagement in socio-economic development initiatives in conflict-affected countries

Although the EU is effectively not involved in the Microfinance Investment Support Facility for Afghanistan (MISFA) there are several observations based on the study of this particular MSP that are of relevance to how the EU engages in the initiatives aimed at socioeconomic development in the countries with an experience of armed conflicts.¹⁹⁵

¹⁹⁵ The EC, through un-preference contributions to the ARTF, might have been an indirect donor of MISFA, but this did not result in effective EC involvement in the MISFA MSP. EU member states, like Denmark, Finland,

The MISFA study brings into sharp focus crucial importance of the involvement of end-users of the socio-economic development initiatives- in this particular case the individual microfinance clients and loan groups- in various aspects of developing, managing and implementing programmes aimed at addressing socio-economic vulnerabilities as they experience them in their daily lives. In the complex structure of the ‘MISFA MSP’ (with the MISFA apex at its centre), the key dynamics are generated between microfinance institutions (platform: AMA, MISFA), between donors (platform: ARTF), and between government, international microfinance experts (to some extent proxies for donors), and the private sector (platform: MISFA’s Board of Directors). However, an established platform and mechanism that would enable the participation of ‘end-users’ themselves (i.e. individual microfinance clients and loan groups) is lacking as a prominent aspect from a human security perspective. The involvement of end-users in the MSP, such as the MISFA MSP, from its inception could have helped in calibrating the development of the microfinance sector in Afghanistan – and perhaps in such a way that would elevate social concerns in the orientation and activities of nascent microfinance institutions. In the MISFA MSP cooperation was purposefully restricted to fewer partners and platforms and mechanisms were kept at a minimum – thus subtracting something from the idea of an MSP from a human security perspective. Only when effectiveness and efficiency were expected to benefit from deepening and broadening the partnership, additional platforms and mechanisms (e.g. AMA, regional coordination platforms and road shows) were established (reactively, rather than proactively).

The case of microfinance in Afghanistan also highlights the role that the context in which microfinance development programmes are implemented in all its complexity in terms of political, economic, security, demographic and cultural specificities can play, constraining or facilitating for that matter. Cultural and religion-based resentment of interest payments – and perhaps more importantly the anti-government sentiments that could be mobilised around this issue – has been one of the overlooked barriers to the expansion of microfinance in Afghanistan that the MISFA MSP has missed to appropriately deal with from the beginning. The 2009-launched coordination meetings and ‘road shows’ are an attempt to engage more with sub-national governmental representatives and local leaders. Anecdotal evidence suggests that cooperation and trust – also in microfinance itself – has improved as a result. Its experience points to the need to engage early in the process with local actors in devising the procedures and practices that would proactively (rather than reactively) address possible constraints to the socio-economic development initiatives that stem out of a particular local cultural context. This is an aspect that is often missing in this particular area of peacebuilding, which only reinforces a need for comprehensive and integrated approach.

The EU most relevant experience in the area of microfinance within post-conflict and fragile societies is the EU/ACP Microfinance Framework Programme. The Programme, which started in 2005 is today in its second cycle, with a budget of 15 million Euro from the 10th European Development Fund allocated for 5 years (2010-2014), and aims at providing pro-

Sweden, UK, and the Netherlands, are important MISFA donors (through ARTF preferences or otherwise) and therefore key stakeholders of the MISFA MSP.

poor access to vulnerable populations and to promote consumer empowerment to achieve responsible finance for all.

Through this programme, which builds on successful microfinance experiences in ACP countries, the EU seeks to advance the overall effectiveness of its microfinance operations, but still heavily relying on a traditional support scheme of technical assistance. As the “Guidelines for EC Support to Microfinance” highlight, support for development of institutional capacities is the main focus as “[b]y focusing its support on institutional capacity building and working with partners that have an excellent track record in microfinance and the necessary monitoring capacity in place to ensure the quality of their actions, the EC can respond best to the needs of the sector, enabling it to push farther the frontier of poverty outreach and to extend the offer of financial services to more people or those living in more remote areas”¹⁹⁶.

The merits of microfinance as a post-conflict socio-economic development tool remain inconclusive and MISFA’s study provides an additional verdict to that effect. Be that as it may, in fact, the findings of MISFA study confirm that employment and income generation initiatives primarily directed at the individual level should not be conceived as self-contained, isolated efforts disconnected from wider activities in the area of socio-economic development at the local, regional and national level. The case of Afghanistan, but also Kosovo, for example show the lack of broader vision of how to make synergies among socio-economic development initiatives that are primarily oriented at the individual or local level; in both countries microfinance initiatives have gone in parallel and largely in disconnect with UNDP-supported area based development programmes. One of the binding constraints to the potential impact of microfinance on employment and income generation front in Afghanistan presented itself in the form of the local economic, market, and skills profiles. Rural markets with limited capacity, underdeveloped infrastructure, inadequate skills etc., combined to limit the development potential of economic activities spurred by the access to microcredit. EU’s engagement in socio-economic development initiatives in post- conflict countries tends to be sector-specific with a very few cases on initiatives that tend to deal with socio-economic insecurities in a more comprehensive way. The EU participation in the Local Economic and Employment Development in Albania and Kosovo, in which the European Training Foundation - already defined in Chapter 3 above as “the PRODERE legacy” - took a prominent role, is a case in point. The experience of the EU Peace Laboratories in Colombia might be another.¹⁹⁷

c. ALMP-related implications for the EU engagement in socio-economic development initiatives in conflict-affected countries

¹⁹⁶ EC EuropeAid Cooperation Office, “Guidelines for EC Support to Microfinance”, 2008, p. 8.

¹⁹⁷ In 2007-2013 the EC has foreseen the provision of €160M in funding for: peace and stability, including alternative development; rule of law justice and human rights: productivity, competition and trade.

The Kosovo-based MSP raises questions of somewhat different order than the case studies based in Afghanistan and the DR of Congo, primarily because of the modalities of the EU's engagement there. In the aftermath of the war of 1998-99, the EU took the lead of economic development and reconstruction, *de facto* directing the UNMIK Pillar IV, later known as 'EUMIK'. It was in this context that a choice was made to steer away from more or less consolidated strategies of assistance that UN agencies such as the UNDP had long been advocating and promoting in fragile post-war environments; from the early days of their arrival, EU-appointed officials opted instead for adamantly orthodox neoliberal policies, the expectation being that a brand new Kosovo would emerge from the ashes of conflict. Quite tellingly, as economic performance was far from positive, political responsibility over EUMIK became disputed: by the time of its closure (July 2008) the Pillar enjoyed no good reputation, and its legacy was claimed by no one.

Since then things changed in Kosovo. The EU has taken the lead as a key international actor, steering the implementation of the Ahtisaari agreement, following the independence declaration on 17 February 2008. The EU has deployed in Kosovo its biggest ever rule-of-law mission on the ground. Above all, the EU is involved in Kosovo from the perspective of asserting its European future and the aim to keep Kosovo on the track of the Stabilisation and Association process.

In this context, and as a part of the Annual Programme for Kosovo (under UNSCR 1244/99) under the IPA Transition Assistance and Institution Building Component for 2009 (APK), some 30% of the funding for 2009 is allocated to socio-economic development.¹⁹⁸ Within the scope of the EU funding in Kosovo, two activity/impact areas of the ALMP coincide with the areas of concern in Kosovo for the European Union, as specified in the Kosovo under UNSC 1244/99 2009 Progress Report issued on 14 October 2009,¹⁹⁹ the Communication entitled "Kosovo*²⁰⁰ – Fulfilling its European Perspective"²⁰¹ and the Multi-annual Indicative Planning Documents for Kosovo under UNSCR 1244/99 (MIPD) 2008-2010.²⁰² Specifically, in these comprehensive reviews of political, legal and socio-economic situation in Kosovo, both the issue of youth education and unemployment (within a scope for concern for unemployment in general) are prominent.

In addition, the ALMP case study points out the add-on benefit of state-building in terms of capacity building and legitimacy generation through improving the ability of the state to provide employment. Likewise, the issues of state-building understood as capacity building

¹⁹⁸ Commission Of The European Communities, (2009), *Annual Programme for Kosovo* (under UNSCR 1244/99) under the IPA Transition Assistance and Institution Building Component for 2009 (C(2009)5945), Brussels.

¹⁹⁹ Commission of the European Communities, (2009), *Kosovo Under UNSCR 1244 Progress Report* {COM(2009) 533}, Brussels.

²⁰⁰ The symbol * refers to 'under UNSCR 1244/99' as listed in all official documents of the EU.

²⁰¹ Commission of the European Communities, (2009), *Kosovo*- Fulfilling its European Perspective* (COM(2009) 5343), Brussels.

²⁰² Commission Of The European Communities, (2008), *Multi-annual Indicative Planning Document (MIPD) 2008-2010 for Kosovo under UNSCR 1244/99*, Brussels.

within the state, as well as the enabling the state to combat corruption and widespread informality, are also the EU's key priorities in Kosovo.

However, Kosovo presents a unique challenge for funding dispensed by the European Union. On the one hand, the EU needs to take into account continuing funding infrastructural projects, such as electricity grids, roads, etc., as physical and material preconditions for development. On the other hand, it needs to keep focussing on the elements of reforms and capacity building. Through the working of the European Agency for Reconstruction (EAR), the EU – especially after 2008 - has a consolidated record in the field of 'education and training', with an emphasis almost exclusively on the latter. However, also due to competing pressures on the EU funding, the actual amounts that the EU has been spending in Kosovo on the youth, as well as on unemployment, has made only limited impact. For example, only a small sum in the total allocation is spent on the improved capacity of the Ministry of Labour and Social Welfare and more efficient delivery of social and employment assistance schemes.

The enormity of Kosovo's socio-economic needs, and the link with insecurity in Kosovo, as demonstrated by the March 2004 riots, call for yet additional level of coordination. Although the EU is not formally a partner in the ALMP, the activities and impact of ALMP are of critical relevance for the EU as well. Hence, the ALMP provides a par excellence example of a need for coordination between local actors (and in this sense, the entire ALMP as an MSP can arguably be considered a local actor) with the EU activity on the ground. Initial consultations about the lessons learned between ALMP representatives (more specifically, the UNDP) and the EU about the EU's planned project EUKOSVET, which deals with on-job training and creation of start-up businesses, is encouraging. However, this is not sufficient. More avenues for complementing and coordinating projects in socio-economic development is necessary (especially in view of limited external funds in relation to Kosovo's needs).

This call that goes beyond mere collaboration within the MSP, but, instead, calls for collaboration between the MSP and the EU, however, does not overlook a number of weaknesses and missed opportunities at making greater human security impact on the ground, which are elaborated in the case study.

7.3 Findings and conclusions in relation to sectors

This section presents insights that Wp4b has identified through the *reconnaissance* of existing significant trends regarding MSPs in the sphere of socio-economic development, using the classification outlined in Chapter 3. These trends go beyond the consideration of MSPs that have been selected and analyzed in MultiPart country cases.

7.3.1 *'MSPs in the extractive sector'*, or local-level MSPs typically initiated and sponsored by large extractive multinational corporations (MNCs) as to secure a social license to operate;

As pointed out in throughout general MSPs' overview presented in Chapter 3, little evidence can be found concerning the positive impact of these MSPs on human security: offsetting the conflict inductive potential of the extractive sector seems to be an objective beyond reach. One may speculate about 'mutual causation mechanisms' and on whether this would not be the case in instances in which the MNCs do not operate in fragile post-conflict states; in fragile states the costs associated with the 'do no harm' option are much higher than those associated with non-compliance. The controversy surrounding the questions of gas flaring and oil spills in Nigeria provide an illustration of this situation: for an extractive company pollution remains more convenient, as controls are not serious, penalties minimal (they are not calculated incorporating the negative externality of the pollution event), and political will on the side of national authorities is hardly present. The fact remains that whenever extractive business is operating in fragile, post-conflict states, the principle of 'do-no-harm' is hardly respected.

Even if MSPs in the extractive sector were to make positive contributions, if gaining a social license to operate is the rationale and the driver for the MNC, then the respect of a basic principle of savvy allocation of scarce development funds/resources would entail that the costs associated with such a license should be borne entirely by the MNC itself. It is a fact that a plethora of specialized consultancy firms and NGOs are nowadays prepared to assist the MNC in setting up an MSP acting as a facilitator and a convener. It should also be observed that various international community actors (ranging from international organizations, to bilateral donors, think tanks and NGOs) have prepared operational guidelines and toolkits geared towards assisting extractive companies in operating in a conflict-sensitive way, and also in setting up MSPs.

Given this situation, a positive role of public donors and international organizations interested in ameliorating the indicators related to development and human security in this sector seems to be one oriented towards making the non-compliance option referred above less attractive for the extractive companies. One may hypothesize that for this to happen different levels should be targeted:

- a) The strengthening and capacity-building of national institutions of fragile states;
- b) The capacity building of national civil society so as to enable it to take an effective watchdog profile;
- c) The strengthening the international framework of corporate accountability for human rights abuses.²⁰³

²⁰³If victims of human rights abuses committed by MNCs could effectively seek redress against MNCs not only within the country in which the violations occurred but also where the MNC is incorporated and/or within the forum of the country which exerts significant control over the same MNC, then the incentive structure faced by the MNC would be drastically affected. Recently significant progress in this sense has been made through the

- d) The revision of the impact assessment that required by export credit and investment guarantee agencies, so as to include conflict sensitivity and human rights.

7.3.2 *'Standard-setting MSPs'*: global initiatives with a local projection proposed by the 'international community' as part of an overall effort to address the linkage between natural resources and conflicts;

The potential that standard-setting MSPs have to impact positively on human security should be analyzed on its own, even if - as documented by the EITI case study - the potential does not necessarily translate in reality. Leaving aside specific comments on EITI and the Kimberley Process, one may claim from a macro-perspective a critical aspect lies in the fact that, at least initially, international actors decided to engage in MSPs as a sort of 'defensive choice': attention was devoted to set up initiatives that would address the protests by NGOs and civil society at large, without resorting to a 'command and control' strategy towards the private sector, and in situations of apparent fragility (or extreme weakness) of local public authorities. MSPs appeared as the instrument that would allow to address the complexities of the linkages between resources and conflict. Over time international organizations and donors are beginning to recognize the limits of this approach, and the fact that other instruments should complement the deficiencies that have emerged out of the functioning of standard-setting MSPs.

7.3.3. *'MSPs for integrated socio-economic development'*: local-level initiatives stemming from a participatory, and often holistic approach embodied in programs carried out by international actors.

This approach seems to be in line with EU conceptual underpinnings and development strategies and policies. Unfortunately no clear example of this type of MSP following the minimal criteria adopted by MultiPart could be identified in the countries under observation. WP4b researchers conclude that more efforts should be made to study the impact of these partnerships in fragile and post-conflict contexts, possibly by adopting a sound comparative perspective²⁰⁴. There seems to be an indication that this approach has not been pursued to its full potential, as Chapter 3 seeks to illustrate.

endorsement by the UN Human Rights Council of the "protect, respect and remedy" framework put forward by Prof. John Ruggie, UN Special Representative of the Secretary General on Human Rights and Business (UN Human Rights Council:2008b). However, as Ruggie himself pointed out, the "international community is still in the early stages of adapting the human rights regime to provide more effective protection to individuals and communities against corporate-related human rights harms" (UN Human Rights Council: 2008a).

²⁰⁴ For example, it may be worth comparing these MSP *vis-à-vis* those that were promoted in a context such as Colombia, whose origin can be traced back to the need to put forward an alternative to 'Plan Colombia', and to considerations regarding viability that were indebted to the fact that they had received previous support from UNDP and World Bank.

7.3.4. ‘MSPs in the utilities and services sectors’, an heterogeneous group of MSPs in the two sectors that were spurred mainly by the 2002 Johannesburg World Summit for Sustainable Development, and by the 2005 Tunis World Summit on Information Society.

While the first three groups of MSPs addressed so far clearly stemmed from attempts to address specific challenges of post-conflict or fragile states, the MSPs bundled in this last category emerge out of a different trajectory. During the abovementioned UN conferences multi-stakeholder initiatives were perceived and endorsed as a way to overcome governmental negotiation and implementation bottlenecks and inadequacies. These initiatives typically feature MSPs that bring side by side UN agencies and one or more MNCs. They have raised a number of critiques both in the academia and among civil society organizations. For instance, in cautioning the UN against unintended outcomes of likewise partnerships, Zammit (2003) indicates that they ‘provide opportunities for corporate image enhancement, vehicles for market penetration by providing already powerful enterprises with preferential access to developing country markets, and other means of increasing competitive advantage and policy influence, for example, through privileged access to developing country governments’.

Although sporadic occurrences of this sort of MSPs are to be found in post-conflict contexts, their significance in such settings is negligible. This finding should come as little surprise: if gaining a market competitive advantage is a plausible rationale for a MNC to enter an MSP, it follows that big corporations will not be eager to participate in MSPs operating in post-conflict countries whose local markets are seldom sufficiently enticing and often riddled with risks.

The EU approach has so far been different from the one adopted by the UN, avoiding the engagement in the sort of service-delivering MSPs alongside MNCs sketched above. The EU Water Initiative, which was announced at the Johannesburg Summit, is an international political initiative based on a participative multi-stakeholder approach. It represents a vehicle to open up much-needed national stakeholders’ fora provided that care is taken so as to allow not only the involvement of a wide range of actors, but also a wide range of views. In some countries this might require an additional effort in terms of sensitization and capacity-building, so that ‘blanket liberalizations’ of the water market and the adoption of a principle that sees water as a ‘commodity among others’ are not passed under the fig leaf of a meaningless ‘stakeholder dialogue’.

Lastly, although not commonly on the record in post-conflict settings, mention should be made of those MSPs that are to be found between local government, private sector providers, and civil society, that are labeled ‘pro-poor partnerships’, and whose aim is ‘to deliver basic services to the poor and, most likely, by the poor themselves, thus, enhancing their access to adequate affordable services while providing them with economic and livelihoods opportunities’ (UNDP, 2007:2). Whenever the necessary level of technical skills that need to be present both at the national and local level as to ensure an enabling framework for the MSP to emerge and succeed (Sohail et al. 2008) are present, MSPs of this type appear as a promising tool.

7.4 - Findings and conclusions in relation to MultiPart primary research questions.

RQ1. Characteristics and types of MSPs in socio-economic development

- The domains in which development-relevant MSPs operate in post conflict settings are extremely diverse.
- The mapping of MSPs typologies in this area has identified the ‘natural resources management and exploitation’ sector, ‘area-based and integrated socio-economic development’ programmes, and the ‘utilities and services’ sector as those areas in which most MSPs with explicit socio-economic development objectives can be found.
- Within the three study countries the selected MSP operational areas are those of the promotion of microfinance sector (MISFA Afghanistan), of transparent revenues management by the extractive industry (EITI in DRC), and of youth employment generation (ALMP in Kosovo). Socio economic development is pursued as an explicit objective through the support to employment creation and the development of private sector (i.e. access to credit), but also as a by-product of participative processes and good governance practices (EITI). In all three cases empowerment of local population and capacity building at both institutional and private level are instrumental to the achievement of the MSPs stated goals.
- The geographic focus of the studied MSPs is generally country-wide, although implementing difficulties have been experience at the local level, due to both lack of adequate human and financial resources and as the consequence of mistrust and reluctance to delegate responsibilities of implementation.
- MSPs within socio-economic development are more often than not promoted and initiated by international actors who may determine the MSPs structure and functioning mechanisms, as well as decide participation criteria and geographic outreach. MSPs in this sector usually include public national institutions (ministries) international organisations, private sector entities, civil society. The role of the different categories of actors varies greatly across MSPs, with a trend towards having national institutions and international organisations having the most powerful and assertive position over the other partners, especially civic and private stakeholder.
- The level of institutionalisation varies across the different types of MSPs. The examples range from MISFA, with different platforms and institutional structures through which the different stakeholders are tied together (see ARTF, AMA, representation in the Board of Directors, regular MISFA-led MFI meetings, regular MISFA-led donor meetings) to less flexible and top-down governed structures characterizing ALMP, where the UNDP has real control and the final say over the Programme's main decisions and the Project Board and Regional Boards ensure representation of only international and national interests.

- The MSPs investigated in this sector have proved to be subject to changes and adjustments in their composition, functioning and name according to identified shortfalls, malfunctioning or changed objectives within a fluid post-conflict environment. MSPs duration is therefore fragmented if one considers each stage of its development. Overall, the average timeframe is in any case a few years.

RQ2 - Potential significance of MSPs in socio-economic development to impact on: a. conflict reduction and peacebuilding; b. improving vulnerable people's security; c. alleviating poverty and promoting socio economic development: d. empowering vulnerable people and communities

- In the light of the desk research and the field investigation conducted on MSPs in this sector, the question of the potential impact on peacebuilding and human security could be framed in terms of whether relevance relates to the targeted sector or to the choice of the MSP formula. Potential significance emerges in all cases, although to varying degrees. In other words, MSP relevance concerns those attributes which make socio-economic development relevant in human security terms - e.g., whether development is equitable, whether it addresses mutuality of concerns - as well as the quality of the partnership itself - that is, if it allows dominance of some and disempowerment of other partners, if it 'imports' conflict rather than 'exporting' security, etc.
- In the case of MISFA, the case highlighted the importance of linkages between different interventions in the socio-economic sphere. Had the MISFA MSP shown higher responsiveness and attentiveness to both the causes of conflict as well as conflict induced vulnerabilities (through social client targeting and making MFI sustainability as a sub-priority), it remains unlikely to address the market, security, and human capacity challenges of Afghanistan on its own. Thus its potential peacebuilding and human security impact is limited, irrespective of the microfinance approach taken and the 'right' characteristics of the MSP.
- The impact on conflict reduction and peacebuilding would benefit from the adoption of strategies more explicit in pursuing clearly stated development objectives, as opposed to relying on indirect impacts, side effects or even possible unexpected consequences.
- By offering a relatively less sensitive 'zone of encounter' (e.g., projects of economic and social recovery or good governance such as EITI) MSPs for socio-economic development can potentially make a difference with regard to the strengthening of civil society, the onset and consolidation of participatory processes, the promotion of dialogue as well as trust reconstruction and reconciliation among different actors (public, private, civic) of the national scene who may have been on opposite fronts during a conflict.

- MSPs tackling deep-rooted economic issues have the potential of opposing marginalisation and impoverishment, thus helping inclusion within a community, values sharing, perception of social justice with consequent acceptance of formal state institutions' role (ALMP).

RQ.3 - How, in practice, have selected MSPs formed and developed over time, how have they been composed and how have they operated – both internally and in relation to their external stakeholders and intended beneficiaries?

- All investigated MSPs have formed in the wake of “donors’ enthusiasm” for addressing post-conflict socio-economic critical issues through both specific attention to those sectors that are deemed to be of particular salience for boosting development (e.g., microfinance in Afghanistan, youth employment in Kosovo) and commitment to international schemes for the promotion of good governance (e.g. the EITI initiative in the DRC).
- Two out of three times the initiative for has been taken by the international organisation already operating in the country, or on the basis of direct experience with the MSP formula in other post-conflict contexts; in one case (EITI) it emerged instead the importance of civil society’s pressure on governments for responding to international call for adhesion to the MSP initiative.
- Apart from EITI, whose scheme establishes that implementation of transparency principles has to be carried out at national level through country-based MSPs involving national stakeholders, in the other cases the strong role played by external stakeholders has also affected the composition of MSP governing bodies, where the international organisation or international experts had a seat.
- Where international actors had a strong role as for the formation and inception of the studied MSPs, they also significantly influenced MSPs’ development and operation: decisions affecting both the governance structure of the MSP and its operational functioning have been strongly guided by the international organisation or by the international experts sitting in the Board.
- The level and authenticity of the interaction between MSPs’ stakeholders has resulted to significantly affect the effectiveness of the MSP’s activities as well as the development of local ownership; a vicious circle of distrust and inaction may undermine the functioning of the MSP itself (EITI) while a prolonged predominant role of the international stakeholder might undermine the specific added value of MSPs along with the local ownership/society empowerment expectations attached to it.

RQ4: How has participation in an MSP impacted on the MSP's members, in relation to their roles, capacities, empowerment, interests and vulnerabilities relating to: a. conflict reduction and peacebuilding; b. security from violence, crime and illegitimate coercion ; c. alleviation of poverty and promotion of socio economic development: d. empowerment of vulnerable people and communities and promotion of their participation in public life?

- The MSP structure can by design benefit its members to the extent to which it establishes a protected environment for weaker partners with respect to access to funding, shielding donors' pressures and capacity building/technical assistance.
- The fact that in the investigated MSPs the conditions of inclusiveness and empowerment were only met to a limited extent has constrained their ability to contribute to equity, local knowledge, accountability and legitimacy.
- MSP architecture may contribute to strengthening relations between 'similar' stakeholders (intra-donors, intra national/local public/private/civic actors operating in the same sector).
- International stakeholders have the opportunity to increase their visibility and improve their reputation as development-driving actors; donors find in MSPs a institutionalised mechanism for channelling funds and supervising expenditure.
- The importance attached by international stakeholders to keeping a given MSP operating and effectively meeting its objectives may be detrimental to the gradual boosting of local actors' role in the MSP itself, thus limiting the beneficial impact on local stakeholders in relation to their empowerment and capacities.
- In general terms being part of an MSP gives the opportunities to local members of gaining a broader and longer-term approach to the issue at stake, with beneficial impact also on their capacities to operate outside the MSP and increase of their credibility as recipients of international donors' support.

RQ5: What have been the impacts of selected cases of MSPs on external stakeholders and potential beneficiaries, in relation to: a. conflict reduction and peacebuilding; b. security of vulnerable people and communities from violence, crime and illegitimate coercion ; c. alleviation of poverty and promotion of socio economic development: d. empowerment of vulnerable people and communities and promotion of their participation in public life. Furthermore, to what extent and in what ways have these impacts depended on the characteristics of the relevant MSP (e.g. its multi-stakeholder character; its specific membership; its internal procedures, capacities or decision-making mechanisms, etc. ?)

- Despite the fact that MSPs were expected to overcome the limited involvement of beneficiaries (that characterise traditional development programmes) and encourage participation, inclusiveness and empowerment, in general terms the MSPs that were

investigated by WP4b found difficult to establish mechanisms for ensuring broad-based, inclusive forms of systematic feedback from beneficiaries.

- Notwithstanding evidence of immediate satisfaction on the part of beneficiaries with regard to the activities run by MSPs' in terms of acquired skills or received services, longer-term beneficial impact appears to be very much related to the broader question of MSPs' sustainability.
- Beneficiaries often express the wish that MSPs put the building of national/local capacities among the explicit objectives that they pursue, rather than considering it as a by-product.
- The attention to vulnerable groups' needs and interests seems to be very much dependent on the role/presence of international actors within the MSP and the importance they attached to the issue.
- MSPs' sustainability is often questioned through arguments that typically tend to revolve around: a) the small portion of population that is interested as beneficiaries; b) lack of adequate transfer/building of capacities within national/local institutions; c) lack of adequate resources (especially for MSPs partners empowerment); the limited involvement of civic actors as internal stakeholders (lack of inclusiveness).

RQ6: How has the participation or support of international actors, including the EU, affected the MSPs selected for case study in this project: in reaction to the MSPs development, operation, sustainability and impacts? What are the lessons for how the EU and other international actors should support or participate in MSPs?

- In general terms the participation and the support of international actors appear to have been crucial for MSP establishment and development, as well as for the type/scope of impact the investigated MSPs have had in their own post conflict settings.
- International actors have often used the MSP formula as a new typology of agreement that would overcome the cumbersome and poorly performing traditional intergovernmental agreements for the realisation of development objectives.
- The initiative for MSP development has been mainly of a top-down nature, as it came by initiative of international organisations that were already pursuing developmental objectives in the country or had a 'ready-made' template from another 'post-conflict' context that could be 'exported' (the World Bank for MISFA, and the UNDP for ALMP), either in the form of government's decision to commit to an international certification scheme organised around MSPs structures.
- In two out of the three investigated cases international actors have significantly influenced how MSPs have evolved. This happened through: a) the formal role the

international actor has reserved for itself at the strategic and decision making level of the MSP (ALMP); b) the international actor's expertise, experience and connected capacity to attract financial resources (MISFA).

- The EITI case, by contrast, illustrates how lack of direct involvement on the part of international actors at the level of MSP national implementation is perceived as an expression of relative disengagement; the existence of financial commitment to the process, in its turn, is perceived as leaving a space for non-action at the national and local implementation level.
- MSPs' sustainability results compromised by a too strong role of international actors in how MSPs evolve and operates, leaving little room for empowerment of MSP actors and compromising the acquisition of local ownership of the initiative. On the other hand, a hands-off approach on the part of key international actors that choose to limit their role to that of donors is equally problematic: donations and funding need to be followed through with a form of participation in the MSP processes, which is aimed to ensure smooth cooperation among the various types of partners, and to provide assistance in the building of the local capacity and capabilities (both at the state and non-state level).

7.5 - Implications and recommendations for the EU raised by WP4b research

This section addresses questions that are related to RQ7: 'How can the EU (including member states) policies and programs better support and cooperate with MSPs in countries emerging from armed conflict in order to promote: a. conflict reduction and peacebuilding; b. security from violence, crime and illegitimate coercion; c. alleviation of poverty and promotion of socio-economic development; d. empowerment of vulnerable people and communities and promotion of their participation in public life?'

A number of policy commitments have been made over the past few years by the EU in order to enhance the effectiveness of its action in post-conflict settings.²⁰⁵ Several reasons lie behind the changes that European development promotion strategies and policies have undergone: among them, the emergence of a new security based foreign policy agenda played a critical role.²⁰⁶ A general consensus seems to exist on the fact that the EU's important role in the post- conflict development of unstable states has not so much to do with whether the EU has the means and the necessary tools, but rather on how EU policies and instruments both interrelate in a "coherent, needs-based and well-informed strategy and a clearly guided policy," so that they can best be adapted to the requirements of complex and volatile

²⁰⁵ See annex 2 of Faria F. and Magalhães Ferreira, P., "An Adequate EU Response Strategy to address situations of fragility and difficult environments", Study prepared for the Portuguese Presidency of the EU, 9 July 2007.

²⁰⁶ See Mold, A. ed., (2007), *EU Development Policy in a Changing World. Challenges for the 21st Century*. Amsterdam University Press, Amsterdam

situations.²⁰⁷

A further refinement of the search for enhanced coherence and effectiveness of action in peacebuilding is based on the prioritisation, by the EU (but also of the UN, and several other key international donors and organizations) of “integrated approaches for engaging in fragile situations.”²⁰⁸ While the consequences of fragility have been identified as able to “exacerbate the challenges of reaching the Millennium Development Goals, harm people’s wellbeing and freedoms,” and they “may involve global security risks, the attributes of fragility have been identified as being “at least according to many policy-makers, [...] nearly identical to the attributes of those states that are beyond fragility and experiencing a full-blown conflict.”²⁰⁹ The only difference between fragile and “beyond fragile” states would therefore be “the presence or absence of conflict, and, in many case, the [...] degree and scale of conflict and not its presence per se.”²¹⁰

Such an enlarged perspective on state fragility brought about a consensus on the need for ‘embedding’ post-conflict assistance in a more global, comprehensive and long-term commitment to sustainable development. Peacebuilding and development efforts of international actors in post-conflict and fragile states need not only to be coherently undertaken, but also to reinforce reciprocally.²¹¹ As the EU Consensus on Development (2005: art. 40) clearly states, “[i]n a post-crisis situation, development will be guided by integrated transition strategies aiming at rebuilding institutional capacities, essential infrastructure and social services, increasing food security and providing sustainable solutions for refugees, displaced persons and the general security of citizens”.

International actors’ involvement in conflict-affected contexts must therefore go well beyond a juxtaposition of different instruments of interventions and aim at overcoming a conventional assistance architecture that has more often than not demonstrated to be “ill equipped to cater for situations that span across the binary division between humanitarian and development assistance” or to ensure a “coherent integration between the criterion of local ownership and a gender-sensitive approach to post-conflict reconstruction”²¹²; just to make a few examples.

Within this context the development of local actors’ (state, local institutions, business, civil society) capacities remains crucial if post-conflict reconstruction and development has to be realized according to the principles of ownership and partnership.²¹³

Within this general context and in the light of the research conducted within MultiPart WP4b, the research team may address some recommendations to the EU.

²⁰⁷ Faria F., Patrícia Magalhães Ferreira, *op. cit.*, pp. 32-33.

²⁰⁸ COM(2007) 643 final, Communication “Towards an EU response to situation of fragility - engaging in difficult environments for sustainable development, stability and peace . {SEC(2007) 1417}, p.4.

²⁰⁹ Michael Barnett, *State Fragility, the Peacebuilder’s Contract, and the Search for the Least Bad State* “ EU Working Papers, RSCAS 2010/14, European Report on Development., p.9.

²¹⁰ *Ibidem.*

²¹¹ ESS and its Report on implementation, the EU Consensus on Development as well as EU Parliament resolution of December 2008 and the abovementioned EC Communication of 2007.

²¹² European Report on Development “Overcoming Fragility in Africa – Forging a new European Approach,” p. 97-100.

²¹³ The European Consensus on Development (2006/C 46/01), OJC46, 24 February 2006.

1. The additional support the EU should be offering in order to sustain the implementation of MSPs are flanking initiatives through which the EU could factor in technical support in the areas of administration, auditing and management to facilitate the implementation of the initiative and, indeed, to make its money to go further. This has been clearly highlighted also by Vaillant in her 2006 report on peacebuilding initiatives in the Great Lakes region, where it is said that “[t]he EU’s support for schemes to support a transparent and efficient management of DRC’s mineral and non-mineral resources, such as Kimberly but also FLEGT, will also need significant resources earmarked for capacity-building.”²¹⁴ In this context more creative approaches would be required to involve local and regional actors as partners in jointly owning EU initiatives, but still through an engagement that needs to be much more political than technocratic (see European Report on Development 2009, Chapter 8).

2. Once committed to an MSP through political support of the project and through funding its projects, the EU needs to consider to work equally hard on the political visibility of the project in its interaction with national authorities as well as with local populations, in order to create double pressure on national authorities to be serious about their commitment to the MSP initiative.

3. Although no doubt can be raised on the opportunity for reiterating successful approaches to sector-specific development programmes, it seems however desirable that the EU considers the potentiality of more comprehensive experiences of area-based development that have been so far extensively used by other international actor, especially at UN level.

4. The EU needs to take into consideration the benefits of building on the activities in the territories where the EU is present, not just by multiplying activities within the same area of activity such as socio-economic development. More specifically, it needs to consider overcoming the weaknesses of existing initiatives (one of the starkest in the ALMP’s case being the exclusion of large sections of civil society and a missed opportunity to engage trade unions), while seeking to enhance the impact of these activities on human security, which can be measured as the ability to address multiple vulnerabilities and insecurities.

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²¹⁴ Vaillant C., *Peacebuilding in the Great Lakes: Challenges and Opportunities for the EU in the DRC*, International Alert, 2006.

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ANNEX 1. Key Secondary Research Questions on Multi-stakeholder Socio-economic development Partnerships

Sub-Res. Questions for Primary Res. Question n. 1: What are the characteristics and types of MSPs operating in countries emerging from armed conflict?

- a. What are the characteristics and types of ‘socio-economic MSPs’ operating in Kosovo, DRC and Afghanistan?
- b. Are there - based upon the three countries (Kosovo, DRC and Afghanistan) - commonalities amongst the socio-economic MSPs in terms of types and characteristics?

Sub-Res. Questions for Primary Res. Question n. 2: In countries emerging from armed conflict, what is the potential significance of MSPs (e.g. what possible mechanisms exist) to impact on: conflict reduction and peacebuilding; improving vulnerable peoples’ security from violence, crime and illegitimate coercion; alleviating poverty and promoting socio-economic development; empowering vulnerable people and communities and promoting their participation in public life?

Secondary research questions related to Primary Research Question n. 2 ultimately rest upon how the following questions are answered: How can socio-economic development be operationalized from the human security vantage point? How to assess (but not necessarily measure) the impact of an MSP in the area of the socio-economic development in terms of human security? And how to operationalise this in the sub-thematic area of: a) area-based development; b) mining; and c) microfinance?

This being premised, the following sub-questions may be formulated:

- a. Can any added value of the partnership be identified in the alleviation of poverty and promoting socio-economic development, and how is this partnership different from other initiatives?
- b. How does the partnership specifically aim to promote socio-economic development? Through what means? (Projects? What concrete examples are there?)
- c. Is the partnership challenged by the fragility of the state?

- d. How important is the socio-economic sphere for setting the foundation of post-conflict peacebuilding and the provision of human security? To what extent can MSPs active in this sphere make an actual contribution to the consolidation of peace? Can evidence be gathered on the contribution to address the root causes of conflict, and promote ‘positive peace’?
- e. What other important perspectives have been taken with regard to socio-economic development (e.g. institution-building, state-building, integration in the world economy, global security (threats), war on terror, counter-narcotics, etc). How to understand socio-economic development from these alternative perspectives (especially the potential tension with a human security vantage point)?
- f. How wide is the actual margin of (equal) partnership among stakeholders? How dominant is the role of private, public, and civic-NGO actors?
- g. How important is the presence as a MSP member of an international public or private actor? How does this presence function in terms of allowing or preventing the empowerment of local stakeholders?
- h. How has the empowerment of local actors’ interacted with the risk of rewarding and enabling extra-legal constituencies that may act as peace spoilers?
- i. What role do hidden agendas and vested interests play?

Sub-Res. Questions for Primary Res. Question n. 3: How, in practice, have selected MSPs formed and developed over time, how have they been composed and how have they operated – both internally and in relation to their external stakeholders and intended beneficiaries?

- a. Which ones are the prevailing objectives that lead to MSP formation, and which ones the prevailing interests of MSP members? How did the latter influence the formation and the functioning of the MSP?
- b. To what extent do the processes of formation and functioning (decision-making, implementation) of MSPs reflect a top-down approach, and to what extent bottom-up approaches are present in international-local relations, as well as in public-private-civic relations?
- c. What type of understanding of socio-economic development prevails in the process? Which doctrines, or broader philosophies of post-conflict reconstruction and development?
- d. Can major differences be observed in approach in promoting and managing MSPs in the three countries, as a reflection of the different strategic significance that they may have?
- e. How do different needs and tasks get to be included and addressed over the functioning of MSPs? To what extent is it ‘by design’, by adaptation to changing partners’ position or

resources availability, or as the result of needs that emerge from the implementation, and may imply a deviation from the initial goals?

- f. Is communication and information in the MSP open and ongoing, and how did it affect trust and collaborative attitudes among partners, on the one hand, and the reaching of the general objectives on the other?

Sub-Res. Questions for Primary Res. Question n. 4: How has participation in an MSP impacted on the MSP's members, in relation to their roles, capacities, empowerment, interests and vulnerabilities relating to: conflict reduction and peacebuilding; security from violence, crime and illegitimate coercion; alleviation of poverty and promotion of socio-economic development; empowerment of vulnerable people and communities and promotion of their participation in public life?

The following sub-questions are to be answered:

- a. Are improvements in (local) capacity and skills observable among partners? Is there a train-the-trainer and consultancy focus, or is the MSP mostly concerned with the direct provision of outcomes that reach the wider beneficiaries?
- b. To what extent can observed MSP be considered a 'figue leaf' for dominant economic interests, or interests that appear to secure the spoils of war and a continuation of war economies?
- c. To what extent do budget constraints affect the desired outcomes?
- d. To what extent does the involvement of selected local stakeholders reinforces elite cooptation mechanisms and clientelist dynamics that hamper the attainment of the desired objectives?
- e. To what extent the involvement of civic actors is possible, and may result in a relevant role in terms of decision-making?

Sub-Res. Questions for Primary Res. Question n. 5: What have been the impacts of selected cases of MSPs on external stakeholders and potential beneficiaries, in relation to: conflict reduction and peacebuilding; security of vulnerable people and communities from violence, crime and illegitimate coercion; alleviation of poverty and promotion of socio-economic development; empowerment of vulnerable people and communities and promotion of their participation in public life?

- a. What are the lessons learnt, in terms of process and outcome, from different types of MSP focus (e.g. specific issue-based, sector-strategic, area-based if available)

- b. How intense and how determining is the pressure for external and international stakeholders to produce tangible results within a reasonable period vis-à-vis their own HQ structure, internal constituencies, or the wider donor community?
- c. How far does the principle of local ownership go beyond the declaratory level, along the working of an MSP?
- d. To what extent do MSP rely on local expertise and knowledge, in terms of their set-up and budget allocation for personnel and services?
- e. How does the functioning of MSPs interact with the locally perceived legitimacy of involved international actors?
- f. Do MSPs rely on lessons learnt from previously established MSPs, of from MSPs located in other contexts but involving the same stakeholders?
- g. To what extent do MSP active in socio-economic development reflect and reproduce existing social and political structures, and to what extent they may appear to have a transformative role?

Sub-Res. Questions for Primary Res. Question n. 6: How has the participation or support of international actors, including the EU, affected the MSPs selected for case study in this project; in relation to the MSP's development, operation, sustainability and impacts? What are the lessons for how the EU and other international actors should support or participate in MSPs?

- a. How strong is, in financial terms, and how determining in terms of 'final say' is the involvement of international public and private actors?
- b. How does the degree of MSP institutionalization matter, in terms of local and international visibility and dynamics in general?
- c. How long do MSPs established in this area operate functionally, and to what extent is socio-economic development and transformation affected by the fact that international actors often conceive their action and budget in short-term perspectives?

Sub-Res. Questions for Primary Res. Question n. 7: How can EU (including member states') policies and programmes better support and co-operate with MSPs in countries emerging from armed conflict in order to promote: conflict reduction and peacebuilding; security from violence, crime and illegitimate coercion; alleviation of poverty and promotion of socio-economic development; empowerment of vulnerable people and communities and promotion of their participation in public life?

To be elaborated at a later stage of research. As a preliminary attempt, one may suggest that emphasis should be laid along the following lines:

- a. If any comparative research effort is possible, to what extent do (different types of) MSPs bring additional benefits compared to other forms of post-conflict development interventions, also taking into account possible costs?
- b. What are the requirements for successful donor engagement with MSPs? Or more specifically, are there characteristics of MSP members (particularly donors) that are crucial for successful participation in an MSP? To what extent does the EU (including its member states) have these characteristics? Or, to what extent would the EU need to adapt its policies and programmes to better support and co-operate with MSPs?

ANNEX 2 – Tertiary questions guiding the analysis

The partners

1. Who are the partners and what is their background and historical record in the region? What are the links to war- time political, economic and criminal structures?
2. What is the main objective for initiating the partnership? Is this objective changed over time, and if so, how?
3. What was the underlying rationale for the partners to engage in the partnership? Was it - in the case of an MNC - because of commitment to company philosophy and good corporate citizenship, overcoming reputational hazards, promoting a secure investment environment, entering or securing a position into a new market? When the project under exam is an initiative part of a wider partnership agreement, how and why was that given initiative chosen?
4. How has the increased role of governance and government played a role in the activities of the partnership, and has the partnership benefited from this increased role, or not? (And why?)
5. To what extent, and in what ways, have these assumed impacts depended on the characteristics of the relevant MSP (e.g. its multi-stakeholder character; its specific membership; its internal procedures, capacities or decision-making mechanisms)?
6. Has the interest of one or more partners been dominant in this partnership, and if so, whose interest? Has this led to more and better results for the community?

7. Have the principles of corporate social responsibility been a determinant for corporate involvement in the partnership?
8. What are the contributions (capital, technology, experience, networks, political protection, skills, information on local situation, international status ...) of the partners? What do partners contribute ... and what do they get back?
9. Do their contributions correspond to their share in the decision making?
10. Did they start the project with compatible motivation? What are the different interests involved?
11. Who acted as a catalyst for the MSP? Was there an organization that acted as a convener thus facilitating actors' involvement? Who did take the initiative? Who takes the lead?
12. Did any of the stakeholders convened turn down the option of being part of the MSP out of fear of being cooped or out of potential reputation damage?
13. Which potential partners have been mapped as relevant stakeholders? If one or more of them were excluded from the initiative, why did it happen?
14. Has any partner withdrawn – and for which reasons?
15. Who among the stakeholders is best informed about the activities of the project?
16. Who championed the partnership within the participating organisations? If the initiative was championed by the subsidiary(bottom-up), what type of clearance did it need to get from the parent?
17. If, on the reverse, the MSP was championed by HQs (top-down) at which point in time was the subsidiary informed and called upon? Through which modalities and how much autonomous bargaining power did it enjoy?
18. If the initiative was policy-driven by an international donor or the local government, which kind of bargaining power did other partners enjoy? To which extent did they successfully protect their interests? To which extent have been concerns of private parties – such as to maintain a clear-cut distinction between government responsibilities in welfare provisions and business role - mirrored and taken into account?
19. What are the key persons representing the different stakeholders? What is their historical background?
20. Was the format of this specific multipart project successful (and copied by other partners/actors)?
21. Which problems/bottlenecks were solved by the involvement of specific stakeholders?
22. What is the past record of the international partners? In how far are they familiar with the country/region?

23. How much symmetry/asymmetry is there between the partners? Are the other partners “coordinated”/dominated by the bigger partners?
24. Are some of the partners straw men of specific groups?
25. If State authorities are partners, - are they permeated by informal actors ?
26. What kind of tensions in the partnership have become known?
27. Has there been a change in actors involvement along the life of the MSP? Did any partner exit the MSP and if so why? Did any new actor join at some point the MSP? If so, what effect did this have on the MSP itself and the other partners involved?
28. If a civil society actor, can it be mono-ethnic rather than multiethnic and still promote human security?
29. Are the MSP initiative big enough, involve a critical mass of actors and resources to counteract the influence of spoilers?
30. Is the involvement within an MSP subverted for a particular agenda, with an MSP serving as an external donor?
31. What kind of relationships with other actors and institutions, outside the MSP, such as labour unions, revision committee, regulations, government agencies do exist and how is that relationship defined?
32. Did the presence of a given MSP member in any way affect other stakeholders and their strategies in the region?
33. Has the EU, or any other international institution, been in any way involved in the projects or processes of the partnership?
34. Has the pursuit of EU objectives (good governance, stability, poverty alleviation) been of any consequence to the activities of the partnership?
35. What are the aspects of MSP’s internal procedural mechanisms that are critical for MSP achieving its intended outcome? (for example, there may be critical step in the procedure, which, if left to the internal actor intent on subverting the MSP’s agenda, may jeopardise the success of the partnership).

Financial Flows

1. What are the financial contributions of the partners?
2. Did the MSP conduct any fundraising?
3. Which kind of decision-making process was in place for deciding where to allocate funds?
4. Who gets the orders from this project?

5. Is there some shady business in the sideline?
6. Has the project (or partners) been involved in corruption affairs?
7. What is the relation to development aid?
8. Are there other forms of subsidies involved?
9. Are activities profitable (for whom)?
10. What are profits used for?

The political context

1. What is the local affiliation to the conflicting party? Is there any bias visible?
2. Is the project politically sensible?
3. Who provides political “protection” or ”coverage”/support?
4. Who provides security?
5. What are the specific local partners? Is there real participation or mere “decoration”?
6. What has been the past involvement of local partners? To which parties/families/fractions do they belong
7. What bias does this specific combination of stakeholders reveal?
8. Were there alternative institutions competing for the same tasks – in the same markets?
9. What are the connections to informal power structures?

MSP activities

1. Was there a formal agreement made that outlined responsibilities, rights and obligations of those involved? More specifically, which skills and assets is each actor contributing to the partnership?
2. What kind of structure did the partnership have? Did it have its own office space? Did it have dedicated staff? if not, was the partnership hampered by it? Did it have enough financial and human resources?
3. Did partners regularly attended scheduled meeting? How often were those convened? At partnership meetings were the various partners represented by people that had the power to take decisions?

4. How did the partners manage and dealt with the partners' different managerial and organization structures? Did the partnership ever incurred in an impasse or severe delay due to one partner administrative hurdles? If so, was the partnership affected by it?
5. Was one or more of the actors involved perceived as dominant? If so, what have been the implications of it?
6. Scopetta (2006: 12) lists various roles and functions of partners, in terms of "knowledge carriers, information brokers, financiers and policy makers –and various roles - visionaries, strategists, salesmen, lobbyists and coaches. Facilitators, mediators and, not least, managers are also essential to the functioning of partnerships". Which partners did take which roles?
7. Was communication in the MSP open and ongoing? Was communication about the MSP within the MNC periodic and accurate? Did the MSP have an external agreed communication strategy? Was the MSP presented in some national or international conference? Was it featured as a case study in a best practice collation, a manual, an academic paper or anything of the sort? Did the MSP refuse to collaborate to any external study or investigation, and if so why?
8. To what degree did any partner influence the MSP external communication strategy? Did e.g. an MNC find that the MSP external communication strategy meets its needs? Was there room for the MNC to tailor the external communication strategy to different relevant audiences/stakeholders? Did the MNC perceive an improvement in its image as a result of its participating in the MSP?
9. Which activities does the partnership engage in?
10. What is the regional scope of the activities?
11. To whose benefit are these activities taking place? Cui bono?
12. How do these ventures cope with bottlenecks of post-conflict situation? (infrastructure, market access, protection, raw materials, lack of education, lack of specialists, language problems, differences of payments between local and foreign staff, lawlessness....)
13. What is the relationship with other similar initiatives (locally, regionally) - is it dominated by cooperation, competition, or is there no relationship at all?
14. How are the activities affected by continuing violence?
15. Has the existence of other partnerships in the region been a help to your activities or a constraint?
16. How does the partnership tackle implementation problems such as corruption, cronyism, and existing ethno-political tensions?

1. To which challenge did the creation of the partnership respond? Was that challenge successfully “solved”?
2. Did the project achieve its goals?
3. Were MSP activities regularly monitored against benchmarks and targets? By whom? To whom were monitoring findings reported to and with which periodicity? In which language? In case MSP is no longer operational, have its activities been evaluated ? Internally and/or externally? If evaluation was external by whom was it contracted and to whom were findings reported? If there has been an evaluation, what did it cover (MSP functioning and mechanisms, goal achievement, wider impact)?if there has been an evaluation, was the evaluation report made public? Was it translated into the local language?
4. Did the individual partners reach their objective for engaging in the MSP? Did they perceive that their networking (web of relationships) has been strengthened as a by-product of its participation in the MSP? Did the MNC perceive improved overall relationships with civil society actors? With local authorities? With international donors? With other business entities? Did the participation in the MSP trigger opportunities for the partners that might not have come about if it were not to participate in the MSP?
5. What is going to happen when external partners leave?
6. How many people have been involved/reached? How much employment has been created, and what type of jobs, in which sectors?
7. Does the MSP contribute to more horizontal equality or inequality between regions?
8. Are there any positive/negative side-effects of the project?
9. What is the viewpoint of the government and other agencies not participating in the MSP on the functioning and the activities of the MSP?
10. Is any of the impacts related to the fact that the venture had the form of an MSP, or could it just as well have been another form of organization?
11. Has there been a change in the strategy of any participating companies as a result of the partnership?
12. Has the partnership affected local business, state institutions, or other NGOs active in the region?
13. Has an increased level of accountability (by the government) led to any changes in the relations with partners?

Sustainability

1. Can the project results be deemed to be sustainable?

2. What is the contribution of the MSP to sustainable development?
2. In deciding if and how to engage into the MSP, did the partners apply specific lessons learned? If so, where they related to previous in-country engagements, MSP engagements in other PC countries, or more in general in MSP participation?
3. Did the MNC rely also on lessons learned from other business entities and if so, through which channels did they get to know them? What kind of support (in the case of an MNC) was received by the subsidiary from the CSR department (if there is one) in relation to its participation in the MSP?
4. Upon MSP completion, did the partners internally evaluate the initiative? Were lessons learned widely shared within the MNC? If so, have those been taken into account in other instances?
5. Have lessons learned been shared with other actors as well (other business entities, civil society actors, academia, IOs, etc.)? If so, which criteria have determined the choice of actors/communities among which to share said lessons learned? If not, why?

ANNEX 3.

General List of Acronyms

ADF- Akassa Development Foundation
ALMP- Active Labour Market Programme
APPI- Anti-Poverty Partnership Initiatives
BPD- Business Partner for Development
BPXC- British Petroleum Exploration Colombia
CARERE- The Cambodia Area Rehabilitation And Regeneration Project
CommDev- Oil, Gas and Mining Sustainable Community Development Fund
CSOs- Civil Society Organizations
DAC- Development Assistance Committee
DESA- Department of Economic and Social Affairs
DfID- Uk Department for International Development
DPA- Department of Political Affairs
DPKA - Department of Peacekeeping Operations
EAR- European Agency For Reconstruction
EC- European Commission
EDINFODOC - Educación, Información, Formación, Documentación, y Investigación
EGP - Employment Generation Project
EITI-Extractive Industries Transparency Initiative
ELL- Essential Labour Law
ERIK- Economic Revitalization In Kosovo
EU- European Union
EUWI- EU Water Initiative
FLEGT - Forest Law Enforcement Governance and Trade
ILO- International Labour Organization
IMF- international Monetary Found
KPCS - Kimberley Process Certification Scheme
LEDAs- Local Economic Development Agencies
MEOs- Municipal Employment Offices
MEST- Ministry Of Education Science And Technology
MLSW- Ministry Of Labour And Social Welfare
MNCs- Multinational Corporations MSPs
NABDP- National Area Based Development Programme NGOs
NHDR- National Healthcare Disparities Programme
OCHA- Office for the Coordination of Humanitarian Affairs
OECD DAC- organization for Economic Cooperation and Development Assistance Committee
OECD- Organization for Economic Cooperation and Development
OJT- On The Job Training
PDHLs- Local-Level Human Development Programmes
PDPMM - Programa de Desarrollo y Paz del Magdalena Medio

PESs- Public Employment Services
PISG- Provisional Institutions Of Self-Government
PPPs - Public-Private Partnerships
PRODERE- Programa de Desarrollo para Desplazados, Refugiados y Repatriados en Centroamerica
RECs- Regional Employment Centres
SME- Medium Sized Local Companies
UNDP- United Nations Development Programme
UNMIK- United Nations Mission In Kosovo
USAID- United States Agency for International Development
VTCs- Vocational Training Centres
WB- World Bank