

Social Funds Innovation Update

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A Tale of Two Projects:

Community-Based Reconstruction in East Timor and Rwanda

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Context

The impact of violent conflict can be as highly visible as the physical damage to social and economic infrastructure. It can also be invisible, such as the collapse of state institutions, mistrust in government, and fear. The challenge post-conflict practitioners face is to address both types of effects adequately and simultaneously so that post-conflict reconstruction can lay the foundation for a return to normalcy and, ultimately, sustainable development.

East Timor and Rwanda have experienced violent conflict on an extraordinary scale. In Rwanda, between April and July 1994, over 800,000 people were killed in genocidal violence. By mid-1994, out of Rwanda's population of roughly 8 million at the beginning of the 1990s, some 2 million had become displaced within Rwanda's borders and close to an additional 2 million had fled as refugees to neighboring countries. Then, within the span of only a few months in late 1996/early 1997, up to 1.5 million refugees returned to Rwanda.

East Timor's recent history has been no less traumatic. After the massive violence following the independence referendum of August 1999, an estimated 75% of a pre-crisis population of 850,000 people was displaced. Almost 70% of the country's physical infrastructure was destroyed or rendered inoperable. As in Rwanda, gross domestic

product in the conflict year shrank by as much as half its original value.



A rehabilitated bridge in Gituza commune © Francis Dobbs, World Bank.

The international community reacted to the crises in Rwanda in November/December 1996 and in East Timor in September/October 1999 by organizing joint missions to provide estimates of reconstruction needs, including assessments and recommendations for community rebuilding programs. East Timor's Joint Assessment Mission was composed of equal numbers of donors and Timorese counterparts. Rwanda's mission was jointly led by the government, UNDP and the Bank with extensive Rwandan participation. Both missions proposed the provision of reconstruction assistance through a flexible, demand-driven and decentralized implementation approach that empowers people to make choices.

The Bank responded to these recommendations by preparing the

Community Reintegration and Development Project (CRDP) in Rwanda and the Community Empowerment Project (CEP) in East Timor. For the CEP in East Timor, the fact that the initial proposal came as a joint recommendation of Bank participants and their Timorese partners was to prove crucial for the project's later development. The CRDP helped the government to conceptualize and then operationalize high-priority decentralization and governance initiatives.

Box 1: Project overview

	<i>Rwanda CRDP</i>	<i>East Timor CEP I</i>
Start date	1997 (pilot activities); 1999 (effective)	2000
Project amount	\$5 million	\$7.5 million
Instrument	Learning and Innovation Loan	Grant from Trust Fund for East Timor
Duration	3 years	2 year
Coverage	12 <i>communes</i> (out of 154)	All rural sub-districts (<i>postas</i>)
Mechanism	Block grants of approx. \$90,000 per annum to each CDC	Block grants of \$25,000-\$100,000 to each sub-district
Follow-up	CRDP II under preparation.	CEP II (\$8.5m): under implementation; CEP III (\$1.5m): negotiated

Some Design Features

In East Timor and Rwanda, the post-conflict context provided an opportunity to replace long-standing top-down distribution and control systems with more participatory, bottom-up governance structures that more closely match public expenditure with local needs and provide the foundations for a more inclusive development framework. In so doing, the CEP and CRDP aimed at bringing

people together around a common goal, thereby helping to build trust (an important post-conflict objective). Though developed independently, the projects share a wide range of design features and experience similar implementation challenges.

In East Timor, the Bank could help the Timorese take advantage of the creation of a new nation by establishing community councils as the entry point to reconstruction. At the same time, the collapse of the previous Indonesian state structures implied a formal institutional void at all levels of government that the CEP community councils had to overcome.

In Rwanda, the CRDP was initiated more than two years after the end of the war. In 1994, the new coalition government had taken over the pre-war territorial administration and had thus determined a governance framework within which the project had to operate. (Given the existence of entrenched local structures, the CRDP aimed at testing a decentralized and participatory approach to community development and was, therefore, processed as an Learning and Innovation Loan.) These distinct governance environments account for most of the design differences between the two projects.

Greater focus has been placed on decentralization in Rwanda. A central design premise is that the formal involvement of local authorities through decentralization (transfer of decision-making and expenditure authority to lower levels of government) enhances the appropriateness and sustainability of interventions. Following the government's decentralization strategy, and after a lengthy policy debate, Community Development Committees (CDCs) have now become a formal part of local government. In East Timor, the collapse of state structures had created an administrative void. The Timorese leadership took an early decision not to re-establish the large local government

structures present under the Indonesian regime. This institutional void allowed the rapid establishment of representative CEP councils to implement a wide variety of reconstruction projects, but meant a weaker link with state structures above the village level.

The local level institutional structure is very similar. In the case of East Timor, villagers elect equal numbers of men and women from each sub-village (*aldeia*) to a village (*suco*) council which then elects equal numbers of men and women members to the sub-district (*posto*) councils. The participation of sub-district council members at the district level varies according to different forums in place at that level. An analogous election process had been envisaged during CRDP design, from *cellule* to *secteur* and *commune* (in 2001, *communes* were renamed districts). However, the Rwandan government decided to constitute CDCs in all communes as part of its decentralization policy rather than in the 12 project communes. As a result, CDC members have been elected without any specific gender reference (although one CDC member at each level is responsible for women's issues). In both cases, villagers were elected first and foremost for the trust they inspired (critical in low-trust post-conflict contexts) rather than their educational background, which called for extensive capacity building efforts.

At the central level, the CRDP and CEP each have a project implementation unit that is supported by staff in the communes/districts. In the case of the CRDP, one community development agent and one accountant support each CDC. The CEP has district support staff and a facilitator for each *posto*. Both projects have decentralized financial management systems. Accountants have been recruited at the *commune* and *posto* levels to manage the flow of funds to the respective CDC/council. In CEP the sub-district councils appoint their own financial

management unit (FMU) to manage the funds allocated to them. The FMU reports to the council, with training and oversight provided by the district accountant. In the case of the CRDP, the CDC accountants report to the CDC with oversight provided by the project unit in the Ministry or Local Government. Experience demonstrates that it is advisable that financial management staff and the staff with oversight role come from outside the *commune/posto* in order to avoid pressure on accounting practices. But, whilst in Rwanda, a rudimentary system of village banks (*banques populaires*) has survived the war and genocide and is being used for funds transfers (in addition to provincial bank branches for those communes close to provincial centers), in East Timor the rural banking system has been completely destroyed. This necessitated cash transfers to the district offices with attendant high cash balances and security risks.



Building a road on top of the mountain. Liquiça District, East Timor © Francis Dobbs, World Bank.

Both projects work on an open menu system, where councils/CDCs are able to select their own priorities for economic or physical reconstruction, outside a limited negative list. Competing priorities are debated in open meetings. Once the projects are selected, the councils/CDCs may request technical support from NGOs, government or private sector companies to execute the sub-projects, which are implemented using community procurement procedures – or they may purchase materials and labor directly. In most cases in East Timor, councils have chosen to

manage the projects directly. In Rwanda, all projects are managed by the CDCs. Both projects also emphasize accountability for funds use downwards to the community and both have a strong focus on specific processes to disseminate information on sub-project expenditures at a community level. This has proved to be an effective check against corruption. In East Timor, traditional leaders, who were excluded from being elected to councils, have also played an important informal role in controlling corruption. They have assisted in the dissemination of information, and enforced local sanctions on offenders.



Villagers expressing their community needs and aspirations. Manatuto District, East Timor © Francis Dobbs, World Bank.

Genuine leadership support has proven critical for sustaining these community-driven efforts, but it did not come easily. In Rwanda, after long deliberations as to the appropriateness of this new model of development (which led to delays in project effectiveness), the project implementation unit is now firmly anchored in the Ministry of Local Government as the model project for other external partners and is the expertise to which the ministry turns to set out procedures in the government's evolving execution of the decentralization law. (Before the CRDP became effective, pilot activities have been financed through a reallocation from another project.) In East Timor, there was initial resistance from the transitional administration to establishing elected councils so early in the

reconstruction process, but as the new government structure evolved CEP management came under the Ministry of Internal Administration, and from this position links can be strengthened with the government structures that extend to the district. The councils were saved primarily because they had strong support from senior Timorese leadership. Central authorities in both countries thus accepted that needs are identified from the bottom up (*aldeia, cellule*) and prioritized at the commune/district level.

Highlights of Experiences to date:

The projects have helped foster strong local ownership of reconstruction. The people of East Timor and Rwanda have actively participated in all stages of the project cycle and have greatly appreciated this new way of rendering assistance. In East Timor, the CEP was negotiated three months after the joint assessment mission and within eight months the project was covering every village in the country. It was also the first donor project in East Timor whose management was fully turned over to Timorese. Although various donors and agencies have initiated community development projects in Rwanda, to this day, the CRDP remains the only project which is fully owned by Rwandans at the central and local levels.

Speed of reconstruction has varied due to differences in initial institutional conditions. The East Timor CEP achieved fast reconstruction of local infrastructure (two full cycles of local reconstruction projects in two years) whilst the Rwandese project faced slower implementation.

The administrative void at local levels at the CEP's inception avoided the necessity to negotiate relative roles of local government versus voluntary councils in reconstruction delivery. These discussions took time in Rwanda, but have brought considerable benefits in ensuring longer-term integration

with the government's decentralization strategy. East Timor is only now starting to face discussions on wider local governance and decentralization issues.

Quality of facilitation has been critical for both projects. The East Timor programme had at its disposal a group of trained facilitators from the outset. The CEP was able to capitalize on previous experiences under the Kecamatan Development Project (KDP), a demand-driven investment fund which began functioning in East Timor in 1998. Despite several differences with the KDP, having communities and facilitators who were already familiar with the main concepts and methods allowed for a faster startup than would otherwise have been the case. The CRDP had to start under less favorable pre-conditions but it has greatly benefited from the recruitment of highly motivated and competent Rwandans who have been actively and vigorously pursuing the implementation of the project, improving procedures on their own initiative to ensure their appropriateness for reaching project objectives.

CDD projects have been cost-effective. Evaluations of project unit costs under CEP have shown the CDD mechanism to deliver extremely cost-effective reconstruction. The average IRR for water projects sampled was 20%, while for roads it was 26%. When compared with similar water supply projects constructed under traditional program the cost/household for CEP was \$92 compared with \$152 in the traditional project. In Rwanda, average for a classroom are approximately 25 percent less than the national average, with works and furniture of satisfactory quality.

Progress has been made against governance objectives, but numerous challenges have arisen. Both countries accept the CDCs/councils as a legitimate form of representation, and the

CDCs/councils themselves have assumed an important role in building national unity. In East Timor, councils operate in close consultation with traditional leaders, or leaders from previous regime or from the resistance structures. Experience in the first year of elected councils was varied, with some councils operating openly and democratically and some captured by local elites. Efforts were made in the second round of council elections to address this, with wider involvement of organizations such as the women's movement in preparing candidates for council elections. The new Timorese government has recognized the role of CEP in local governance in its national development plan. The CDCs in Rwanda are multi-ethnic, and the few ethnically inspired problems encountered to date have been resolved fairly. The CDC concept and structure have also laid the groundwork for the first ever elections of district administrators that took place in March 2001. (Since independence, *commune* burgomasters had been nominated by the President).

Both projects have created some resentment among other local leaders. The Rwandan government created politico-administrative committees (CPAs) after the CRDP had been designed. The CPAs complement the work of the CDCs, members are elected at the same time. As the CRDP also impacts on the responsibilities of the CPAs (for instance, organization of the community's contribution to a project), the exclusion of CPA members from the CRDP project cycle has led to several misgivings and delays in implementation. In communes where CDCs and CPAs collaborated from the outset, such problems have not been encountered. Similarly, the undefined role of village leaders in the new structures (village elders, heads of local resistance cells, village heads appointed by the Indonesian administration) and hence their relationship with councils has impacted on CEP implementation – though not always negatively. Creative tension between the two

can lead to improved monitoring of council activities, or conversely, the role of the leaders, at local level. As with the CRDP, this relationship has been partly negative (delaying execution of works), partly positive (helping resolve local conflict).

Information and capacity-building is critical. Of critical importance for community-driven development are sensitization and capacity building. Neither in East Timor nor in Rwanda was the population prepared for the task at hand. The projects responded in different ways to this challenge. The CEP has relied more on *posto* facilitators to sensitize village members and carry out participatory methods of project identification and implementation. Conversely, with the legal framework far more clearly defined, the Rwandan government embarked on a wide-ranging capacity building effort of CDC members at the *commune*, *secteur* and *cellule* levels before commencing disbursement of project funds to communities. An added complication in both cases was a new round of elections one year into project implementation. In both countries, a good number of new members was elected. Regular elections are seen by the communities as positive in allowing opportunities to hold council members accountable, but pose challenges for capacity-building.

Although greatly appreciated, participation did not come without problems. Having been used to decades of top-down development, the people of East Timor and Rwanda needed time to understand the new concepts and act accordingly. The CEP worked with the umbrella pro-independence movement immediately after the breakaway from Indonesia to conduct popular information campaigns throughout the country on the role of the CEP councils in reconstruction. With progress towards development of a multi-party system, responsibilities for sensitization of the population have moved to a more traditional government-led effort. In Rwanda,

the government's focus was on sensitizing the population about its decentralization and community development policies. To this end, the Ministry of Local Government (with critical input by the CRDP implementation unit) developed a sensitization and training program that was delivered throughout the country. This program includes the following topics: structure and functions of the CDC and its relations with other institutions; good governance; patriotism and work organization; CRDP agreements and procedures; participatory planning; project management; rural entrepreneurship; gender and development; adult education; environmental awareness and hygiene; establishment of data base, communications and conflict resolution. In the 12 project communes alone, over 3,900 elected CDC members received training.

Microcredit has been less successful than social and economic infrastructure activities. Both projects show that in general, income-generating activities do not benefit the very poor. But, whilst the CEP has been able at the current, rather low levels of engagement, to follow beneficiaries through the *posto* financial management units and the district accountants, CRDP experience has been less encouraging despite early advances. The CDCs find it increasingly difficult to follow up on payments into a community fund that beneficiaries are expected to make once their projects become profitable. Both projects thus demonstrate that large-scale support to income-generating activities may require specialized support outside a community-driven approach.

Cost recovery is a particular challenge, especially as its full importance will be felt only after project completion. The CEP and CRDP include provisions such that each approved infrastructure project contains a plan for generating local funds for operations and maintenance. In reality, cost recovery did not receive sufficient attention at the

beginning. In the case of the CRDP, close coordination with the relevant line ministry particularly at the level of its decentralized authority (district level) may help share the burden through the ministry's recurrent budget. Under the new law, districts are to be the focal points for all the sectors' service delivery. Parent-teacher associations which traditionally ensure maintenance of schools in Rwanda have also been closely associated with the identification and construction of the priority schools in the project communes. The CEP cannot rely on such alternative sources of funding. In both cases, close monitoring of cost recovery mechanisms through CDC/council members is required.

Sectoral coordination could have been improved at the outset The CEP and CRDP represent only one project within a broader range of post-conflict interventions in East Timor and Rwanda. Though in both cases conceived as a central mechanism to strengthen the capacity of communities to plan and implement their development decisions, for a variety of reasons, other projects have yet to adopt this approach to reconstruction. By way of example, in East Timor, some projects work through local leaders rather than the councils, others do not decentralize financial management. In Rwanda, some projects avoid links to the local administration, others apply terms and conditions for income-generating projects that differ from those of the CDCs. These inconsistencies are the most severe in communities where two or more approaches are applied at the same time, as has happened in several cases. Even other Bank projects may use different community-level procedures. The accumulation of these problems can lead to a profound sense of confusion on the part of the population and, possibly, to the loss of trust in the process of participation and decentralization. A first step to remedy this problem would be for the Bank to use its own CAS/TSS process for developing a consistent framework for

community projects and to introduce that framework into discussions with other donors and counterparts.

The issue of harmonizing procedures is closely linked to the legitimacy of the local decision-making structures. Local councils in East Timor tend to be associated solely with the CEP although they have shown their potential to serve a broader purpose. CDCs have shared a similar fate but are increasingly being used by other donors (and for other Bank projects). In both cases, central government needs to provide the leadership and orientation for community-driven development, a challenge that is as daunting for East Timor's new and inexperienced administration as it is for Rwanda's government in a still volatile socio-political and regional environment. Ultimately, however, coordination across the spectrum of sector-specific reconstruction activities also requires discipline on the part of international partners.

Toward Sustainability

For a community-driven approach to be sustainable, three elements need to be in place: local development structures, local capacities, and a local resource mobilization mechanism. Both projects have demonstrated that with appropriate sensitization, functioning local development structures can be established even in a post-conflict environment. East Timor's experience shows that these projects can be mounted faster than traditional reconstruction efforts where the right institutional conditions exist. The challenge for East Timor is to integrate the councils created by the CEP into the long-term strategy for local governance. In Rwanda, where the project has been operating for a longer period, this hurdle has already been addressed. Rwanda has also advanced far in the area of local capacity building, not least through the preparation and implementation of a tailor-made training program for CDC

members nationwide. In East Timor, CEP III, which is currently under preparation, builds on experiences to date and places greater emphasis on local capacity building. The greatest challenge lies in making community-driven development locally sustainable. The Rwandan government has already allocated 10% of its recurrent budget for a community development fund the functioning of which is being defined at the time of writing. In East Timor, a local governance and fiscal decentralization study is planned in the coming year to address this issue.

East Timor and Rwanda still have a long way to go for community-driven development to become sustainable. At the same time, both countries have come a long way from the top-down pre-conflict era due in large part to the CEP and CRDP. Although implementation problems are numerous and some fundamental issues are yet to be determined, the basic parameters and assumptions have been proven correct: a community-driven approach can provide speedy and cost-effective delivery of reconstruction assistance on the ground and in isolated areas whilst stressing local choice of priorities; and it can build a governance structure that brings people and local government together around a common goal, thereby helping to build trust.

For more information on Community-Based Reconstruction in East Timor and Rwanda, contact Markus Kostner via email at Mkostner@worldbank.org.



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