The Global Funding Situation for Alternative Development
Taking the risk of sustainability

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By Deborah Alimi

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Introduction

Alternative development (AD) projects have been implemented around the globe for over thirty years. Despite mixed results, successful experiences in Asia and Latin America show that AD can lead to lasting reduction of illicit cultivation of crops used for the illicit production and manufacture of drugs and can ameliorate the socio-economic conditions of farmers and communities who choose to exit the illicit economy. An increasing number of countries implementing AD programs and strategies, acknowledging that AD needs to be understood as a long-term holistic approach that is integrated into national development strategies.

In recent years, AD has gained particular political traction and experienced a growing demand. Across the globe, in countries concentrating illicit cultivation of coca, poppy and more recently cannabis, but also in countries affected by illicit drug use, there has been a broad political endorsement of AD as an integral part of comprehensive and balanced development-oriented drug policies, and, more broadly as a potential driver of sustainable development as attested in multiple United Nations General Assembly (UNGA) and Commission on Narcotic Drugs (CND) resolutions (UNGA resolution 68/196 of 18 December 2013; 2014 Joint Ministerial Statement; CND resolutions 52/6 of 20 March 2009, 53/6 of 12 March 2010, 54/4 of 25 March 2011, 55/4 of 16 March 2012, 57/1 of 21 March 2014 and 58/4 of 17 March 2015). By addressing poverty and socio-economic issues related to the illicit cultivation of plants – primarily coca leaves and poppy seeds—used in narcotic drugs, AD interventions tackle the development-related issues which in most cases are the root causes of illicit crop cultivation. Considering that each territory presents specific vulnerabilities, but also strengths, interested governments have multiplied their efforts to apply lessons learned from past experiences and success-stories, and developed the UN Guiding Principles on Alternative Development that have been adopted in December 2013 to foster the implementation of community-tailored and sustainable AD programs.

Considering the importance of experiences in the field, the growing interest in AD is also taking shape in specialized drug policy discussion arenas at the international level. In November 2015, participants of the second International Workshop and Conference on Alternative Development shared their perspectives on how to best implement the Guiding Principles and advance AD in the years to come. In this context, the discussions hold during the United Nations Special Session of the General Assembly on the world drug problem in April 2016 (UNGASS 2016) and especially during the Roundtable 5 on Alternative development reaffirm the existing nexus between drug cultivation, drug control policy and development. It further underlines that AD as a viable policy option is firmly placed on the global drug control agenda and has the potential to advance in the long run the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). However, this high political profile can be misleading.
A misleading high political profile: strengthening the evidence base for development-oriented drug policies

Despite some progress, there is an important disconnect between the level of political momentum around AD and the actual funding for AD interventions. Evidence shows that AD has benefited from a rather limited level of financing (UNODC 2015), and has been confined to a small niche of policy intervention, in both fields of drug policy and development cooperation (Hynes and Alimi 2015). Between 1998 and 2013, official development assistance (ODA) commitments to AD accounted for only 0.2% percent of overall ODA per year whereas most of AD programs around the globe have been funded mostly by external donors - mainly countries of the Organization for Economic Cooperation and Development (OECD) - and targeted to coca- and poppy-producing countries (Colombia, Peru, Bolivia and Afghanistan).

Existing funding information is limited and accounts only for official assistance disbursed by OECD-countries. It does not translate overall efforts in AD financing beyond ODA flows such as non-OECD countries commitments and national contributions, nor provide a full account of the global funding situation for AD. Recent research (UNODC 2015) suggests that new patterns of financing are emerging, such as a more sustained national financial support and enlarged spectrum of contributors and interested partners. Yet, this global picture needs to be refined while data remains scarce, and still too little is known on the financing existing paths, challenges and strategic outlooks for AD. Without a clear vision of the global funding situation for AD, assessing the potential for future strengthening of AD on the ground, its implementation and the scope of resource needs and possibilities in that regard remains a difficult task. A knowledge gap is to be filled if new ambitions in both traditional AD actors and new interested ones are to be translated into concrete initiatives.

On behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), the GIZ project “Global Partnership on Drug Policies and Development” (GPDPD) has launched a two-study research on the global funding situation and options for AD. This first study attempts to refine our understanding of the resource trends and funding modalities available for AD with the view of:

- Identifying emerging paths and potential gaps and needs in existing financing patterns for both traditional partners contributing to or implementing AD interventions, and “new interested actors”;
- Assessing the main challenges and opportunities in terms of resource allocations and uses;
- Broadening the reflection and isolating entry points for future, innovative funding options.

In this perspective, the “global funding situation for AD” designates a wide array of elements from existing resource levels, funding mechanisms and practices to stakeholders’ lessons learned from and
perceptions on the value-added and drawbacks of current mechanisms, their specific needs and identified strategies to ameliorate funding for AD.

**Scope and Methodology**

The main challenge of this research consists in **overcoming the limitation and scarcity of data**. The produced picture of global contributions to AD strongly depends on the availability, reliability and usability of data and on the accessibility of information from a wide array of actors. A mixed methodology has been thus adopted which conjugates desk research and literature review of openly accessible quantitative data, with interviews with representatives from international organizations, national governments and other relevant experts in the field of AD. Data collection has been focused on information on funding made available by individual countries contributing to or implementing AD\(^1\), as well as on initiatives of “new actors” who express growing or renewed interest in the field of AD\(^2\). In this perspective, the following sources have been considered:

- **Available statistics** on funding for AD at international, national and regional levels including from ODA flows in databases such as the OECD Creditor Reporting System (CRS);
- **Openly accessible information and public documents** such as annual evaluation reports from non-OECD countries contributions, national channels, multilateral organizations contributions and other possible contributors such as the private sector;
- **Interview materials** and non-public documents shared by the interviewees such as extracts of financial reports, budget plans of ongoing projects and internal statistics.

The interviews were based on a semi-directive guiding questionnaire that explored the following areas: evolution, scope and types of contribution, alliances and partnerships, value added and drawbacks of existing funding mechanisms, successful and/or innovative models/instruments used for ongoing projects, perceptions of the financing situation for AD, needs and challenges for current and future implementation, existing strategies to dedicate/attract new funds, and ongoing debates and explaining factors promoted regarding the global funding situation for AD. Two thirds of contacted stakeholders in 17 countries accepted to share information and perspectives\(^3\).

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\(^{1}\)In this first group have been included so-called “traditional” donors and partners, including the European Union, the United States, Colombia, Peru, Bolivia, Thailand, and Afghanistan.

\(^{2}\)In particular, Ecuador, Morocco, Nigeria, Myanmar, Laos, China India, Russia, Japan.

\(^{3}\)For confidentiality reasons, and to respect the Chatham house rule applied during the interviews, sources have been kept anonymous.
I. A challenging quantitative picture to draw

Pioneered research and in particular the 2015 World Drug Report chapter dedicated to Alternative Development underlined the difficulties in identifying the budgets allocated to AD interventions and in calculating the number of beneficiaries. Identifying the resources allocated to AD supposes to access sensitive financial data that is not always openly available, and most of the time difficult to disaggregate. Information is thus highly limited to those stakeholders willing to disclose information and insights and tends not to be systematically collected nor clearly categorized.

Progress is to be noted and welcome in the way regional and state agencies are sharing this type of information and how AD funds are reported and identifiable. However, several interrelated issues in data processes make it very challenging to gauge the global scope and compare the levels and shares of resources allocated for AD out of overall counter-narcotic or development efforts. Under these circumstances, although it provides a distorted picture of AD funding limited to OECD contributors, ODA remains the most reliable and utilizable information to draw an indicative quantitative picture of the funding situation for AD at the global level.

Key findings 1 - A challenging quantitative picture to draw

A unclearly delineated portfolio

Differences in AD conceptual interpretations and disparities in administrative practices led to interrelated issues in data processing, impacting on AD financial situation readability.

- Reporting: important variations have been observed in the way data are compiled, treated and accounted among countries and even across agencies.
- Categorization: Differences in budgeting and planning capacities make it difficult to be sure that budgeted funds are in phase with what is done or needed in practice.
- Data aggregation and extraction demonstrates greater integration of AD within broad agenda of development-oriented interventions, but confuses the identification of AD net disbursements.

→ Despite important breaches, ODA remain the most reliable entry point to identify available funds for AD at the global level. National financial information can only complement the global AD quantitative picture.

An unevenly funded niche of policy intervention

- A poor cousin of international cooperation: since 2008, OECD donor countries commitments to AD have been decreasing.
- A lack of political will and progressive disengagement of long-date donors at country levels: The 1998 Action Plan on AD had an impact on promoting greater resources for AD. Since then, there was no clear appetite from governments to fund costly projects that were considered not having yet shown any successful results.
- At the international level, AD available funds have been highly dependent on donors’ capacity differences and on strategic choices of the political leadership of interested governments.
- At national levels, whereas volumes can be steady, funds can be misbalanced between programs objectives; between projects in high/low level of illicit cultivation zones; and between total budget allocated and the share directly received by the beneficiaries within communities.
- Unsustainability: The AD field has been marked by short-term project-type interventions (around 2 years) that did not always consider operational priorities on the ground.

→ Among other difficulties, decreasing, unsustainable funding has impacted AD effectiveness and conceptualization, notably by hampering interventions susceptible to better address the root causes of illicit drug cultivation.
A. The impact of data processing and readability

One of the objectives of this study was to unveil the existing funding for AD internationally beyond ODA flows, by exploring, where possible, national accounting and financial records. When information was not openly accessible, a large majority of solicited practitioners were keen to disclose to some extent financial data, or provide indicative orders of magnitude of AD budgets. Considering the sensitivity of such information, there is notable progress in data dissemination and accessibility. Nevertheless, data collection and analysis presented several challenges. To some extent the way most data has been reported, categorized and extracted, reveals important breaches that impact on the readability and reliability of these data.

Reporting

Beyond differences in government capacities and organizations, collected information from national agencies and from the UNODC and its country offices demonstrates great disparities in the way data are compiled, treated and accounted among countries and even across agencies within a given country. Most of the time, available information on funds disbursed for AD interventions is not centralized by one unit or, if it is the case, the access to centralized data is not direct. Information from one implementing agency to another are thus to be summed up in order to map out all AD interventions, their respective allocated funds, and to determine the evolution of funding over time. Data on AD funding generally refers to listings of individual projects conducted by agencies that are not always filled up rigorously. In some cases, several projects were listed twice on a same database, inflating the total amount of AD available and pledged funds. Moreover, the period for which data is available differs among countries and agencies, making it challenging to establish medium and long term comparisons. As such, it remains difficult to clearly identify global AD portfolios at national levels, and a fortiori at the international level.

Categorization

As the definition of AD has fluctuated over time and from country to country, data under the denomination “AD” refers to various realities. For example, whereas among donors activities planned under AD programs differ, between donors and partner countries, diverging understandings of project components and sequencing exists, notably around the need for and organization of eradication and conditionality of funds. In some limited cases, national financial plans do not attribute a specific line to AD and conjugate AD and rural development budgets together. Funds categorized as “AD” do not signify they are necessarily and strictly invested in activities contributing to foster viable economic alternatives to illicit crops producers. Differences in budgeting and planning capacities make it difficult to be sure that budgeted “AD” funds are in phase with what is done or needed in practice. For example, some interviewees regret that non-negligible AD funds had been disbursed for training of public agents, presentations to expected programs outcomes to potential beneficiaries or meeting activities whereas value-chain investments such as equipment or strengthening of beneficiaries skills were actually needed at the community level. In a limited number of situations, some interviewees recognized that so called “AD” funds could have served to finance a mix of counter-narcotics efforts involving actors with little or no experience in
development-related interventions such as the military. They further recall that AD budget attributions, especially from main donor countries, as any other development budgets, may be pledged “because the accountant said so” as a way to respond to political demand and prioritization, and not necessarily to an operational priority on the ground. Conceptual misunderstanding of “AD” has therefore clear repercussions on its financing. Beyond the challenges misconception implies on programming and implementation, the label “AD” seems to have been also used as a confusing, misapplied label to justify mixed spending.

**Data aggregation and extraction**

Closely linked to difficulties related to categorization, data aggregation makes it challenging to clearly identify AD budgets. Most of database systems consulted aggregate AD funding information under generic, thematic portfolios such as “rural development”, or sometimes even blurry categories like “prevention and rehabilitation”. The “AD” denomination can often be identified only at the project financing plan level. Although this type of categorization shows progress in the way AD is integrated into wider development strategies and allows flexibility in funds allocation, it may also add confusion around the identification of AD disbursements. In some agencies, because of internal decisions on changes in the database extraction system, disaggregating data and comparing AD shares to other areas of interventions can no longer be done, although it used to be possible. As such, it can hamper proper readability of total available funds and identification of AD shares out of broader portfolios. In some limited cases, some interviewees suspected that knowing the exact amount of total resources available and disbursed for AD projects was “practically impossible” considering the way data had been reported and how the existing database would allow extraction of precise data. In this example, the identification of AD funds highly depends on the specific knowledge of individuals of the nature of each project implemented. To some extent, such challenges point up a lack of administrative rigor and conceptual consistency within and across agencies managing AD projects.

Under these circumstances, a precise quantitative picture of AD funding turns out challenging to draw. These interrelated issues in data processing add to the scarcity of information and impact on the reliability and readability of accessed data. There is a need for more rigorous practices and conceptual consistency. If mapping out AD funds at country levels can be done despite the identified difficulties, contrasting and putting the numbers into perspective would distort the global picture considering the risks of confused identification of AD activities, miscalculation of available funds and complex data disaggregation. To date, available data do not allow charting with exactitude a clear global AD portfolio. Some trends may however be noted and provide at best, an impressionist quantitative picture of total AD budget.
B. An unevenly funded niche of policy intervention

Considering data challenges, ODA flows remain the most reliable entry point to identify available funds for AD at the global level, despite the fact that the same breaches in term of categorization also apply. To date, national financial information on AD can only relatively complement this global quantitative picture. **Evidence shows that in the past thirty years, AD has benefited from a rather limited level of international financing and has been confined to a small niche of policy intervention on both fields of drug policy and development cooperation characterized by important discrepancies in regard to funding and lack of sustainability. Overall, AD can be seen as a poor cousin of international cooperation.**

As seen in Figure 1, **although on a general increasing trend, ODA commitments to AD have been fluctuating and irregular for most of the years 2000.** In 1998, as the Political Declaration towards an Integrated and Balanced Strategy to Counter the World Drug Problem was adopted, commitments accounted for 0.11% of total ODA. Ten years later, this proportion represented 0.28%. Now, despite a general rise of ODA flows, ODA commitments to AD have not ceased to decrease since 2008, representing in 2013 only 0.1% of ODA share – going back to their 1998 levels in percentage (accounting respectively for USD 81 million in 1998 and USD 185 million in 2013). In 2007, AD commitments reached their highest level (468, 8 million dollars) and were 5.7 times higher than in 1998, but fell by 60.5% between 2007 and 2013.

As argued in the 2015 World Drug Report, **emerging mainstreaming of AD within broader rural development frameworks may explain this decreasing trend** (UNODC 2015). The case of Afghanistan seems to validate this interpretation in particular for the period 2009-2011 (Figure 2). Interviewees underscore that alternative livelihood projects are fully integrated under rural development programs and as such, tend not to be fully differentiated from “development projects” broadly speaking. This policy reality seems translated into funding trends. While AD and Rural development disbursements followed upward trends throughout most of the 2000s, the fall of AD disbursements by 2009 does not necessarily imply a drop of funding for AD activities as the latter
could be integrated in Rural development funds. However, this interpretation needs to be treated cautiously. On the one hand, one can observe that both Rural development and AD disbursements fall by 2012-2013. On the other hand, recent analysis underlines that although a clear developmental discourse is emerging among certain elite groups steering the current Afghan state to move from the “War on Opium” to “Development for Opium”, it is too soon to assess the expected outcomes of a repertoire of actions allegedly renewed, broader and centered on opium crop-substitution and contributing to a state-building project (Morid 2016). Considering further the above mentioned issues related to categorization and reporting, the symmetric trends do not necessarily illustrate greater integration and a boost of AD activities, but rather a homogenization of program denomination and policy strategy.

Figure 2 - Trends in Rural development and AD disbursements in Afghanistan, OECD countries, 2002-2013

![Trends in Rural development and AD disbursements in Afghanistan](source: OECD DAC Creditor Reporting System)

A combination of factors may indeed better explain this general AD funding situation, including historic institutional arrangements among policy communities, categorization issues and lack of political will. Historically, drug policy and development policy communities have attempted to coordinate their actions through AD programs but failed to find common strategies and to pursue partnership. Agencies do not serve the same mandates, count on different resources and expertise, engage with different actors and tend to have a narrow understanding of the drug issue and of the approaches of their counterparts (Gutierrez 2015; Buxton 2015; Hynes and Alimi 2015). As underlined previously, the concept of AD has fluctuated over time and across countries. There was no clear understanding over what AD may or may not achieve, and what AD should integrate or not. As a result, funds could have been dedicated to activities that misfit today understandings of AD as presented in the UN Guiding Principles. Further, while the adoption of the 1998 Political Declaration and Action Plan on AD may have had an impact on promoting greater resources for AD (UNODC 2015), since then, as underlined by interviewees, there was no clear appetite from governments to fund costly projects that were not clearly framed and that were also considered not having yet shown any successful results.
Table 1 - ODA AD disbursements by country, 2005-2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Millions of constant 2013 dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2141,4</td>
</tr>
<tr>
<td>EU institutions</td>
<td>135</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>82,7</td>
</tr>
<tr>
<td>Finland</td>
<td>34,3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>32,7</td>
</tr>
<tr>
<td>Germany</td>
<td>27,5</td>
</tr>
<tr>
<td>Canada</td>
<td>26,8</td>
</tr>
<tr>
<td>Other</td>
<td>96,6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2577</strong></td>
</tr>
</tbody>
</table>

Source: OECD DAC Creditor Reporting System

When one confronts ODA data with material collected at national levels, **important funding discrepancies** can be further noted. At the international level, AD available funds have been directed to the main coca-producing (Colombia, Bolivia, Peru) and opium-producing countries in Asia (mainly Afghanistan and more recently Myanmar) – the cannabis cultivation being still marginalized in terms of financing targets. **Highly dependent on donors’ capacity differences and individual policy regarding AD, AD financing is also impacted by the strategic choices of the political leadership of interested governments.** Between 2005 and 2013, 83.1% of ODA flows for AD have been disbursed by the United States, followed by the European Union, the United Kingdom and some European individual countries in much lower shares (Table 1). Over the same period, Colombia and Afghanistan concentrated over two thirds of both total and US AD disbursements – the other main recipient countries being Peru and Bolivia (Figure 3).
Afghanistan and Colombia as the main countries of illicit production of heroin and cocaine were also considered as priority countries of intervention in the US foreign policy framework (Rosen 2015). In that line, AD disbursements are also a reflection of the trends of overall US involvement and budget allocation decided for these two countries as part of the general US foreign intervention budget. Up until recently, changes in bilateral relations also impact funding capacities and flows. In 2013, the Morales government decision to expel USAID from Bolivia had severe repercussions notably on UNODC’s country office financial capacity for AD. Second main donor to AD, the European Union, whose disbursements constantly oscillate between 2005 and 2013 (Figure 4), directed half of its support in AD to Bolivia, 15% to Peru, 12% to Colombia and 7% to Afghanistan.

At national levels, whereas volumes can be steady, funds can be misbalanced between programs objectives (reforestation, food security, income security, health, education etc.) and in particular between projects in high/low level zones of illicit cultivation and between total budget allocated and the share directly received by the beneficiaries within communities. According to interviewees, these discrepancies can be explained by the specific contexts of intervention and the risks or chances of success attached, notably concerning the level of state presence in conflict-affected areas, and the levels of cooperation and willingness to participate in AD programs from targeted populations.

The differences in budgets allocated by intervention zones in Afghanistan and Bolivia provide a good example in that regard. In Afghanistan, despite AD identifiability issues, and despite the fact that most available data refers to “development projects” implemented particularly by the Ministry of Rural Rehabilitation and Development (MRRD), the funding picture is highly contrasted. According to data from the MRRD (Table 2) the highest poppy cultivating provinces such as Helmand and Farah had the lowest budget for “development projects” (58,6 and 28 million respectively) for the period 2001-2015, while the provinces of Nangarhar and Badakhshan, which cultivate less poppy, received higher budgets (103 and 97,7 millions). As reported by the Afghan
Ministry of Counter Narcotics and the UNODC Country Office for Afghanistan, questions are being raised regarding the reasons why some of the major poppy producing provinces yet with great potential for agricultural and alternative development interventions, received fewer projects and funding. The conditions of intervention in those areas, in particular security aspects, may explain the reluctance of donors to invest (MNC-UNODC 2015).

Table 2 - Implementation of development projects by the Afghan Ministry of Rural Rehabilitation and Development by province, 2001-2015

<table>
<thead>
<tr>
<th>Province</th>
<th>Number of projects</th>
<th>Total Budget Spent (US millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nangarhar</td>
<td>5176</td>
<td>103</td>
</tr>
<tr>
<td>Badakhshan</td>
<td>3828</td>
<td>97,7</td>
</tr>
<tr>
<td>Kabul</td>
<td>3157</td>
<td>73,2</td>
</tr>
<tr>
<td>Kandahar</td>
<td>2061</td>
<td>66,5</td>
</tr>
<tr>
<td>Baghlan</td>
<td>3143</td>
<td>64,3</td>
</tr>
<tr>
<td>Helmand</td>
<td>1954</td>
<td>58,6</td>
</tr>
<tr>
<td>Farah</td>
<td>1564</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20883</strong></td>
<td><strong>491,3</strong></td>
</tr>
</tbody>
</table>


In the case of Bolivia, the scheme is reversed. For the 2012-2014 period, the greatest share of funds allocated by the Fondo Nacional de Desarrollo Alternativo (FONADAL) – the main national implementing agency for AD, has been directed to the two main cultivation zones of the Trópico de Cochabamba or Chapare, and the Yungas de La Paz, while a narrower share has been dedicated to zones defined at risk as a way to anticipate and prevent new illicit harvests (Table 3).

Table 3 - Bolivia's FONADAL projects by intervention zone, 2012-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Trópico de Cochabamba</th>
<th>Yungas de la Paz</th>
<th>Risk zones</th>
<th>Total number of projects</th>
<th>Total annual budget (in millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of projects</td>
<td>Budget (in millions of dollars)</td>
<td>Number of projects</td>
<td>Budget (in millions of dollars)</td>
<td>Number of projects</td>
</tr>
<tr>
<td>2012</td>
<td>130</td>
<td>4,96</td>
<td>74</td>
<td>2,46</td>
<td>47</td>
</tr>
<tr>
<td>2013</td>
<td>12</td>
<td>0,27</td>
<td>18</td>
<td>0,28</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>28</td>
<td>5,29</td>
<td>38</td>
<td>3,99</td>
<td>9</td>
</tr>
<tr>
<td>2012-2014</td>
<td>170</td>
<td>10,52</td>
<td>130</td>
<td>6,73</td>
<td>56</td>
</tr>
</tbody>
</table>

Two final common features characterize the global funding situation for AD across countries: **irregularity and unsustainability.** According to the OECD Creditor Reporting System, 94% of ODA AD disbursements between 2011 and 2013 have been directed to project-type interventions. National material analysis indicates that most of these projects have been rather short-term ones - around 2 years. As shown in figures 1, 3 and 4, main donors’ disbursement trends for AD appear quite irregular and vary considerably from a year to another. In that regard, some interviewees from Afghanistan and Myanmar regret that some promising projects had to be suspended or were not renewed because of resources shortage, undermining the efforts achieved by beneficiaries thus “left alone” at a too early stage. As further stressed by interviewees in donor countries, the specific context of interventions, the lack of immediate results and the traditional weight of political variables on operational prioritizations and budget allocations abroad remain important explaining factors.

Overall, AD cannot be seen as a homogenously constituted global portfolio. Moreover, the decreasing, unsustainable funding situation had important impacts on AD effectiveness and conceptualization. A majority of interviewees have pointed out that in some cases, the lack or the misbalancing of funds have participated, among other difficulties, to make AD projects unable to go beyond strict drug-control oriented activities and to address the root causes of illicit cultivation. Such programs did not succeed in offering viable, competitive alternatives to targeted beneficiaries, consequently and unexpectedly contributed to provide greater leeway to criminal actors to establish themselves as the only credible revenue providers, and undermining community’s trust in AD programs.
II. Emerging trends: towards more integrated and invigorated AD portfolios

Beyond differences in governments’ funding capacities and data-related difficulties, the AD financing situation is highly dependent on contextual variables, targeted communities’ needs and policy choices. From available accounting data, only an impressionist quantitative snapshot of the global funding situation for AD could be drawn, underlining common characteristics and indicative trends. This first picture does not give full account of emerging trends at national levels and across countries and provides little information on financing strategies, modalities and challenges, and possible leeway for future resourcing. Based on the mixed methodology used for this study, new evidence shows that despite lack of resources, AD portfolios are being revitalized and financing strategies are evolving, despite a slow and modest pace. A larger spectrum of actors contributes to AD interventions, longer-term engagements are visible and cost-sharing schemes are emerging as a way to reduce the traditional risks attached to AD funding notably the uncertainty of its impact and immediate success as underlined earlier. Although continuity remains uncertain, these recent evolutions translate to some extent enhanced country ownership of AD and strengthened policy coherence and integration.

Key findings 2 - Towards more integrated and invigorated AD portfolios

A revitalized financial support for AD beyond traditional ODA schemes

The articulation of AD within broader development agendas implies greater diversification of costly activities. In a constrained global economy, chances are slim contributors will take new investments risks. However, renewed strategies for AD encourage also smarter finance:

- **At the international level**: Despite a lack of sufficient resources, donors support is being energized by funding from Thailand, Canada or Japan along with individual European countries like Germany, the Netherlands, Finland, while Russia, China and India have also expressed interest in AD support.

- **At national levels**: cost-sharing schemes are emerging and progress in budget management is to be noted. The levels of public resources allocations at national and to some extent at local government levels have been on a steady, increasing trend such as in Thailand, Colombia, Peru and Bolivia. “Sharing-costs-without-expenditure” models are also developing notably with low-income partners or community organizations.

- **At project levels**: in the past few years, commitments tend to cover longer-term projects up to 4 to 5 year period and pledged by wider ranges of actors (national agency, local municipalities, private actors)

→ These emerging trends demonstrate to some extent enhanced ownership of AD interventions and improved policy coherence notably at national and local levels.

Common AD budget management practices

Common practices in channeling and distribution of funds as well as in value-for-money evaluation is to be noted. However, while similar criteria for fund attribution and evaluation are used (number of beneficiaries, income progression, illicitly cultivated superficies), there is no specific measurement systems that clearly situates the shares of beneficiaries and benefits from AD.

→ Further research is needed to better assess AD impact and in turn legitimize future demands for resources and enhance AD effectiveness.
A. Despite lacking resources, a revitalized financial support

Most interviewees reaffirm the need for greater means and more viable and sustainable funding options. On a downward trend since 2008, external resources for AD are lacking. At national level, if budget planning and spending tend to coincide, and implementing states have demonstrated progress in the way budgets are sequenced and disbursed as openly displayed by multiple specialized agencies notably in Latin American countries, gaps remain between the levels of funds actually needed and available. Some interviewees shared their first experiences in AD programming: they acknowledged that initially, “ideal” financial plans were designed, tabling funds over a six-year period to meet set objectives on the ground. Nevertheless, facing donors’ reluctance or incapacity, often limiting funds to a two-year timeframe, implementing agencies had to revise their objectives and potential impact, or else play with very tight leeway at the expenses of the project’s success.

Over the past five years, most active and interested AD stakeholders have tended to articulate AD projects to broader national development strategies and budgets. For example, in Colombia, in the framework of a new peace and territorial consolidation plan, the national government is redesigning its whole strategy centered on the objective of reducing territorial specific vulnerabilities and risks, including illicit crops cultivation. In that perspective, a new National Plan of Integrated Intervention for the Reduction of Illicit Cultivation is being developed. Illicit cultivation is understood as both a driver and a symptom of broader territorial vulnerabilities. In this line of understanding, AD projects are apprehended as strategic components of a social prosperity and integration framework which places at its core an ameliorated access to land ownership. In Morocco, a multipartite “integral development” plan has been elaborated to change the structural and cultural drivers of illicit cultivation through social and economic inclusion of 94 rural areas, including priority zones of marginalized populations and high concentration of illicit cannabis cultivation.

Although positive on a policy side, this specific articulation of AD implies greater diversification of activities that are costly. Tailored to targeted territories and communities (inter alia reforestation, damaged soil rehabilitation, infrastructures, social services, legal support), the financial requirements of such activities add to the already full plate of donors and partner countries governments’ financing capacities. Such integration may also present the risk of misallocation and drowning of AD funds into wider portfolios without guarantees of proper AD activities implementation. Donors are increasingly facing budget difficulties and tend to target the economic sectors in middle-income countries (OECD 2014 a, b). Recent economic crises and national financial constraints weakened further governments’ capacities to finance risky interventions that demand long-term engagements. Moreover, the lack of evident-based instruments to demonstrate the potential of AD interventions on the long-term makes AD position on the priority agenda more and more fragile. Under these circumstances, the chances are slim that new resources will be dedicated to AD and that contributors will take the risk to invest in costly AD programs. However, this situation does not preclude the possibility of greater support and broadened options for fund managements.
On the bright side of the coin, the increased levels of resources demanded by renewed strategies for AD have the advantage of encouraging smarter finance. Mainstreaming AD can indeed ease and share the financing burden by positively widening the spectrum of financing options and actors, and fostering multipartite contributions and cost sharing. In fine, the development of more flexible financing mechanisms and practices has the potential to entrench AD into more sustainable financing systems. Some trends seem to go in that direction. At the international level, donors’ support is being diversified and energized from both OECD countries and non-OECD countries. While the EU is installed as one of the main external resource providers in AD notably for Latin American recipient countries, individual European countries like Germany, Finland or the Netherlands are dedicating non negligible shares of their foreign assistance budget to AD interventions, whereas relatively newcomers to AD such as Japan are investing in the field. Throughout the last ten years, other OECD donors’ contributions, although quite modest compared to US ODA AD flows, have indeed started to broaden AD financing spectrum, making up for the drastic fall of UK funding of AD (Figure 5).

Figure 5 - Trends in ODA disbursements to AD, outside US support, 2005-2013

Still fluctuating, and decreasing in recent years, these engagements show that the case is being made for a wider support to AD. Renewed bilateral agreements fit AD projects into broad development assistance portfolios such as those supported by the Japan International Cooperation Agency in Myanmar. National material attest further that UN agencies like UNODC country offices represent a lower share of AD financial support. UNODC internal budget constraints and unexpected country office budget cuts due to changing political dynamics in countries may explain this situation. Finally, as underlined in the 2015 World Drug Report, new countries like Russia, China and India have also expressed interest in AD support. Although Russia is not financially engaged in AD at the moment, a specific approach is being developed with regards to Afghanistan. A “new generation” strategy proposes for 2015-2025 to include accelerated and boosted industrialization as key component of alternative development programs. About USD 17,5 billion of investments are foreseen to finance this new development package, including the construction of power station and high-energy chemical facilities, railroads and land ports. In parallel, planned agricultural programs would cost some 0,7 billion dollars in five years (USD 140 million annually). As underlined in official
documentation, a central requirement for the Russian government to mobilize and allocate those investments is their centralized distribution through a dedicated office, whose activity would be subject to public oversight (Krupnov 2014).

Although international cooperation support still matters, **cost-sharing and multi-stakeholder schemes are emerging.** While in some countries like Afghanistan or Myanmar, AD still highly depends on external resourcing (more than 80% of total allocated funds), in most implementing countries, **the levels of public resources allocations at national and to some extent at local government levels, have been on a steady, increasing trend such as in Thailand, Colombia, Peru and Bolivia.** For example, as shown in Figure 6, local governments in Bolivia account in 2014 at least for close to a quarter of AD project public funding across all types of zones of intervention (high production or risk zones). In some cultivations zones such as in the Yungas de la Paz, local government’s contribution to AD funding rises up to 48.6%.

**Figure 6 - Funding share between FONADAL and local governments in 2014 (in percentages)**

![Funding Share Chart]

Source: Fondo Nacional de Desarrollo Alternativo, Rendición de Cuentas 2014

In **Peru**, regional and local governments’ participation have also significantly increased, as shown in Figure 7. In the framework of the DEVIDA’s (Comisión Nacional para el Desarrollo Vida Sin Drogas) Programa de Desarrollo Alternativo Integral y Sostenible (PIRDAIS) composed of around 68 project per year between 2013 and 2015, the shares of regional and local governments contribution have become dominant in a relative short period of time (2007-2015) and remained pretty stable in the past three years. **The greater role of national and more importantly local governments in AD financing can be thus understood as a demonstration of enhanced ownership of AD interventions and improved policy coherence at both national and local levels.**
Ownership is further translated in the way institutional and economic resources are shared across ministries and across policy levels (national, regional and local). In most of active AD implementing countries, institutions involved in AD strategy formulation, financing and implementation belong to a wide array of sectors. Besides national specialized agencies in drug policy, these include *inter alia* ministries of Agriculture, Foreign Trade, Development and Social Inclusion, Economy, Education, Health, Indigenous and Vulnerable Populations, Transports, local municipalities and governments as well as non-governmental organizations. Depending on the levels of participation and institutional portfolios, collaboration can be organized on *(sharing costs without expenditure)* models: technical assistance, experimental land, in-kind contributions, expertise or human resources can be provided instead of budget allocations. These models are also common notably with low-income partner countries. For example, as interviewees explained, multipartite cooperation allow experienced governments such as Thailand to provide training to interested governments staff such as Myanmar public agents thanks to donor support of travel expenses, here Japan.

Finally, at project levels, there is growing understanding among both donor and implementing countries of the fact that to be successful AD needs to be thought in terms of sustainability and as such, demands longer-term contributions. In addition to increasing levels of national support, the past few years have been marked by donor commitments covering *longer-term projects up to 4 to 5 year period on average*.
B. Common practices in fund management

Exploring national evaluation reports and materials gathered through interviews, common practices in fund management have been identified, especially in terms of channeling and distribution of funds as well as in the way value-for-money is being evaluated.

First, most funds are channeled indirectly, passing from specialized national agencies to implementing local governments or organizations. **Modalities of channeling** include mainly non-refundable resource transfers, competitive funding or subventions allocations circuits. More and more, centralized agencies notably in Latin American countries are putting in place “calls for projects”. Through these instruments, local governments and communities are solicited to design and propose a project that would respond to their particular needs and ambitions, and would respect at best the contextual dynamics and communities division of roles and labor. Technical commissions evaluate proposals on the basis of guiding standards, indicators of implementation and potential impact. In parallel, financial commissions adjust and/or propose specific budget plans to be transmitted to an executive commission whose final decision prevails on the selection process. Co-financing models are usually proposed: local and national governments share the costs, or local governments contribute in nature or human resources on the basis of financial compensation. Another mechanism of indirect channeling of funds used consists in contracting or subcontracting to local organizations and communities, international organization country offices or non-governmental organization the implementation of AD activities.

Regarding **distribution**, and according to accessible data, most of available funds per projects are absorbed in in-kind support and procurement (from seed to agricultural equipment, infrastructure construction such as irrigation systems or emergency pharmacies and dispensaries), project functioning expenses (human resources, project planning assessments etc.) and institutional capacity building. In most cases, infrastructures and equipment represent two thirds of operating budget. Staff remuneration, especially foreign staff in partner countries, or expert staff conducting feasibility studies, surveys and pre-assessments during project planning phases, gather the bulk of the remaining third, or in some cases half of allocated funds. Regarding budget planning, some interviewees underline that AD activities should require the same level of funds as any other rural development and socio-economic integration projects but could not pretend to such levels of financing mainly due to the fact that AD impact is still not well assessed. The intrinsic difficulty of AD lies in the fact that the first competitors of AD remain criminal organized groups who offer often unbeatable resource opportunities to farmers. Under these circumstances, one should not take for granted that all actors involved in illicit cultivation have chosen this path strictly out of need: often, the risks of illegality may represent a better-off solution compared to the uncertainty of income generation from licit alternatives. Law enforcement, rule of law consolidation and development intervention needs thus to be balanced. Now, the past tendency with regards to funding was at the advantage of law enforcement activities. Priority to rebalance budgeting and spending should be given, according to some interviewees, to provide governments with the
necessary means to implement a comprehensive and integrated development-oriented drug policy.

The way value for money is evaluated reinforces in a way this obstacle. When asked about their evaluation system, interviewees often aligned their responses by referencing a set of common, general indicators inter alia the number of beneficiaries, the income progression or else the licitly cultivated superficies. Now, besides general criteria, available data does not show any specific measurement system clearly situating the shares of beneficiaries nor the nature of the benefits. The unit “family” and “beneficiary” remains too arbitrary and too large in term of the exact number of people directly or indirectly concerned and the type of benefits received (is participation to a program a benefit per se?). It gives also little information on the initial socio-economic conditions of that “beneficiary” population and the progress margins of their net gain. The income criteria is also limited considering that it is not put into perspective nor contrasted with earnings from other licit sector activities (for example of the rural economy) or, perhaps more importantly, from activities from the illicit economy. The margins of integration of targeted population into the licit economy are thus hard to seize. Existing impact assessments and value-for-money evaluation indicators provides thus a partial idea of AD interventions revenues considering that beneficiaries’ net profits and perceptions of profits are not always well-measured.

The emergence of common practices in fund management, especially in terms of channeling and distribution of funds as well as in the way value-for-money is being evaluated is to be positively noted. Nevertheless, AD stakeholders still lack the necessary guiding instruments to ameliorate funding practices and resourcing. Further research is needed, notably to better measure the number of “beneficiaries” and the level and nature of “benefits” of AD interventions on the ground. Refining such indicators would be useful to adjust impact assessment tools and in turn legitimize further the demand for greater resources for AD.
III. Taking the risk of sustainability: challenging yet strategic outlooks

Despite countries particularities, differentiated capacities and diverging AD understandings, common financing features and practices are developing. Comparison of financing types and tools mobilized across AD implementing countries start to show signs that three main paths of investments are progressively emerging, yet not without difficulties. Although the proposed typology is indicative and not exhaustive, it suggests that chosen financing avenues seemingly converge to a shared rationale: taking the risk of sustainability (both in terms of engagement and impact) to advance the financial autonomy and the reinsertion of communities involved in the illicit drug economy into the licit socio-economic tissue. Each path involves specific investments but seems to bet on potential drivers of sustainability - economic development, social integration, environmental protection, and market niches, and as such opens up new windows for more flexible and long-term financing opportunities. Although these paths are not mutually exclusive, they entail different stages and territories of intervention, levels of investments and preferred partners and actors. Three main paths may be highlighted: a productive base consolidation path, a community self-management and empowerment path and a social enterprise development path.

Key findings 3 - Taking the risks of sustainability

AD emerging financing avenues

Three main paths are progressively emerging, yet not without difficulties, each of them betting on potential drivers of sustainability. Although these paths are not mutually exclusive, they entail different stages and territories of intervention, levels of investments and preferred partners and actors.

- **A productive base consolidation path** aims at securing the necessary structural conditions for exiting illicit economy and transiting to licit revenue-generating alternatives
  - Components: cash crops and material provision, food security, rehabilitation of soils and forests, basic infrastructure, state presence, access to land
  - Example of engaged countries: Colombia, Bolivia, Myanmar, Afghanistan
  - Example of privileged support schemes: grants, in-kind support, procurement process, regional and south-south cooperation without expenditure (technical assistance, staff support, and exchange of best practices)

- **A communities self-management and empowerment path** is oriented towards fostering an enabling environment to licit economic development and social integration
  - Components: land ownership, producer’s organizations, access to market, reforestation and diversification of cultures, value chain development, viable and marketable cultures.
  - Example of engaged countries: Peru, Bolivia, Ecuador, Colombia, Myanmar, Lao
  - Example of privileged support schemes: budget support to local governments, channeling of resources through subventions and competitive funds attribution systems, technical assistance, use of revolving funds such as microcredit or local loans though the intervention of private banks or the creation of seeds/rice banks, commercial public-private partnerships
A social enterprise development path consists in creating market niches for increased returns on investments.
- Components: Technology and marketing development, value-added product production and commercialization, ecotourism.
- Example of engaged countries: Thailand
- Example of privileged support schemes: private funds, market-driven investments.

Still a bumpy road ahead
Persisting fundraising and financial difficulties weighted against the interest of beneficiaries and implementing actors, but also donors and interested stakeholders who risk costly investments.

Main challenges for implementing actors:
- Lack of adequate resources and low level of cost sharing due to internal constraints or external resources cuts
- Access to/develop markets and production capacities
- Optimized and win-win investments with clear returns for both beneficiaries and investors to overcome criminal competitors
- Diversify resources and investors to build long-term partnerships

Challenges for interested actors:
- Determine AD possible strategy and viability while no common ground on the definition, scaling up and sequencing of AD remains challenging for all stakeholders
- Raise awareness, foster political will and attract resources.

Concerns fueling investors reluctance, including private actors:
- Lack of monitoring, risk evaluation and impact assessment tools
- Costly engagement with no immediate results, evidence of returns on investments, or precise measures situating value for money
- Accountability issues over accounting and expenditures.

A. Emerging financing avenues
At the earliest stage of AD program implementation, funds tend to be directed to activities aiming at securing the structural living conditions of communities involved in illicit cultivation. The overarching goal being a total exit from the illicit economy, implementing AD countries and their partners work at reducing communities’ and territorial vulnerabilities, so the basic enabling conditions for transiting to licit revenue-generating alternatives can be put in place. This “productive base consolidation path” bet on providing communities with the necessary skills and tools, on which they can build to diversify their production. Programs are organized around the following objectives: cash crops and material provision, food security, rehabilitation of soils and forests, basic infrastructure, strengthening of state presence and ameliorated access to land. In that regard, some particular financial support schemes are chosen such as grants, in-kind support, and procurement processes, regional/multipartite cooperation without expenditure (technical assistance, staff support, and exchange of best practices). Countries like Colombia, Bolivia, Myanmar and Afghanistan are applying this rationale to specific areas of intervention that present levels of extreme marginalization, poverty and vulnerability. Zones of first-time interventions are also prioritized.
In this framework, the financing agency, whether a governmental institution with external support or not, or an international organization country office assist communities through direct investments by providing them, often by donation to local authorities, with necessary land parcels, livestock, rice or seed banks, seeds, organic material and equipment but also by offering basic infrastructure and trainings to ensure food security, rehabilitate the land or forests damaged by illicit crop cultivation or eradication, and initiate diversity of production. For instance, UNODC is assisting the government of Myanmar in implementing its national AD strategy. The office provides technical assistance and facilitates cooperation with international partners in the framework of two main food security projects in several villages in the Southern Shan State to improve farming techniques and community self-sufficiency. In parallel, according to material collected through interviews, the Myanmar Ministry of Border Affairs has launched a vast development plan to tackle the vulnerabilities of illicit crop cultivation areas through investments in basic infrastructures and agricultural and livestock support. Engaging in this path implies for contributors high levels of investments at high risks, considering the uncertainty of communities’ participation and the long-term commitment needed to build capacities. Yet, combined with other support tools and by posing the basis for an enabling environment, this path can open avenues for greater diversification of production, land and forest rehabilitation, improved economic integration and capacity.

Other specific sets of financing mechanisms are used to enhance communities’ self-management and empowerment. Commonly followed by AD stakeholders, this path implies more flexible activities and multiple financial tools that are directed to value-chain development and community’s autonomy in the view of fostering an enabling environment to licit economic development and social integration. Key components include improved land ownership, capacity-building of community-based organizations and skills training/enhancing, reforestation and diversification of cultures, and better access to market. Diversified sets of financing instruments are mobilized in that sense, including inter alia budget support to local governments; channeling of resources through subventions and competitive funds attribution systems; technical assistance; promotion and establishment of community-level revolving funds and other micro-credit schemes; reaching out to private banks to improve eligibility to local loans, and to private companies to improve commercial public-private partnerships. Several examples demonstrate that AD implementing countries are increasingly using these support schemes. In Peru, as part of the AD program in Satipo (DAS) supported by the European Union, subventions are granted to both public and private actors as a way to enhanced local government planning and managing capacities. In Bolivia, FONADAL has put in place a system of convocatorias or competitive funding opened to both regional and local authorities to foster ownership of AD programs and self-management. FONADAL provides supervision, evaluation and monitoring and leave the project execution to local actors.

In Ecuador, the Secretaria Technica de Drogas (SETED) provides technical assistance and direct investments in infrastructures to foster communities’ capacities to access national and international market. In a way, the underlying idea seems to put alternative development product at work as illustrated in the case of the Engunga community shrimp-fishing program in Santa Elena. As part of this program, the State has supported the construction of six shrimp pools, with the plan of extending the park to 8 pools, and provided micro social services such as a community pharmacy and a community recreational center to foster community production. The shrimp production is
packaged in a way to be more visible and better promoted on the national market. The income generated by the product sales is reinvested in the financing of a local community tourist center. This particular support scheme bet on models of socio-economic viability, and multi-leveled integration. Similar examples can be found in Colombia where the State has engaged in a new strategy of enhanced land ownership to the communities to allow them to invest in their land in a productive and sustainable manner. Across countries, the priority is mainly given to develop community organizations and capacities though increased access to local or micro credits and the creation of revolving funds, including rice or seed banks, medicine funds, village saving and micro-credit production groups.

As recalled by interviewees, although micro-finance does not constitute a silver bullet for reasons attached to this mechanism per se, it remains a useful tool to develop communities’ financial planning and management. In this perspective, a majority of interlocutors put great emphasis on the need for producers to be organized to facilitate partnerships and relations with supporting actors. Finally, interviewees were very much keen to reach out to private actors, including local banks and private companies to develop AD sustainability. In Peru, DEVIDA as part of the PIRDAIS program, links cacao production in the Amazon region directly with European importers of high-quality cacao. It further promotes the participation of producers of San Martín, Ayacucho and Huánuco to the Salón del Cacao y Chocolate in Peru, to the Salon du Chocolat of Paris and regional fairs to bring AD products to the market and attract new private support. In the same logic but different forms and means, other countries are developing communication and reach-out strategies. For instance, the Afghan government, in cooperation with UNODC, is starting to market and promote AD products such as saffron to regional trade centers in India, arguing such products could be a potential niche of investments.

A growing number of AD stakeholders multiply their efforts to use market-driven instruments. In this line of action, a social enterprise development path has emerged, yet followed by a limited number of actors and at various paces and levels. Public-private partnerships, marketing and demand-driven investments are used to boost productivity with the view of using or creating market niches to install communities in self-sustained economic schemes. Thailand demonstrated its leadership in that regard. As part of the Doi Tung Development Project, the Mae Fah Luang Foundation (MFLF) dedicates a large share of funds to technological, manufacturing and marketing support to make the most of communities’ skills and capacity to produce high-level quality products. Communities are not considered as “beneficiaries” but as “social entrepreneurs” who has “quality products with a story” to offer to the market. Betting on the social responsibility of private enterprises, this model embeds AD programs into an economic rationale at the earliest stages of programming and budgeting. Market and demand studies for example are budgeted as key components of any AD project planning phase.

Based on successful experiences notably through the development of a Doi Tung brand sold in airport shops and big cities in Thailand, the Foundation has reached out to several companies such as Ikea or Muji, to develop regional and international markets. The Mae Fah Luang Foundation attempts to share best practices and tailors this social enterprise model with partners outside of Thailand. For instance, a social enterprise has been created by the MFLF and the Yenan Chaung
Farmers’ Group as part of the six-year project in Yenan Chaung Township, in the Magway region of Myanmar, with financial support of the Office on Narcotic Control Board and Thailand International Development Agency (TICA). The same process has been used: AD products (nuts, sesames, and toddy palm of the Dry Zone) are transformed into premium products of Myanmar (roasted peanut, peanut cookie, peanut toffee, peanut brittle, and sesame brittle) under the brand “Happy Owl” to be sold in department store. The underlying strategy is to create demand for “unique” products with the view of increasing returns on investments. Nevertheless, the Thai example cannot illustrate the situation of most AD implementing countries as Thailand’s AD has benefited from strong political will from the Royal family for over thirty years and consequent, long-term funding – two key components not always existing in other contexts.

This tentative typology suggests that flexible and innovative funding choices are progressively made. The rationale against which those multiple and diversified avenues of financing are used, give signs of the fact that AD stakeholders are willing to take the risks of sustainability. Yet, considering the lack of resources, nothing can assure of the continuity of these trends – all the more so as major challenges persist.

B. Still long and bumpy avenues

These sketched avenues are not all smooth and easy to engage. Beyond considerations of global economic dynamics, obstacles and specific needs slow down stakeholders’ ambitions. Persisting fundraising and financial difficulties weighted against the interest of beneficiaries and implementing actors, but also donors and interested stakeholders who risk costly investments. Materials from interviews provide a comprehensive set of information regarding perceptions of remaining challenges to overcome towards more sustainable AD.

Implementing actors, in particular AD implementing state agencies, local governments and international agencies made strong emphasis on the critical need to attract steady, flexible and greater resources. Whereas stakeholders are playing the card of sustainability, at least at the policy and financing model strategy levels, the lack of adequate and sufficient resources often hampers programs to envision a sustainable impact and implement activities that would empower beneficiaries on the long-run. In this line, specific obstacles have been underlined that contribute to equate AD to a highly risky investment:

- The cost of AD is multiplied by the risks attached to interventions in drug-affected zones where rule of law, conflict and low levels of state presence undermine the possibilities of public engagement and community trust in any alternative offer.
- In some countries, AD still strongly suffers from its past failures and criminal organized groups remain fierce opponent to AD success and increased funding. The presence of criminal actors and illicit mechanisms for generating incomes increase the perceptions among potential contributors of a highly risky and costly field of investments.
- The lack of monitoring tools and impact assessment prevent AD implementers to demonstrate and advocate for AD programs’ potentialities: without a clear idea of possible results, it is rather unlikely that new funds will be dedicated, and new investors attracted, underscored interviewees.
To attract new funds, stakeholders explained that **AD needs more than ever to be embedded into broader development frameworks**, including the protection of forests and land. Working on the “almost natural links” as an interviewee put it, of AD to the Sustainable Development Agenda would allow AD practitioners to explore new mechanisms and pretend to more flexible and larger portfolios. In this line, impact and value for money assessments would need to be built on human development indicators and integrate criteria related to environmental sustainability (inter alia reforestation, water management, shifting cultivation and sustainable land use planning).

Stakeholders expressed also concerns over poor access to land and market opportunities that prevent beneficiaries to integrate licit value chains and to diversify their sources of revenues. They underlined the importance of using **optimized and win-win investments channels**, including:

- **Develop microcredit and financial capacity instruments** at community level to foster autonomy and investments in the licit productive chain;
- **Sequence AD interventions** and planning, manage and account budget within clear and predictable limits: some interlocutors mentioned the risks to invest in an industrialized model of AD while the productive basis of communities has not been consolidated.

Most interviewees, in particular from new interested countries, explained that one of the main challenges resides in both **the persistence of old misunderstandings around AD and the lack of political will even confidence attached to AD as a viable option**. One of the underlying identified problems was the fact that AD implementation can be highly dependent on policy interpretations and context variables. Finding common grounds among all interested stakeholders on the definition, scaling up and sequencing of AD, remains a difficult task. For example, debates are still ongoing around the issue of conditionality of AD on previous eradication of illicit crop field. These debates can impact on partnership opportunities and resources options considering that two entities would not define key AD components in the same way. Considering the costs of AD interventions, some interested stakeholders shared their doubts on whether AD would worth the investment given the particular insertion of their country in the illicit drug chain. As such there is still a critical need to make the case and raise the profile of AD as a viable option for both drug and development policy. In fine, political will represent the key ingredient to invest in AD interventions.

From contributors’ point of view (donors, national funding institutions or private actors), some **reluctance prevails**. Interviewees expressed concerns over the lack of proper evaluation and monitoring tools to determine the risks and potential impact associated with AD. **The absence of precise measure to situate the value for money nourishes further the uncertainty surrounding AD investments.** Contexts of interventions notably instability of land ownership, poor level of rule of law, violence and the absence of a potential large demand for AD products do not provide the necessary incentives for long-term investments. In addition, **some donors expressed concerns over accountability issues in case of multipartite cooperation or co-financing schemes.** In geographically remote, multi-cultural environments of intervention, accounting arrangements can be challenging to put in place. Problems in practices, communication or institutional capacities may impact on the fund allocation chain and “sacrifice” time, human resources and capital on functioning rather than on implementation.
Conclusive remarks: transforming challenges into opportunities

This study was a first attempt to refine the understanding of the global funding situation for AD. As underlined, interrelated data issues make it complex to draw a complete quantitative picture of global disbursement on AD. Nevertheless, based on a mixed methodology, this research provided a more qualitative appraisal of funding mechanisms, practices and challenges in the field of AD. Emerging trends show that there is room for optimism. Whereas the lack of resources constitutes a fundamental challenge to successful AD implementation, AD high political profile and renewed vision as translated into the *UN Guiding Principles* fuelled greater interest and reinvigorated support although still modest. Further, stakeholders tend to engage into smarter financing practices and mechanisms to make the most of available funds, attract new ones and move toward AD beneficiaries self-financing. From collected material a tentative typology of funding avenues could be proposed with the view of detecting common financing rationales but also challenges for future AD financing. Now, all of identified challenges, as complex and important as they may be, can also be apprehended in a strategic perspective and transformed into opportunities. Taking the risk of sustainability, although costly and uncertain, appears as the best bet AD stakeholders could make. Considering AD as a niche of intervention, but a niche with potentials of improvements, expansion and mainstreaming into broader counter-narcotics and development strategies, multiple options can now be exploited:

- **Capacity development options**: At various levels, from contributors to implementers and beneficiaries, action could be directed to improve financial instruments functioning, management and capacities. For example, improved data and alignment of programming and financial plans may be a first step. At community levels, contributors could foster community organizations capacities through increased and better access to land, credit, and markets.

- **Market-based options**: AD products present the opportunity to create market niches, to drive specific demands around unique products, but also to add value to widely consumed and common products such as coffee or cacao. Although long and costly, market-driven investments can progressively turn AD interventions from initial assistance to community entrepreneurship.

- **Innovative financing for development options**: considering that AD links almost naturally to several SDGs and environmental protection, development and climate finance tools as well as innovative mechanisms may offer good entry points to expand and diversify AD funding options, providers and instruments in a flexible and sustained way. Further research can help identifying a potential catalogue of options in that area and aligning AD sustainable policy ambitions with sustainable financing systems.
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*The researcher thanks all interviewees who kindly accepted to shared internal documents (such as extracts of financial reports, budget plans of ongoing projects and internal statistics) that were particularly helpful in identifying emerging trends at national levels.