# CDD Projects:

# Risk Management Matrix

# CDD Projects: Risk Management Matrix

## Program Design

**Areas of Governance Risk and Vulnerability** **Potential Mitigation Measures**

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| **Political commitment of the Government to decentralization and “bottom up” development planning and implementation**: without this commitment, and an enabling legal and institutional framework, support for community empowerment is in doubt, as are the prospects for capacity-building of local government authorities (LGAs) | As part of project design, the Task Team should consider both political economy analysis to assess the reality of government commitment, and technical or situational analysis to assess whether the existing legal and institutional framework provides adequate support for decentralization – or would benefit from technical assistance (either directly under the project or possibly on a parallel path). |
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| **Definition of program objectives** – provision of public goods only (e.g., public service delivery and/or creation of small-scale infrastructure) or inclusion also of semi-private goods (e.g., revolving funds for income-generating activities by small groups): the latter are more susceptible to both elite capture and fraud and corruption, especially in subsequent “rounds”. | The issue here is less the nature of the project components and more an issue of whether the project includes the necessary provisions to ensure that they are carried out in a proper manner. In addition, the project’s operational manual should clarify the “rules of the game” for each component. It should also clarify, for each “actor”, what they are responsible for and how to do their job. This should be supplemented by appropriate monitoring and oversight, including a complaints handling mechanism and both positive and negative incentives for individuals, communities, local government authorities, and above. |
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| **Definition of the sub-project menu of options** – “closed” (a limited number of clearly-defined options) or” open” (unlimited options, except for a short “negative list”): the former is more manageable in terms of sub-project design and more conservative in terms of environmental and social safe-guard risks; the latter is more in keeping with the principles of community empowerment. | Since CDD projects are fundamentally about building the capacity of local communities to take charge of their own development – assessing needs, prioritizing investment proposals, and implementing projects, the open menu (with a short, negative list) is the preferred option. The mitigation measures involve publishing clear and simple sub-project design standards, training of community members in construction techniques, providing technical assistance as and when needed, and engaging the community in project oversight and quality assurance. Safeguards can be dealt with through a negative list combined with appropriate design and implementation standards. |
| **Definition of project targeting and inclusion objectives** – by poverty level, gender, ethnicity, producer group (farmers, weavers, water users), etc.: a key risk at the program level is that the process will be politicized; at the community level , elite capture may thwart the achievement of targeting and inclusion objectives; if successful, however, targeting will create winners and losers (“new elites”), and inclusion (of women and disadvantaged groups) may disrupt existing power relationships, with a corresponding potential for conflict. | As part of project design, the Task Team should assess the adequacy and robustness of the database upon which targeting decisions may be based; if necessary, additional surveys can be carried out as a part of project preparation. Government should be clear, in communicating the objectives of the project, what the rationale is for the proposed targeting and inclusion goals. In addition, project design should include provisions for monitoring and mapping actual project outcomes against those objectives, with positive incentives where objectives are being met and sanctions imposed where they are not. |
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| **Decision on the size and scale of the program** – whether it is a well-thought out pilot scheme, including a clearly defined framework for impact evaluation, or a significant scaling up of a previous pilot program: pilot schemes face a range of sustainability risks (financial, institutional, social and environmental); scaling up requires the careful sequencing of key ingredients to success. | Pilot projects are essential for field-testing the CDD concept under differing conditions. Successful scale-ups provides funding to communities to harness their latent capacity to learn by doing, along with capacity building for LGAs, but both must be well designed. Establishing the right processes takes time, but then scaling up can proceed relatively quickly. Success depends a lot on training. |
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| **Decision on program management –** including the role of different levels of government in program administration: bypassing all levels of government (with the possible exception of LGAs) avoids the governance and corruption issues that may be inherent in the current civil service and administrative structures; doing so, however, puts the onus on the Program Management Unit to ensure that the community engagement process, sub-project implementation, and the oversight processes all work (which may be feasible for a pilot program, but raises questions of sustainability at the scaling up stage). | If there are serious issues of governance, and concerns about systemic corruption in the civil service, then it may be advisable for funds for sub-projects to go almost directly to the community level. Experience, however, suggests that donors should not ignore LGAs in the design of even pilot projects. For longer-term sustainability, the involvement of LGAs will be critical. The challenge will be to develop constructive linkages between community-based development planning and the resources – financial and technical – of LGAs and relevant sectoral agencies. |
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| **Decision on the flow of program funds:**  channeling funds through the various levels of government will almost guarantee delays in the release of funds to project beneficiaries due to bureaucratic inefficiencies or the diversion of funds to other purposes. Delays in the release of funds can result in missing the construction season or providing the entire year’s budget too late for it to be used. | Funds for sub-project implementation can go directly to a community level bank account; funds that support program administration at the local level, however, should be channeled through the Government’s normal planning and budging system. As noted below, however, highly decentralized CDD projects require the use of non-standard project disbursement, procurement, and oversight methods, or the funds are not likely to move. |
| **HR policies for the selection, training, deployment, and performance management of project staff** **– especially the community-level facilitators**: the success of community engagement and sub-project implementation depends critically on having the right facilitators, properly trained, highly motivated, and able to perform in an objective and independent manner. Facilitators are the pillars of a CDD project’s integrity; a failure in this area represents a threat to both project funds and the achievement of development objectives. | HR policies must identify the pre-qualifications (e.g., a secondary school diploma), as well as other personal characteristics; the selection process should be both objective and transparent (e.g., including a panel interview process); training will be critical – both quality and duration; compensation must be competitive not just at the entry level but for retention as well; deployment must take into account local language requirements but avoid conflicts of interest; performance should assessed by independent monitors. In the event Government is not able to assure these conditions directly, consideration should be given to contracting them out to the private sector HR firm. |

## Financial Management/Flow of Funds

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| **Decision on flow of funds:** As noted above, channeling funds through the normal budget processes at each of the different levels of government may result in the diversion of funds and/or significant delays in the release of funds to communities; there are also fraud and corruption risks in the disbursement of funds at the LGA/community level, even if funds are channeled directly to the local bank account of the Community Development Committee, and especially when funds are disbursed in cash transactions. | Mitigation of flow of funds risks will generally require support for strengthening “country systems”, which may be part of the CDD program or provided on a parallel track (e.g., through PFM support). Reducing the risks of fraud and corruption will require a combination of transparency provisions (e.g., public postings of the amount of community block grants and/or approved sub-project budgets), oversight arrangements (including internal and external auditing and 3rd party monitoring), and complaints handling systems that allow for anonymous allegations and ensure effective follow-up to and resolution of allegations of fraud and corruption. |
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| **Planning and budgeting system:** where the main risk is whether or not the flow of program funds will be reliably available over time to LGAs and communities as a part of the decentralization process, allowing for continuity of support for institutional development and for consolidation of the learning and empowerment process at the community level. | Special attention may be needed to ensure that the flow of funds is consistent with the devolution of authority and responsibility for development planning to LGAs. Mitigation measures may include greater transparency in the approval of budgets and the use of budget tracking mechanisms to monitor the actual flow of funds – all of which will test, and hopefully confirm, the political commitment of Government to both the process of decentralization and to “bottom up” development planning at the community level. |
| **Design of simplified financial management and accounting system – to track both the downward flow of funds to sub-projects and the upward flow of progress reports on project implementation:** major risks include the reliability of what is recorded in the accounts (which are the basis for project disbursements), and thepossibility of fraud and corruption by LGA officials and/or members of the Community Development Councils in the disbursement and use of program funds. | Mitigation measures should focus on a combination of clear and simple procedures – incorporated in project manuals, training and capacity building (see below), and effective oversight mechanisms (see Section V). Experiences suggest the importance of establishing an internal audit function, strengthening the external audit function, and including provisions to minimize the scope for fraud and corruption (see Financial Management for Community Driven Development Projects – Exposure Draft of June 20, 2011) |
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| **Provisions for financial management capacity building at both the LGA and community level,** including the selection and training of community representatives (Community Development Committee treasurers, community level bookkeepers, and members of the community level audit committees): lack of training poses a significant threat to the reliability of the accounts, and to the transparency, oversight, and accountability of financial management at the community level. | CDD projects rely heavily on “participatory governance” at the community level, with “downward accountability” to the community for both results and integrity in the use of funds. Accordingly, procedures must be kept simple, with a high degree of transparency, and a clear understanding about the “rule of the game” – including especially the roles and responsibilities of both internal and external auditors. The training of those individuals must be given a high priority and must begin well before the launch of sub-project implementation. |
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| **Provisions for asset management – especially at the program management level** (vehicles, computers, etc.): poor record keeping of asset acquisition and disposition exposes the program to theft of assets, especially at the close of the project or transition from an existing to a new project. | Experience clearly demonstrates the need for both program management and Bank supervision missions to pay attention to the acquisition, use and disposition of project assets. Standard mitigation measures rely on a combination of good record keeping, transparency of ownership (labeling and signage), and regular audits, combined with clear and predictable sanctions for theft or misuse of assets. |
| **Note**: Audits (financial/technical/value for money) are discussed in Section V (Program Oversight). |  |

## Community Engagement

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| **Design and implementation of a community awareness program to inform the community about the project and how it is expected to work:**  if members of the community are not fully informed of how the program is supposed to operate, there is a major risk that the project will not, in fact, operate as intended. | The communications program should be kept simple (charts and pictures), in the local language, covering all critical elements of the program – “rules of the game”, roles and responsibilities of key actors, how the key processes should work, expectations about transparency, and plans for program oversight –including complaints handing mechanisms, and procedures for dealing with fraud and corruption. Media can include local radio, videos, “street theater”, etc. |
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| **The process of community facilitation – including the election of Community Development Committee members, community auditors, etc.:**  this is a major point of governance risk and vulnerability for the entire program, as program outcomes will be impacted significantly by the success of the electoral process and the subsequent processes of identifying community needs and prioritizing potential investments; the major risk is one of “elite capture”, with obvious implications for the selection off appropriate sub-projects, and the potential for fraud and corruption during sub-project implementation. | Since the community facilitators play such a critical role in this process, the first line of defense involves the design and implementation of HR policies for their selection, deployment, compensation, and oversight. In addition, however, experience confirms the need for independent “process monitoring”. This can be done by volunteers from within the community, providing that their roles and responsibilities are clearly explained and, like the CDC members, they are elected by secret ballot. They are then responsible for reporting to the broader community on any irregularities or violations of procedures that they may observe. Relevant findings (including both lessons learned and “good practices” should also be incorporated in subsequent facilitator training. |
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| **The process of community empowerment – including the strengthening of collective action as a result of the processes of electing community leaders, engaging in bottom up development planning, and actively participating in the implementation of public goods that will benefit the entire community:**  As noted above, the first risk is that of “elite capture”, and thus the failure to achieve the targeting and inclusion objectives of the program; a secondary risk is the potential for conflicts to arise from either the success or the failure of targeting and inclusion process itself. | The combination of an effective community awareness campaign and a competent facilitation process will mitigate much of the risks of elite capture. The free and fair election of community members to the CDC, however, may result in a shift in the local power structure. At the same time, targeting and inclusion objectives may result in the creation of “new elites”, but failure to do so will generate frustration with the program and mistrust of government. Achieving them, however, will also generate potential for conflict. Experience suggests, however, that the CDCs themselves may be capable of dealing with such program-generated conflicts. In effect, therefore, the mitigation measures are already incorporated in project design. |

## Sub-Project Design, Approval, and Implementation

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| **Quality of Sub-project Design (including environmental and social safeguards):** major risks include inappropriate design standards, inaccurate estimation of project inputs (quantities or unit costs), and trying to accomplish more than is possible with the available funds. | Mitigation measures include a combination of timely inputs of design consultants, readily available, simple and clear design standards, up-to-date surveys of unit costs for common construction inputs, and constructive input during the sub-project approval process. |
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| **The sub-project approval process:**  governance risks include unclear “rules of the game”, a lack of transparency – including a failure to make the rules clear to the communities; and/or a failure to follow the rules – including biases and/or conflicts of interest in the approval process. | Mitigation measures include an effective community awareness campaign, independent monitoring of both the sub-project approval process and the outcomes, and a robust complaints handling mechanism to channel allegations of conflicts of interest to project management and/or to the Bank. |
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| **Procurement procedures (“own account”, contracting, local shopping):** obvious risks include the failure to follow the procurement standards and rules, which is often an indication of fraud, corruption, or conflicts of interest on the part of community representatives. | CDD projects follow simplified procurement procedures set out in the project’s operating manual (see Guidance Note on Procurement). The fundamental mitigation measures involve transparency of information and community oversight, as described in Section V. |
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| **Quality of construction:** the risk here is one of short-changing of the project due to poor quality materials, lack of skills and/or consultant supervision; and a corresponding risk of sustainability of the investment. | Mitigation measures include the provision of competent and independent technical consultants (from sectoral agencies of from the private sector) who supervise project implementation and 3rd party monitoring of results. New ITC techniques can help to confirm both the existence and the quality of completed sub-projects. |
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| **Arrangements for use of community labor:** the risks here include the failure to follow targeting rules in terms of eligibility for employment, failure to pay the established wage rates, and/or failure to fully credit laborers for the amount of time worked. | Here again, mitigation measures include ensuring the transparency of project information (such as through the use of community bulletin boards), independent monitoring of project processes, and the availability of a robust complaints handling mechanism. |
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| **Arrangements for the acquisition of land:** the risks here include failure to provide appropriate compensation for land needed for the sub-project and/or the location of the subproject on land that unfairly benefits certain members of the community (elite capture). | Compensation issues in land acquisition can be complicated by the extent to which surrounding or remaining land may rise in price due to the project. If the dispute (or conflict of interest) can’t be resolved by the CDC, the alternative would be the complaints handling mechanism. |

## Project Monitoring, Evaluation, and Oversight

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| **Management Information Systems:**  given the decentralized nature of CDD projects, and especially those that operate in areas of the country where security may be an issue, the main risk is that the MIS system is not able to provide relevant, reliable and timely information on the status of the project. | Increasingly, CDD projects area able to take advantage of ICT solutions to enhance the accuracy and reliability of their MIS systems. GPS-enabled cameras and/or smart phones can provide visual evidence in “real time” of what exactly has been achieved “on the ground”; this data can then be captured in geo-spatial mapping at the PMU HQ. |
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| **On-going Monitoring and Evaluation:**  the reliability of progress reports, and the extent to which program objectives such as “community empowerment” are being met, depends on the quality and reliability of project monitoring and evaluation. | In addition to financial and technical audits, CDD projects increasingly relying on “process monitoring” by local volunteers to ensure that the election of community officials and the identification/prioritization of sub-projects is carried out as intended. |
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| **Impact Evaluations – including results framework, performance and output/outcome indicators, and base-line studies (including control groups):**  the risk here is that project sponsors will not be able to confirm the extent to which project outcomes are in line with project intentions and expectations | Impact evaluations should be built into the project at the design stage and funded as part of the costs of the project – especially in the case of pilot projects. In addition to base-line surveys needed prior to project launch, randomized surveys of “control groups” (those communities not targeted by the project) are also critical for determining impacts. |
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| **Audit arrangements – including both internal and external audits which may include both technical and “value for money” audits:** experience suggests that the threat of an audit has a significant impact on the likelihood of fraud or corruption by community level officials. | In addition to standard financial audits of a sample of communities by the project’s external auditors, the training of community auditors allows for 100% internal audit of project communities. This may include auditors from one village auditing another village’s accounts. |
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| **Community oversight/demand-side mechanisms – including the application of specific tools and approaches that incorporate the key governance principles of transparency, accountability, and participation:** given the decentralized nature of CDD projects, and especially those that operate in remote and/or insecure areas, community oversight will be critical for ensuring that the objectives of the program are met and that program funds go for the intended purposes. | Community oversight/3rd party monitoring is absolutely critical to the success of CDD projects. Program objectives, rules of the game, etc. must we widely known, right from the start; accountability mechanisms must be built into project design; and community members must be engaged in both the processes of decision making and the physical implementation and oversight of agreed sub-projects. This should include all members of the community, but especially the CDC, process monitors and community auditors. |
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| **Grievance and redress mechanisms – including provisions for receiving (anonymous) complaints through multiple channels, a logging and reporting system, a resolution process at both the local and higher levels, and rules regarding the disclosure of results:**  without an effective grievance and redress mechanisms, there is a serious risk that program managers and donors will not really know how well the program is doing at the local level, especially if this is coupled with a lack of reliability in the program’s MIS and M&E systems. | Grievance redress mechanisms or “complaints lines” play a critical role as a “back-up” to a CDD project’s MIS and monitoring and evaluation systems. They must, however, be widely publicized and accessible through multiple channels. Good practice examples include the use of SMS (text messaging) and web portals to ensure a transparent process. Complaints must be resolved quickly and expeditiously, however, or potential users will not bother. Careful records should be kept, and made public; the results should then be used to target the program’s external audits and as part of a “risk-based” approach to the allocation of Bank supervision efforts. |