

# Chapter 9

## Community-Driven Development

*Philippe Dongier, Julie Van Domelen, Elinor Ostrom,  
Andrea Ryan, Wendy Wakeman, Anthony Bebbington,  
Sabina Alkire, Talib Esmail, and Margaret Polski*

9.1	Introduction.....	3
9.2	What Is Community-Driven Development? .....	3
9.3	Why Community-Driven Development? .....	4
9.3.1	Complements market and public sector activities .....	4
9.3.2	Enhances sustainability.....	5
9.3.3	Improves efficiency and effectiveness.....	6
9.3.4	Allows poverty reduction efforts to be taken to scale.....	7
9.3.5	Makes development more inclusive of the interests of poor people and vulnerable groups .....	7
9.3.6	Empowers poor people, builds social capital, and strengthens governance .....	7
9.4	Alternative Institutional Arrangements .....	8
9.4.1	Partnerships between CBOs and local or municipal governments.....	12
9.4.2	Partnerships between CBOs and private support organizations (NGOs or private firms) .....	13
9.4.3	Direct partnership between CBOs and central government or central fund .....	15
9.4.4	Choosing institutional arrangements that fit country context.....	16
9.5	Multisector and Single-Sector Instruments .....	18
9.5.1	Benefits of multisector instruments.....	18
9.5.2	Benefits of single-sector instruments.....	18
9.6	Financing Options.....	19
9.6.1	Leveraging private and community financing .....	19
9.6.2	Developing a financing strategy .....	21
9.7	Principles for Sustainability and Effectiveness .....	21
9.7.1	Establish an enabling environment through relevant institutional and policy reform.....	22
9.7.2	Make investments responsive to informed demand.....	24
9.7.3	Build participatory mechanisms for community control and stakeholder involvement.....	24
9.7.4	Ensure social and gender inclusion.....	24
9.7.5	Invest in capacity building of CBOs.....	25
9.7.6	Facilitate community access to information.....	26
9.7.7	Develop simple rules and strong incentives, supported by monitoring and evaluation.....	27
9.7.8	Maintain flexibility in design of arrangements.....	28
9.7.9	Design for scaling up.....	28
9.7.10	Invest in an exit strategy .....	29
	References .....	30

### **Table**

9.1.	Alternative Institutional Arrangements .....	11
------	----------------------------------------------	----

### **Figure**

9.1.	Examples of Common Institutional Arrangements for CDD.....	10
------	------------------------------------------------------------	----

### **Boxes**

9.1.	Community-Based Organizations.....	5
9.2.	What Happens When CBOs Are Trusted to Control Investments? .....	6
9.3.	Large-Scale Poverty Reduction Efforts Through CDD: Project Identification and Design in Indonesia .....	7

**Boxes (continued)**

9.4.	Partnerships Between CBOs and Local Governments in Bolivia.....	13
9.5.	What Are Private Support Organizations (NGOs and Private Firms)? .....	14
9.6.	How NGOs Can Act as Facilitators .....	15
9.7.	Evolution of the Rural Development and Rural Poverty Alleviation Programs in Northeast Brazil (1985–Present) .....	16
9.8.	Lessons from Integrated Rural Development Projects (IRDPs) .....	19
9.9.	Establishing a Coherent Financing Framework: The Example of Bolivia .....	20
9.10.	Experiences with User Fees in Cameroon and Vietnam .....	21
9.11.	Extending Credit to Community Groups to Fund Service Provision: Genesis in Guatemala .....	21
9.12.	Small, Independent Entrepreneurs in the Water Sector.....	22
9.13.	Participatory Tools and Techniques to Improve Inclusiveness .....	26
9.14.	Monitoring Systems in Northeast Brazil .....	28

## 9.1 Introduction

Community-driven development (CDD) gives control of decisions and resources to community groups. CDD treats poor people as assets and partners in the development process, building on their institutions and resources. Support to CDD usually includes strengthening and financing inclusive community groups, facilitating community access to information, and promoting an enabling environment through policy and institutional reform. Experience demonstrates that by directly relying on poor people to drive development activities, CDD has the potential to make poverty reduction efforts more responsive to demands, more inclusive, more sustainable, and more cost-effective than traditional centrally led programs. CDD fills a critical gap in poverty reduction efforts, achieving immediate and lasting results at the grassroots level and complementing market economy and government-run programs. With these powerful attributes, CDD can play an important role in strategies to reduce poverty.

This chapter examines why and how governments can support CDD, synthesizing lessons learned from accumulated experience. The chapter is based on extensive consultations with lead practitioners—both within and without the World Bank—as well as a literature review and an analysis of 12 large and successful community-driven programs covering a variety of sectors and regions.

The chapter aims to introduce policymakers to the benefits and relevance of CDD by providing useful guidelines for designing CDD programs. It commences by asking the question “What is CDD?” then defines the concept of CDD, outlines its key components, and describes contexts in which CDD approaches might be relevant. Section 9.3 focuses on the advantages of using CDD approaches for sustained poverty reduction, touching briefly on the risks inherent in adopting CDD strategies (these risks, and mitigation measures therefor, are dealt with in more detail in section 9.7: “Principles for Sustainability and Effectiveness”).

Governments have a range of institutional options for supporting CDD. Although communities will always drive the process, they may receive support from a variety of actors, including local or municipal government, the private sector, civil society, and central government. Section 9.4 examines three broad sets of arrangements for CDD: partnerships between community-based organizations (CBOs) and local or municipal governments, partnerships between CBOs and private support organizations such as nongovernmental organizations (NGOs) or the private sector; and direct partnerships between CBOs and central government or a central fund. This section discusses key design principles specific to each of the arrangements, as well as considerations for selecting the right arrangements in different country contexts. Section 9.5 outlines the benefits of multisector and single-sector approaches to CDD to guide practitioners in their selection between these alternatives.

Although there is growing evidence that CDD offers an effective means of improving the efficiency of public financing, even in optimistic scenarios, the financing requirements to improve poor people’s access to basic services far outstrip the availability of public funds. It is thus important to leverage local and private financing sources in implementing CDD. The uses of community contributions, credit financing of community contributions, and private commercial investment are discussed in section 9.6.

The chapter concludes, in section 9.7, with a discussion of key principles for the effectiveness and sustainability of CDD, including design guidelines, tips, and tools for implementation.

## 9.2 What Is Community-Driven Development?

Poor people are often viewed as the target of poverty reduction efforts. CDD, in contrast, treats poor people and their institutions as assets and partners in the development process. Experience has shown that, given clear rules of the game, access to information, and appropriate support, poor men and women can effectively organize to provide goods and services that meet their immediate priorities. Not only do poor communities have greater capacity than generally recognized, they also have the most to gain from making good use of resources targeted at poverty reduction.

**Definition.** CDD gives control of decisions and resources to community groups. These groups often work in partnership with demand-responsive support organizations and service providers, including elected local governments, the private sector, NGOs, and central government agencies. CDD is a way to

provide social and infrastructure services, organize economic activity and resource management, empower poor people, improve governance, and enhance security of the poorest.

Support to CDD usually includes

- strengthening and financing accountable and inclusive community groups or CBOs (see box 9.1);
- facilitating community access to information through a variety of media, and increasingly through information technology; and
- forging functional links between CBOs and formal institutions and creating an enabling environment through appropriate policy and institutional reform, often including decentralization reform, promotion of a conducive legal and regulatory framework, development of sound sector policies, and fostering of responsive sector institutions and private service providers.

When is CDD appropriate and when is it not? CDD is relevant across many sectors. The potential for CDD is greatest for goods and services that are small in scale and not complex and that require local cooperation, such as common pool goods (for example, management of common pasture and surface water irrigation systems), public goods (for example, local road maintenance), and civil goods (for example, public advocacy and social monitoring).

But not all goods and services are best managed through collective action at the community level. Public goods that span many communities or that require large, complex systems are often better provided by local or central government. Similarly, private goods or toll goods are often better provided using a market-based approach, relying more on individual enterprises than on collective action. CDD can, however, fill gaps where markets are missing or imperfect, or where public institutions or local governments fail to fulfill their mandates.

## 9.3 Why Community-Driven Development?

According to the Voices of the Poor study (Narayan and others 2000), based on interviews with 60,000 poor people in 60 countries, poor people demand a development process driven by their communities. When the poor were asked to indicate what might make the greatest difference in their lives, they responded: (a) organizations of their own so they can negotiate with government, traders, and NGOs; (b) direct assistance through community-driven programs so they can shape their own destinies; and (c) local ownership of funds, so they can end corruption. They want NGOs and governments to be accountable to them.

CDD is an effective mechanism for poverty reduction, complementing market- and state-run activities by achieving immediate and lasting results at the grassroots level. Experience has shown that CDD can enhance sustainability and make poverty reduction efforts more responsive to demand. CDD has also been shown to increase the efficiency and effectiveness of poverty reduction efforts. Because it works at the local level, CDD has the potential to occur simultaneously in a very large number of communities, thus achieving far-reaching poverty impact. Finally, well-designed CDD programs are inclusive of poor and vulnerable groups, build positive social capital, and give them greater voice both in their community and with government entities. The following section describes in more detail some of the benefits of the CDD approach.

### 9.3.1 Complements market and public sector activities

Experience has shown that policies aimed at promoting national economic competitiveness and state-run public investment programs are essential but insufficient for poverty reduction. These policies and programs often do not benefit everyone, and benefits often take years to trickle down. CDD offers the opportunity to fill this critical gap by achieving immediate and lasting results at the grassroots level.

The market alone cannot provide all essential services and goods for poverty reduction—it often provides insufficient public goods (for example, roads, quality education, and health care for poor

### Box 9.1. Community-Based Organizations

#### *What is a CBO?*

Throughout history, communities have organized themselves to address collective and individual needs. CBOs are normally membership organizations made up of a group of individuals in a self-defined community who have joined together to further common interests. They often consist of people living near one another, in a given urban neighborhood or rural village. They can also be groups of people who are united by a common interest but who do not live in the same geographic community. The common interest might be related to production, consumption, the use of common pool resources, or the delivery of services. Examples include women's groups, credit circles, youth clubs, cooperatives and farmer associations, irrigation associations, forest and watershed management groups, artisan groups, fishery associations, and parent associations. CBOs can be stand-alone groups, or they can be linked to federations of groups at the regional, national, or international level.

CBOs can be informal or formal. Informal organizations, such as women's and men's clubs and neighborhood groups, pursue joint interests and often appear more accessible to the poor than formal organizations, which have legal status, formally stated rights and responsibilities, and a legally binding governance structure for recruiting members, selecting leaders, and conducting affairs.

#### *How do CBOs, NGOs, and elected local governments differ?*

In this chapter, we consider a CBO to be a membership organization aimed at furthering the interests of its own members and an NGO, or nongovernmental organization, to have a broader scope of activities that might assist CBOs and pursue commitments that do not directly benefit NGO members. CBOs differ from elected local governments in that they are voluntary and choose their own objectives. In contrast, local governments are mandated to be responsible for revenue collection and for the delivery of a variety of infrastructure and services. CBOs may interact closely with local government, with other levels of government such as local representatives of central ministries, with the private sector, and with NGOs.

#### *Making CBOs pro-poor*

CBOs do not always represent the interests of poor people. To ensure that CDD has an impact on poverty reduction, *CBOs need to include poor people as members and represent their needs and interests.* That does not mean that CBO membership should always be limited to poor men and women, but it does mean that the functioning and leadership of the CBO should clearly represent the interests of poor people along with those of the less poor.

#### *Deciding whether to work with new or existing CBOs*

It is frequently advisable to work through existing organizations. But when there is no good match between the project and an existing organization (for example, if a local organization has very limited membership but the project requires the involvement of several villages or an entirely different group of people), the existing organization may be too limited. Also, when the social organization of a community is highly inequitable, new groups may need to be created to achieve program objectives or to promote the participation of disadvantaged people. Both new and special-purpose organizations are more effective when they build on positive organizational traditions of a community. This is the case for the Moldova Social Investment Fund, in which traditional decisionmaking mechanisms are used to establish community priorities, and for the Zambia Social Recovery Project, [in which project committees formed around school investments draw on the strong tradition of parent-teacher associations.

people) while overharvesting common pool goods (for example, forests, watersheds, and fishery resources). Although national state-run programs focused on investing in human and physical capital have the potential to redress some of these imbalances, accumulated experience has shown that central government programs are often slow to deliver basic services and are often ineffective in reaching poor people. Market- and state-run activities can be effectively complemented by community-driven solutions that engage CBOs, local governments, NGOs, and the private sector. By using CDD approaches and local actors to provide key goods and services, governments can support immediate poverty reduction by efficiently building human and physical assets at the local level.

### 9.3.2 Enhances sustainability

CDD can make services responsive to demand expressed by poor men and women and as a result can enhance sustainability. As consumers, community members are the most legitimate, informed, and reliable source of information about their own priorities. Community-developed facilities such as health centers, schools, and water supply systems tend to have higher utilization rates and are better maintained than when investment decisions are made by actors outside the community. Experience also demonstrates that demand is better articulated when communities contribute to investment costs and control investment choices. A water supply study of 1,875 households in rural communities in six countries (Benin, Bolivia, Honduras, Indonesia, Pakistan, and Uganda) suggests that water system sustainability is significantly higher when communities control key investment decisions and when they pay part of the investment costs, ensuring that they get what they want and are willing to pay for (Sara and Katz 1997).

**Box 9.2. What Happens When CBOs Are Trusted to Control Investments?**

*Service delivery can improve.*

- In Zambia, the Social Recovery Project (SRP) has provided matching grants directly to urban and rural community groups since the early 1990s. Communities choose from a menu of eligible social and economic infrastructure interventions. Impact evaluations of early interventions found that grant-financed schools and health centers performed better than similar institutions whose financing did not involve communities. Teachers and health workers attended more regularly, the physical infrastructure was better; more members of the community used the facilities, and they were more likely to pay school fees and organize health center maintenance committees than in similar facilities that did not receive SRP financing.
- In Bangladesh, the Palli Karma Sahayak Foundation (PKSF) provides loans to NGOs, which in turn provide microcredit services to the poor, often in partnership with community groups. Established in 1990, PKSF now finances 155 NGOs, financing services for more than 2 million poor people, of which 90 percent are women. Its disbursement in 1998–99 was US\$40 million. Average repayment rates have consistently been above 98 percent.

*Programs can spread rapidly.*

- The Northeast Brazil Rural Poverty Alleviation Program has financed more than 30,000 subprojects. The program shifted its design from a centrally administered, integrated rural development program after this approach did not produce its expected results. The program was reformulated into a community-driven program that targets the poorest communities and involves them in decentralized decisionmaking, with a reduced role for public agencies. Funds are channeled directly to CBOs, which manage and are accountable for investments. It is estimated that 93 percent of program resources now reach communities, compared with 40 percent under the previous rural development programs and 20 percent under the first integrated rural development programs.
- In South Africa, the Mvula Trust helped achieve large-scale coverage by providing grants for water supply and sanitation projects to be designed and managed directly by communities in remote rural areas. The program filled a vacuum in serving South Africa’s homelands in the absence of government coverage. The success of these community-managed investments has increased social capital in the region, inspiring additional self-organized development activities and influencing government policy in other sectors.

**9.3.3 Improves efficiency and effectiveness**

Studies and practical experience suggest that CDD can improve the effectiveness and efficiency of services in many sectors and contexts. Examples of these benefits for infrastructure, education, microfinance, and natural resource management are given below.

*Infrastructure.* Community management of development investments usually results in lower costs and more productively employed assets. Studies of community-organized irrigation systems in Asia, for example, have repeatedly found that systems constructed and operated by the farmers themselves, often without much external assistance, generate a higher level of agricultural productivity than more modern systems constructed by government agencies with substantial external assistance (Lam 1998; Tang 1992). A recent study in Zambia compares CBO-managed and contractor-managed approaches to developing school infrastructure programs. Unit costs under the contractor approach were more than twice as high as under the CBO approach. Similarly, a recent study in South Africa shows that when CBOs are responsible for all aspects of the project (design, management, and monitoring), costs per beneficiary are less than half than when the CBOs are not decisionmakers (Adato and others 1999).

*Education.* There is empirical evidence that community management and accountability can improve education outcomes (Jimenez and Sawada 1998). Greater parental involvement in children’s education can inspire children to attend school and put pressure on providers to deliver better services. Communities that oversee school management are also more willing to assist in financing. Preliminary results from the Philippines show that community-managed primary schools have lower costs while holding enrollment and quality constant (Jimenez and Paqueo 1996).

*Group-based microfinance.* Evidence suggests that certain models of both individual and group-based microfinance can extend the reach of financial services and achieve high repayment rates. Some microfinance programs rely on local groups that, because they know community members’ characters and economic activities, can provide peer pressure. Group-based programs tend to do particularly well where the screening and monitoring costs of credit are too high for the lender and when the group approach reduces the cost of information gathering and creates incentives at the local level (Adams, Graham, and von Pischke 1984).

*Natural resource management.* Several countries have moved from state to community management of natural resources, mainly as a result of poor outcomes under state-led programs. The joint forest

management program in the Indian state of Andra Pradesh shows how community management can increase the effectiveness of services (Venkatamaran and Falconer 1999). More than 5,000 CBOs have rejuvenated more than 1.2 million hectares of degraded forest in the state. Degraded forests have sprung back to life, timber smuggling has almost stopped, and cattle grazing is under control. Village labor is more gainfully employed and out-migration has declined. Soil conservation has saved local water resources.

### 9.3.4 Allows poverty reduction efforts to be taken to scale

Because CDD devolves responsibilities and resources to the local level, activities can occur simultaneously in a large number of communities without being constrained by a central bureaucracy. When poor communities are trusted to drive development and are given appropriate information, support, and clear rules, a system can be put in place not to provide for poor people, but to facilitate their active and ongoing role in rolling out poverty reduction efforts. Box 9.3 provides an example of a large-scale program of support to CDD that has been successfully implemented in Indonesia.

### 9.3.5 Makes development more inclusive of the interests of poor people and vulnerable groups

Representative CBOs can provide voice and empowerment to groups that are typically excluded from the development process. The interests of women, indigenous groups, ethnic minorities, the disabled, and people with AIDS might not be effectively expressed through standard political and economic structures. If these minority groups are actively involved in CBOs, they will help make development processes more inclusive.

Inclusion also requires that scarce public resources be targeted to groups that most need them. In the absence of reliable information to allow means testing (such as for household income), involving communities directly in the targeting process can improve efforts to target the poorest and most marginal individuals and groups. For example, parent-teacher associations might be in the best position to determine which children should receive tuition or school lunch subsidies, as shown in a recent study of a targeted school enrollment subsidy program in Bangladesh (Ravallion 1999)

### 9.3.6 Empowers poor people, builds social capital, and strengthens governance

CDD empowers poor people. The objective of development is not merely to increase incomes or to improve poverty indicators, but also to expand people's real freedoms. These are the choices people make between different valuable beings and doings, such as being nourished, being educated, participating in public debate, or being free to walk about without shame (Sen 1999). This analysis is reflected in the *World Development Report 2000/2001* (World Bank 2000b), which identifies empowerment as one of the three elements of poverty reduction.

#### Box 9.3. Large-Scale Poverty Reduction Efforts Through CDD: Project Identification and Design in Indonesia

The Kecamatan (subdistrict) Development Program (KDP) is an effort to address long-term structural poverty in Indonesia through targeted, decentralized block grants. The KDP is financed with an International Bank for Reconstruction and Development (IBRD) loan of \$225 million and \$47 million from the government of Indonesia. Its goal is to support village-level investments in 751 Kecamatan covering a total of 9,000 villages and approximately 25 million people.

How are these village-level investments identified? A participatory village project identification and planning process prioritizes one or two projects that are then formulated with the help of trained facilitators—often college students. Projects can only be submitted by CBOs that have existed for at least a year. If more than one project is identified, then one has to come from a women's CBO. The project has an "almost open" menu of eligible investments (excluding a few options, such as religious buildings and environmentally damaging projects), trusting the poor to select investments that will have the greatest influence on poverty reduction.

The projects are technically appraised by local experts (villagers with relevant skills or experience), in consultation with line agencies in order to seek possible synergies and avoid conflicts with planned line agency operations. Proposals that

**pass these filters are then submitted to the Kecamatan council, which discusses and prioritizes them according to their overall impact, poverty impact, and technical and financial feasibility. Those that are approved are funded.**

Targeted community-driven approaches devolve control and decisionmaking to poor women and men, which empowers them immediately and directly. While clear rules, transparency, and accountability are important safeguards to prevent corruption or the capture of community resources by elites, the speed and directness with which CDD empowers poor people is rarely matched by other institutional frameworks for poverty reduction.

Control over decisions and resources can also give communities the opportunity to build social capital (defined as the ability of individuals to secure benefits as a result of membership in social networks) by expanding the depth and range of their networks. This kind of network expansion, which is critical for long-term growth and development, also has positive short-term effects on welfare and risk exposure. Several studies conducted in Bolivia, Burkina Faso, Indonesia, and Tanzania found that social capital has a positive effect on household welfare (as measured by per capita consumption), and that the effect was several times greater than that of human capital alone (Grootaert 1999a; Grootaert and Narayan 2000; Grootaert, Oh, and Swamy 1999). The creation of networks and social capital also helps to reduce household exposure to risk. Poor individuals and households manage risk in many ways, including offering reciprocal self-help, participating in local organizations, and building linkages with people outside their social networks. For example, rotating savings and credit associations in Bolivia, Peru, Guatemala, and Indonesia are a means by which people save and lend among themselves on the basis of reciprocity and mutual trust. Development strategies that strengthen CBOs and build social capital can also strengthen the safety net for poor people and reduce their exposure to risk.

Finally, strengthening local associations that are inclusive can increase poor people's voice in local political processes and governance. In Bangladesh, for example, leaders of community groups formed and strengthened with the help of NGOs are increasingly being elected to leadership roles in local government bodies.

For all its potential benefits, CDD also presents risks. If CBOs are not appropriately strengthened or exclude the poor, if they cannot finance recurrent costs, if they crowd out local government or are manipulated by vested interests, then CDD may not be the optimal strategy. These risks, as well as ways to mitigate them, are discussed in more detail in section 9.7, "Principles for Sustainability and Effectiveness."

## 9.4 Alternative Institutional Arrangements

Where CDD arrangements are appropriate, governments can consider a range of institutional options to support CBOs. Local or municipal government, the private sector, civil society, and central government or central funds can provide critical support to CDD. Although there are many variations regarding the exact roles of each player, three broad sets of arrangements have emerged:

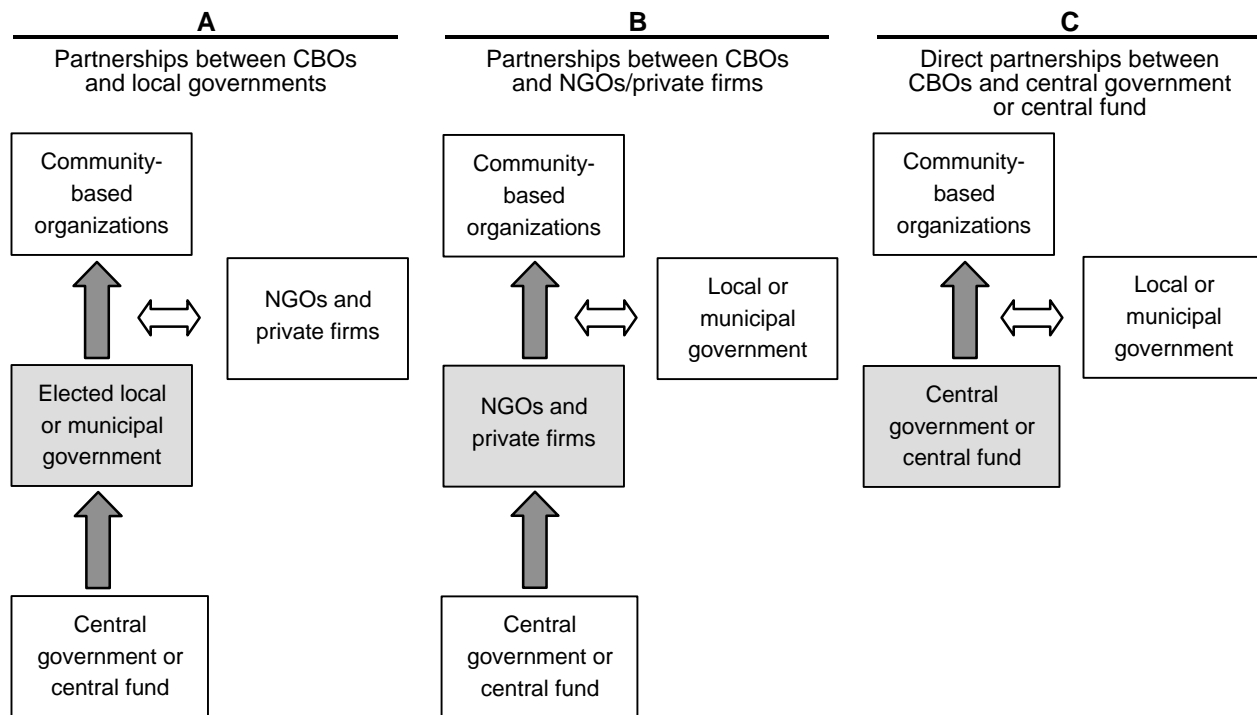
- partnerships between CBOs and elected local or municipal governments;
- partnerships between CBOs and private support organizations (NGOs or private firms); and
- direct partnerships between CBOs and central government or a central fund, including other, higher-level governments and funds, for example, states or provinces in federal systems.

These three approaches to CDD are depicted schematically in figure 9.1. In each diagram, the flow of funds is represented by shaded arrows, with primary partner organizations shown shaded. In each arrangement, support may be provided by other institutions, and these are shown to the side of each diagram. Table 9.1 summarizes the three different approaches. The first alternative (partnerships between CBOs and local or municipal governments) links CDD with the decentralization agenda that has gained momentum in many countries. In contexts where there is commitment to genuine decentralization (devolution of resources and functions to elected local and municipal governments), promoting partnership between CBOs and elected local or municipal governments is the preferred option. This approach can strengthen the national system of intergovernmental transfer of resources, allows resource



allocation decisions to be accountable to local priorities (see section 9.4.1), and provides a sustainable source of CBO funding.

**Figure 9.1. Examples of Common Institutional Arrangements for CDD**



There are contexts, however, where decentralization is not a government priority, or where the timeframe for reform is ambiguous or drawn out. In these contexts, a diversified strategy that engages local government and also works directly with NGOs or private firms, or provides CBOs direct access to resources, can be appropriate. A diversified strategy can create healthy competition among actors and introduce incentives for stronger performance—provided issues of duplication and coordination are thoughtfully considered. Such a strategy may, in certain contexts, allow targeting of poor or marginal groups that may otherwise not be targeted by elected local governments. The other two sets of arrangements (partnership between CBOs and NGOs/private firms, and direct partnerships with CBOs), which might be considered alongside, or in lieu of, the local government approach, have also delivered good results. In all arrangements, it is important to forge functional linkages between CBOs and government institutions and to promote an enabling environment through appropriate policy and institutional reform (see section 9.7.1).

It is important to note that each of these arrangements can be more or less community driven. The extent to which communities have control over investment and management decisions is determined less by the model applied than by the division of roles between the partners. Partnership arrangements in which the key investment decisions (for example, choices of level of services, contracting decisions) are made primarily by a support organization cannot be described as community driven. CDD requires community control of investment and management decisions. Furthermore, partnership with CBOs that do not include women or minorities, or do not represent their interests, can be described as neither community driven nor inclusive because key members of the community are excluded.

There are other models of successful CDD in addition to these three. In particular, there are highly successful CDD activities that do not access external resource flows. However, this chapter focuses on CDD models that can be partly supported by external resource flows as a means of scaling up CDD.

Sections 9.4.1, 9.4.2, and 9.4.3 describe, in turn, each of these three arrangements and identify key design principles specific to the success of each arrangement. Section 9.4.4 discusses considerations for selecting appropriate institutional arrangements for different country contexts.

**Table 9.1. Alternative Institutional Arrangements**

<b>Role/responsibilities</b>	<b>Partnerships between CBOs and elected local governments</b>	<b>Partnerships between CBOs and NGOs/private firms</b>	<b>Direct partnerships between CBOs and central government or central fund</b>
<b>Finance</b>	<ul style="list-style-type: none"> <li>Local government or CBO provides upfront investment (in cash or kind).</li> <li>Untied intergovernmental fiscal transfers complement local tax revenues - alternative is for transfers to be tied to specific program outputs.</li> <li>Matching grants to CBOs from local governments.</li> <li>Credit financing recommended for the more private goods.</li> </ul>	<ul style="list-style-type: none"> <li>CBOs provide upfront investment (in cash or kind).</li> <li>Matching grants received from central government/fund (either directly or through the NGO/private firm).</li> <li>NGO financing can also be leveraged.</li> <li>Credit financing recommended for the more private goods.</li> </ul>	<ul style="list-style-type: none"> <li>CBOs provide upfront investment (in cash or kind).</li> <li>Matching grants received from the central fund/government.</li> <li>Credit financing recommended for the more private goods.</li> </ul>
<b>Community mobilization</b>	Local government mobilizes the community with the help of contracted NGOs or private firms employing facilitators.	NGO/private firm contracted by central fund/government mobilizes the community.	National program oversees mass information campaigns to solicit community demand and clarify rules.
<b>Training &amp; capacity building</b>	Local government contracts with private sector or NGOs for capacity building and training support to CBOs.	NGO/private firm contracted by central fund/government provides capacity building and training support to CBOs.	Private sector or NGOs contracted by CBOs themselves.
<b>Initial request &amp; prioritization</b>	Consultations with communities and CBOs, with local government facilitation.	Community/households with support from NGO/private firm.	Community/households, often with support from local private sector or NGO chosen by CBOs.
<b>Approval of investments</b>	Local government.	Central government/fund sometimes delegated to NGO/private firm (where possible involving local government).	Central government/fund (where possible, decentralized to local government or local council).
<b>Project design &amp; implementation</b>	Local government may provide technical or supervisory support in design and implementation, either directly or through the private sector/NGOs.	CBOs with support from the private sector or NGOs (where possible, involving local government).	CBOs with support contracted from private sector or NGOs.
<b>Operations &amp; maintenance (O&amp;M)</b>	Responsibility of local governments versus CBOs will vary by sector and type of good or service.	CBOs with support from the private sector or NGOs (where possible, involving local government).	CBOs, in some cases with support from local private sector, local or national government.

### 9.4.1 Partnerships between CBOs and local or municipal governments

#### **Description**

In this approach, the function of coordinating support to communities is decentralized to elected local or municipal governments. In addition to political and electoral incentives encouraging local governments to work in partnership with CBOs, policies and incentives are designed so that local governments

- create an enabling environment for community efforts to flourish, ranging from building more participatory, citizen-oriented planning of local investment priorities to subcontracting with CBOs for the provision of goods and services for which CBOs have comparative advantages;
- bring government closer to the people, increasing accountability and transparency, as well as building bonds of trust; provide long-term recurrent cost financing within a framework of fiscal decentralization and intergovernmental fiscal flows, thereby creating a local funding base for CDD; and
- help balance competing needs and demands in allocating resources across diverse communities.

To complement local tax revenues, fiscal transfers to elected local governments, are preferably made in the form of untied fiscal transfers (block or general-purpose grants) from higher levels of government. In the case of block grants, local governments have full discretion over allocation of resources. Local government officials are then accountable primarily to their constituents.

An alternative is for central government funding support to be tied to specific program outputs (specific-purpose grants). Under this approach, local governments become accountable both upward, to resource providers, and downward, to constituents. Experience has shown that, given the frail state of local governance and the weak voice of poor communities in most developing countries, upward accountability can quickly dominate, and accountability to local communities becomes secondary. Unless this approach is carefully managed, local governments will have stronger incentives to respond to finance providers than to their often powerless constituents.

Nevertheless, in some cases it may be warranted to tie central support to specific program outputs and to partnerships between local government and CBOs, for example, where there is a need to target resources to poor or marginalized groups that have not been adequately represented in local government programs. Tying the use of funds in these instances might be necessary to ensure that funds reach excluded groups. A combined strategy may also be considered, comprising untied block grants to local governments complemented by tied funds for special outreach programs.

Box 9.4 describes a successful partnership between CBOs and local governments in Bolivia.

#### **Key design principles for partnerships between CBOs and local or municipal government**

*Align program rules with national decentralization policies.* Program rules should complement any existing efforts to increase the role of local governments in development. The types of partnerships between CBOs and local or municipal government will vary according to the size of local government and its scope of responsibilities. Some local governments represent very small local communities, whereas others represent larger districts containing multiple villages or neighborhoods. Similarly, their responsibilities range from keeping streets clean and recording essential data to policing, education, water and sanitation, local roads, and public health. Therefore, the optimum role of local government in its partnership with CBOs will vary accordingly.

*Strengthen community voice and participation in local government decisionmaking.* Local or municipal governments are more likely to be responsive, accountable, and transparent in relationships with their constituents if there are mechanisms through which CBOs can express their priorities and concerns and monitor local government processes. These mechanisms include centrally mandated or supported local elections (including open list elections), municipal oversight councils with CBO representation, and participatory or transparent planning and budgeting (for examples, see chapter 16, “Urban Poverty,” boxes 2.18 and 2.19).

#### Box 9.4. Partnerships Between CBOs and Local Governments in Bolivia

**Program scope and scale.** The Bolivia Rural Communities Development Project and the subsequent Bolivia Participatory Rural Investment Project aimed to alleviate rural poverty by carrying out rural investments (primarily building and improving access roads, bridges, small irrigation systems, and river embankment; rehabilitating cultural heritage; setting up market and storage facilities; and providing technical assistance to rural producers) and by improving the capacity of municipal governments and rural communities to implement municipal development plans. The total cost of these projects was approximately US\$118 million. The investment component was national in scope, and the capacity-building component covered more than 200 municipalities out of 301.

**Focus on the Law of Popular Participation.** These projects also directly supported design and implementation of legislative changes as a response to previous top-down forms of rural development. The Law of Popular Participation (1994) aimed to decentralize political, fiscal, and administrative responsibilities and resources to municipal governments. This law introduced three innovations: (a) municipal governments' share of the national budget increased from 10 to 20 percent, (b) territorially structured community organizations became legally able and required to elaborate local development plans that became the ingredients of a municipal plan, and (c) members of these community organizations driving the oversight committees were given the power to monitor, audit, and veto municipal budgets.

**Project cycle.** Participatory planning at the community level was leading to subproject identification. This was facilitated by paid external agents (NGOs and commercial firms) contracted by the program. Volunteer community facilitators also supported the process. Municipal plans were aggregates of community plans. In addition, municipal plans included supracommunity investments that communities agreed on.

The municipal development plans were financed by a range of national financing channels (primarily the Peasant Development Fund and the Social Investment Fund). The program provided matching grants to communities. Communities could make contributions in cash or in kind—in practice, almost always in kind. These contributions had to be a minimum of 10 percent of project costs, and could be up to 30 percent.

Many of the implementation services were contracted out to intermediary implementing organizations, both nongovernmental and private commercial. Maintenance responsibilities fell largely on the municipal government and in practice also on communities. Operational responsibilities varied, often falling to line agencies (for example, to fund the salaries of teachers or health workers working in buildings financed under the program).

**Lessons learned.** In the first project, communities identified projects and monitored the implementation of the municipal development plan, but they did not contract for services directly. In the second project, communities could contract directly for investments of less than US\$30,000. This is reported to have reduced cost levels significantly and to have enhanced ownership and sustainability. A second key lesson relates to capacity building. The second project reduced the emphasis on this component, mainly because of growing doubts about the value of generalized capacity building and the felt need for a more demand-driven approach in this area.

*Invest in capacity building at local and municipal government levels.* To support CDD effectively on a large scale, local governments need to have access to qualified personnel and to finance, planning, and monitoring systems. Capacity can be built internally or can be accessed via partnerships and contracting arrangements with private sector firms or NGOs capable of supporting local and municipal governments. Experience has shown that there is no alternative to learning by doing, and other capacity-building support can only complement the necessary experiential learning.

*Invest in capacity building and facilitation of CBOs.* Experience suggests that environments with a long history of community empowerment and capacity building are more likely to foster inclusive local governance. Successful programs have invested significantly in community mobilization in order to create community-level demand and capacity to participate in processes overseen by local governments.

*Apply the subsidiarity principle: delegate control to the lowest appropriate level.* CDD programs operating through local and municipal governments should be consistent with the approach of having CBOs themselves drive the development process for those goods and services best handled at the community level (to be determined country by country, sector by sector). This means that for some types of goods or services, local and municipal governments should focus on resource allocation across communities, and the CBOs should then be entrusted with resources and making the key service provision decisions, seeking support from local government and other service providers as they require.

#### 9.4.2 Partnerships between CBOs and private support organizations (NGOs or private firms)

##### **Description**

An alternate institutional arrangement is for central government to finance and contract with private support organizations to provide support to CBOs and facilitate CDD. Private support organizations may

be NGOs or private firms (see box 9.5 for a description of these organizations). Their role is to help reach communities, form or strengthen CBOs, and support CBOs in the process of CDD. This mode of support has been tested in many countries, where important resources have been channeled through NGOs to facilitate and support CBOs. There may be coordination with local development planning processes and with local or municipal governments and line ministries.

Large-scale CDD programs working through private support organizations are typically overseen by a central government agency or fund that selects, funds, and monitors a large number of intermediary private support organizations. These intermediaries support CDD by performing a range of functions - in some cases, focusing on facilitating and building capacity, and in other cases, also funding and providing implementation services. Box 9.6 describes a CDD project in India's rural water supply and sanitation sector, where NGOs were limited to acting as facilitators and providers of technical support and CBOs accessed subproject funds directly from the state government. This approach has the advantage of placing responsibility for the subprojects with the CBOs themselves, clarifying accountability, building CBO capacity, and limiting their dependence on NGOs.

### **Key design principles for partnerships between CBOs and private support organizations**

*Screen intermediaries.* NGOs and firms will be of varying quality. Many bring substantial commitment, professionalism, and accumulated experience to helping communities help themselves. Some also bring external funds of their own. Many NGOs and firms, however, have sprung up in capital cities primarily in search of opportunities to obtain funding from donors, with little to offer beyond fundraising abilities. Careful screening of NGOs and firms based on strict eligibility criteria is a key factor for success.

*Create performance incentives.* Payments and funding levels for intermediaries should be tied to their performance, measured through objective evaluation against clear standards, including indicators related to sustained service provision and institutional sustainability of CBOs, and not just physical outputs or service setup. This can create positive incentives for intermediary performance.

*Forge links between CBOs and local governments.* Given proper incentives, NGOs and firms can facilitate development of lasting links between communities and local governments. This is important to help ensure community access to resources available from local governments, help build accountability of local governments toward poor communities, and ensure long-term sustainability. Promotion of such links can be included in the performance standards by which intermediary support organizations are evaluated.

*Support growth of competent support organizations.* Experience in many countries shows that an adequate supply of private support organizations can develop rapidly. Key to this growth is a demand for their services, at sufficiently attractive terms, over several years. Capacity building and training support are important, but more important is the power of market demand in inducing social entrepreneurs to create support organizations. Most countries and sectors have adequate human resources and entrepreneurial talent available to create and staff such organizations.

*Ensure that an exit strategy is in place for intermediaries.* Capacity building of CBOs is an important building block for sustainable CDD. While private support organizations can play a key role in building capacity, an objective should be the eventual phasing out of intensive capacity-building support. This is important for the long-term sustainability of CBOs. NGOs and firms looking for work can sometimes extend their stay with communities beyond what is required to leave behind strong local institutional capacity; thus incentives need to be designed to encourage appropriate exit strategies. This may include funding of intermediaries' operating costs on a declining basis or providing rewards for those organizations able to hand over services to CBOs and local governments, where appropriate.

#### **Box 9.5. What Are Private Support Organizations (NGOs and Private Firms)?**

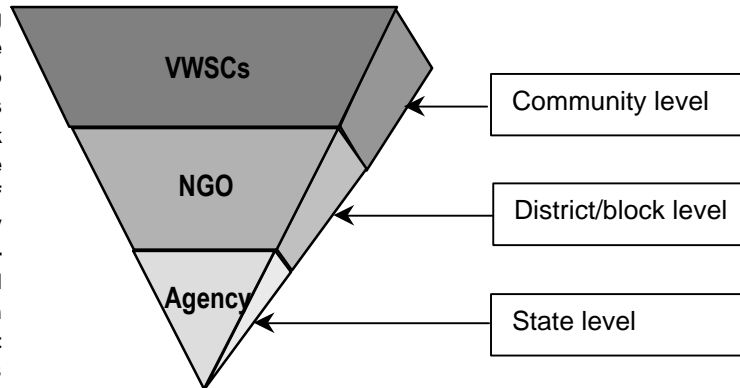
Private support organizations (NGOs and private firms) come in different types and sizes. They include local and international charities, foundations, consulting firms, churches, political interest groups, and professional associations. Some NGOs are also able to draw on external voluntary contributions and thus play a double role as a provider of services and a donor. In this chapter, we focus on those NGOs and firms that provide support services to communities for social and economic development. While CBOs are themselves a type of NGO, we draw a distinction between CBOs and the support NGOs with which they partner.

**Box 9.6. How NGOs Can Act as Facilitators**

India's Uttar Pradesh Swajal Water Supply and Sanitation Project uses a community-driven approach to respond to the demands of the poor and build local capacity. The total project size is US\$71 million, covering approximately 1,000 villages with a population of 1.2 million, in 19 districts in the Hill and Bundelkhand regions of Uttar Pradesh over a period of six years (1996–2002).

The institutional arrangements consist of a partnership of three organizations: the Rural Development Agency at the state level, the NGOs, and the Village Water and Sanitation Committees (VWSCs). The agency, operating as an autonomous body, plays a facilitating, coordinating, and monitoring role. The NGOs serve as links between the agency and the villages and help both to select communities and build the capacities of the VWSCs. The NGO fieldworkers work closely with both the VWSCs and the community as a whole and, as part of capacity building, arrange for community members to visit other successful communities. The VWSCs plan, implement, and ultimately manage the water and sanitation schemes. They access matching investment funds directly from the state agency. VWSCs consist of seven to 12 elected members, including socially and economically disadvantaged sections of the community and women.

**The inverted pyramid**  
(communities at the top)



### 9.4.3 Direct partnership between CBOs and central government or central fund

#### *Description*

In another arrangement, CBOs access financial resources directly from a central fund or central government without the assistance of intermediaries. In this arrangement, all support and technical services required for project planning and implementation are purchased directly by the CBO. There may be coordination with local development planning processes and with local or municipal governments and line ministries. Box 9.7 describes the Northeast Brazil Rural Development Program, initially a direct partnership between CBOs and the state governments that has evolved to include local government as a key player, resulting in a program that has effectively delivered services to tens of thousands of communities during the last decade.

#### **Key design principles for direct partnerships between CBOs and central government or central fund**

**Broad dissemination and consistent enforcement of simple and transparent rules.** Community access to resources needs to be governed by simple rules that are easy to communicate to participating communities. Mass communication campaigns are essential to reach poor communities and inform them about available resources and the rules for accessing funds and making investments. Although these principles apply to all CDD arrangements, they are particularly critical where CBOs are directly partnered with central agencies because there are no intermediaries to facilitate outreach and communication with communities, and CBOs must navigate the program procedures without assistance. Transparent enforcement of rules is important for the credibility of the system.

**Capacity building and community-friendly procedures are essential.** Relying fully on community organizations to manage development interventions directly requires investment in training, both on

### Box 9.7. Evolution of the Rural Development and Rural Poverty Alleviation Programs in Northeast Brazil (1985–Present)

To alleviate persistent levels of rural poverty in the northeast of Brazil, the state governments of the northeast have supported a series of community-driven efforts. Although early CDD interventions took the form of a direct partnership between CBOs and a central agency, the institutional arrangements gradually evolved to include an increasing role for local government. This program successfully delivered more than 44,000 community-managed subprojects, providing basic services to an estimated 2.5 million of the poorest families of northeast Brazil in 30,000 separate communities. It has also increased social capital and led to a transformation of governance at the local level.

The program's institutional arrangements evolved in three distinct phases: (a) *Programa de Apoio Comunitário* (PAC), (b) *Fundo Municipal de Apoio Comunitário* (FUMAC), and (c) *Fundo Municipal de Apoio Comunitário-Piloto* (FUMAC-P). State technical units housed in the Ministry of Finance or Ministry of Planning played a key role in all phases. They coordinated municipal councils (MCs) comprising 80 percent elected representatives from community associations, and 20 percent nominated by local governments. In turn, MCs interacted with community associations (CAs) comprising elected community representatives. To be eligible for funding, communities had to demonstrate that their CAs were self-organized and self-governing and had to permit all adults in the community to vote on project-related matters.

1. **PAC (State Community Schemes).** This approach was used in the first Northeast Brazil Rural Development Project (NRDP) and continues to operate in those municipalities that lack the will or capacity to adopt the more evolved FUMAC or FUMAC-P approaches. The state unit receives applications directly from community groups across the state. To evaluate each request, project staff are required to visit the community to check the transparency of the consultative process, the legitimacy of the CBO formed, and the process of project selection. Based on this visit, the state unit then screens and approves projects. It authorizes the release of funds directly to the CA, upon receipt of an operating agreement that clearly spells out the CA's ongoing obligations. The CA controls and manages accounts for all project funds and is responsible for project design, implementation, and its operational obligations as per the agreement.
2. **FUMAC (Municipal Community Schemes).** The FUMAC approach was successfully piloted under the reformulated NRDP and continues to operate in many municipalities. Decisionmaking regarding resource allocation is delegated to MCs, which prioritize community demands and approve subprojects within a municipal budget set by the state unit. A fixed budget constraint induces rationality in allocation of scarce public funds. In this way, communities themselves, in partnership with local government (both of which have representatives on the MC), analyze applications, conduct site visits to verify transparency of processes of CA formation, and so forth, and determine the best use of funds at the local level. The state unit performs an oversight function and is informed by the MC of project choices. The MC enters into an operating agreement with the CA that spells out ongoing obligations for the project, then authorizes the release of funds to the CA. The CA then controls, manages, and accounts for all project funds and is responsible for project design, implementation, and those operational obligations agreed upon with the MC.
3. **FUMAC-P (Pilot Municipal Community Funds).** The FUMAC-P is a more decentralized variation of the FUMAC, still in pilot phase. Selected high-performing MCs are allocated an annual budget based on a distribution formula and past performance. The MCs then prioritize and approve community-proposed subprojects and finance them from this annual budget—simulating a process of intergovernmental transfers. In this way, locally determined MC investment planning is supported and mainstreamed. Once a project is approved for funding and an operating agreement has been executed with the MC, the MC authorizes the release of funds from its own account to the CAs, which control, manage, and account for all project funds and are responsible for implementation, operation, and maintenance as per the operation agreement with the MC.

Source: Van Zyl and others (2001).

how to manage the implementation of an investment *and* its operation and maintenance. Simplifying forms, reducing unnecessary bureaucratic requirements, and building in support systems for groups (that is, contacts with other communities that have been successful) will all reinforce the ability of communities to carry out their assigned functions.

#### 9.4.4 Choosing institutional arrangements that fit country context

The most appropriate institutional arrangement in any particular country will depend on the specific circumstances of that country or region or location. Some guidelines to assist in choosing among options are provided in the following section.

##### ***Contexts favorable to partnerships between CBOs and local or municipal governments***

Partnerships with local or municipal governments are most appropriate where there is political commitment and where policies for democratization, decentralization, and revenue sharing are already in place. Favorable contexts are defined below.

- *A decentralization framework exists* in which elected local government actors have both the power and resources to address local development issues (that is, a political-legal framework for



formal decentralization exists, with supporting administrative and fiscal frameworks). In the most favorable of circumstances, external support agencies would supply resources in the form of general budget support to central governments, which would then pass on funds to local governments according to a predetermined revenue-sharing formula. Local governments would use these funds to provide matching grants to communities.

- **Local governments have the potential to develop reasonable capacity**, implying that they can gain access to qualified personnel and systems in finance, planning, management, implementation, and monitoring, in order to manage the responsibilities being passed to them. Some local governments may not have this capacity in house but are able to access it through partnerships with other local actors.
- **Central government is willing to facilitate community empowerment**. For local governments to be a vehicle for CDD, it is also important that national government provide a supportive environment for strengthening civil society and for the empowerment of CBOs. At a minimum, this implies legal recognition of such organizations and of their right to do business, but more important, it implies a central government commitment to the enhanced participation of these organizations in local governance.
- **Mechanisms exist (or are being established) to foster organized community voice and participation in local government decisionmaking**. More open and more accountable local government is likely to be more responsive to local needs and more involved in finding solutions to community problems, which in turn generates greater trust on the part of civil society. More open governments also tend to encourage community-wide participatory initiatives, such as the formation of groups and associations, providing an enabling environment for social capital to flourish.

### **Contexts favorable to partnerships between CBOs and private support organizations**

Partnership arrangements between CBOs and private support organizations (NGOs or private firms) may be a suitable option, particularly where communities are highly polarized, but there should be political support for development of these organizations.

- **Polarized local social and power structures**. In some contexts, communities are characterized by highly polarized local social and power structures along class, ethnic, or religious lines. In such contexts, it can be appropriate to rely on private support organizations to facilitate the formation and capacity building of new inclusive CBOs. In such contexts, working directly with CBOs, without intermediaries, may exacerbate tensions, inequalities, and social exclusion.
- **Support for development of viable, capable private support organizations**. The potential for intermediary support organizations to play a positive role in facilitating CDD depends on the experience, coverage, and density of such organizations in a given country. Some countries have a long history of NGO activity, with NGOs having a strong base of experience and established capacity to support CDD. In other countries with less established capacity, it is possible to induce rapid development of intermediary support organizations by establishing consistent demand for their services and through programs of capacity building. NGOs and private firms can grow quickly as a result of entrepreneurial initiatives, but it is key to have a supportive government and the correct legal and regulatory environment to allow these organizations to thrive. It is equally important to put in place effective measures to screen these private players and to hold them accountable for their results.

### **Contexts favorable to direct partnerships between CBOs and central agencies or central funds**

Contexts characterized by weak formal local governance, but strong social capital and trust in local informal institutions, may be favorable to direct partnership with CBOs.

- **Weak local governance frameworks**. Direct CBO partnership arrangements should be considered where local governance is weak, where the political environment does not support the expression

of local choice, or where local governments lack the mandate or interest to promote community empowerment and are not inclusive of the poorest. If local governments are not responsive to community initiatives, then CBOs can help demonstrate the benefits of local participation and accountability as well as local revenue-earning potential, which, in the medium term, have the positive spillover effect of strengthening local governments.

- **Strong social capital and social trust.** Communities that are relatively homogeneous, with equitable local power structures and a high level of social trust (usually most developed where there is a tradition of local cooperation, and where institutions enforce rights and agreements and reward trustworthy behavior), are likely to have a stronger capacity for collective action and thus be more effective in self-organizing and governing development projects.

## 9.5 Multisector and Single-Sector Instruments

CDD may be supported through single-sector or multisector instruments. An example of single-sector CDD is the Education Reform Project in El Salvador, where reform was achieved by transferring responsibility for school management to the community level, and where new school financing was done as part of a single-sector investment program. CDD may also be supported through multisector approaches, systematically applied to broader national policies and investments across sectors, as in the case of the comprehensive decentralization in Bolivia in the mid-1990s. In the Bolivia case, responsibilities and funds for a wide range of activities, encompassing numerous sectors, were transferred to municipal governments—which, where appropriate, further delegated responsibility to CBOs.

Both single-sector and multisector approaches to CDD have advantages, serving different objectives in different circumstances. While multisector programs have the potential to offer greater choice to communities and thus to enhance responsiveness to demand and local ownership, single-sector programs offer greater opportunities to build supply capacity to respond to community demand, innovate in specific sectors, and promote sector policies that ensure more sustainable operation of services. Multisector and single-sector instruments can be used in sequence or in parallel, but efforts should be made to ensure cohesion and general consistency between investment policies and the ways the instruments work with local institutions.

### 9.5.1 Benefits of multisector instruments

**Improved responsiveness.** By giving greater choice, a multisector approach has the potential to respond better to the priority demands of each community and thus make services more appropriate, targeted, and sustainable.

**Efficiency and quality gains in outreach, social mobilization, and community capacity building.** A sector approach offers the opportunity to share the cost of the outreach, social mobilization, and capacity-building support to communities. By sharing this cost across several sectors and thus potentially across a larger amount of investment, it becomes affordable to provide more intensive capacity-building support to CBOs over a significantly longer period, thus enhancing program quality and sustainability.

**Enhanced impact on poverty reduction.** The study *Poverty and Social Development in Peru 1994-1997* (World Bank 1999) showed that households that had access to basic services (that is, water, electricity, sanitation, and telephones) had a significantly higher growth rate of per capita consumption than households that did not have such access. The study also showed that the additional positive impact of each new service *increases* with the total number of services available, illustrating the importance of bundling access to these four types of services in this particular context. The analysis showed that adding a fourth service had about seven times additional impact than linking a second service to households.

### 9.5.2 Benefits of single-sector instruments

**Greater attention to sector policy and sector institutional issues.** CDD requires different policies and institutional arrangements in different sectors. For example, local governments can be expected to play a

greater role in overseeing local transport infrastructure than in irrigation system management or agricultural marketing. Single-sector programs focus on a narrow range of issues and thus can frequently offer greater opportunity to experiment with alternative methods and approaches and demonstrate innovations with the aim of reforming national policies. Single-sector approaches are often more effective in building capacity and in promoting policies that ensure sustainable operation of the service.

**Reduced complexity.** Multisector programs encompass a broader range of issues and thus tend to be more complex to execute. The disappointing outcomes of previous multisectoral attempts (for example, the integrated rural development projects and integrated urban projects of the 1970s and 1980s) have led to some disenchantment with integrated approaches to poverty intervention. The rationale for integrated projects was that poor communities face a multitude of problems, and that poverty reduction efforts should attempt to address a range of these needs at once by providing a package of services to the poor at a relatively low cost. Results were not encouraging, however, because of complex delivery arrangements. Specific lessons from this experience are discussed in box 9.8.

## 9.6 Financing Options

Financing for CDD has traditionally been provided in the form of public sector grants that match community contributions. Programs have tended to be heavily subsidized by external donor support. Given the growing evidence that community-driven investments result in greater sustainability at substantially lower unit costs than centrally managed investments, CDD offers an effective means of improving the efficiency of public financing and ensuring that public resources reach more communities.

However, even in optimistic scenarios, the financing requirements to improve poor people's access to basic services far outstrip the availability of public funds. It is, therefore, important to finance as much of the poverty-reducing investments as possible through private and community investment and through credit. Similarly, it is key to keep grants focused on those things that cannot be financed through private and community investment or credit, and in those communities most in need of subsidies. A coherent financing strategy should involve a combination of alternative financing options—public sector grants, community contributions, credit, and private commercial investment—tailored to the specific context. Box 9.9 describes a coherent financing framework developed in Bolivia.

### 9.6.1 Leveraging private and community financing

One of the key challenges for scaling up CDD is to stretch scarce public financial resources over a greater number of communities and subprojects. This can be achieved by supplementing public financing with local and private finance sources, promoting market delivery of private goods, and retaining matching grants only for those goods and services that communities and the market will not sufficiently finance.

#### Box 9.8. Lessons from Integrated Rural Development Projects (IRDPs)

##### **Supply-driven blueprints**

- Analysis of IRDPs has shown that they were often supply-driven planning exercises, designed and implemented as blueprints with limited flexibility. Although planning was often delegated to the regional or provincial level, the beneficiaries were generally excluded from decisionmaking.
- Building rural roads and schools should have been much simpler than building large dams or ports, yet the latter were typically found to be more sustainable. One reason is that a fixed blueprint approach implemented by a centralized authority may be suitable for large infrastructure projects, but it is less suitable for projects spread over large areas with widely differing conditions and weak administrative capacity (World Bank 1995).

##### **Lack of local participation**

- IRDPs are believed to have failed partly as a result of the inability of central government agencies and donors to respond to local priorities and to take advantage of local skills. Fund allocations were driven by donors and central government, not by communities. IRDPs failed to generate local ownership or interest in maintaining assets, but instead created dependence on these funding sources.

##### **Complexity of coordination across sectors**

- The coordination of the required range of different sector practices necessary to achieve sustainable services in each sector was a logistical nightmare that led to failure. Experience has shown that coordination is hard to achieve at central levels and that it should instead be anchored at the community or local government level, provided that local actors are empowered to control resources.

**Box 9.9. Establishing a Coherent Financing Framework: The Example of Bolivia**

Bolivia has pioneered the use of CDD in many sectors. Instruments include the Social Investment Fund (FIS) to finance basic social infrastructure (health, education, water, sanitation), the Rural Development Fund (FDC) to finance productive activities and economic infrastructure, the Regional Development Fund (FNDR) to provide credit for larger urban and regional infrastructure projects, and a National Environmental Fund (FONAMA) to finance environmental initiatives. In December 1999, the Bolivian government merged the boards of directors of the various funds into one body, the Unified Board of Directors (DUF), which was mandated to improve coordination among programs and develop consistent rules for cofinancing investments with municipalities. The system establishes a consistent set of central government subsidy levels for different types of investments, which are a function of: (a) the level of priority the government assigns to the various sectors in its poverty reduction strategy (currently being developed based on the results of the second National Dialogue Process) and (b) the poverty level of the municipality. The system aims to provide incentives to local governments to invest in poverty-reducing investments, and thus plays an important role in alleviating poverty in Bolivia.

Private and community financing can be mobilized in three ways: through community contributions, credit financing of community contributions, and private commercial investment. Distinct strategies and policies will need to be in place to mobilize the different sources of funds.

### **Community contributions**

Contributions from beneficiaries and local actors toward initial startup costs and the recurrent operation and maintenance (O&M) costs of service can help reduce the burden on scarce public resources and improve sustainability of service. Mandatory contributions have been shown to be important in building community ownership, helping to ensure that cost- and service-level choices are not distorted by external grants, and ascertaining through willingness to pay that services respond to real demand—all of which contribute to greater sustainability. Possible mechanisms for collecting local contributions include

- upfront financial or in-kind contributions from the community for capital investment or setup costs;
- local fiscal revenues from increased property or betterment taxes to cover the cost of improving communal or public goods; and
- consumers' payment of tariffs or user fees for private goods and utility services (Kessides 1997).

User fees, in particular, have become important for the delivery of social services in many countries where the public sector has failed to provide adequate services. Some caution is warranted, however, when applying user fees to public goods, because of the risk of underprovision of services to poor people. Although private financing is critical for private or combined private and public goods and helps to stretch scarce public funds for these goods over as many communities as possible, it should not cloud the need for public financing of public goods. Examples from Cameroon and Vietnam illustrate this concept (see box 9.10).

### **Credit financing of community contributions**

Access to credit can help resolve cash flow constraints that prevent poor individuals and community groups from being able to afford upfront investment or contributions. Poor people have demonstrated their capacity to use credit at commercial rates (see box 9.11).

### **Private commercial investment**

Entrepreneurs are active investors in and providers of local services in the developing world. They do, in several sectors, provide essential services to poor consumers and compete with collective approaches. For example, small, independent entrepreneurs account for a large share of total investment in water supply provision in Latin America (see box 9.12) and represent a large part of service provision in Africa.

If subsidies are not carefully designed and allocated—for example, if programs in urban areas do not recognize the potential for small, independent water supply providers—there is a risk that community block grants offered in CDD programs may crowd out private investment in services that could reduce poverty. Entrepreneurs may not invest if they risk being displaced by community grants. This shows the

**Box 9.10. Experiences with User Fees in Cameroon and Vietnam**

In Cameroon, government policy to increase community participation in managing and paying for primary health care led to improved quality of services and higher utilization, despite the introduction of user fees (this was true for all households, including the poorest). In Vietnam, however, the failure of the public sector to deliver local services led to heavy reliance on household payments. These payments were onerous and led to underprovision of basic services in poor areas. The conclusion is that the scope for private financing of mixed or private goods should not cloud the need for public financing of public goods.

importance of defining financial policies for each sector and providing clear rules for community investments. Ignoring the potential of commercial private provision in certain sectors and contexts could reduce the total amount of services provided to poor people and increase the burden on public finance.

### 9.6.2 Developing a financing strategy

The optimum financing strategy for each CDD program will vary, but should consider the affordability of subsidies and cost-recovery principles. This may encourage communities to search for private financing alternatives or mixed approaches that employ a complementary blend of public and private financing options.

In developing a financing strategy for CDD, one should consider the following principles:

- *Set sector-specific minimum levels of community contribution and maximum grant levels.* Effective and undistorted local financing requires the establishment of sector-specific policies that set minimum levels of local contributions and maximum grant levels (based on poor people's capacity-to-pay constraints, fiscal constraints relating to the affordability of subsidies, and cost-recovery principles). It is critical to recognize that financial policies on minimum levels of local contributions need to vary from sector to sector, to capture the higher local financing potential of the more private types of local services.
- *Eliminate subsidies for private goods and services* that could be provided on a fully commercial basis. This requires setting clear sector policies specifying that goods that can realistically be expected to be provided to poor people by the private sector on a commercially viable basis should be removed from the list of services CDD grants can finance.
- *Support development of viable financial institutions,* allowing poor people to access a range of financial services essential to address their short-term cash flow constraints and to increase their capacity to make investments.
- *Maintain an arm's length between the management of grant programs and institutions providing financial services,* so as not to erode the financial discipline of credit institutions.

## 9.7 Principles for Sustainability and Effectiveness

How can CDD be supported on a large scale so that many communities can each simultaneously drive investment decisions? Ten principles have been identified to guide policy formulation and program

**Box 9.11. Extending Credit to Community Groups to Fund Service Provision: Genesis in Guatemala**

The Genesis Empresarial Community Infrastructure Lending Program (CLIP) works in more than 200 low-income rural communities in Guatemala. It provides microfinance for infrastructure services such as rural electrification and water supply.

Communities wishing to have water supply or electricity must complete a self-funded feasibility study and deposit in a bank account their full upfront contribution before they can apply for a matching grant from the government. If full funding is confirmed, the community is then responsible for implementation and installation, and it contracts with a private firm to carry out the required work. Genesis provides two types of services to low-income rural communities: (a) it makes loans on commercial terms to small borrower groups (four-12 families) that live in the same community, to allow them to fund these mandatory contributions; and (b) it provides communities with a variety of technical assistance services (for example, technical advice on implementation of infrastructure, procedures for subsidy application, or information on alternative credit facilities).

Source: Ruster (1999).

**Box 9.12. Small, Independent Entrepreneurs in the Water Sector**

Throughout the developing world, a large proportion of urban poor people depend on small-scale entrepreneurs for water and sanitation services. These providers typically sustain themselves without government resources by offering services for which customers are willing to pay.

In Latin America, studies conducted by the Water and Sanitation Program (an international, broad-based partnership program) reveal that private independent operators provide a large share of water and sanitation services. Paraguay, Peru, Colombia, and Bolivia have burgeoning entrepreneurial water and sanitation services. More than one-third of the growth in urban water service in Paraguay over the past 20 years has been the result of independent operators. These enterprises operate and compete for customers in business niches alongside the public companies, with greater presence in slum and periurban areas that are underserved or left out by official utilities. They include both mobile providers (mostly tanker trucks) and fixed networks (piped delivery), and exist in a variety of enterprise forms and sizes, including enterprises managed by both individuals and communities.

Key findings of the studies show that:

- Small enterprise can be a part of the solution to the challenge of ensuring universal access to water supply by poor urban populations. Small enterprises bring high value in slum and periurban areas, where official utilities are most deficient.
- Independent operators do not necessarily charge more than public utilities. In fact, research shows that small network operators in several cities can compete favorably on price with the main utility, even though they get no subsidies—suggesting that returns to scale may not be as essential to all segments of the water service industry as often thought.
- Different government policies can promote or hinder the development of small enterprise in water supply. The presence of small private network operators varies sharply across cities (lots in Guatemala City and Asunción, almost none in Lima) in a way that seems related less to consumer demand than to the government’s enforcement of exclusive utility licenses and other regulatory constraints. Policy changes can also explain changes in small enterprise activity over time. A periurban water entrepreneur may not feel threatened by a cash-strapped municipal utility with a track record of slow expansion, but will stop investing if the license is transferred to a concessionaire who has the means and incentives to expand rapidly.
- Policy development thus needs to be informed by the potential of this “other private sector” and to think twice before adopting proposals that ignore or stifle its potential .

Source: Solo (1998, 2001).

design, to enhance the effectiveness and sustainability of support to CDD. These principles, listed below, are discussed in detail in the following pages. They have emerged from an analysis of large-scale CDD programs that received positive evaluations and from consultations with leading practitioners.

Principles for supporting sustainable and effective CDD:

1. Establish an enabling environment through relevant institutional and policy reform.
2. Make investments responsive to informed demand.
3. Build participatory mechanisms for community control and stakeholder involvement.
4. Ensure social and gender inclusion.
5. Invest in capacity building of CBOs.
6. Facilitate community access to information.
7. Develop simple rules and strong incentives, supported by monitoring and evaluation.
8. Maintain flexibility in design of arrangements.
9. Design for scaling up.
10. Invest in an exit strategy.

**9.7.1 Establish an enabling environment through relevant institutional and policy reform**

CDD involves more than strengthening CBOs and funding their projects—it also requires active measures to establish an appropriate enabling environment. Large programs of support to CDD will not be sustainable without the policies, laws, systems, and governance processes that encourage effective collaboration among local governments, central governments, civil society, service providers, and CBOs.

Specifically, such an environment should include (a) elected local governments that are responsive to constituents and are empowered to serve them (b) intergovernmental arrangements for fiscal flows to

local governments and CBOs, (c) a conducive legal and regulatory framework that supports community action, and (d) clear sector policies with well-defined financing rules and defined roles and responsibilities of key players in each sector.

Ideally, an appropriate enabling environment should be in place before initiation of any CDD effort. This is not always possible. Where such conditions are not present, well-designed CDD programs have nevertheless succeeded by incorporating measures in the program design to address deficiencies in the surrounding environment. By empowering communities and generating upward pressure on governments and agencies, these programs can serve as catalysts to initiate the necessary policy and institutional reforms.

### ***Responsive, decentralized local governments and intergovernmental frameworks***

Regardless of the mode of CDD intervention (CBO partnerships with local government, private support organizations, central government, or central funds), local governments can be critical to the success and sustainability of CDD. Local governments are often well positioned to facilitate coordination across communities and allocate resources. When local governments interact with communities and informal groups in a participatory way, it is possible to achieve economies of scale in producing and providing goods and services that could not be achieved by CBOs operating independently. Furthermore, in many cases, local governments are needed to support operation and maintenance of services, and for continuing funding of community groups.

Local governments are generally more responsive and effective where there has been political, administrative, and fiscal decentralization.

- ***Political decentralization*** transfers policy and legislative powers from central governments to autonomous, lower-level assemblies and local councils that have been democratically elected by their constituencies.
- ***Administrative decentralization*** transfers planning and implementation responsibilities to locally situated civil servants and places these local civil servants under the jurisdiction of elected local governments.
- ***Fiscal decentralization*** accords substantial revenue and expenditure autonomy to local governments, including the power to levy taxes and user charges.

These three complementary forms of decentralization are important for creating an enabling environment for CDD.

### ***Conducive legal and regulatory environment that supports community decisionmaking***

CDD approaches are more sustainable where community decisionmaking and management of resources are supported by a legal and regulatory framework. This means that policies and enforceable regulations that support local initiatives must be in place, accompanied by laws that protect community rights. Specifically, CBOs should be able easily to obtain legal status and own assets, particularly natural resources. Systems may need to be developed to hold both local governments and CBOs accountable for their actions. Procurement and contract laws may need to be changed to enable direct resource transfer to CBOs. An overall freedom of information act—including legal protections for the press, free speech, and the right to organize—is also essential for effective community action. Finally, readily accessible dispute resolution mechanisms are required.

Key legal and regulatory policies that support CDD include

- the ability of CBOs to register for legal status and own assets;
- systems to hold local governments and CBOs accountable;
- ability of local governments to transfer resources directly to CBOs;
- freedom of press, and speech, and the right to organize; and
- easy access to dispute resolution mechanisms.

## **Sector policies and institutional frameworks**

CDD requires different policies and institutional arrangements in different sectors. For example, electricity distribution or local water supply works tend to have greater revenue-earning potential than natural resource management or the provision of primary health and education. This difference in revenue-earning potential calls for different financial policies with respect to minimum amounts of community contributions and credit financing. Similarly, the relevance and competitiveness of CBOs relative to other institutions will vary across sectors. These differences call for sector-specific policies that define roles of players and financing rules. Depending on circumstances, sector-specific pilots and demonstration programs may be required to test and refine sector policies.

### **9.7.2 Make investments responsive to informed demand**

Enabling communities to be involved in decisionmaking is not sufficient to achieve sustainable outcomes. Decisions need to be based on accurate information about the costs and benefits of various options, and communities need to have some of their own resources invested.

- *Informed, meaningful choice.* Communities and stakeholders should have access to sufficient information to weigh tradeoffs and make realistic choices from a range of options that meet their needs and fit local conditions, culture, values, and available operation and maintenance capacity. Alternative solutions should be designed to be affordable to the community—in terms of both up-front capital and long-term operating costs (Kessides 1997). Financing of specific projects should then be subject to a field-based ex ante evaluation against transparent criteria that are known in advance.
- *Community contributions to investment and recurrent costs.* Community cofinancing has been shown to be an important factor in building ownership and in helping to ensure that appropriate choices are made and investments are sustainable. People seem to make better choices when they have their own resources at stake and opting for a more expensive option implies a proportionally higher cost. Community contributions can also help leverage scarce public financing to benefit a larger number of communities. The level and type of community contribution should be appropriate to the sector and type of service.

### **9.7.3 Build participatory mechanisms for community control and stakeholder involvement**

Communities that have ownership of a project or program are more likely to sustain outcomes. This implies providing inclusive community groups with knowledge, control, and authority over decisions and resources throughout all phases.

Programs should be designed to engage relevant stakeholders (government, local leaders, NGOs, civil society, the community) at the earliest opportunity and dynamically over time. Political will—garnered through broad-based support or “political champions” to drive necessary reforms—have played critical roles in the scaling up of many existing CDD programs. Broad stakeholder participation helps tap into local technical and financial resources in support of community initiatives. It also ensures that local knowledge and preferences are incorporated in the project design.

### **9.7.4 Ensure social and gender inclusion**

CDD has the potential to increase the power of poor communities to negotiate with government, the private sector, and civil society. But to fulfill this potential, CDD needs to be responsive to the priorities of all poor groups. Communities are not homogeneous; thus CDD needs to be designed to be socially inclusive, giving voice and decisionmaking responsibility to women, the elderly, youth, religious and cultural minorities, indigenous and other ethnic groups, those with HIV/AIDS, and the disabled. When CDD does not pay attention to issues of social inclusion, groups of poor people may be excluded,



investment choices may not reflect the true needs of the poor, and impacts may be significantly compromised. Typical examples of this are

- when cultural practices restrain women from attending or speaking at community meetings, often resulting in underinvestment in health services, literacy programs, water supply systems, and other interventions typically more valued by women;
- when the needs of those affected by HIV/AIDS fail to be identified as community priorities because of shame, denial, and social isolation; and
- when input and participation from indigenous groups are curtailed because program materials and planning discussions are in languages unfamiliar to them.

Various participatory methods can facilitate the inclusion of marginal groups. Because gender cuts across other forms of exclusion, specific gender-sensitive approaches are needed to ensure the participation of both women and men. When designing inclusive programs, it is important to understand existing community decisionmaking processes and the often complex local political and social context. It is also important not to think that a program that was once inclusive will remain so; issues of inclusion will require periodic attention throughout the life of any organization that is active at the community level.

Some general guidelines for building in social inclusion include

- identifying subgroups among the poor, especially those at risk of exclusion;
- structuring project rules and procedures to promote their participation;
- determining participatory techniques that can help facilitate their involvement (where existing systems of social organization are highly inequitable, new groups may need to be created to enable excluded groups to participate);
- ensuring that intermediaries (NGOs, local government, and so forth) working with communities have expertise in working with these groups and using participatory techniques;
- investigating how local institutions can be made more responsive and inclusive of these groups; and
- including specific indicators related to these groups in monitoring and evaluation systems, and involving all stakeholders in monitoring and evaluation;

Some general guidelines for building in gender inclusion are

- Determine gender roles, priorities, and access to resources in the relevant sector(s) in the proposed project area.
- Identify any barriers to gender-appropriate project implementation.
- Structure project rules and procedures to reduce barriers and facilitate participation.
- Ensure that intermediaries (NGOs, local government, and so forth) working with communities have expertise in gender issues.
- Provide necessary capacity building.
- Include gender-specific indicators in monitoring and evaluation systems. Collect disaggregated data and involve all stakeholders (men and women) in monitoring and evaluation.

Box 9.13 provides more details on commonly used participatory techniques to promote inclusiveness. Chapter 10, “Gender,” of this sourcebook also includes a fuller discussion of ways to address gender issues in a Poverty Reduction Strategy. Many of those techniques can be implemented at the community level, to address both gender and social inclusion.

### 9.7.5 Invest in capacity building of CBOs

The lasting impact of CDD programs depends on the capacity of CBOs to provide services and goods on

### Box 9.13. Participatory Tools and Techniques to Improve Inclusiveness

Many tools and techniques can be used to promote gender-balanced and inclusive CDD. Some of these options are outlined below. These techniques require facilitators well trained in their use. It takes time to use these methods, and this must be factored into project plans.

*Participatory Rural Appraisal (PRA)* (Chambers 1994a–c, 1997), now more commonly known as Participatory Learning and Action (PLA), is a set of tools and techniques for gathering, sharing, and analyzing information, and for planning and action. It is heavily based on visualization exercises that include impact diagrams, transects, timelines, community maps, matrices, ranking, and scoring. Analysis of difference is an extremely important underlying theme of PRA/PLA. PRA/PLA approaches have often been used for community-level planning and decisionmaking.

*SARAR* (Srinivasan 1990) is a participatory approach similar to PRA that emerged in India. It aims to empower people at the community level to initiate and implement their own development activities. It can strengthen local capacity to assess, plan, and evaluate interventions.

*Beneficiary Assessment (BA)* (Salmen 1995, 1999) is a systematic inquiry into people's values and behavior in relation to a planned or ongoing intervention. BA relies on participant observation and semi-structured conversational interviewing, and has become widely used in World Bank-financed interventions.

The *Methodology for Participatory Assessments* (Dayal, van Wijk, and Mukherjee 2000) provides a framework for measuring sustainability, along with participatory tools that promote inclusion of poor men and women in projects. It contains activities that can be adapted for project design, as well as indicators for monitoring and evaluation.

The *Social Capital Assessment Tool* is a methodology to assess social capital. It is a field-tested set of indicators and methodologies that measures levels of cognitive and structural social capital in communities designated for project implementation. The SCAT is useful for determining baseline levels of social capital and monitoring progress over the course of project implementation.

*Social Assessment* (World Bank 1996b; Cernea and Kudat 1997) is a process that provides an integrated and participatory framework for prioritizing, gathering, analyzing, and incorporating social information and participation in the design and delivery of Bank-assisted operations. It provides a more comprehensive way to identify stakeholder subgroups among the poor and assess what may need to be done to promote their full participation in a project. It usually includes some participatory exercises (PRA, SARAR, or BA), in addition to surveys, semi-structured interviews, key informant interviews, observation, and background reading.

*Human Scale Development* (Max-Neef 1991, 1992) brings together communities or groups for two days to analyze needs (for example, subsistence, protection, participation, leisure, identity, and so forth) that have constructive or destructive effects in their community. Communities develop medium- and long-term plans that are multidimensional.

a sustainable basis, often in partnership with responsive formal institutions. Capacity building of CBOs, and strengthening linkages with formal institutions, is a critical area for investment.

The impact of CDD programs is directly related to the strength of the CBOs driving the process. Experience and studies have shown that those CBOs with clear lines of responsibility, open decisionmaking processes, and direct accountability to the community improve service provision, make more effective use of resources, and are more sustainable (Ostrom, Schroeder, and Wynne 1993). CBOs need the managerial and technical skills required to undertake the necessary tasks. Training and capacity building of CBOs through “learning by doing” should thus be an important component of CDD programs. Where appropriate, capacity building should build on existing community strengths, including local organizations, traditional knowledge, and culture-based skills, so that existing capacity is strengthened rather than undermined. Because CBOs rely on volunteer efforts, which can dissipate at critical stages or can lack continuity, an important component of any capacity-building activity is to institutionalize the leadership function in CBOs.

Principles of capacity building also apply to NGOs, local governments, public sector institutions, and the private sector (see chapter 8, “Governance”; see also chapter 16, “Urban Poverty,” [section 2.1.5](#) and [box 2.15](#)).

## 9.7.6 Facilitate community access to information

Support to CDD is as much about facilitating flows of information among all groups in a community as it is about facilitating flows of funds. The lack of information is often the most significant limitation on CBOs' capacity to play a part in the development enterprise (Krishna 2000). Community organizations need information on market opportunities, on what support resources are available, and on how to use these resources productively and efficiently. A variety of media may be used to facilitate access to and stimulate flows of information. Information technology and the Internet, adapted to community needs,

are playing a growing role in this process and can dramatically accelerate local learning and connections with a wide range of opportunities.

Types of information essential to CDD:

- **Program contents and rules.** Communities should be well informed about the program content, conditions, and terms of CDD programs. Mass communication campaigns that provide wide public dissemination of this material help to place control in the hands of communities, thereby mitigating risks of manipulation by politicians, government officials, contracting agencies, and local elites.
- **How to interact successfully with the government and the market.** An essential component of any CDD program should be to provide community members with knowledge and information useful to conduct transactions with both the government and market organizations. Successful CDD programs serve to facilitate linkages between community groups and both government and markets.
- **Learn from experiences of other CBOs.** Although CBOs learn by doing, the pace of learning and quality of implementation can be increased if CBOs learn from the good practices and innovations of other CBOs. Community-to-community exchanges provide opportunities to observe the potential benefits of participating in specific initiatives, and facilitate learning on how to replicate successful processes.
- **Technical information.** CBOs require technical information and support, including accounting and managerial skills required for decisionmaking and implementation of activities.

### 9.7.7 Develop simple rules and strong incentives, supported by monitoring and evaluation

Experience indicates that sustainability and effectiveness of CDD are enhanced when processes are simple and transparent and when actors have strong and consistent incentives for performance. Regular monitoring and evaluation then provide the necessary information to ensure that the integrity of the system is maintained.

- **Simple rules.** Community access to resources needs to be governed by simple rules that are easy for participating communities to interpret and apply. Clearly defined procedures, outlined and widely disseminated, help to avoid confusion and minimize administrative complexity. To maintain the credibility of the system, these rules should be monitored and transparently enforced.
- **Strong performance incentives.** Key actors at all levels should be rewarded for performance through objective evaluation based on clear criteria. For example, payments to intermediaries—and the level of funding of intermediaries—could be tied to their performance against indicators of access to service and of CBO institutional sustainability.
- **Regular monitoring and evaluation.** Systematic monitoring and evaluation of program processes and outcomes are critical to ensure that programs continue to grow and adapt to changing conditions. This is particularly important where programs are being scaled up—monitoring systems supply the necessary information and feedback to ensure that processes are appropriately modified to the needs of different localities and that potential bottlenecks or problems are identified and overcome early, before they become constraints to expansion. Programs should not just monitor physical and financial progress, but also consider quality of participatory processes and indicators of effectiveness of local institutions and economic impact of activities. Participatory monitoring and evaluation is also a useful tool for evaluating how the activities are seen and valued locally. The monitoring system used in the Northeast Brazil Rural Development Program is described in box 9.14.

### 9.7.8 Maintain flexibility in design of arrangements

Flexibility in design, often through piloting, is essential to allow systems to evolve and adapt better to local demand and capabilities. Flexible program planning and decentralized decisionmaking mechanisms, situated as close to the community as possible, facilitate quick response to change.

For example, in Zambia, the SRP is experimenting with more direct capacity building and integration of local governments in the project cycle. In both the Moldova and Albania Social Investment Funds, the initial pilot phase was extremely important to work out operational procedures before the program was offered nationwide.

As part of this learning process, direct feedback from the community on program performance is essential. Most successful programs routinely conduct beneficiary assessments, focus group interviews, client surveys, and other forms of evaluation that provide policymakers and program managers with information on whether investments reflect community priorities, the level and type of participation they have used, their sustainability, and their impacts.

### 9.7.9 Design for scaling up

Despite the many islands of success in CDD, most countries still have significant opportunities for scaling up CDD. To have a material impact on macroindicators of poverty, CDD needs to take place in many communities simultaneously. It is no longer acceptable to design CDD as small, nonreplicable, isolated interventions. However, the challenge of scaling up is not about bigger projects or bigger organizations, but rather about achieving sustainable results in a large number of communities.

Principles for scaling up CDD are for the most part the same principles for making CDD more sustainable. Arguably the most critical consideration for scaling up CDD, however, is *to ensure that approval and disbursement processes are as decentralized as possible*. This reduces delays, ensuring that program benefits can be accessed relatively quickly by local groups, so that program momentum is maintained and can respond rapidly to demands from additional communities.

Scaling up can be achieved either through networks among CBOs or through a larger number of small CBOs. In some contexts, as CBOs manage more programs over time, and as their capacity increases, a subset of CBOs may grow into larger networks, or unite more formally with public sector processes. In other contexts, CDD will remain driven by a growing number of small CBOs. Different models can be appropriate depending on context. Some tools for promoting scaling up are outlined below:

- **Cluster program activities.** Concentrating CDD activities into a nodal area or microregion can be an effective strategy for focusing inputs in the initial stages, rapidly demonstrating impacts, convincing neighboring groups of the benefits of collective action, gaining credibility, spreading information, and self-mobilizing demand for project activities. Over time, numerous nodes emerge, each acting as a demonstration project to motivate surrounding communities to participate in CDD.
- **Promote networks among CBOs.** As CDD programs grow, lateral communication between communities and grassroots organizations can become very valuable. For example, such networks can inform member groups about changes in procedures or policies that affect their work. They can

#### Box 9.14. Monitoring Systems in Northeast Brazil

The Northeast Brazil Rural Development Program and Rural Poverty Alleviation Program have supported 30,000 community subprojects proposed by CBOs, with the assistance of NGOs and entrepreneurs. To monitor these subprojects, the State Technical Unit (STU) in the Ministry of Finance maintains information on location, community profile, project type, project cost, number of beneficiaries, technical assistance, and subproject status, which communities use to compile semi-annual reports and implementation reviews. The STU also systematically checks a sample of the community associations and municipalities that select subprojects. Information collected by the STU is highly transparent and made available through an interactive, Internet-based management information system to verify targeting effectiveness, cost-effectiveness of investments, history of project implementation, and monitoring reports for project supervision. A core, field-based team of three people provide ongoing monitoring and supervision of the project. In addition, an annual technical and financial review is conducted on 10 percent of subprojects by an independent auditor.

also coordinate activities, support horizontal learning, accelerate the establishment of new CBOs, build social capital and relationships, and branch out into new strategic activities. Support for CBO networks can take the form of organizing meetings for clusters of CBOs in a particular region, establishing a newsletter or annual conference, providing training for key leaders, and so forth.

### **9.7.10 Invest in an exit strategy**

An exit strategy for external support is a critical component of all CDD interventions. A clear distinction must be made between support services that are recurrent or permanent in nature and those that are temporary. For recurrent services, sustainability requires putting in place permanent institutional and financing arrangements at a cost that can be supported over the medium and long term. Temporary services, such as initial intensive capacity-building support to CBOs, may, however, not require sustainable financing or permanent institutional structures. For such temporary services, explicit exit strategies need to be designed and implemented.

## References

- Adams, Dale W., Douglas Graham and J. D. Von Pischke, eds. 1984. *Undermining Rural Development with Cheap Credit*. Boulder, Colo.: Westview Press.
- Adato, Michelle, Timothy Besley, Lawrence Haddad, and John Hoddinott. 1999. "Participation and Poverty Reduction: Issues, Theory and New Evidence from South Africa." Background paper for *World Development Report 2000/2001*. International Food Policy Research Institute and World Bank, Washington, D.C.
- Alesina, Alberto and Eliana La Ferrara. 1999. "Participation in Heterogeneous Communities". NBER Working Paper 7155. National Bureau of Economic Research, Cambridge, Mass.
- Badhan, Pranab. 1997. *The Role of Governance in Economic Development: A Political Economy Approach*. OECD Development Centre Study. Washington, D.C.: Washington Center Press.
- Beddies, Sabine. 2000. "URBAN: A Critical Case Study of the Formulation and Operationalisation of a Community Initiative." Ph.D. diss. Department of Social Policy, London School of Economics and Political Science, U.K.
- Cernea, Michael and Ayse Kudat, eds. 1997. "Social Assessments for Better Development: Case Studies in Russia and Central Asia." *Environmentally Sustainable Development Studies and Monographs*. Series 16. World Bank, Washington, D.C.
- Chambers, Robert. 1994a. "Participatory Rural Appraisal (PRA): Challenges, Potentials and Paradigm." *World Development* 22(1):1437–54.
- . 1994b. "The Origins and Practice of Participatory Rural Appraisal." *World Development* 22(7):953–69.
- . 1994c. "Participatory Rural Appraisal (PRA): Analysis of Experience." *World Development* 22(9):1253–68.
- . 1997. *Whose Reality Counts? Putting the First Last*. London: Intermediate Technology Publications.
- Davis, Shelton H. and Lars T. Soeftestad. 1995. "Participation and Indigenous Peoples." *Social Development Papers* 9. World Bank, Washington, D.C.
- Dayal, Rekha, Christine van Wijk, and Nilanjana Mukherjee. 2000. *Methodology for Participatory Assessments with Communities, Institutions and Policy Makers*. Water and Sanitation Program. World Bank, Washington, D.C.
- Esmail, Talib. Forthcoming. "Decentralization and Institutions for Collective Action: Scaling Up Productive Natural Resource Management Programs" Draft in progress. The World Bank.
- European Union. 1999. "Sustainable Urban Development in the European Union: A Framework for Action." COM/98/605 F. Luxembourg: Office for Publication of the European Communities.
- European Union (DGXVI). 2000, February. "Inforegio News." Newsletter 72.
- European Urban Forum. 1998, November 26-27. Workshop on Contributing to Good Urban Governance and Empowerment—Empowering Citizens and Promoting Partnership. Vienna, Austria. European Union, Brussels, Belgium.
- Filmer, Deon, and Lant Pritchett. 1998. *Educational Enrollment and Attainment in India: Household Wealth, Gender, Village and State Effects*. Washington, D.C.: World Bank.
- Fong, Monica S., Wendy Wakeman, and Anjana Bhushan. 1996. "Toolkit on Gender in Water and Sanitation." 1996. World Bank, Washington, D.C.
- Grootaert, Christiaan. 1999a. "Does Social Capital Help the Poor? A Synthesis of Findings from the Local Level Institutions Studies in Bolivia, Burkina Faso, and Indonesia." Social Development Department. World Bank, Washington, D.C.

- . 1999b. “Social Capital, Household Welfare, and Poverty in Indonesia.” Local Level Institutions Working Paper 6. Social Development Department. World Bank, Washington, D.C.
- Grootaert, Christiaan, and Deepa Narayan. 2000. “Local Institutions, Poverty, and Household Welfare in Bolivia.” Local Level Institutions Working Paper 9. Social Development Department. World Bank, Washington, D.C.
- Grootaert, Christiaan, Gi-Taik Oh, and Anand Swamy. 1999. “Social Capital and Development Outcomes in Burkina Faso.” Local Level Institutions Working Paper 7. Social Development Department. World Bank, Washington, D.C.
- Jimenez, Emmanuel, and Vicente Paqueo. 1996. “Do Local Contributions Affect the Efficiency of Public Primary Schools?” *Economics of Education Review* 15(4):377–86.
- Jimenez, Emmanuel, and Yasuyuki Sawada. 1998. “Do Community-Managed Schools Work? An Evaluation of El Salvador’s EDUCO Program.” Impact Evaluation of Education Reforms Paper 8. Development Research Group. World Bank, Washington, D.C.
- Kessides, Christine. 1997. “World Bank Experience with the Provision of Infrastructure Services for the Urban Poor: Preliminary Identification and Review of Best Practices.” Urban Development Division, World Bank, Washington D.C.
- Krishna, Anirudh. 2000. “Organizing in Support of CDD: Information Is the Key Resource.” Cornell University, Ithaca, N.Y.
- Krishna, Anirudh, Norman Uphoff, and Milton Esman, eds. 1997. *Reasons for Hope: Instructive Experiences in Rural Development*. West Hartford, Conn.: Kumarian.
- Lam, W. F. 1998. *Governing Irrigation Systems in Nepal: Institutions, Infrastructure and Collective Action*. Oakland, Cal.: ICS Press.
- Malmberg Calvo, Christina. 1998. “Options for Managing and Financing Rural Transport Infrastructure.” Technical Paper 411. World Bank, Washington, D.C.
- Malombe, Joyce. 2000. “Community Development Foundations: Emerging Partnerships to Support Sustainable Community Development.” Draft in progress. World Bank, Washington, D.C.
- Manor, James. 1999. *The Political Economy of Democratic Decentralization*. Directions in Development Series. World Bank, Washington, D.C.
- Mason, Andrew, and King, Elizabeth. 2000. *Engendering Development*. Policy Research Report on Gender and Development. Washington, D.C.: World Bank and Oxford University Press.
- Max-Neef, Manfred. 1991. *Human Scale Development: Conception, Application, and Further Reflections*. London: Apex Press.
- . 1992. *From the Outside Looking In: Experiences in Barefoot Economics*. London: Zed Press.
- Narayan, Deepa. 1993. “Participatory Evaluation: Tools for Managing Change in Water and Sanitation.” Technical Paper 207. World Bank, Washington, D.C.
- . 1995. “Designing Community Based Development.” Environment Department Working Paper 7. World Bank, Washington, D.C.
- . 1999. “Bonds and Bridges: Social Capital and Poverty.” Policy Research Working Paper 2167. World Bank, Washington, D.C.
- Narayan, Deepa, and Katrinka Ebbe. 1997. “Design of Social Funds: Participation, Demand Orientation and Local Organizational Capacity.” Discussion Paper 375. World Bank, Washington, D.C.
- Narayan, Deepa, Raj Patel, Kai Schafft, Anne Rademacher, and Sarah Koch-Schulte. 2000. *Voices of the Poor: Can Anyone Hear Us?* Washington, D.C.: World Bank and Oxford University Press.

- Nelson, Ridley. 1999. "Rural Development Effectiveness, Looking Back from FY99 and Forward into CDF." Background paper for Operations Evaluation Department (OED) Annual Review of Development Effectiveness. World Bank, Washington, D.C.
- Ostrom, Elinor, L. Schroeder, and S. Wynne. 1993. *Institutional Incentives and Sustainable Development: Infrastructure Policies in Perspective*. Boulder, Colo.: Westview Press.
- Ravallion, Martin. 1999. "Is More Targeting Consistent with Less Spending?" *International Tax and Public Finance* 6(3):411-19.
- Rietbergen-McCracken, Jennifer, and Deepa Narayan. 1997. "Participatory Tools and Techniques: A Resource Kit for Participation and Social Assessment." Social Development Department. World Bank, Washington, D.C.
- Ruster, Jeff. 1999. "Genesis Empresarial Community Infrastructure Lending Program: A Case Study." Private Sector Development Department. World Bank, Washington, D.C.
- Salmen, Lawrence F. 1995. "Beneficiary Assessment: An Approach Described." Environment Department Papers, Social Assessment Series 23. World Bank, Washington, D.C.
- . 1999. "Towards a Listening Bank: A Review of Best Practices and the Efficacy of Beneficiary Assessment." Draft, Social Policy and Resettlement Division, Environment Department. World Bank, Washington, D.C.
- Sara, Jennifer, and Travis Katz. 1997. "Making Rural Water Sustainable: Report on the Impact of Project Rules." United Nations Development Programme (UNDP) and World Bank Water and Sanitation Program, Washington, D.C.
- Sen, Armartya. 1999. *Development as Freedom*. New York: Alfred A. Knopf.
- Solo, Tova Maria. 1998. "Competition in Water and Sanitation: The Role of Small-Scale Entrepreneurs." Viewpoint 165. Finance, Private Sector, and Infrastructure Network. World Bank, Washington, D.C.
- . 2001. "Independent Water Entrepreneurs in Latin America: The Other Private Sector in Water Services." World Bank, Washington D.C.
- Srinivasan, Lyra. 1990. *Tools for Community Participation, A Manual for Training Trainers in Participatory Techniques*. PROWESS/UNDP-World Bank Water and Sanitation Program. Washington, D.C.
- Tang, S. Y. 1992. *Institutions and Collective Action. Self-Governance in Irrigation*. Oakland, Cal.: ICS Press.
- Van Zyl, Johan, Loretta Sonn, and Alberto Costa. 2001. *Decentralized Rural Development, Enhanced Community Participation, and Local Government Performance: Evidence from Northeast Brazil*. Washington, D.C.: World Bank.
- Venkatamaran, Arjunamurthy and Julia Falconer. 1999. "Rejuvenating India's Decimated Forests Through Joint Action: Lessons from Andhra Pradesh." Project brief. World Bank, Washington, D.C.
- World Bank. 1995. "Decentralization: A New Strategy for Rural Development." AGR Dissemination Notes 1. Washington, D.C.
- . 1996a. *The World Bank Participation Source Book*. Washington D.C.: World Bank.
- . 1996b, July. *Introduction to Social Assessment (SA): Incorporating Participation and Social Analysis into the Bank's Work*. Social Policy and Resettlement Division (ENVSP). World Bank, Washington D.C.
- . 1999. *Poverty and Social Development in Peru 1994-1997*. World Bank Country study. Washington D.C.
- . 2000a. "Africa Region Sourcebook for Community Driven Development." Africa Region. Washington, D.C.
- . 2000b. *World Development Report 2000/2001*. Washington, D.C.
- . 2000c, July. Decentralization. [www.worldbank.org/html/fpd/urban/decent/decent.htm](http://www.worldbank.org/html/fpd/urban/decent/decent.htm).