

*Ex Brian Levy, WORKING WITH THE GRAIN (Oxford University Press, 2015)
Chapter 9: "Transparency and participation – getting the fit right".*

Parallel Initiatives – Community-Driven Development

Now let us turn to an example of the third transmission mechanism introduced at the outset of this chapter – community driven development (CDD). In no area has the enthusiasm among donors for bottom-up initiatives gone as far -- and induced as much vociferous counter-reaction - as in CDD. From small beginnings in the early 1990s, as of 2011 the World Bank had approximately 400 active CDD project, valued at almost \$30 billion, on its books. For advocates of bottom-up development, this is a remarkable triumph. For champions of 'long-route' approaches to institutional development, the mushrooming of CDD warrants a special place in hell.

Here, drawing loosely on the example of Indonesia's Kecamatan Development Program (KDP), is how a typical CDD project works:¹

- Bloc grants are transferred from a central unit (which could be a line agency within government, or could be a self-standing project implementation unit, supported by donors) to multi-stakeholder local committees, which represent a group of villages.
- External facilitators work directly with villages to identify, via a participatory process, priority local needs – generally, but not always focusing on local infrastructure investments.
- These multi-stakeholder committees then decide which of the village submissions to fund. The deliberations of the committees are held in public, and the outcomes made public.
- Implementation and procurement is undertaken by an elected village-level team; disbursement to the team is in tranches; in order to access each additional tranche, the implementation team is required to report to an open village meeting on how funds received to that point had been used.

CDD projects are thus organized around 'islands of effectiveness' which bypass the public sector entirely, and embrace parallel, participatory arrangements for service provision. Decisions as to which investments deserve priority are made at local levels by communities, not from the top down. The task of overseeing how resources are used, including being vigilant against corruption, also involves the beneficiary communities, leveraging their incentives to achieve the collective result. Interestingly, for all that standard public sector institutions are bypassed, some CDD features are beginning to be incorporated into nationally financed and implemented poverty alleviation programs: India's Mahatma Gandhi Employment Guarantee Scheme, and South Africa's Community Works Programme, comprise two examples.

¹ This description is adapted from Patrick Barron, Rachael Diprose and Michael Woolcock, *Contesting Development: Participatory Projects and Local Conflict Dynamics in Indonesia*, (New Haven: Yale University Press, 2011); Susan Wong, "What Have Been the Impacts of World Bank Community-Driven Development Programs?" World Bank Social Development Department, 2012; and Benjamin Olken "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy* 115, 2 (April 2007): 200-249.

CDD thus illustrates powerfully the multi-stakeholder, principal-to-principal approach to service provision which was highlighted in chapter 8 as an alternative to the ‘long route’. Its mushrooming provides a perfect arena for exploring empirically some of the fundamental questions and concerns raised by this multi-stakeholder alternative: How well does it deliver local services? How does it interact in practice with local social dynamics? What are its implications for longer-run institutional strengthening? Each is considered in turn.

CDD as a channel for service provision. There is an underlying issue that runs through the assessment of CDD and needs to be noted up front. What is the appropriate counterfactual against which it should be assessed? As per the quotes at the beginning of this chapter, many critics of CDD presume that the alternative to its enclave approach is a better-performing public sector. In practice, many (though not all) CDD projects have been implemented in situations of crisis, where top-down public administrations have either been missing, or have stopped functioning.

Two of the earliest projects were initiated in Latin America in the immediate aftermath of economic crisis (in Bolivia in 1987 and Peru in 1991). Afghanistan’s National Solidarity Program, and Nepal’s Poverty Alleviation Fund both were begun in the immediate aftermath of war. A series of projects were begun in Indonesia during the political turmoil of the end of the Soeharto dictatorship and the emergence of democracy in the late 1990s. The Indonesian projects are far and away the largest, and most extensively studied CDD initiatives in the world; research on the Kecamatan Development Project (KDP) in particular offers a rich set of insights on which we will draw extensively in the discussion which follows (with due caution not to read too much into findings from a single initiative, undertaken in a distinctive setting).

Given these difficult contexts, the gains in service provision that came from CDD initiatives, as reported in a comprehensive review of the performance of 17 of these initiatives (including the ones above) for which robust impact evaluations had been undertaken were remarkably positive:² Seven of nine projects for which information was available achieved statistically significant positive impacts on household living standards and welfare. Many more provided gains in access to and use of education, health, water and roads. For example:

- In Afghanistan, there was a 20 percent increase in the use of protected water sources in villages supported by that country’s \$120 million CDD National Solidarity Program.
- Interventions supported by Nepal’s \$110 million CDD Poverty Alleviation Fund led to a 14 percent increase in participation in school among children aged 6-14.
- The Philippines \$182 million KALAHI-CIDSS CDD program resulted in a 6 percent increase in the proportion of households whose homes were accessible year round by roads and a significant increase in the proportion of households visiting a health facility when ill.

In at least six countries (Bolivia, Honduras, Indonesia, Nepal, Nicaragua and the Philippines) the unit costs of providing small-scale public infrastructural facilities were 13-40 percent below the equivalent cost of service provision by government.

² These results are from Wong (2012). For the specific results quoted in the text, see pp.17-21; 27-28; 44.

For a more in-depth sense of the benefits, consider the KDP. By 2008, a decade after start-up, it had projects underway in over 34,000 villages, about half of Indonesia's total. By that time, it had built or rehabilitated 40,000 kilometers of roads; 11,000 irrigation systems; 10,500 clean water supply units; 3,800 health posts; 6,700 schools; 6,500 bridges; and 2,900 sanitation units. A 2005 impact evaluation reported internal rates of return to KDP investments of 39-68 percent. A 2008 evaluation found that controlling for other variables household consumption in KDP villages was an average of 9 percent higher than in a control group. Government subsequently adopted the KDP as its own flagship National Program of Community Empowerment (PNPM). By 2011, the cumulative budget that had passed through the program was in excess of \$3 billion.³

To be sure, not all CDD initiatives are as successful in providing services as the ones highlighted above. Some are ill-designed and hastily prepared; others are introduced in environments with too much instability or (as discussed further below) too much local dysfunction to be effective, regardless of the quality of design and implementation efforts. Even so, the results reported here surely offer at least some intriguing sense of possibility in settings where more conventional approaches to the provision of public services will not work.

Local-level dynamics and the challenge of capture. How do local power dynamics affect CDD initiatives? Again, as with so much of the discourse of CDD, stereotypes dominate – be they the romantic stereotypes of harmonious, egalitarian and democratic local village cultures, or dark stereotypes of predatory elites who capture for themselves resources intended for the poor. Evidence as to who in practice are the beneficiaries of CDD initiatives can help us get a more empirically grounded view.

Specifically, are the benefits of CDD captured disproportionately by elites? A large number of studies, from over a dozen countries, address this question.⁴ In this work, the dilemma of the counterfactual again looms large: captured, relative to what benchmark? One option is to use a benchmark of perfection. This is the approach taken by many of the studies summarized here – they assess capture relative to perfect targeting of the poorest and most marginalized groups.

However, viewed through the lens of the threat-trumping perspective laid out in chapter 8, perfect targeting is not the appropriate benchmark. From a threat-trumping perspective, in order for a participatory initiative to be effective, it needs to be embedded within a coalition which is sufficiently robust to fend off predators. This almost certainly will require low-income beneficiaries to be aligned with powerful allies. Sometimes these allies may be found among non-governmental organizations or government officials genuinely committed to pro-poor policies. But often influential allies will only come on board if they are able to reap some benefits for themselves. Whether the share of benefits 'captured' by elites is so large that one might describe the initiative as a failure thus involves a combination of evidence and of judgement.

³ For details, see John Voss, "Impact Evaluation of the Second Phase of the KDP", June 2008; Anthony Torres, "Economic Impact Analysis of KDP Infrastructure Projects", January 2005, both available (together with many more documents) on the evaluations page of the PNPM web site, at <http://www.pnpm-support.org/evaluations>.

⁴ This discussion draws on the reviews of the literature by Wong (2012) pp. 21-27; and Mansuri and Rao (2012) pp. 121-136.

Unsurprisingly, almost all of the CDD programs for which results on the distribution of benefits are reported fall short of perfect targeting. But almost all also turn out to be pro-poor in the distribution of their benefits.

Studies from Bolivia, Burkina Faso, Indonesia, Jamaica, Pakistan and Senegal all find that local-level deliberations are dominated disproportionately by wealthier and better-educated residents. But for the most part this has not prevented a general progressive distribution of benefits. In Indonesia's Urban Poverty Project, the poor actually did better in community boards that were dominated by elite groups than those which were more egalitarian in their composition. In Jamaica where funding decisions seemed to reflect more the preferences of elites than the majority, overall satisfaction with CDD projects remained high.

Even the more critical findings signal that capture is constrained. A review of who benefited from village infrastructure projects in Pakistan found that the distribution of benefits was similar to what was achieved in a comparator government project. India's Mahatma Gandhi Employment Guarantee Scheme was successful in providing low-wage jobs to the poor – even though the more unequal was a village the less likely were its most marginalized to participate in the scheme. And in Senegal, though village chiefs and membership of the ruling political party disproportionately influenced which villages received CDD resources, overall the poor were the biggest beneficiaries of the program.

In sum, the reported results offer cause for optimism that in very many settings, even if those most active in CDD-style participatory processes are disproportionately better off, developmentally-oriented influence networks can hold their own against predators. Even taking the risks of capture into account, it seems that sometimes CDD indeed can provide a practical means of providing resources in ways that can help alleviate poverty – even in the most difficult governance environments.

Broader effects on institutional development. A final common critique of CDD initiatives is that, even if they indeed can successfully support the provision of services to a broad range of citizens, they bypass and undercut state institutions, and thus have negative long-run consequences for development. As a counterpoint to that view, consider the following description of Indonesia's KDP initiative:

*“The program is in many ways a democratization initiative masquerading as an anti-poverty project. It aims to deliver small-scale infrastructure to marginalized communities, but the mechanisms it uses are aimed at empowering communities, socially and politically as well as economically”.*⁵

Viewed from this latter perspective, CDD has the potential to help nurture a culture of citizenship and civic engagement, and thereby over the longer term helps build democratic state institutions, both at local levels and more broadly. Two sets of evidence potentially can clarify which of these competing views is closer to the truth.

⁵ Barron, Diprose and Woolcock, *Contesting Development*, p.180

A first set of evidence explores whether involvement in CDD initiatives leads to a broader willingness to engage in participatory democratic processes. Three robust impact evaluations found evidence of positive spillovers:

- Afghanistan's National Solidarity Program stimulated participation in local governance by increasing both the frequency of village assembly meetings, and attendance at the meetings.
- A community reconstruction project in northern Liberia resulted, according to survey results, in a reduction in social tension, an increase in trust in local leadership, and an increase in participation by marginalized groups in community decision-making activities.
- A final evaluation of the Philippines KALAHI-CIDSS program (measured after seven years of project interventions) found a 12 percent increase in the proportion of respondents indicating that most people in their village can be trusted – and a smaller, but still positive, impact on trust in local and national officials.

By contrast, impact evaluations in Nepal and Sierra Leone found no evidence of positive spillovers from CDD to local democratic participation more broadly.⁶ (By now, the reader should expect this type of variation, insofar as the impact of CDD almost certainly depends on country and local-level political dynamics).

A richer story emerges from in-depth quasi-anthropological research of Indonesia's KDP project, carried out in 41 villages located in two of the country's 34 provinces. Interviews with key village-level informants suggested that sustained engagement with KDP processes indeed had contributed to the emergence of more participatory and peaceful political interactions at the local level, beyond the KDP itself. As Table 9.2 summarizes, a substantially higher proportion of key informants reported increases in attendance in village meetings, improvements in democratic processes and reductions in ethnic tensions in villages where KDP than in villages where there had been little or no KDP activity, with the effect especially large in villages where KDP had been active for four years.⁷

Table 9.2: Interaction between KDP and participation in selected Indonesian villages

	Non-KDP villages	1-year KDP villages	2- or 3-year KDP villages	4-year KDP villages
More groups come to village meetings	42%	62%		75%
Decision-making is becoming more democratic	46%	n/a		67%
Inter-ethnic relations have improved	n/a	38%	50%	69%

Source: Barron, Diprose and Woolcock pp. 177, 189-191

n/a = data not available

⁶ Wong, pp. 31-34; Mansuri and Rao, pp. 249-250.

⁷ It must be noted, though, that set against these positive results a recent careful impact evaluation based on a large, Indonesia-wide sample survey found that, while KDP's internal participatory processes generally functioned well, there was no statistically significant difference between KDP and non-KDP villages in their broader patterns of civic participation John Voss, PNPM Rural Impact Evaluation, BAPPENAS, Government of Indonesia, April 2012.

The second set of evidence focuses on the effect of CDD on the evolution of formal institutions – specifically whether the presence of CDD hinders or accelerates the emergence of participatory and accountable local governments. Here what seems to matter most are not so much the specifics of CDD design as the broader country commitment to decentralized governance.

Indonesia's KDP initially was designed as a wholly parallel initiative – but in 2001, for reasons that were rooted in the country's broader political transformation, and had little if anything to do with the KDP, Indonesia embraced a far-reaching program of political decentralization. To align with this commitment, the second and third phases of KDP incorporated greater oversight from district parliaments, government monitoring, links with sectoral agencies such as education and health, and expanded use of matching grants from district governments. So in Indonesia CDD and decentralization turned out to be synergistic. By contrast, in Malawi and Zambia a broader commitment to decentralization was lacking, so determined efforts by CDD teams to forge links with local governments made little headway.

A final example, Peru's social fund FONCODES, illustrates powerfully how broader political dynamics shape the institutional impact of CDD.⁸ FONCODES, begun in 1994, was a flagship project of the country's populist president Alberto Fujimori. FONCODES was indeed well targeted to low-income communities: 80 percent of FONCODES' over \$900 million of resources (including strong support by the World Bank) went to the poorest 40 percent of municipalities. However, notwithstanding this effective targeting, it also increasingly became apparent that FONCODES was being used as a source of patronage and popularity. Disbursements increased in the months directly preceding elections, and while poorer areas were more likely to get funding, those poorer areas that were "swing voters" were favored in resource allocation.

When the Fujimori government fell, the expectation was that, given FONCODES close identification with Fujimori, the program would be shut down. But its skills turned out to be too valuable to lose. The governments which came after Fujimori did not close FONCODES, but restructured it to become a mechanism to support a program of political and fiscal decentralization – a program which leveraged the bottom-up capabilities built by FONCODES in its earlier incarnation. By the end of 2005, about one fifth of Peru's district governments had been accredited to manage FONCODES transfers; conditions for accreditation included the formulation of participatory municipal development plans and fulfillment of fiscal transparency regulations.

⁸ This example is from Levy (2007), pp. 109-111. Norbert Schady, "The Political Economy of Expenditures by the Peruvian Social Fund (FONCODES), 1991-1995, *American Political Science Review*, 2000, Vol. 94, No. 2, pp. 289-303 explored the details of FONCODES allocation during the Fujimori era.