I. Introduction

Community-Driven Development (CDD) is an approach to local development in which the control of decision-making and resources for local infrastructure and service delivery is wholly or partly transferred to community groups (see Box 1). It inverts the way development has traditionally been undertaken: by starting from the bottom-up and letting communities decide what their priorities are, providing them the resources and technical support to achieve them, and encouraging them to co-manage the infrastructure and services that are developed. Originally used in response to crisis situations (financial, natural, or conflict), the CDD approach is now applied in World Bank-supported projects in over 80 countries to address a wide range of major development challenges facing governments.  

Relative to the World Bank average, CDD-based projects have been effective in terms of achieving their development objectives; yet, they carry distinct operational challenges. A 2008 review by the Quality Assurance Group found that “CDD operations are equal [to] or better than the [World] Bank average on portfolio quality.” However, as noted in a recent review of governance and accountability (GAC) issues across the CDD portfolio, while CDD-
I. Introduction

Based projects are not inherently riskier than other projects, they entail a very distinct ‘risk profile’ due to their highly dispersed and bottom-up implementation. To mitigate specific areas of GAC vulnerability that are unique to CDD-based operations, implementing agencies and project task teams must both be aware of these risks and the many tools and measures to anticipate and mitigate them.5

Good governance and social accountability are integral to achieving development results; and this is particularly true when employing a bottom-up, community-driven model. In CDD-based projects, participation has both an instrumental value (i.e. it helps target development to those most in need) and an intrinsic value (i.e. it empowers people to define and implement their own development). However, simply transferring responsibilities to the community without proper training, time, and regular monitoring and oversight is not a panacea. The quality of the project-level governance and accountability largely depends on the quality of the community-level governance and accountability. For communities to flourish in this capacity, careful project design and adequate technical support is necessary. CDD-based project design needs to be intrinsically focused on equipping the community with the tools and resources to be able to improve transparency, accountability, and participation—the core elements of GAC.6 throughout the project cycle.

This note is a summary of the major GAC issues and concerns that CDD-based operations are most likely to encounter, as well as suggestions for mitigation measures and how to address them. Staff newer to the CDD approach will find it useful as an overview. For more experienced staff, this will be a refresher on core concepts. The note contains a summary of what makes GAC different in CDD-based operations from other projects that do not utilize this

---

5 When principles of participation, accountability, and transparency are not embedded in the design and implementation of a CDD-based project, things can go wrong quite easily as seen in a recent World Bank Integrity Vice Presidency (INT) investigation of two CDD projects in Kenya. For details on the cases, see: World Bank, Institutional Integrity Unit. 2011. “A Tale of Two CDDs: Lessons Learnt for Reducing the Risks of Fraud and Corruption in CDD Operations.”

6 In support of this, departments across the World Bank have come together to compile the web-based CDD Toolkit: Governance and Accountability Dimensions. The Toolkit offers practical and operational guidance, training materials and sample instruments related to GAC in CDD-based operations.
approach, and expands on key GAC issues that are core among the five key areas explained in section III. Under each area, GAC Issues and Concerns, as well as ways to address them, are introduced. It concludes by providing guidance on how to integrate such GAC measures into projects. The GAC issues and measures are also summarized in the annex categorized by the five areas. Task teams are also encouraged to refer to the corresponding “Community-Driven Development Toolkit: Governance and Accountability Dimensions” (hereafter referred to as the “CDD Toolkit”) for more detailed guidance and description of GAC measures, and to seek out additional tools to enhance governance in their projects.7

II. What makes GAC in the CDD Approach Different?8

When the CDD approach works well it deeply embeds in the community a sense of pride and accomplishment in upholding transparency, accountability, and inclusive participation. It creates the foundation for sustainability because it is owned and operated by the community from the start. However, given its bottom-up design, the challenges of project management and monitoring require different, community-based solutions. Specifically, there are five key characteristics in which CDD-based projects differ from more traditional investment project models:

1. **A large number of communities are involved**: With a CDD-based approach, even pilot projects may involve dozens of communities (whether rural villages or urban neighborhoods), while fully scaled up projects can involve hundreds or even thousands of communities. Some may be in remote or insecure locations where regular communication and travel are difficult. While this has positive implications in terms of the reach of project activities, it has an adverse impact on the ability to supervise and monitor all aspects of the project on a practical and predictable basis.

2. **Multiple small transactions at the community level**: As part of project design, specific arrangements are agreed for the flow of funds to the community. Disbursements are normally made on a lump sum basis, based on the agreed sub-project scope and cost estimates. Individual transactions are usually kept at the community level using systems such as a “cash book,” with supporting documentation kept also at the community level. Depending on the number of communities involved, and the nature of the sub-projects, the number of individual transactions may range into the tens of thousands.

---

7 The CDD Team and the Social Accountability Team in the Social Development Department (SDV) can direct Bank staff to additional resources, many of which are on the CDD intranet website and the social accountability website. In particular, see the following publication for general guidance on how to use demand-side governance approaches to address GAC issues in all types of Bank projects: Agarwal, Sanjay; Van, Warren A. 2012. How, when, and why to use demand-side governance approaches in projects. Social development. Washington, DC: World Bank. Also, the GAC in Projects team in OPCS has much useful information on GAC issues and strategies. For example, see Richard Calkins, Ivor Beazley, Naseer Rana, Steve Burgess, and Anders Agerkov. 2009. Dealing with Governance and Corruption Risks in Project Lending: Emerging Good Practices, World Bank, OPCS.

8 This and the next section are drawn from Richard Calkins. 2013. How to Notes: Dealing with Governance and Fiduciary Issues in CDD Projects in Fragile and Conflict Affected States. OPCS.
3. **Financial Management (FM) and Procurement conducted by communities:** In a CDD-based project, fundamental World Bank FM/Procurement rules still apply, and the integrity of the principles are maintained. However, some modifications are allowed to take into account that CDD-based projects rely on community implementation to conduct duties (e.g. in procurement, “local shopping” or direct community participation in civil works). Therefore, knowledge transfer and skill building in fiduciary management is a core part of laying the GAC groundwork in CDD-based projects.

4. **Substantial and sustained investment in local capacity building:** In CDD-based projects, intensive training, capacity development, and sustained community level dialogue are absolutely critical to the achievement of development outcomes. Building capacity at the local community level leads to ownership, lasting development outcomes and sustainability of CDD-based operations. However, it does require a substantial commitment of time and financial resources. With budget and time constraints, many project teams struggle with the cost and time-effective means to ensure capacity building that allows all project activities to be effective over the project cycle.⁹

5. **The importance of downward accountability:** In all forms of communities and stakeholders (local and national), it is important to have a clear understanding of how accountability is established and maintained. This is one part of reinforcing a culture of rules and transparency.¹⁰ It is considered good practice in CDD-based operations to have an inclusive process for establishing appropriate governance that is accountable both to the community and to the overall project.

### III. Governance and Accountability Issues and Measures in CDD-based Operations

What is often referred to as a “CDD project or CDD-based project” is in fact a set of complementary and highly interdependent systems and processes based on the CDD approach. The recent OPCS review of the World Bank’s CDD portfolio identified five critical elements that need to come together to build a successful CDD-based project, starting with the community and continuing to the sub-project and project levels (see Table 1). Within each of these elements, project design decisions will be needed on a number of inter-related systems and processes.

---

⁹ The corresponding CDD Toolkit goes into further detail on the “who, what, when, where, why and how” of this process.

¹⁰ More information on this is contained in the corresponding CDD Toolkit. Typically, a Community Development Committee (CDC) or equivalent is established via an inclusive and democratic election. The CDC has overall responsibility for sub-project design and implementation, but reports (and is accountable) to the broader community. Depending on the scope and scale of the sub-project, there may be additional committees established, including a procurement committee and an audit committee. The primary focus of CDC (downward) accountability is to the community itself, not upward accountability to project management or the government.
The first area is on the community engagement, as it is at the core of the CDD approach. Three areas closely related are the sub-project, fiduciary, and monitoring arrangements, which may be wholly or partially controlled by communities, with the remaining control by the project and institutions outside the community. Finally, the national and sub-national government processes that support and provide inputs to the CDD-based operation will be discussed. This is critical to CDD-based project design especially for the sustainability of the project outputs.

TABLE 1
Five Areas Where GAC Issues Are Most Likely to Arise in CDD-based Projects

<table>
<thead>
<tr>
<th>Areas</th>
<th>Topics covered in the area</th>
</tr>
</thead>
</table>
| 1 Community engagement and facilitation | • Rules and principles that guide the project  
• Community education and awareness program  
• Process of community facilitation  
• Project’s human resource functions (the selection, training, mentoring, and subsequent monitoring and evaluation of community facilitators) |
| 2 Sub-project design, selection and implementation | • Sub-project targeting and inclusion  
• Sub-project design, selection, implementation and management (including the election of Community Development Committee members, members of the procurement committee, and community auditors)  
• Project inputs including community contributions (in cash and in kind), the use of community labor, and access to land and land tenure issues |
| 3 Flow of funds, financial management, and procurement | • How project funds will be channeled to the communities  
• Design, including transparency measures, of FM, disbursement, procurement and disposition of project assets  
• Fiduciary capacity-building of communities and Local Government Authorities (LGAs) |
| 4 Project monitoring and feedback | • Third party and community monitoring and social audits  
• Feedback systems including complaints handling mechanisms  
• Management information system (MIS) utilizing monitoring and feedback, and identifying necessary changes and actions. |
| 5 National and sub-national institutional arrangements | • Coordination with line ministries  
• Linkages between community-based development planning and the resources, financial and technical ability of LGAs and relevant sectoral agencies |
IV. Community Engagement and Facilitation

GAC Issues and Concerns

Because CDD-based projects seek to empower communities through the control of decisions and resources, it is important to understand the political economy and power relationships inside the community. When attempting to decentralize control, entrenched interests are unlikely to cede power willingly. When attempting to place decisions and resources in the hands of those who are vulnerable and who may not have had access to influence before, elites and existing leadership may try to control community governance structures, either directly or indirectly through proxies. The main governance concerns include those listed below:

- **Unclear rules, lack of information available to the community members, and/or failure to follow the rules and processes** leads to biases of conflicts of interest in sub-project selection, approval and implementation. These situations create an opportunity for fraud and corruption to develop. This can thwart both the overall project and the objective of fostering bottom-up and empowered community-level decision-making.
- **The election/selection of community leaders/office bearers** is another important activity. Program outcomes will be significantly affected by the success of the electoral/selection process and the subsequent processes of identifying community needs and prioritizing potential investments. If the selection process of community leaders is not done transparently and facilitated well, it may lead to elite capture with implications for the selection of appropriate sub-projects, and the potential for fraud and corruption during sub-project implementation. The election of leaders may also result in a shift in the local power structure and generate potential conflict.
- **Facilitators are also an essential part of community engagement** in working with the community to surface common rules and processes, and in mobilizing and empowering beneficiaries. However, if they are not seen as impartial or behave with a core level of neutrality, their behavior may ultimately reinforce existing power structures or be seen as serving their own interests.

Ways to Address GAC Issues and Concerns

The foundation of governance and accountability in CDD-based projects is a clear set of community-defined and accepted rules. Rules make the decision-making process more transparent and formalize behavioral expectations. When created with the participation of community members, this process can empower them with a sense of ownership over the project and reinforce a culture of compliance.\(^\text{11}\) As an example of a set of CDD-based project principles, the ten golden rules of the Sri Lanka *Gemi Diriya* Project are shown in the Figure 1. In the project, community members are frequently reminded of the rules so that they are embedded in the DNA of any activity they undertake.

\(^{11}\) See the corresponding CDD Toolkit for an example from the Bangladesh “*Nuton Jibon*” Project.
The communication of the rules in a way that is appropriate, timely, and widely understandable is critical to their adoption and enforcement. Good communication/information campaigns should be kept simple using charts, pictures, and the local language. Campaigns should inform communities of the purpose and rules/principles of the project, rights and responsibilities of key actors including community members, and basic steps of how the project proceeds. While the project should emphasize the importance of transparency and participation for the successful project, it should also inform the community of the ways to submit complaints or suggestions, and also possible penalties in case there is a misuse of funds or corruption. Rather than just a one-time campaign at the beginning of the project, a continued effort helps keep people stay informed and reach those who might be missed in a one-time campaign. Communication is a critical part of the project throughout all of the phases of the project cycle.

It is not enough for community members to come to a meeting and be informed of what the project is and intends to do. Such communication is considered “one-way” and is a feature of a top-down and centralized approach. In a CDD-based project model, attention is paid to “two-way” communication where the exchange of information and expectations freely flows in both directions. The management of a successful, inclusive and impartial two-way conversation depends largely on how the dialogue is structured (e.g., when, where, and who attends) as well as a clear understanding of why the participation of the community is important and next steps on how that information will be used (or not used).

Facilitating this kind of dialogue is a skill and depends on having good facilitators, properly trained, highly motivated, and able to perform in an objective and independent manner. Facilitators are the pillars of the CDD-based project’s integrity. Because facilitation is so central to the communication, it is strongly suggested to require facilitators to maintain records that provide information on their work with communities (e.g., who, what, when, and where—including beneficiary signatures on attendance lists to ensure that activities are broad and inclusive). Also suggested is to have third party checks and balances in the conversation to independently monitor the facilitation process. It could be done using community volunteers.

---

12 See the corresponding CDD Toolkit for an example of this from Malawi.
Finally, in order to ensure having quality facilitators, good human resource (HR) policies for the selection, deployment, rotation, compensation, and oversight of facilitators and other project staff are critical. Some key points regarding the good HR policy are:

- **Thoroughly documenting every step of the process**: creating the position, the terms of reference, public posting, short-listing process, interviews, reference checks and finally the offer.
- **Having an objective and transparent selection process** (e.g., a panel interview process to prevent one person from making the decision) and ensuring to identify the qualifications and other personal characteristics sought in candidates.
- **Ensuring that compensation is competitive**, not just at the entry level, but also for retention.
- **Training is critical** both in quality and duration, and should cover integrity issues.

In the event government is not able to assure these HR functions, an option is to contract them out to a private sector HR company as was done in the India Orissa Rural Livelihoods Project, which contracted an HR company to fire facilitators.

V. Sub-project Design, Selection, and Implementation

GAC Issues and Concerns

Sub-project design, selection, and implementation are the main activities in CDD-based projects, and there are several key areas to ensure the GAC concerns are addressed.

- **Inappropriate targeting can create winners and losers**. If the targeting exercise has already excluded vulnerable groups of the community, the process of identifying community needs and prioritizing potential investments can be distorted. Absence of proper targeting mechanisms also has a possibility of disrupting existing power relationship, by including traditionally excluded vulnerable members of the community such as women or disadvantaged groups (e.g. ethnic minorities).
- **High quality technical and programmatic assistance is needed to support the capacity development of communities throughout the project cycle**. Getting the systems right reduces problems once the funds begin to flow, but it takes dedicated time.
- **With little capacity and experience at the community level**, without sufficient time and training, there are at least three areas of concern related to sub-project inputs:
  - **The quality of infrastructure construction**: as with sub-project design and management, risks include using poor quality materials, a lack of prior construction skills, or inadequate supervision.
  - **Arrangements for the use of community contributions, especially labor**: community contributions including labor are typically required in CDD-based projects. Concerns

---

14 The Indonesia National Program for Community Empowerment (PNPM Rural) developed a full accreditation process for facilitators. Recruitment procedures are merit-oriented and include sanctions for incompetent and corrupt staff as well as nepotism.
include the failure to set up and publicize clear rules, to follow the eligibility for employment, to pay the established wage rates, or to fully credit laborers for the amount of time worked.

- **Land use in sub-projects:** the risks include failure to provide appropriate compensation for land needed for the sub-project and/or the location of the sub-project on land that unfairly benefits certain members of the community (elite capture). Compensation issues in land acquisition can be further complicated by the extent to which surrounding or remaining land may rise in price due to the project.

### Ways to Address GAC Issues and Concerns

**Establishing clear targeting mechanisms is key.** A good targeting process is objective and transparent—targeting decisions are based on an adequate database; and the rationale for the proposed targeting and inclusion goals is communicated clearly.

Risk mitigation measures include simple and clear design standards, training and technical assistance in sub-project design, timely inputs of design consultants, and locally relevant, up-to-date data on unit costs for common construction inputs. Some examples include the “Good and Bad Infrastructure” picture books in the Indonesia Kecamatan Development Project, and the unit cost reference manual of the Azerbaijan Rural Investment Project. Numerous CDD-based projects have found it useful to collect and maintain two types of databases: a) for unit costs of all items commonly required for sub-project implementation, and; b) for employers and suppliers from whom such unit prices will be collected. To complement a lack of experience on the part of the CDCs, expert advice may be needed for a sound sub-project design.

In addition to the community awareness approaches for the overall project, some other methods can strengthen the integrity of the sub-project selection and approval.

- Setting a minimum share of village households (e.g., a minimum share of women or a minority tribal group) to ensure that voting represents the community interests;
- Publicizing standard benchmarks for sub-project selection steps;
- Keeping minutes or other records on decisions about approving sub-projects, and;
- Making all the relevant information publicly available wherever possible.

Transparency and oversight measures help keep the process from being politicized or manipulated. Sub-projects can be appraised independently or with community participation as in the Bangladesh Empowerment and Livelihood Improvement “Nuton Jibon” Project (see Box 2).

The **proper selection and functioning of community leaders (through a community development committee or otherwise) who are usually responsible for the activity** is central to ensuring successful sub-project implementation and management. To realize this, suggested measures include:

15 See the corresponding CDD Toolkit for an example of “Participatory Identification of the Poor” in Tamil Nadu, India.
BOX 2
“Appraisal” of Village Fund Proposals in the Bangladesh Empowerment and Livelihood Project

- **How?**—A team of project staff and experienced community members visits villages and meet with officials, committee members, and general body members to understand to what extent the villages have fulfilled their obligations to complete project milestones. Before carrying out the field appraisal, the team does a desk appraisal to reject proposals that do not *prima facie* qualify.
- **When?**—“Appraisal” is carried out when project villages submit proposals for accessing different sub-funds of the village fund. It is also carried out each time the village organization submits an application for subsequent installments of funds.
- **Follow up?**—The formal appraisal report containing field observations and recommendations for the release of funds are submitted directly to the Managing Director. In addition, the appraisal findings are recorded in a village log book.

- Clearly defining and publicizing the procedures for electing community leaders;
- Establishing clear criteria for community leader membership;
- Determining an appropriate length of tenure for community leadership roles;
- Agreeing on the frequency of elections;
- Documenting and publicizing community leader activities, public annual performance reports and audits;
- Keeping records of community meetings which are ratified in subsequent meetings;
- Holding annual general meetings of community leaders with the community.

Leadership can be rotated by giving members fixed terms after which they must step down. The project operational manual can clarify the role of the community leaders to ensure that no conflict of interest exists. Proper segregation of responsibilities among community leaders and other sub-committees provides internal checks and balances. Besides rules, transparency measures help keep community leaders accountable to the community (see Box 3 for an example from India).

BOX 3
Examples of Transparent Sub-project Management Practices

The India Andhra Pradesh Rural Poverty Reduction Project has undertaken various measures in order to increase transparency in sub-project management. These include:

- Community-based organization (CBO) activities are well documented and displayed through posters at the CBO office
- Checks are given in front of all village representatives at their general meeting
- Most decisions are taken by consensus and not by voting
- Public meetings discuss project milestones
- The proceedings of the CBO meetings are recorded in detail and are read aloud and ratified by the leaders of the group in the subsequent meeting
- The minutes of a higher body are circulated among all the lower bodies by their respective nominees ensuring greater participation and transparency
- A record of all transactions is printed and distributed to the villages
- CBOs hold annual general body meetings and make annual performance reports and audits public
On some concerns around the sub-project itself, similar measures to those used suggested for sub-project design (including the use of competent and independent technical consultants from sector agencies or the private sector to supervise project construction) would be useful.\(^{16}\)

If the community is conducting, contracting, or managing the construction, technical advisors can educate the community about the importance of breaking down the physical work and outputs into discrete steps and estimating the time and cost associated with each step. Technical advisors should also be clear that they are also accountable to the community for providing quality services, and the community should know upfront their roles and responsibilities.

For ensuring community contributions, setting up adequate levels and rules of contribution, and making sure that the beneficiaries are informed, would be the first step. Complementary measures include:

- Utilizing community bulletin boards or radio broadcasts to ensure the transparency of project information; and
- Designing and putting in place a robust complaints handling mechanism so those that have been treated unfairly have a ready means to seek redress.

### VI. Flow of Funds, Financial Management and Procurement

#### GAC Issues and Concerns

CDD-based projects face various potential risks and concerns in regards to the flow of funds, Financial Management (FM) and Procurement, as the stakeholders involved in the process and actions directly deal with the project funds. CDD-based projects are subject to the World Bank financial management, procurement, and disbursement policies\(^{17}\); however, these policies have been supplemented by guidance notes specifically for CDD-based projects. The guidance notes remind staff of the flexibility that exists within those policies, and the need to carefully tailor their application to country, sector, and project conditions.\(^{18}\)

The main concerns are:

- **The fiduciary arrangements need to be scaled to the capacity of the project implementing agencies (local governments, CDCs, CBOs, etc.) and of the communities.** The challenge for CDD task teams is to devise arrangements that deter fraud and corruption, yet are suitable for the typically less formal context of CDD-based projects in which communities are often responsible for the tasks. Similarly, procurement practices should be tailored to the requirements of the project, to the capacity of the community, and to other local conditions including the availability of suppliers and contractors. They

---


\(^{17}\) Financial management (OP/BP 10.02), Procurement (OP/BP 11.00), and Disbursement (OP/BP 12.00) policies

should be simple enough to be understood and implemented by local staff and the community.

- **At the sub-project level, not all funds may get to the sub-projects or they are used for other purposes.** Even if the scope and steps of the sub-project implementation are carefully designed, bureaucratic delays, corruption, conflict of interest, and lack of skills and experience in managing funds and purchases can deteriorate smooth and sound fiduciary arrangements. Major risks in the sub-project level financial management include:
  - Unreliable financial accounts, meaning there is no basis for project disbursements
  - The possibility of fraud and corruption by Local Government Agency (LGA) officials and/or CDC members in the disbursement and use of program funds
  - Poor use of funds such as overpaying or paying for inferior goods and services that are induced by poor record keeping and tracking of funds
  - A lack of the value for money, such as sub-projects that: (i) have been implemented but are not being used; (ii) are incomplete/abandoned; (iii) are implemented only once but accounted for several times; or (iv) have never been implemented but have been funded and accounted for.

- **Experience shows that the use, acquisition and disposition of project assets is another area to which program management and World Bank supervision missions should pay attention.** This is particularly relevant to CDD-based projects in which many assets are acquired at the community level where there may be no stated policies or poor record keeping of asset acquisition and disposition. This exposes the program to theft of assets, especially at the close of the project or transition from an existing to a new project.

- **The lack of capacity at the community level is always a big challenge.** Just like for the sub-project management, as mentioned in the previous section, in order to handle the project funds and ensure integrity at the community level, project task teams need to carefully design and allocate resources for sufficient training to be provided to community members.

### Ways to Address GAC Issues and Concerns

There are some guiding principles for FM and Procurement, such as transparency, efficiency, cost-effectiveness and administrative autonomy. Particularly in CDD-based operations, which rely on community-level institutions to carry out tasks, FM and Procurement policies needs to also emphasize simplicity and flexibility, and should lead to local empowerment and sustainability.

- **Transparency is key in fiduciary management.** Table 2 summarizes some specific measures to strengthen transparency in the areas of FM and Procurement.
### TABLE 2
**Measures to Strengthen Transparency in Financial Management and Procurement**

#### Financial management
- Developing, in consultation with the community, simple checklists in the local language explaining the documentation required and their sources
- Displaying the amount of community block grants and/or sub-project budgets, summaries of local project expenditures and procurement information
- Making accounts and records of community organizations and proceedings available for review
- Identifying the reporting chain and defining the oversight roles and responsibilities at various levels
- Conducting regular financial reporting meetings in which district level finance officials, accountants and treasurers attend, and any discrepancy in accounting is investigated and appropriate action taken

#### Procurement
- Disclosing procurement, bidding, and contracts
- Making procurement plans public through websites or other means
- Publicizing procurement notices and the award of contracts for goods, works, and consulting services
- Maintaining a unit cost database for all items commonly required for sub-project implementation, as well as a database of employers and suppliers from whom such unit prices are collected
- Keeping records of all transactions and proceedings of most meetings at the CBO levels and having them audited by Chartered Accountants
- Photo-documenting procured assets

**Ensure that the flow of funds is consistent with the devolution of authority** (and responsibility for development planning to LGAs and communities). Consulting with local and other stakeholders can help identify issues as well as the most appropriate channel for funds. In most CDD-based projects, it is recommended that funds for sub-projects go as directly as possible to the community level. Risks of fraud and corruption can be reduced through a combination of:

- Strengthening transparency through public posting of sub-project budgets
- Arranging effective oversight mechanisms (e.g. internal and external auditing, and/or third party monitoring)
- Setting up and informing the community of complaints handling mechanisms
- Using budget tracking mechanisms to monitor the actual flow of funds
- Integrating ICT to ensure swift and direct transfers of funds into community bank accounts

---

19 For guidance on designing flows of project funds, see David Post, “Money Matters: Designing Effective CDD Disbursement Mechanisms,” Social Development Department, World Bank, 2008.
Reflect collective decision-making in spirit and letter to the fiduciary arrangements at the community level, by utilizing committees (comprised of CBO members). Under the principle of collective decision-making, no one individual can initiate, authorize, execute, or record a transaction without the active involvement of a second person. Box 4 provides an example from Sri Lanka.

**BOX 4**

**Community Procurement in the Sri Lanka Second Community Development and Livelihood Project**

*What?* Community procurement is a methodology and practice for Community Based Organizations (CBO) to procure works, goods and services by upholding the key principles of procurement within the context of CDD.

*How?* In the project, a booklet guided the procurement procedures, key rules and processes that village institutions should follow. Threshold limits were agreed upfront with the project and the World Bank team. The community used various procurement methods like direct purchasing, national shopping, and even national competitive bidding whenever required. The procurement committee provided their recommendations, the executive committee issued purchase orders, and the finance committee made the payments. Procurement documentation—including received bids, evaluation reports, committee minutes, and procurement registers—was maintained by the community.

*Why?* This segregation of responsibilities worked as a validation and cross-checking mechanism. Bank mission members and project facilitation teams helped communities to learn community procurement through other community members who have gained expertise and skills in procurement.

*Results:* Every community procurement activity was socially audited. The fiduciary team rated procurement risk at the community level as very low in view of the demonstrated capacity of community institutions to undertake village level procurement. The cost savings in infrastructure, compared to government-contracted works, were estimated by the Implementation and Completion Report team at 36 percent.

The recommended procurement method is simply “commercial practices.” This is because transactions in CDD-based projects are too frequent and small to warrant the methods (and higher costs) that are usually used for larger, less frequent transactions. Methods for CDD-based projects include shopping, local bidding for goods and works, direct contracting, off-the-shelf purchases, and community force account. Some key points are:

- Using simple, standardized documentation such as a tender advertisement, supplier appraisal checklist, quotation analysis, and/or service level agreement
- Balancing risks and controls with efficiency considerations
- Minimizing the use of cash transactions and establishing clear guidelines for its use
- Recording expenditures at the end-use point where they are incurred or paid

Investing in capacity building at the community level is critical, and helps to raise important community discussions around the use and management of scarce resources. Training should be provided at a minimum to CDC treasurers, community bookkeepers, and members of the

---

community audit committees. The training of those individuals is a high priority and should begin before the launch of sub-project implementation. Other suggested measures include establishing accounting hubs and developing a cadre of community accountants. It is also useful to create cadres of master bookkeepers and community-level bookkeepers, mobile accounting teams, and so on to ensure appropriate and timely accounting. TORs should include basic bookkeeping, accounting, and budget management capacity building for CDCs. It is also important to note that FM training is ongoing throughout the project cycle. Refresher courses will be needed. Audit visits are also an opportunity to debrief on challenges and correct misunderstandings.

BOX 5
Grassroots Management Training in the Benin National Community Driven Development Program

The government of Benin has been committed to providing extensive capacity building activities for local government authorities and communities. The Grassroots Management Training (GMT) contains 10 modules (3-6 days each) covering topics that are critical for sound project implementation. It covers FM of sub-projects and FM specifically for income generating activities. GMT emphasized the inclusion of vulnerable groups (women, youth, and the disabled). Key outputs of the GMT include 36 senior and junior trainers; 3,000 community focal points; 2,491 sessions of GMT training; 144,495 direct participants in GMT training and 747,071 beneficiaries of replication sessions in the communities. The GMT used a well-prepared set of picture books as training materials.

While designing a simplified FM and accounting system, stimulate demand for information on budget and expenditures. Good FM systems should be able to track both the downward flow of funds to sub-projects and the upward flow of progress reports on project implementation and disbursements. While keeping data needs to a minimum, FM staff can try to create a demand-side constituency for project information and expenditures. For example, enhanced and timely information disclosure through the administrative system can be built into project design. To the extent practical, project accounting and expenditure information should be gathered at the community level. Gathering and processing the data in a simplified way will allow the project to more easily use them for bringing benefits to the project and helping planners develop better programs.

Coordinate FM supervision at the community level with monitoring, to ensure a close link between implementation progress reporting and financial reporting. This helps validate expenditure, which is a bigger concern when funds are disbursed in cash. Recommended measures include:

- Building checks and balances in the design and implementation of these systems
- Keeping procedures simple with a high degree of transparency
- Clearly understanding the rules, especially the roles and responsibilities of internal and external auditors
Determining and publicizing clear sanctions or remedies for misuse of project funds

In preventing inappropriate use, acquisition and disposition of project assets, measures rely on a combination of good record keeping, transparency of ownership (labeling and signage), and regular audits. Another solution is to have written procedures for project staff to hand over project assets once their contracts have been terminated. Records of assets should be publicly available at all project sites, especially those with village offices. Combined with audits and clear and predictable sanctions for theft or misuse of assets, this deters misuse of project assets. The India Andhra Pradesh Rural Poverty Reduction Project collects ‘Utilization Certificates’ for assets purchased by CDC members and lets them be inspected by an asset verification committee. The committee also inspects the assets purchased by the lower level CBOs.

Experience suggests that the possibility of an audit significantly reduces the likelihood of fraud or corruption by community level officials. This includes establishing an internal as well as external audit function, and establishing provisions to minimize the scope for fraud and corruption. Sampling selected sub-projects for post review can help determine if the procurement provisions are being implemented and whether the community’s internal control system is being practiced. In addition to standard financial audits where a sample of communities is audited by an external entity, training of community auditors enhances the internal audits of entire project communities. As arrangements for horizontal fiduciary assurance, often communities use social audits (see Box 6 for an example from Sri Lanka). Social audits empower the community to reinforce the standards and rules of the project, help to check compliance with the agreed rules and utilization of funds, and verify account books and procurement records. Peer auditing by members of other communities has proven to be an effective tool to improve community capacity and compliance with FM and procurement guidelines. For example, auditors from one village audit another village’s accounts.

**BOX 6**

**Social Audit in the Sri Lanka Second Community Development and Livelihood Project**

The Social Audit Committee is an independent committee directly appointed by the community general body. The 5–7 member committee conducts social audits and reports its findings to the general body. It audits activities carried out by all other committees who have been entrusted with implementation responsibilities by verifying the records, interacting with the communities, and through field level verification. The audit findings are recorded in a book and presented to the general body along with suggested rectification measures. Through social audits, the village organizations have emerged as strong self-regulated organizations able to identify and rectify implementation deficiencies themselves. As the office bearers and executive committees actions are always subject to a social audit, there has been substantial improvement in their sense of responsibility and commitment.

---

21 See the corresponding CDD Toolkit for an example from the Sri Lanka Second Community Development and Livelihood Project

22 For more guidance on audits, see the GAC Audit and Assurance Manual, World Bank (forthcoming).
Good audits of financial statements are combined with a procurement audit or technical audit to ensure physical verification and quality control. An audit can test the operation of unconventional financial controls such as the availability of project financial information at the village level. Audits can be contracted out to a private sector accounting firm. Audits can be conducted in the presence of general body members and the results of the audit are announced in the general body meeting. Combining transparency and auditing increases the effectiveness of both. Making financial audit findings public keeps any improprieties from being hidden. Finally, appropriate authorities should investigate complaints of financial irregularities. Given the decentralized nature of CDD-based operations, community oversight is critical, and this is discussed in the next section.

VII. Project Monitoring and Feedback

GAC Issues and Concerns

Project monitoring and feedback are essential for improving development outcomes; at the same time, they function as effective mitigation measures for GAC concerns. This section highlights why they are important, what could happen if the proper monitoring or feedback mechanisms are not in place, and the main challenges to this area of work.

- **CDD-based projects are so dispersed and standard monitoring approaches often cannot provide sufficient coverage and oversight especially within time and budget constraints.** Insufficient monitoring can overlook potential misuse of funds or misbehaviors—or, it can even induce some stakeholders to take a wrong action. Therefore, setting up sound internal (fiduciary) controls and management systems is not sufficient if there is no effective monitoring arrangement put in place. Over time, initially small problems might grow to finally damage the entire project, so that the project cannot achieve its development objective.

- **Another challenge is explicitly linking project monitoring and procurement with disbursement.** Steps have been taken to address this recently. The overall concern is that project management understands the monitoring information in relation to what is actually going on in FM and procurement situations.

- **Grievance redress mechanisms (GRM) play a critical role as a complement to a CDD-based project’s monitoring, feedback and MIS systems, but the credibility may not be established.** Especially in a CDD-based project, many complaints may come from poor and remote communities who have little access to a project’s central GRM. It is also possible that the community members have some complaints about their facilitators, whereas the project facilitators are supposed to help to transmit the community’s complaints to the central project management. If complaints are not resolved quickly and expeditiously, potential users may not bother using the GRM in the future. Citizens may believe that whistleblowers have few protections and grievance redress is unlikely to be
It increases the costs associated with attempts to fight corruption, and exacerbates the culture of impunity and risks further abuses.

Ways to Address GAC Issues and Concerns

Participatory monitoring at the community level is a critical tool for both community capacity development and monitoring. This helps to build local capacity and understanding.

Third party monitoring (TPM) allows for objective and independent feedback. TPM by independent consultants can focus on governance-related matters including proper site selection and sub-projects, financial management, and procurement. TPM is increasingly used not just for an independent perspective on project performance, but as a means of obtaining beneficiary feedback. This helps make the project more accountable to beneficiaries. Service user/citizen feedback mechanisms can provide information on necessary adjustments to the project. These include community scorecards, citizen report cards, service user surveys and social audits.

Clear community-level communication is critical to know how well the project is doing at the local level. Knowledge largely depends on the quality and reliability of project monitoring and progress reports. CDD-based projects increasingly rely on process monitoring by community members to ensure that the election of community officials and the identification and prioritization of sub-projects is carried out as intended, and that project staff (including CDCs) follow project, fiduciary and safeguard rules (see Box 7 for an example). This can be done by volunteers from within the community provided that their roles and responsibilities are clearly explained. They are then responsible for reporting to the broader community on any irregularities or violations of procedures that they observe. Relevant findings should be incorporated in subsequent facilitator training.

BOX 7
Using various channels of monitoring to enhance project governance and effectiveness

Monitoring in the Philippines KALAHI-CIDSS project used a combination of four types of monitoring: (i) participatory monitoring by communities based on self-defined indicators; (ii) internal monitoring of inputs, processes, and outputs by the Project Management Office (PMO); (iii) independent external monitoring and evaluation by consultants; and (iv) civil society monitoring by NGOs and the media. While this is not recommended for every project, additional sources of monitoring strengthen governance and accountability.


24 Two relevant Bank how-to notes are Rapid Feedback: The Role of Community Scorecards in Improving Service Delivery, World Bank, Social Development Department, 2010; and Citizen Report Cards: Monitoring Citizen Perspectives to Improve Service Delivery, World Bank, Social Development Department, 2010.
The combination of TPM and community monitoring is the strongest check as it combines external and internal (to the project, not the project agency) monitoring. It also tends to combine qualitative and quantitative methods, as well as the typical TPM focus on outputs with community monitoring emphasis on beneficiary satisfaction and processes.

Regular and 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 quickly 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 activities are seen and valued locally. Monitoring has implications for Bank supervision as well. The Bank’s supervision effort (and the corresponding budget) may need to be front-loaded given the need for intensive, hands-on implementation support during the project’s early years. Monitoring and feedback may also need to be more frequent early on to verify that the project is on track and identify needed changes.

In order to act upon the collected information to make necessary changes in project operations, the MIS needs to be integrated into project decision-making. Implementation reviews should focus on the adequacy of the MIS and oversight mechanisms that have been put in place.

Increasingly, CDD-based projects are able to take advantage of information and communication technology (ICT) solutions to enhance the accuracy and reliability of their monitoring. To help CDD-based projects (where communities are widely dispersed and monitoring each sub-project is very challenging), ICT has become integral to decentralized monitoring. Geo-tagging allows local facilitators to clarify the location and to accurately report the situation, and helps improve project management. GPS-enabled cameras and/or smartphones can provide visual evidence in real time of what exactly has been achieved on the ground (see Box 8 for an example from the Philippines). Making information about development activities accessible at the local level fosters transparency and accountability by empowering citizens to provide direct feedback on project results.
In 2011, the Philippines’ Second Mindanao Rural Development Program (MRDP 2) incorporated the use of geo-tagging into its project operations in order to enhance the transparency, oversight and coordination of the program’s development activities. Geo-tagging is the process of attaching location-specific information, such as geographical coordinates, to various media types including pictures, videos, and SMS messages. It can provide geographically precise information in a user-friendly and cost-effective manner. The only equipment needed is a GPS-enabled android phone. In the MRDP 2, geo-tagging is used to attach project information to media, such as pictures from before, during and after project implementation. Sub-projects are widely dispersed across Mindanao, and accessibility to remote or conflict-affected project sites is often limited. Geo-tagging can address these challenges by enabling implementing agents to better validate and monitor project activities without having to visit the sites that are difficult and costly to visit. Moreover, geo-tagging is used as an anti-corruption tool that enables bidders, administrators and citizens to better monitor the project procurement process by linking projects to their bidding and contract information online. The Philippine government is now using geo-tagging in other agencies and local government units.

To address and listen to complaints at the community level, it may be more effective to create community level GRMs or build on existing local level GRMs. Complaints are better resolved at the local level as much as possible (see Box 9). In order for the GRMs to be user-friendly and transparent, and for community members to be aware of their rights and responsibilities, the project needs to regularly disseminate information about the GRMs and make them locally accessible through multiple channels. For example, call centers or hotlines can be used for complaint handling and information dissemination; SMS (text messaging) and web portals can ensure a transparent (and anonymous, if preferred) means to register complaints. Careful records of complaints and their resolution should be kept and made public. The results should then be used to target the project’s external audits. Finally, it is important to put in place mechanisms for whistleblower protection.

25 For guidance on creating GRMs, see Feedback Matters - Designing Effective Complaints Handling Mechanisms, World Bank, Social Development Department, 2011.
In the Tamil Nadu Empowerment and Poverty Reduction Project, the Problem Solving Communication Tree is a step-by-step approach for resolving complaints and conflicts in the village among target beneficiaries.

1. First, the community tries to resolve the issue by interacting and mediating among themselves.
2. Those issues that remain unresolved are brought to the attention of the chairperson of the village organization. The Village Poverty Reduction Committee discusses the issue and involves the Social Audit Committee to find facts. It is expected that 80 percent of the issues formally taken up by the village organization are resolved.
3. Those unresolved issues are referred to the project field team leaders who will help the community resolve them.
4. If the issue persists, the community can take it to the District Project Manager who will try to find a solution within a week’s time.
5. Issues still remaining unresolved are taken to the Project Director who will personally intervene and help solve the issue.
6. About 99.5 percent of the cases are resolved and only exceptional cases are sent to the World Bank by email addressed to the project TTL.

The steps are graphically portrayed at prominent places in all project villages. The displays include the names of the people responsible at each level, and their addresses, phone numbers and email addresses. The problem solving mechanism has promoted better communication on eligibility criteria and reasons for selecting beneficiaries for particular programs throughout the village. This has led to transparency and wider acceptance of the rules.

VIII. National and Sub-National Institutional Arrangements

GAC Issues and Concerns

The CDD approach should aim to maximize the synergies between beneficiaries and governments, and help bring the community level and policy level in conversation together. The CDD approach brings decision making around the project to those whose lives will be most impacted by it. Their needs and wishes are important information for government, as they are working on the policy framework that includes decentralization and local development. Although most of the critical design decisions in CDD-based projects are at the community and sub-project levels, important decisions are also made at higher levels. Therefore, it is important to keep in mind GAC considerations at all levels. The issues include:

- **Collaboration across sectors/between line ministries is lacking.** Decisions about national (mainly sectoral agencies) and sub-national (mainly LGA) institutional arrangements to provide technical assistance, resources, and other support to the project needs
consideration. CDD-based projects are usually not self-contained and have many program dependencies outside their “home” ministry or agency. The multi-sectoral nature of most CDD-based operations requires coordination of inputs from different ministries and agencies.

- **Links to local governments/the decentralization process are missing.** LGAs may see themselves in competition with CDD-based projects for scarce resources at the local level. If LGAs are not supportive, they also can undermine the long-term sustainability of CDD.

- **Funding is not sustainable.** The funding needs to be sustainable to support sub-projects and the services that those sub-projects intend to deliver. While CDD-based sub-projects construct community infrastructure such as schools, health clinics, water supply systems and so on, they rarely have the resources and capacity to provide other necessary inputs such as staff, supplies, operations and maintenance. If this support is not forthcoming, is poorly coordinated, or does not reach communities and sub-projects in a timely fashion, the investments and community institutions would not be sustainable.

- **Linkages to other sectoral poverty reduction programs are not considered.** Most CDD-based projects ultimately aim to have their development and decision-making systems mainstreamed into government. Community level buy-in, empowerment, and participation are critical, but in order for the project to be truly sustainable it needs to link with larger government leadership and authority. Without the political commitment of the national government to decentralization and bottom-up development planning and implementation—and an enabling legal and institutional framework—support for community empowerment is in doubt, as are the prospects for empowering the LGAs and CDCs. In some cases, without careful facilitation, it may be difficult to ensure a natural synergy between community-level wishes and government intention (especially in Fragile and Conflict-affected states). Therefore, this becomes the last key area of GAC challenges of which task teams need to be cognizant.

### Ways to Address GAC Issues and Concerns

In order to help the project task teams to better understand the country or region’s political situation, one suggestion is to use some targeted analytical work for positive purposes along with testing, piloting and showing politicians and other leaders results in the field. Political economy analysis can assess the extent of national and local government commitment; and technical or situational analysis can assess whether the existing legal and institutional framework provides adequate support for decentralization. These analyses can identify not just problem areas, but also opportunities and champions to work with and to support the bottom-up approach. Being able to then use this to pilot, test, and demonstrate proof of concept is persuasive.

There are some measures to help develop political commitment and the support of champions. For example:
Depending on the nature of the CDD-based project (first generation/testing or second generation/national or scaled), a multi-stakeholder steering committee or similar arrangement can help build political support. For instance, a government joint working group to coordinate relevant ministries and their inputs to the CDD-based project may be useful.26

Involving, or at least coordinating with, line ministries in CDD-based projects improves the likelihood of receiving adequate support. For example, in a school construction project, involve a local Ministry of Education office to supervise or approve the sub-project design and implementation.

Planning for the transition from project completion to ongoing operations and maintenance.

Besides providing necessary financial and material support, government can undertake other measures that demonstrate its commitment to good governance and accountability. For example, the national government or the project implementing agency can create incentives for good governance through awards, recognition in learning exchanges, performance-based block grants, and other inducements. These incentives are usually at the village or community level, rather than for individuals or teams. Box 10 provides an example of an incentive fund for village organizations in a Sri Lanka CDD-based project.

**BOX 10**

*Using an Incentive Fund to Promote Good Governance*

The Sri Lanka Second Community Development and Livelihood Project created an incentive fund to reward good governance among village organizations (VOs). The main objective of the incentive fund is to motivate the community members in VOs to promote the economic sustainability of the VOs to produce benefits for the community. Criteria for the incentive fund reward include VO transparency, accountability, participation, inclusion, equity, efficiency, and the sustainability of project assets. VOs are graded by the appraisal and monitoring team, community professionals, and members of the district VO federation. The incentive fund is untied and the VO can utilize it for any priority that benefits the majority of the community, especially to improve the lives of the poorest households, youth and women, and vulnerable communities, and/or to improve functioning and governance of the VO and its federation. Funds are used mainly to invest in business activities or priority needs.

While it may be necessary for funds for sub-projects to go directly to the community level to avoid delays or diversion, experience suggests that task teams should not ignore LGAs in the design of even pilot projects. Where there are willing actors, working through LGAs is also an important tool for capacity development. For long-term sustainability of CDD-based projects, the involvement of LGAs is critical. The challenge is to develop constructive linkages between

26 For example, in the Morocco National Human Development Initiative (INDH), the national government is establishing tripartite agreements with relevant line ministries for the operation and maintenance of facilities constructed by communities.
community-based development planning and the financial and technical resources of LGAs and relevant sectoral agencies. For example, in Malawi, while the project provides funding for sub-projects, other actors such as local government, NGOs, and private sector organizations play a role in the sub-project cycle as facilitators, appraisers, supervisors, contractors, and partners in co-financing arrangements. It is this kind of cooperation among multiple partners that strengthens institutional and financial sustainability.

**IX. Integrating Governance Measures into CDD-based Projects**

In order to integrate GAC measures into the design of CDD-based projects, there are four steps as explained below.  

The first step is identifying which risks are most applicable. As we have seen in the previous sections, there are multiple concerns or potential risks in one project. The risks could be identified by consultations, political economy or other types of analysis, lessons from the previous phase of the project or from similar projects in other countries. GAC measures are normally summarized in the Operational Risk Assessment Framework (ORAF), the risk analysis part of the Project Appraisal Document (PAD), and the Governance and Accountability Action Plan (GAAP), GAC Framework, or equivalent document. Within the GAAP or GAC Framework, good practice is to create a matrix of GAC risks and issues, and to clearly note which mitigation measures will address each of these risks, and who will be responsible for implementing those measures. Furthermore, GAC measures can be sub-divided into prevention, detection, and mitigation of GAC risks and concerns, as well as measures at the national, sub-national (state/district) and community levels. This helps to develop a more comprehensive approach and identify any gaps in the GAAP or GAC Framework.

The second step is then to select the mitigation measures that are effective and feasible. Not every type of desired measure can be utilized in each CDD-based project. That would create an unsustainable financial and logistical burden on the project. Two main factors limiting their feasibility are the technical capacity and the cooperation required from government, communities, and other actors involved in their implementation. Critical information under the control of government or others may constrain the choice of GAC measures. The cost and time necessary to implement specific GAC measures may also limit their feasibility, or at least the frequency and/or scope of their implementation. Although all the serious GAC concerns need to be addressed, only the most critical, relevant and effective GAC measures are likely to be effective.

---

27 Also see the How-to Note, *How, When, and Why to Use Demand-Side Governance Approaches in Projects*, World Bank, Social Development Department (2011), for general guidance on how to integrate demand side governance approaches into projects. This note also provides advice on aspects on the project context that affect the choice of GAC measures, especially of constraints to citizen participation.

28 For example, see the Governance and Accountability Framework in the India National Rural Livelihoods Project.
practical or even feasible. These should be the criteria in deciding which GAC measures to select.

The third step is to decide the details for implementing the selected GAC measures. While this note has suggested aspects for most of these measures, the following details need to be decided.

- **Funding**: identify the source of funds for GAC measures
- **Timing**: match the timing for implementing GAC measures with project implementation
- **Actors**: identify partners for implementing GAC measures (CSOs, communities, project staff)
- **Supervision and monitoring**: integrate monitoring of GAC measures within overall project M&E (i.e. management information systems and supervision arrangements)
- **Communication**: build public understanding and support for these measures
- **Follow-up**: Incorporate any feedback into the design, and plan necessary training and follow-up activities

The fourth step is to incorporate the selected GAC measures and implications (budgets, people, etc.) into the project design. This should also be specified in relevant project documents. Most of the GAC measures are central to CDD-based projects. These include community empowerment and facilitation; sub-project selection, design and implementation; procurement, disbursement and financial management; and monitoring and evaluation. Therefore these will be included in the main project components and activities, as well as the corresponding sections of the PAD. This contrasts with many other types of projects where the GAC issues and mitigation measures are usually only reflected in the ORAF and the risk analysis section of the PAD. GAC fiduciary measures—including those for FM and procurement—should be in those respective project components and PAD annexes. Finally, GAC measures need to be incorporated into the project Operational Manual, Project Implementation Plan, and other key project planning documents. These are critical for ensuring that the community members and project management are fully aware of the rules and processes of fiduciary managements.

In some cases project teams may need help from GAC specialists during project preparation to determine cost implications and identify synergies with existing project sub-components for optimal cost-effectiveness and impact. GAC specialists are especially useful in conceptualizing the big picture, such as selecting and sequencing GAC measures, understanding the implications of the context for the choice and integration of Social Accountability tools, linking them to project activities, and planning for institutionalizing and scaling up GAC in projects.

---

29 For guidance on selecting GAC measures to manage risks identified in the ORAF, see the SDV How-to Note, *Using Demand-Side Governance Approaches to Identify and Manage Risks in Projects*, World Bank, Social Development Department, 2012.
X. Some Final Words

GAC measures need to be embedded at the core and in every activity of the project. In other words, they need to be put into the DNA of project design. CDD-based projects heavily rely on the good participation and accountability of each stakeholder. Even if a project is carefully designed, if it is not done in the way that enhances good governance and accountability, it might be difficult to achieve the expected outcome. It is as important to take GAC into the DNA of project design as it is to actually implement those measures. Without implementing what you designed, measures and discussions on GAC are virtually useless.

Dealing with governance and accountability is not just about applying a set of GAC measures; GAC is political as well as technical. Having a firm understanding of the political economy context and institutions in the project context, and using this information as a basis for decisions about which GAC measures to use, is critical. There are many different factors to consider in designing and implementing a GAC measure. Although the measures outlined in this note are an important aspect of promoting governance and accountability in CDD-based projects, the ultimate success of these efforts depends upon the context in which they are used, the principles and values that guide their use (transparency, participation and accountability), who is involved, and how are they involved. Enhancing governance and accountability is much more than about introducing GAC measures; it is mainly about developing stakeholder awareness, capacity, and cooperation to address GAC issues.

The complementary resource “Community-Driven Development Toolkit: Governance and Accountability Dimensions” has more information on practical tools at three levels: community, project and external. In this Toolkit, there is the opportunity to go deeper into the subject area with case study examples.
Annex 1: Measures to Improve Governance and Accountability in CDD-based Projects

<table>
<thead>
<tr>
<th>GAC Issues</th>
<th>Potential Measures to Address Issues</th>
<th>Project Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area 1: Community Engagement, Facilitation and Mobilization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clear project rules</td>
<td>• Establish a clear set of rules for the project so that people understand what is acceptable and expected, and how to make complaints or report violations.</td>
<td><strong>Community manual.</strong> Well-facilitated workshops with experienced community members from pilot villages generated 14 illustrated, comprehensive and community friendly booklets on various aspects of project implementation. Experienced community members trained new project field staff with the booklets. Every year the community members revised the booklets by incorporating lessons from the field. [Bangladesh Empowerment and Livelihood “Nuton Jibon” Project]</td>
</tr>
<tr>
<td></td>
<td>• Codify the rules in a format that is easily understandable to the community. Often this takes the form of a rules booklet or community manual.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Complement the rules with a set of principles that community members can commit to memory.</td>
<td></td>
</tr>
<tr>
<td>Community awareness</td>
<td>• Community members may not understand or may ignore project rules.</td>
<td><strong>Set of principles.</strong> Ten community level non-negotiable principles are recited at every committee meeting. [India Tamil Nadu Empowerment and Poverty Reduction Project]</td>
</tr>
<tr>
<td></td>
<td>• They may not participate effectively in the project.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Community engagement should begin with a carefully designed community awareness program to inform the community about how the project will work, and their entitlements, rights, and obligations.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The communications program should be kept simple using charts, pictures, and the local language.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• It should cover all critical elements of the program, roles and responsibilities of key actors, how the key processes should work, expectations about transparency, and plans for program oversight including complaints handing mechanisms, and procedures for dealing with fraud and corruption.</td>
<td></td>
</tr>
<tr>
<td>Information, Education and Communication (IEC) Campaign.</td>
<td>Public awareness-raising IEC campaigns were used to increase participation and to ensure that communities and other key stakeholders understood their roles under the project. The various waves of IEC initiatives (radio messages, posters, bus advertisements, interpersonal exchanges) aimed to disseminate among the prospective stakeholders the norms of the project, the roles they were expected to play and their attendant responsibilities. [Malawi Social Action Fund]</td>
<td></td>
</tr>
<tr>
<td>GAC Issues</td>
<td>Potential Measures to Address Issues</td>
<td>Project Examples</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>• Allocate ample time for community mobilization prior to funding micro-projects in order to explain</td>
<td>Community display boards. Against the baseline situation before the start of the project, progress is reported against annual and end-of-project goals. The sub-projects are tracked against budgets and schedules. The key advantage of display boards is to ensure that benefits are not being captured by a selected few in the village. Display boards have raised the sense of pride among the poor and the very poor who could watch their progress develop. [India Tamil Nadu Empowerment and Poverty Reduction Project]</td>
</tr>
<tr>
<td></td>
<td>project’s “rules of the game” and put in place social accountability mechanisms.</td>
<td></td>
</tr>
<tr>
<td>Community empowerment</td>
<td>• Building the communities’ capacities is closely linked with transparency and availability of</td>
<td>Grassroots Management Training (GMT). Extensive capacity building activities for local government authorities and communities. The GMT contained 10 modules (3-6 days each) covering topics that are critical for sound project implementation. GMT emphasized the inclusion of vulnerable groups (women, youth, and the disabled). It used a well-prepared set of picture books as training materials. [Benin National Community Driven Development Program]</td>
</tr>
<tr>
<td></td>
<td>information.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Maximize community participation in the election of CDC members to prevent elite capture or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>conflict of interest.</td>
<td></td>
</tr>
<tr>
<td>Community facilitation</td>
<td>• Require facilitators to maintain records providing information on their work with communities.</td>
<td>Facilitator certificate. [Indonesia National Program for Community Empowerment in Rural Areas (PNPM Rural)]</td>
</tr>
<tr>
<td></td>
<td>• Independently monitor the facilitation process using community volunteers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Incorporate findings in subsequent facilitator trainings.</td>
<td></td>
</tr>
<tr>
<td>GAC Issues</td>
<td>Potential Measures to Address Issues</td>
<td>Project Examples</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>HR policies for project staff</td>
<td>- Selection process should be objective and transparent (e.g., include a panel interview process).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- TORs for each position should be prepared to ensure proper job segregation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Merit-oriented recruitment procedures should be developed and should include sanctions for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>incompetent and corrupt staff as well as nepotism.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Ongoing training to enhance staff, especially facilitator, skills.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- HR tasks can be contracted to a private sector HR firm.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>HR policy manual. The HR manual outlines the key project information, principles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and rules for the staff, all HR related rules and guidelines on work time, leave,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>benefits, etc. This indicates the reward and penalty relevant to the performance as</td>
</tr>
<tr>
<td></td>
<td></td>
<td>well. This serves as a reference point for all staff. [Afghanistan National Solidarity Program]</td>
</tr>
</tbody>
</table>
### Area 2: Sub-project Design, Selection and Implementation

<table>
<thead>
<tr>
<th>GAC Issues</th>
<th>Potential Measures to Address Issues</th>
<th>Project Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project targeting and inclusion</strong></td>
<td></td>
<td><strong>Participatory Identification of the Poor (PIP).</strong> To reach the extreme poor and poor households, who constitute the target beneficiaries of the project, a targeting methodology was used consisting of a 15 step participatory process including identifying and building capacity of a team of community members from the village who carry out the exercise with the facilitation and technical guidance of project staff and community professionals. [Bangladesh Empowerment and Livelihood “Nuton Jibon” Project]</td>
</tr>
<tr>
<td>• Potential for conflicts to arise from targeting and inclusion process itself</td>
<td>• Be clear in communicating what the rationale is for the proposed targeting and inclusion goals.</td>
<td></td>
</tr>
<tr>
<td>• Processes of identifying community needs and prioritizing potential investments may be distorted by corruption and elite capture.</td>
<td>• Assess the adequacy and robustness of the database upon which targeting decisions may be based.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Determine the allocation of project funds based on a community assessment of needs and priorities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Select beneficiaries through involvement of the local people and beneficiaries.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Make selection criteria and beneficiary lists publicly available.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Conduct spot-checks to verify that beneficiaries meet agreed criteria.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Include monitoring and mapping of actual project outcomes against those objectives in the project design.</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-project selection and approval</strong></td>
<td></td>
<td><strong>Appraisal of village fund proposals.</strong> This exercise, termed an appraisal, is carried out when project villages submit proposals for accessing sub-funds of the village fund. Appraisals are also carried out each time the village organization submit applications for subsequent installments of funds. [Bangladesh Empowerment and Livelihood “Nuton Jibon” Project]</td>
</tr>
<tr>
<td>• Unclear “rules of the game”</td>
<td>• Make sub-project planning and selection transparent.</td>
<td></td>
</tr>
<tr>
<td>• Failure to make the rules clear to the community</td>
<td>• Ensure that standard benchmarks for steps in the sub-project cycle are well publicized.</td>
<td></td>
</tr>
<tr>
<td>• Failure to follow the rules</td>
<td>• Promote community engagement, led by facilitators, with transparent voting by a minimum share of village households in the sub-project approval process.</td>
<td></td>
</tr>
<tr>
<td>• Elite capture or conflict of interest in selection of sub-projects</td>
<td>• Establish robust appraisal processes that are independent of facilitation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Keep minutes or other records on decisions about approving sub-projects.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ensure independent monitoring of the sub-project selection process and outcomes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Establish a complaints handling mechanism</td>
<td></td>
</tr>
<tr>
<td>GAC Issues</td>
<td>Potential Measures to Address Issues</td>
<td>Project Examples</td>
</tr>
<tr>
<td>----------------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Sub-project design</strong></td>
<td>• Develop clear and simple sub-project design standards.</td>
<td>Picture Books. The set of small-size books contains a lot of pictures of “good and bad” examples, with brief explanations on how sub-projects should be built by sector (water, rural road, small irrigation systems, etc.) to enhance the sound sub-project design standard. This also helps when the project staff or facilitators conduct monitoring or technical audits. [Indonesia Kecamatan Development Project]</td>
</tr>
<tr>
<td></td>
<td>• Train community members in construction techniques.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Provide technical assistance from design experts.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Maintain an up-to-date database of unit costs for common construction inputs including a list of suppliers providing these unit prices.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Inappropriate design standards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Inaccurate estimation of project inputs</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-project management</strong></td>
<td>• Define the procedures for the election of CDC members, the membership criteria, the length of their tenure, the frequency of elections, etc.</td>
<td>Technical Advisors including Environment Specialists at the local project and line ministry office. There are technical officers at the local project office who can help communities with questions or requests for advice regarding sub-project design and management to improve environmental issues (e.g. waste management) and/or engineering aspects. The project also collaborates with line ministries to help communities to better implement sub-projects. [Nigeria National Fadama Project]</td>
</tr>
<tr>
<td></td>
<td>• Clarify the role of the CDCs in the project’s Operational Manual.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ensure the proper segregation of responsibilities among CDC officials and CDC sub-committees to improve internal checks and balances.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Make sure that CDC activities are well documented and publicized.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Record, read out and ratify the proceedings of CDC meetings in subsequent meetings.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• CDCs hold annual general meetings and make annual performance reports and audits public.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Weak accountability of the CDC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Community sub-project implementation and the oversight processes might not work as envisioned.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lack of segregation of duties may lay the ground for fraud and corruption.</td>
<td></td>
</tr>
<tr>
<td><strong>Quality of construction</strong></td>
<td>• Utilize competent and independent technical consultants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Educate the community about the importance of breaking down the physical work into discrete steps and estimating the time and cost of each step.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Use third party monitoring (technical quality process monitoring)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Conduct technical audits of a sample of sub-projects</td>
<td>Sub-project Infrastructure Quality Assessment. The project contracted an independent firm to conduct a technical assessment of sub-projects to assess the quality of infrastructure. They used a simple form that only included selected information to be collected, to maximize the efficiency and cost-effectiveness. [Indonesia National Program for Community Empowerment in Rural Areas (PNPM Rural)]</td>
</tr>
<tr>
<td></td>
<td>• Poor quality materials</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lack of skills</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Inadequate supervision</td>
<td></td>
</tr>
<tr>
<td>GAC Issues</td>
<td>Potential Measures to Address Issues</td>
<td>Project Examples</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Arrangements for use of community contributions (especially labor)</strong></td>
<td>• Ensure the transparency of project information and rules (such as through community bulletin boards)&lt;br&gt;• Conduct independent monitoring of project processes&lt;br&gt;• Set up a complaints handling mechanism</td>
<td><strong>Counterpart Contributions Costing Table.</strong> The project prepared a list of types categorized by labor, materials, contracted labor and equipment, and cash contribution, and summarized the information in a table showing the units and unit rates so that all stakeholders (facilitators, community members, project staff) could refer to the table when calculating the contribution. [Papua New Guinea Rural Service Delivery and Local Governance Project]</td>
</tr>
<tr>
<td>• Failure to follow targeting rules of eligibility for employment&lt;br&gt;• Failure to pay the established wage rates or to fully credit laborers for the time worked</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Arrangements for the acquisition of land</strong></td>
<td>• Carry out information campaigns and ensure information disclosure (on land acquisition issues).&lt;br&gt;• Monitor land acquisition issues.&lt;br&gt;• Develop grievance redress mechanisms.</td>
<td><strong>Land acquisition and farm development.</strong> The project was implemented with direct community involvement in the identification, negotiation and acquisition of land and the preparation of farm development proposals, approved by a district-level multi-stakeholder entity. [Malawi Community-Based Rural Land Development Project]</td>
</tr>
<tr>
<td>• Failure to provide appropriate compensation&lt;br&gt;• Location of the sub-project on land that unfairly benefits certain individuals</td>
<td></td>
<td><strong>Community-based approach to land reform.</strong> The project relied on negotiated land purchases at market prices and community implementation of investment sub-projects. Communities were adept at managing the trade-offs between land cost, size and on-farm investment funding within the family financing package provided. [Brazil Land-Based Poverty Alleviation Project]</td>
</tr>
</tbody>
</table>

---

**Guidance Note**  
Annex 1: Measures to Improve Governance and Accountability in CDD-based Projects
### Area 3: Financial Management, Flow of Funds, and Procurement

<table>
<thead>
<tr>
<th>GAC Issues</th>
<th>Potential Measures to Address Issues</th>
<th>Project Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and budgeting system arrangements</td>
<td>• Delays in the release of funds due to bureaucratic inefficiencies</td>
<td>FM and Accounting guidelines for communities. The project has developed well-illustrated and easy to follow financial management and accounting guidelines with the participation of experienced and knowledgeable finance committee members from the pilot villages. Using these, the project community financial staff, along with experienced community members, trained the new finance committee members from the new villages on the basics of FM and on details of how the village-level accounts have to be kept. [Sri Lanka Second Community Development and Livelihoods Improvement Project]</td>
</tr>
<tr>
<td></td>
<td>• Diversion of funds due to corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• If there are serious governance issues and concerns about systemic corruption in the civil service, then it may be advisable for funds for sub-projects to go almost directly to the community level.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Consult with local and other stakeholders to identify flow of fund issues and the most appropriate channel for funds.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Promote greater transparency in the approval of budgets</td>
<td></td>
</tr>
<tr>
<td>Simple and clear flow of funds</td>
<td>• Make sure the channel lends itself to sound control and transparency arrangements.</td>
<td>Simply Fund Flow. The core of community financial management is a simple fund flow to the community institution and within the village. The formalization of the fund flow is through signing a set of financing agreements clearly elaborating rules of funding and roles and responsibilities of the project and village institution. The project funds are released to the village institution in installments subject to satisfactory achievement of a set of milestones. Such a results-based fund flow arrangement includes appraisals and milestone checking by an independent appraisal and monitoring team firewalled from implementation. [Sri Lanka Second Community Development and Livelihoods Improvement Project]</td>
</tr>
<tr>
<td></td>
<td>• Use budget tracking mechanisms to monitor the actual flow of funds.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Consider using IT to ensure swift and direct transfers of funds into community bank accounts.</td>
<td></td>
</tr>
<tr>
<td>GAC Issues</td>
<td>Potential Measures to Address Issues</td>
<td>Project Examples</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Financial management and accounting    | - Keep procedures simple, with a high degree of transparency, and a clear understanding about the rules, especially the roles and responsibilities of both internal and external auditors.  
   - Include checks and balances, and separation of functions, in the design and implementation of FM and accounting systems.  
   - Make sure that financial rules at the community level reflect collective decision making in spirit and letter.  
   - As far as possible, gather project accounting and expenditure information at the community level.  
   - Integrate financial management supervision at the community level with monitoring to ensure a close link between implementation progress reporting and financial reporting to validate expenditures.  
   - Determine clear sanctions or remedies for the misuse of project funds and ensure they are well publicized. | Community financial management. The core of community financial management is a simple fund flow to the community institution and within the village. The project funds are released to the village institution in installments subject to satisfactory achievement of milestones. Such a results-based fund flow arrangement includes appraisals and milestone checking by an independent appraisal and monitoring team completely separate from project implementation. [Sri Lanka Second Community Development and Livelihood Project] |
| Transparency of fund management        | - Devise simple checklists in the local language explaining the documentation required, in consultation with the community, displaying them prominently.  
   - Display the amount of community block grants and/or sub-project budgets.  
   - Post summaries of local project expenditures and procurement information in a public place (for example, outside of a village hall or meeting place).  
   - Make accounts and records of proceedings available for review.  
   - Clearly identify the reporting chain and define the oversight roles and responsibilities at multiple levels. | Transparency of fund management. The project undertakes numerous measures to enhance transparency, participation, and accountability in community financial management including: keeping records of financial transactions and proceedings of meetings, detailed accounts of all loans disbursed and interest received, inspections of the books by officials on a random basis, and audits. [India Andhra Pradesh Rural Poverty Alleviation Project] |
<table>
<thead>
<tr>
<th>GAC Issues</th>
<th>Potential Measures to Address Issues</th>
<th>Project Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provisions for financial management capacity building</strong>&lt;br&gt;• Insufficient capacity poses a threat to the reliability of accounts, and to the transparency, oversight and accountability of FM.</td>
<td>• Conduct regular financial reporting meetings in which district level finance officials, accountants and treasurers attend.&lt;br&gt;• Build financial management and auditing capacity at the local government and community levels.&lt;br&gt;• Develop a cadre of community accountants.&lt;br&gt;• Establish accounting hubs, create cadres of master bookkeepers and community-level bookkeepers, mobile accounting teams, and so on to ensure appropriate and timely accounting.&lt;br&gt;• Include basic bookkeeping, accounting and budget management capacity building for CDCs in the TORs.</td>
<td><strong>Grassroots Management Training.</strong> Grassroots Management Training was a 41 day course containing 10 modules covering all aspects of CDD including FM. [Benin National Community Driven Development Program]</td>
</tr>
<tr>
<td><strong>Procurement procedures</strong>&lt;br&gt;• Failure to follow procurement standards and rules&lt;br&gt;• Fraud, corruption or conflict of interest&lt;br&gt;• Missing original documents (e.g., bids)&lt;br&gt;• Excessive use of cash&lt;br&gt;• Large variance between cited and approved estimates as per proposal documents&lt;br&gt;• Lack of value for money</td>
<td>• Make sure that procurement is designed to be simple enough as to be understood and implemented by local staff and the community, and also sufficiently transparent to permit real competition among suppliers.&lt;br&gt;• Use simple, standardized documentation.&lt;br&gt;• Balance risk versus control/management with efficiency considerations.&lt;br&gt;• Minimize cash transactions and establish clear guidelines for its use.&lt;br&gt;• Record expenditures (to the extent possible), at the end-use point where they are incurred or paid.&lt;br&gt;• Sample selected sub-projects and communities for post review to determine if the procurement provisions are being implemented and whether the community’s internal control system is being practiced.</td>
<td><strong>Community Procurement.</strong> This is a method to procure works, goods and services directly by community based organizations upholding the key principles of procurement but within the context of CDD. The fiduciary team rated procurement risk at the community level as very low in view of the demonstrated capacity of community institutions to undertake village level procurement. The cost savings in infrastructure, compared to government-contracted works, were estimated by the ICR team at 36 percent. [Sri Lanka Second Community Development and Livelihood Project]</td>
</tr>
<tr>
<td>GAC Issues</td>
<td>Potential Measures to Address Issues</td>
<td>Project Examples</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• Ensure that no individual is able to initiate, authorize, execute, or record a transaction without the active involvement of a second person. • Conduct procurement through procurement committees.</td>
<td></td>
<td><strong>Transparent procurement.</strong> The Project undertakes numerous measures to enhance transparency, participation and accountability in community level procurement by using committees, keeping records, verifying assets purchased, and taking photo-documentation of procured assets. [India Andhra Pradesh Rural Poverty Alleviation Project]</td>
</tr>
<tr>
<td>• Transparency of procurement</td>
<td>• Adopt transparency measures to disclose procurement, bidding, &amp; contracts. • Post procurement plans on websites. • Publicize all procurement notices and contract awards for goods, works, and consulting services.</td>
<td></td>
</tr>
<tr>
<td>Provision for asset management</td>
<td>• Establish written procedures for project staff to hand over project assets once their contracts have been terminated, and maintain records. • Set up a fixed asset registry. • Ensure good record keeping, transparency of ownership, and regular audits, combined with clear and predictable sanctions for theft or misuse of assets</td>
<td><strong>Utilization Certificate.</strong> The project collects the certifications from CDCs for asset purchase by CDC members. [India Andhra Pradesh Rural Poverty Reduction Project]</td>
</tr>
<tr>
<td>Audit arrangements</td>
<td>• Ensure that audits test the operation of unconventional financial controls such as the availability of project financial information at the village level. • Contract out the external audit to a private sector accounting firm. • Combine the audits of financial statements with the procurement audit or technical audit to ensure physical verification and quality control. • Introduce community auditors to increase the frequency of audits. • Consider using “peer auditing” by members of other communities,</td>
<td><strong>Social audit.</strong> The social audit is a method of periodic and structured public review of all the village development initiatives. Social audits conducted so far have been a great success. Communities have largely seen the advantage of social audits and are now demanding it for other development projects as a means of resolving conflict. [Afghanistan National Solidarity Program]</td>
</tr>
</tbody>
</table>
### Potential Measures to Address GAC Issues

<table>
<thead>
<tr>
<th>GAC Issues</th>
<th>Potential Measures to Address Issues</th>
<th>Project Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>which has proven to be an effective tool to improve community capacity and compliance with FM and procurement guidelines.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Investigate complaints of financial irregularities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Conduct audits in the presence of general body members and announce the results of the audit in the general body meeting.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Make it a mandatory requirement to disclose audit findings.</td>
<td></td>
</tr>
</tbody>
</table>
## Area 4: Monitoring and Feedback

### Sub-project Monitoring
- Project managers and donors may not really know how well the project is doing at the local level.
- The quality and reliability of project monitoring may be inadequate.

- Conduct process monitoring by community members to ensure that rules are followed
- Utilize service user/citizen feedback mechanisms to help gather information on necessary adjustments to the project.
- Make use of third party monitoring by independent consultants to focus on governance-related matters including proper selection of sites and sub-projects, financial management, and procurement.
- Utilize appraisal and monitoring teams—comprised of staff skilled in financial management, engineering, community participation and rural development—to certify achievement of physical and other milestones during implementation of community activities and to assist in the release of installments of project funds.

### Management Information Systems (MIS)
- MIS not established
- MIS system is not able to provide relevant, reliable and timely information

- Take advantage of ICT to enhance the accuracy and reliability of MIS systems in CDD-based projects.
- Make use of GPS-enabled cameras and/or smart phones to provide visual evidence in real time of what exactly has been achieved on the ground.
- Focus implementation reviews on the adequacy of the information systems and oversight mechanisms that have been put in place.

### Project Examples

<table>
<thead>
<tr>
<th>GAC Issues</th>
<th>Potential Measures to Address Issues</th>
<th>Sub-project monitoring</th>
<th>Management Information Systems (MIS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-project Monitoring</td>
<td>• Conduct process monitoring by community members to ensure that rules are followed • Utilize service user/citizen feedback mechanisms to help gather information on necessary adjustments to the project. • Make use of third party monitoring by independent consultants to focus on governance-related matters including proper selection of sites and sub-projects, financial management, and procurement. • Utilize appraisal and monitoring teams—comprised of staff skilled in financial management, engineering, community participation and rural development—to certify achievement of physical and other milestones during implementation of community activities and to assist in the release of installments of project funds.</td>
<td>The project utilizes: (i) participatory monitoring by communities based on self-defined indicators; (ii) internal monitoring of inputs, process, and outputs by the Project Management Office (PMO); (iii) independent external monitoring and evaluation by consultants; and (iv) civil society monitoring by NGOs and the media. A computerized management information system (MIS) enables internal inputs, process, and output monitoring, as well as an analysis of project impacts. [Philippines Kalahi-CIDDS Project]</td>
<td>• MIS not established • MIS system is not able to provide relevant, reliable and timely information</td>
</tr>
<tr>
<td>MIS</td>
<td>• Take advantage of ICT to enhance the accuracy and reliability of MIS systems in CDD-based projects. • Make use of GPS-enabled cameras and/or smart phones to provide visual evidence in real time of what exactly has been achieved on the ground. • Focus implementation reviews on the adequacy of the information systems and oversight mechanisms that have been put in place.</td>
<td>Information collected by the State Technical Unit is highly transparent and made available through an interactive, internet-based management information system to verify targeting effectiveness, cost-effectiveness of investments, project implementation, and monitoring reports for project supervision. [Brazil Northeast Rural Development Program and Rural Poverty Alleviation Program]</td>
<td>Geo-tagging. Geo-tagging attaches location-specific information, such as geographical coordinates, to various media types, including pictures, videos, and SMS messages.</td>
</tr>
<tr>
<td>GAC Issues</td>
<td>Potential Measures to Address Issues</td>
<td>Project Examples</td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td></td>
</tr>
</tbody>
</table>
| Community oversight       | • Complement internal controls with community oversight arrangements.  
                           | • Establish arrangements for horizontal fiduciary assurance like social audit committees, citizen charters, etc.  
                           | • Ensure that the Social Audit Committee checks compliance with agreed rules and utilization of funds, and verifies account books and procurement records.  
                           | • Utilize benefit tracking and monitoring; peer community assessments and report cards on service providers.  
                           | Community Assessment Process. This is a facilitated village level process to identify mismatches between the expectations and satisfaction levels of a target community with official claims. Implementation issues that could otherwise have gone unnoticed by the project facilitation team were revealed, helping them to adjust their support to the communities by targeting real field level issues. [Sri Lanka Second Community Development and Livelihood Project] |
| Grievance redress         | • Make GRMs widely publicized and accessible through multiple channels.  
                           | • Ensure that GRMs are user-friendly and transparent.  
                           | • Use SMS (text messaging) and web portals to ensure a transparent process.  
                           | • Resolve complaints quickly and expeditiously.  
                           | • Resolve issues at the local level as much as possible.  
                           | • Keep records of complaints and their resolution and make them public.  
                           | • Use the results to target the program’s external audits.  
                           | • Review progress in handling complaints during supervision missions.  
                           | • Put in place mechanisms for whistleblower protection.  
                           | GRM. The project uses multiple mechanisms and levels for grievance redress. These include monitoring sub-committees at the local level, investigative reports submitted to district meetings, a state level finance department and 22 call centers. [India Andhra Pradesh, Rural Poverty Alleviation Project]  
                           | Hotline. Each sub-project site has a sign which clearly shows the group, area, the type of sub-project, and the hotline phone number so anyone that finds problems or has questions can reach the project and clarify the issue. [Nigeria Fadama Development Project] |
### Area 5: National and Sub-national Institutional Arrangements

<table>
<thead>
<tr>
<th>GAC Issues</th>
<th>Potential Measures to Address Issues</th>
<th>Project Examples</th>
</tr>
</thead>
</table>
| **Political commitment of the government to decentralization and “bottom up” development** | • Use political economy analysis, both local and national, to assess the reality of government commitment.  
• Use technical or situational analysis to assess whether the existing legal and institutional framework provides adequate support for decentralization.  
• Search for champions to work with and support the CDD-based project.  
• Develop political commitment by demonstrating the value of “bottom up” development including GAC principles of participation, transparency and accountability.  
• Establish a multi-stakeholder steering committee to build political support. | **Sub-project manuals prepared by relevant line ministries.** To align with the country’s decentralization policy and efforts, the project from the beginning involved the line ministries in discussion. The line ministry developed an operational manual for communities to construct relevant infrastructure as their sub-projects. [Benin National Community Driven Development Program] |
| **Institutional arrangements to support the CDD program** | • Involve, or at least coordinate with, line ministries in CDD-based projects.  
• Define carefully the roles and responsibilities of different agencies involved in project implementation.  
• Create a government joint working group to coordinate relevant ministries and their inputs to the CDD-based project.  
• Plan for the transition from project completion to ongoing operations and maintenance.  
• Develop constructive linkages between community-based development planning and the resources (financial and technical) of LGAs and relevant sectoral agencies.  
• Create incentives for good governance through awards, recognition, performance-based block grants, and other inducements. | **Incentive fund for good governance.** The main objective of the Incentive Fund is to motivate the community members in Village Organizations (VOs) to promote economic sustainability of the VOs to produce benefits to the community. Criteria include transparency, accountability, participation, inclusion, equity, efficiency, and sustainability of assets. The Incentive Fund is an untied fund and the VO can utilize it for any priority of the community that benefits the majority of the community members, especially to improve the lives of the poorest households, poorest youth and women, and vulnerable communities, and/or to improve functioning and governance of the VO and its federation. [Sri Lanka Second Community Development and Livelihood Project] |