

**STOCKTAKING
OF SELECTED
WORLD BANK PROJECTS WORKING WITH
RURAL INSTITUTIONS
FOR SUSTAINABLE LIVELIHOODS AND EQUITABLE DEVELOPMENT**

DRAFT

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Abbreviations and Acronyms

AM	Aide Memoir
CBO	Community Based Organizations
CDD	Community Driven Development
CIG	Community Interest Group
CIG	Common Interest Group
CIRAD	Centre de coopération Internationale en Recherche Agronomique pour le Développement
CSA	Country Social Analysis
CSO	Community Service Organization
DFID	Department for International Development
DPIP	District Poverty Initiative Project
EU	European Union
FO	Farmer Organization
ICR	Implementation Completion Report
ISR	Implementation Status Report
Kalahi	CDD project in Philippines
KDP	Kecamatan Development Program (Indonesia)
LA	Local Administration
LAC	Latin American & the Caribbean
LG	Local Government
LGU	Local Governmental Units
MFI	Micro Finance Institute
MNA	Middle East and North Africa
NGO	Non Governmental Organization
NTFP	Non-Timber Forestry Products
OED	Operations Evaluation Department
PAD	Project Appraisal Document
PIM	Project Implementation Document
PSIA	Poverty and Social Impact Analysis
RI	Rural Institution/s
RL	Rural Livelihood/s
RLI	Rural Local Institutions
RPO	Rural Producer organization
SDV	Social Development Department
SHG	Self-Help Group
SL	Sustainable Livelihood
TTL	Task Team Leader
UNCDF	United Nations Capital Development
UNDP	United Nations Development Program
VDC	Village Development Committee
VO	Village Organization
WDR	World Development Report
WUA	Water User Associations

Throughout this report, “Rural” includes agriculture plus all other investment activities in the rural space, including natural resource management, rural transport, water and sanitation, telecommunications, education, health and other social services.

Executive Summary

1. **Background:** Over the past decade, attention has increasingly been focused on how local rural institutions can contribute to the improvement of access to goods and services and economic competitiveness in rural areas. The purpose of this note is to present the World Bank experience in Mobilizing Local Institutional Capabilities to Sustain and Enhance Rural Livelihoods. ARD and SDV have jointly commissioned in FY06 a study consisting of (i) a literature review on the state of the art of global experience and (ii) an internal stocktaking of WB projects interacting with local rural institutions for sustainable livelihoods. This document is a stocktaking of 40 ARD projects, not an evaluation¹.
2. **Objectives:** The broad objectives of the stocktaking are to: a) Generate a better understanding of World Bank approaches to support Rural Institutions (RI) to contribute to the improvement of access to goods and services and economic competitiveness in rural areas, and b) Better understand what forms of rural institutions are most appropriate to engage in improved service provision in rural areas. The primary audience for the report is World Bank staff.
3. **Scope:** The report aims to contribute to the on-going discussions on the experience of World Bank support to different types of rural institutions with the goal to improve access to services for rural people, and furthermore to investigate the relation between rural institutions and rural livelihoods. The focus in the report is on “*institutions that are relevant to rural livelihoods and that have organizational form, as these are relatively concrete and delimited and have capacities that can be enhanced for the purpose of supporting sustainable livelihood creation*”². Thus, the report only looks at rural organizations, and not institutions such as land tenure, exchange relationships, kinship et al. The terms institution and organization is used interchangeably.
4. Issues raised in the report relate to a number of key areas, such as :
 - The role and place of rural organizations in WB project preparation (working with created and existing RIs)
 - The approaches to project design (sector affiliations, financing mechanisms, inclusion, participation and accountability)
 - The organizational evolution of rural organizations, and their sustainability
 - The capacity building and scaling up strategies for rural organizations in the WB projects,
 - WB project management and rural organizations.
5. The stocktaking provides a broad perspective of lessons learned in selected projects based on a series of interviews with TTLs working in those projects³, and analysis of various project

¹ Annex 8.1: Matrix of projects consulted

² Uphoff, Norman and Louise Buck. 2006. Strengthening rural local institutional capacities for sustainable livelihoods and equitable development. World Bank: Washington, DC, 8

³ Annex 8.2: List of People interviewed

documents. The report is limited in depth of analysis in some areas (SL strategies analysis, organizational dynamics of RIs, etc.) due to time and budgetary limitations.

6. The range of rural organizations and approaches the WB is working with is broad, spanning the public, collective, and private sectors. Although the models and definitions used across the reviewed projects are diverse, or inconsistent, much progress has been done in terms of developing approaches for engaging local institutions in dialogue and partnership. However, despite the growing Community-Driven Development [CDD] and Local Governance [LG] project portfolio, there is still little information on how, and under which conditions, collective action through rural institutions can improve access to services and competitiveness.
7. The stocktaking found that given appropriate configurations and functioning, rural institutions supported by the WB can contribute to expansion of rural livelihood opportunities. The choice of the *problem, i.e., what the rural organization is set up to work towards resolving*, and the organization's *capacity to adapt* to address it, are two key parameters for success. In a project context the characteristics of these parameters usually are more important determinants of success than whether the rural organizations are pre-existing and socially embedded or new organizations created by the project. Though the reviewed projects are being implemented in very different contexts in terms of population/geographic size, political leadership, topography, social diversity, etc and with differently packaged project activities, the following key principles and recommendations for improving WB interventions with rural organizations emerged from the review:
 - ***Institutional and context assessment:*** during the project preparation a thorough survey of the institutional landscape and the receptivity of the rural organizations must be done to assess if the problem(s) identified by the communities can find a solution through the transformation of practices of existing rural organizations rather than by the creation of new specifically dedicated organizations.
 - ***Design elements:*** there is a need for WB to create better and more structured information on the lessons learnt for future project design. This is related to improving monitoring and evaluation, including of budgetary efficiency. The projects all address the problem solving capacity of rural organizations through a mix of social capital and economic empowerment components with focus on local activities. Most of the projects promote rural livelihoods and strengthening of local governance. Most projects tend to work with and through existing rural organizations. Creation of new or subsidiary rural organizations is usually limited to the implementation of new delivery mechanisms or to promote inclusion of destitute groups. Project designs are based on long term thinking, reflected in multiphase elements or lateral integration with other projects in national plans.
 - ***Responsive and flexible capacity building frameworks:*** There is a need to go beyond top-down or abstract 'training courses', and to explore a variety of more demand driven capacity building mechanisms emphasizing peer exchange, learning and review – particularly across rural organizations and programs. The most important aspect is to build up the strategic capacities of the organizations and helping them to structure corporate levels, which will enable them to represent their members in policy debates. This could be done

through flexible and innovative approaches such as, e.g., a Rural Institutions Capacity Building Support Fund alongside rural programs and projects; or establishing community based frameworks through new IT services (WBI, GDLN) to develop networks of practitioners.

- **Sequencing:** While there is some debate about sequencing, the projects do sequence empowerment and capacitating first before starting to provide economic resources, in (mostly) a ‘learning by doing’ framework.
- **Flexibility and accessible monitoring systems:** Flexibility is probably the key factor in terms of engaging rural organizations and allowing them to support the development of local livelihood strategies. Promotion of information sharing and transparency seems to be a key approach recognized by all the projects. During project implementation it is however difficult to monitor and evaluate the evolution of the rural organizations through the current MIS systems.
- **Graduated model:** The rural organizations evolve and become more capable, accessing different project resources and assistance on the way, with the hope that they will be sufficiently capacitated to sustain themselves without WB support. Matching grants with mandatory contributions from the rural organizations plays an important role for their empowerment.
- **Geographical Concentration:** Projects initially focus on a smaller geographic area to maximize impact and generate early successes, and incrementally increase their reach across/between districts and provinces or expand to a national scale.
- **Organizational dynamics** of all rural institutions are important. Across the various types of rural institutions reviewed different developmental trajectories ending in four basic outcomes are identified: Organizational Dormancy, Sustained Activity, Aggregation, and Disaggregating. Multiple scenarios are possible in each outcome category. Further research into the dynamic aspects of rural institutions would be worthwhile.

It is hoped that this stocktaking will be a useful contribution to the current state of practice of WB interventions with rural institutions, while providing worthwhile recommendations for concrete actions; while acknowledging that further analytical work is needed.

1 Introduction

1. How local rural organizations can contribute to improve access to goods and services, sustain and enhance rural livelihoods, and promote economic competitiveness in rural areas is increasingly being a focus of attention in development discourse. This report presents some lessons learnt and experiences from World Bank projects that mobilizes and supports local institutional/organizational capabilities with these objectives. In June and July 2006 ARD and SDV jointly commissioned a study, which consist of two main parts: (i) a literature review on 'state of the art' knowledge of global experiences working with rural institutions in a development context and (ii) an internal stocktaking of WB projects interacting with local rural institutions for sustainable livelihoods. The present report comprises the second half of this study.
2. **Objectives:** The broad objectives of the stocktaking are to: a) Generate a better understanding of World Bank approaches to support Rural Institutions (RI) to contribute to the improvement of access to goods and services and economic competitiveness in rural areas, and b) Better understand what forms of rural institutions are most appropriate to engage in improved service provision in rural areas. Specifically, the TOR asks for main lessons learned and experiences from selected World Bank projects that have:
 - Created dedicated, sector-specific or multi-purpose local organizations relevant to rural livelihoods,
 - Collaborated with or transformed with on the one hand local organizations created for a specific purpose or single sector, or on the other hand collaborated with transformed pre-existing socially embedded local institutions into other livelihoods-related services,
 - Collaborated with civil society organizations or local government organizations or private sector organizations to sustain or enhance rural livelihoods,
 - A summary of World Bank literature evaluating the sustainability of development experience with local institutions to sustain or enhance rural livelihoods.

The stocktaking only partially follows the typology outlined in the TOR, partly due to the sample of projects, partly due to complexities of the setup of the reviewed projects.

The primary audience for the report is World Bank staff.

2 Background

2.1 Towards a livelihood oriented strategy

3. Most developing countries are facing political inequalities and spatial disadvantages which create or perpetuate inequalities in development outcomes. The ability to achieve economies of scale through networked infrastructure and centralized service delivery are constrained by dispersed rural settlements. Furthermore, given the relative inability of impoverished populations to hold policy-makers and implementing agencies accountable, they find it difficult to ensure accessible and responsive public services. Recent studies have shown that people are trying to cope primarily outside the sphere of public institutions⁴. Due to limited knowledge of the many local institutions that rural populations are using to meet their livelihood needs, many governments do not have effective approaches to establish partnerships with them towards development goals.
4. In response to this challenge, an increasing number of donors (UNDP, WB, EC, DFID, etc) are adopting multi-sector livelihoods oriented strategies to understand the constraints and opportunities related to rural development, and for developing appropriate interventions. The livelihood approaches emphasize that interventions should be people centered, working in partnership with local communities and their institutions. Development interventions should build on the opportunities presented by the assets and resources the rural populations possess. Livelihood oriented strategies in development work recognizes the heterogeneity of rural populations with diverse interests and with their own diverse livelihood strategies. It is recognized that rural populations undertake both agricultural and non agricultural activities and that their access to a range of resources in a rapidly changing world differs dramatically. Both people's own livelihood strategies and the development agency's support to build on and improve these are conditioned by the context of vulnerability in which people live and by policies, institutions and processes. Livelihood strategies employ both the capital assets that people draw upon and their physical, natural, social, financial and human capacities. Livelihood oriented strategies to development assistance has tended to focus on direct interaction with grassroots organizations while adopting a broad acceptance of the importance of civil society in all stages of development, including policy formulation. Simultaneously, there has been an increased recognition of the role of the private sector in development.
5. Developmental livelihood strategies explicitly recognize that local rural institutions and organizations provide the framework in which people can access assets and achieve positive livelihood outcomes such as: levels of production and income, increased livelihood security, wealth, power and influence. Support to rural institutions and organizations is therefore coherent with sustainable livelihoods approaches as they explicitly recognize the salience of "social capital", institutions and civil society. The livelihoods framework also explicitly rec-

⁴ Recent analytical work, such as the Malawi and Zambia PSIA, identified lack of physical infrastructure and market services as major constraints. Country Social Analysis (CSA) work in Kenya, Yemen and Haiti illustrate how people are trying to cope but primarily outside the realm of public institutions.

ognizes the importance of social capital to wellbeing⁵. Thus, livelihood approaches emphasize that rural population are active participants in development initiatives and acknowledge the importance of understanding and building on existing production systems. They advocate the need to contextualize policies, based on an improved understanding of people's own livelihood systems, strategies and their institutions, often with focus on those micro-level institutions that can influence the development of macro-policies.

2.2 The role of rural institutions in developing livelihood opportunities

6. In the context of livelihood oriented strategies, attention has increasingly focused on how local rural institutions can contribute to improving access to and utilization of goods and services, support sustainable livelihoods and consequently increase incomes in rural areas. In many countries, agrarian livelihoods are no longer the dominant mode and non-farm incomes are essential for an increasing share of the rural population. This highlights the need for re-thinking the nature of services to be provided to sustain rural livelihoods.
7. Over the past decades, development agencies have supported the creation of a wide range of local organizations whose evolution and sustainability merits examination. Recent studies of local level institutions have drawn attention to a wide range of existing local organizations and institutional practices that predate development interventions but which can perform developmental functions or act as mediating structures with formal organizations. For instance, rural organizations can integrate horizontally and federate thereby bridging the micro-macro divide between small local level producers and larger markets, and/or they can integrate vertically, thereby strengthening their say in policy development, for example through linking to local government. However, like a double-edged sword, rural institutions are also the instrument for perpetuating inequalities. WDR04 and WDR06 have highlighted the recurrence of inequality traps arising out of power inequities and elite capture that result in exclusion of disadvantaged groups from economic opportunity.
8. **A growing interest for collective action and institutional strengthening:** In the face of widespread market and government failure and weak rural institutions, the World Bank, and ESSD in particular, has increasingly highlighted the pivotal role of social capital and collective action to improve access and competitiveness in rural areas. This is clearly evidenced in the latest World Development Reports⁶. More recently, at the ESSD Rural Week held in March-April 2005 several sessions pointed out the critical role groups and associations can

⁵ Pretty, Jules and Hugh Ward, 2001. Social Capital and the Environment. World Bank Development Report 29, Washington, DC: World Bank, 2.

⁶ WDR 2000/1 "Attacking Poverty", with its focus on empowerment-opportunity-security, WDR 2002 "Building Institutions for Markets", WDR 2003 "Sustainable Development in a Dynamic World", WDR 2004: "Making Services Work for Poor People", and WDR 2005: "A Better Investment Climate for Everyone", and in the ARD Sector Strategy (2002) "Reaching the Rural Poor: A Renewal Strategy for Rural Development" and the SDV Sector Strategy (2004): "Empowering People by Transforming Institutions: Social Development in World Bank Operations".

potentially play in pro-poor rural development.⁷ The new “Local Development Framework,” recently proposed by SDV and the Human Development and Public Sector Management Networks recognize the potential for community organizations and other types of groups to improve access to services⁸.

9. Despite this renewed interest, the typology of rural institutions and organizations among the donor community and the World Bank in particular remains rather inconsistent. ‘Rural institution’ can be anything between a concept of civil society, loose village groups, Community Based Organizations (CBOs), farmers’ groups, farmers’ organizations, cooperatives, private sector and decentralized government institutions. The present review will try to bring some clarity in this area by focusing on rural areas and how some selected world bank projects interact at the local level (group, community, locality levels) with institutions relevant to rural livelihoods (including, agricultural and non agricultural activities) that have organizational form and on organizations that could become more institutionalized (by becoming more competent, effective, sustainable).

⁷ Sessions at ESSD Week (March -April 2005) included: “Small Holders In Coordinated Supply Chains”, “Promoting Partnerships Between The Private Sector and Community Organizations”, The Rural Investment Climate (RIC): Insights From Pilot Surveys In Sri Lanka And Nicaragua”, “Local Economic Development, Territorial Development, and CDD Approaches” Conflicting, Overlapping, Or Complementary Tools for Rural Development In A Decentralizing Environment“. The session from ESSD Learning Week session was the 2-day workshop on “Promoting Agriculture and Natural Resource Management Through Community Driven Development.”

⁸ See: “Linking Community Empowerment, Decentralized Governance, and Public Service Provision Through a Local Development Framework.” March 2005. Washington, DC: World Bank.

3 Methodology

10. The stocktaking is based on a desk review of World Bank in-house literature on rural institutions and organizations. Various types of project documents (PAD, AM, ICR, ISR, PIM, Social and Environmental Assessments, etc) and various World Bank literature related to rural institutions (Strategic Notes, Workshop reports, etc.) published between 2000 and 2006 have been consulted. To complement the document review to obtain more ‘hands on’ operationally relevant information a number of interviews with Task Team Leaders and key team members were conducted.
11. **Sampling:** The reviewed projects were selected from the ARD database, based on (i) the project characteristics listed in ARD database questionnaire⁹, (ii) the screening of PAD documents for incidence frequency of terms like ‘producer associations,’ ‘NGOs,’ ‘cooperatives,’ ‘farmer associations,’ etc. (iii) the consideration on regional and sectoral diversification, heterogeneity of approach used, innovation and (iv) the addition to the sample of relevant projects recommended by key TTLs during the interviews. Forty (40) projects were first selected from the ARD database, and out of these 31 projects were analyzed in detail. The selection was done to obtain a sample that would as far as possible represent the types of rural institutions in the typology proposed by Uphoff and Buck. However, the availability of key stakeholders to participate in interviews was a decisive factor in the final selection of projects. The findings of the analysis were synthesized in a matrix illustrating the main characteristics of the projects’ design features (Annex 8.1).
12. **Interviews:** Thirty-four interviews with Task Team Leaders and key team members were conducted in June 2006 using an open ended questionnaire on the nature, functions and activities of rural institutions with which the project interact (some projects were covered by more than one interview)¹⁰.
13. **Limitations of the Stocktaking:** While care was taken to develop a representative sample, the sample is built on the CBRD (ARD) and CDD projects databases and contains only operating projects. Many projects emphasize ‘collective action’ type of rural organizations as a preferred ‘entry point’ for the project, which shows in the overrepresentation of this category in the sample. Due to time constraints of the review and the lack of available precise information regarding the rural institutions’ composition and activities, no detailed analysis of project activities could be conducted. The important aspect of the organizational dynamics could not be covered in any detail for lack of information, probably because all reviewed projects are ongoing. An analysis of how the projects address qualitative aspects, such as the distinction between norms and rules (institutions) and roles or position (structure/ organization), would probably have yielded important lessons for a future sharpening of project de-

⁹ This database provides for each project a classification by categories of activity such as building social capital in rural areas, improving access to rural credit and microfinance, decentralization, increasing accountability, increasing non-farm Employment Opportunities, improving physical and rural infrastructure, etc

¹⁰ Annex 8.4 Interviews Guide.

sign/ assessment by helping to identify the needs for more and broader investments in human capital cutting across classes and gender. However such analysis was beyond the scope of this review and is a task for future research. Furthermore, the stocktaking does not include any quantitative (econometric) and qualitative (case study) in-depth analysis or field visits, comprehensive household strategies studies, etc. The study is an *informal* internal stocktaking, attempting to consolidate existing task team and worldwide experience. Consequently, the findings should be considered as summative and general.

14. Rationale for the Structure of the Report: This stocktaking report complements the other part of the overall study, which is the external literature review done by Uphoff and Buck (still in draft). Based on the TOR the report covers the following:

- A short presentation of the Projects sample
- A short presentation of the World Bank literature evaluating the development experience with local institutions to sustain or enhance rural livelihoods
- A summary of the main lessons from World Bank projects with rural institutions (public, collective and private sectors) to sustain or enhance rural livelihoods in the following sections:
 - The role and place of rural organizations in WB project preparation (working with created and existing RIs)
 - The approaches to project design (sector affiliations, financing mechanisms, inclusion, participation and accountability)
 - The organizational evolution of rural organizations, and their sustainability
 - The capacity building and scaling up strategies for rural organizations in the WB projects,
 - WB project management and rural organizations.

4 Key Concepts on Rural Institutions

15. This section sets the stage for the stocktaking by briefly discussing a few relevant definitions and typologies. The typology of rural institutions and organizations used here is based on the work of Uphoff. The key concepts are offered in summary form with more detailed discussion in annexes.
16. **Rural and Local:** In an abstract sense the term ‘rural’ delineates a space, which, being neither urban nor peri-urban is more ‘remote’ and often conceived of as ‘agricultural’. In a real sense, “rural” is a categorization made by a public authority based on some more or less relevant criteria (e.g. population density or income), used in e.g., regional planning and zoning legislation. As such a space designated as ‘rural’ affects planning priorities and resource allocations, is occasionally contested, can change over time, and the criteria on which it is based varies from country to country. In the present stocktaking ‘rural’ is understood as a space where there is low access to infrastructure, information, basic services and markets. The term “local” is of course relative. In the present context ‘local’ can mean either ‘of limited geographical extent’, as in localities, or refer to public and government units for a variable population base (districts, wards or communes). The use of ‘local’ in government administration terms determines to a significant degree how the interface between the public and the government is working simply by defining the size – geographically or population wise of the administrative units. The terminology and characteristics of ‘local administration’ depends largely on the remnants of English, French, or Spanish colonial law. However, in this report, the term local refers to 3 levels of the rural space: *localities* (communities with kinship, markets, and tight social connections), *communities* (including villages) and *groups*.
17. **Institutions and Organizations:** The focus of the internal stocktaking is on the *institutions that are relevant to rural livelihoods and that have organizational form*.¹¹ Because the World Bank is using various definitions for the rural institutions, for the purpose of the stocktaking¹² and also to enable a comparison between the external literature review and the internal stocktaking, we have adopted the typology proposed by Uphoff to differentiate the various categories of rural institutions¹³. In this typology, rural local institutions are differentiated

¹¹ An institution is considered as a set of norms and behaviors that persist over time by serving some socially valued purpose, while an organization is a structure of recognized and accepted roles. Working definition of institutions and organizations based on: Uphoff, Norman. 1986a. Local Institutional Development: An Analytical Sourcebook, with Cases. Kumarian Press, West Hartford, CT.

¹² Ref Chapter 5 “The WB evolving views on Rural Institutions”

¹³ Various typologies illustrate the different angles of analyses currently adopted by the WB. Groups can be categorized based on (i) their origins, structure, and functions; and (ii) local conditions. Different categories of groups are more resilient or sustainable than others and, over time adjust and change according to member needs and changing local conditions. Groups may be further analyzed by examining their associated impacts or outcomes. These impacts include: (i) success in achieving goals or functions (including well-being improvements, empowerment, etc., depending on the group function or design); (ii) sustainability or ability to survive; and (iii) ability to expand or adjust over time. The Community Based Rural Development group has also adopted a typology of rural organizations for the purpose of their portfolio analysis. Ref. also Annex 8.3 Table on typologies used for rural institutions.

by sectors. In addition to the common distinction between public and private sectors, a third (middle) sector, called collective action¹⁴ sector, is added. It has some characteristics of the both public and private sectors but also significant differences. Within each of these three sectors, there are two distinct categories of local institutions that deserve consideration for their potential contributions to rural livelihood promotion. They vary in terms of the degrees to which they qualify as institutions (longevity, legitimacy, social acceptance), but they can acquire and benefit from institutional status and characteristics, and collectively they represent a set of organizational/institutional capacities that can improve investment climate, quality of life, security and many other parameters for rural livelihoods. A fourth hybrid category, the rural producer organizations (RPOs), has been added in the proposed typology to reflect the work done by CIRAD on rural institutions¹⁵. RPOs include a variety of rural institutions sharing the same membership characteristic (professional) and which could qualify as Membership Organizations, Cooperatives and Private Businesses under the above classification.

Table 1 Typology of rural organizations (Uphoff)

Group	Public LG		Private	Collective action		Hybrid	
	Local administration	Local government	Businesses, e.g., contractors	Membership organizations	Cooperatives	Rural Producers Organizations	Service organizations, NGOs
Type	Bureaucratic	Political	Commercial	Voluntary	Voluntary	Commercial	Charitable, voluntary
Orientation	Upward accountability	Downward accountability	For profit	Common interest	Pooling resources	For profit	Not-for-profit
Direct stakeholders	<ul style="list-style-type: none"> • Clients/beneficiaries • Taxpayers • Voters 	<ul style="list-style-type: none"> • Citizens • Taxpayers • Voters/constituents 	<ul style="list-style-type: none"> • Investors • Customers 	<ul style="list-style-type: none"> • Members 	<ul style="list-style-type: none"> • Members • Employees 	<ul style="list-style-type: none"> • Members • Employees 	<ul style="list-style-type: none"> • Clients and beneficiaries • Contributors

18. Organizational Capacities and Dynamics: Rural institutions are used by individuals, households and communities to mobilize resources and regulating their use with a view to maintaining a long term base for productive activity; to allocate in efficient and sustainable manner available resources with location – specific knowledge which is best generated and interpreted local; monitor changes in resources status by involving local people and institutionalizing local decision making; contribute to local conflict resolution and prevent scaling up; and encourage people to take a longer-term view by creating common expectations and a basis of cooperation that goes beyond individual interests. The range of capacities that local institutions can have for making contributions to the creation and sustainability of sustainable livelihood can be grouped in terms of four kinds of functional services and support, typically the areas supported by donors in their development programs.

¹⁴ It could alternatively be called the participatory, voluntary, or membership sector

¹⁵ CIRAD-World Bank: The Role of Producer Organizations in the WB Rural Development Strategy. Rural Development Strategy Background Paper No. 8. Washington, DC: World Bank

1. *Information* relevant to inputs/services, market demand, and operations
2. *Direct provision* of inputs/services and market demand
3. *Indirect access* to inputs/services and market demand (maintenance, training, advocacy, insurance, consultancy, regulation)
4. *Favorable environments* for economic activity (local regulatory/legal environment, community safety/spirit)¹⁶

Finally, it is important to remember that the rural institutions are not static entities but evolve over time based on their own agendas and the actions of their members while interacting with their institutional environments.

¹⁶ Uphoff and Buck, 2006, 15-17.

5 The World Bank and Rural Institutions: Evolving Views on Rural Groups and Associations

19. A variety of strategies involving rural institutions in development interventions have been applied in World Bank projects over the past 40 years. During the 1960s and 1970s, **Integrated Rural Development (IRD)** was the most common approach. These models provided basic infrastructure and services to underserved rural areas, mainly through support for agricultural production and marketing. In an effort to tackle rural poverty holistically and capitalize on potential synergies between services, IRD programs provided a cross sectoral package of diversified crops and integrated farming systems linked to training, social services, and rural infrastructure projects. It is commonly agreed that IRD failed mainly because insufficient attention was given to building rural institutions and this limited the effectiveness and sustainability of the infrastructure investments. The highly centralized, top-down management structure of the IRD programs had increasing difficulties to coordinate the complex range of activities.
20. During the 1970s and 1980s, following the disappointing results of IRDPs, the WB and other donors retreated from the concept of integrated ‘holistic’ rural development to more traditional, single sector programs—each dealing with a specific component of rural development (e.g. agricultural extension, small scale irrigation, rural roads). Attention was given to single-purpose groups and associations based on specific productive activities requiring a group approach due to externalities or economies of scale. Groups, receiving strong external support from donors/NGOs, could be used to reduce transactions costs. Examples of **single-purpose groups** included watershed management and water user groups, natural resource management groups (e.g., community forestry), producer associations, and micro-finance institutions. Although, those groups tended to be quite sustainable, problems persisted with corruption, selection bias/social exclusion and replication. Donors avoided the issue of complexity by focusing on specific sectors and single entry points for intervention, but they overlooked the merits of the concept of integration and failed to critically examine the causes of failure of these programs. Sectoral projects, whose results have been quite mixed, still comprise the bulk of rural development investments and are mostly centrally managed, as were IRDPs.
21. In the 1990s, the World Bank and several other development agencies started to adopt a sustainable livelihoods approach. The shift towards the livelihood framework is built on the lessons learned and the shortcomings of previous development policies, including integrated rural development, basic needs, etc. Recent changes in the institutional and global context of agricultural competitiveness, environmental sustainability and rural poverty also drove development programs towards more participatory and holistic approaches. Consequently, over the past decade, the World Bank increasingly focused on single-purpose socially inclusive groups/associations that could articulate demands and facilitate disbursements in increasingly decentralized political systems, often with poorly performing institutions, while progres-

sively adopting a more holistic model built on the livelihood framework. Social funds and CDD, which require social groups to be formed as a condition for participation in the project, became popular instruments in a wide range of countries. These approaches were then followed by more systemic models such Community Based Rural Development and the Local Development Framework which try to grasp the institutional complexity at the local level and play on the synergy among the various stakeholders (including the communities and the various institutions) in a context of local and national development.¹⁷

22. What is a Community-Based Organization?¹⁸ The adoption of those frameworks in the World Bank strategies did not seem to provide a clearer definition of rural institutions or precise indications on how rural organizations can contribute to the improvement of rural livelihood opportunities. Instead, those approaches have popularized the concept of Community Based Organization (CBO), which has become a common term for rural organizations in general. A CBO is normally a membership organization made up of a group of individuals in a self-defined community who have joined together to further common interests. CBOs often comprise people living in close proximity and/or sharing a common interest, such as a common pool resource. There are a wide variety of examples, but the Bank has primarily dealt with five types of groups which have been identified based on their functions. These are

- Common property resource groups. Water user associations, forestry management associations, etc.
- Producer Organizations. Groups that engage in a wide range of agricultural activities, such as crop and livestock production, management and use of range land, forest & forest products, fishing & fish production, post-harvest & processing activities.
- Multi-sector functional committees. Village development committees, municipal development committees, etc
- Single-sector functional committees. Health committees, education committees (commonly found in Social Fund projects).
- Micro-credit institutions. Community based rural development primarily works through matching grant facilities, not micro-credit. However, it does support community savings and loan groups, revolving credit accounts, etc.

CBOs can be stand-alone groups or they can be linked into federations of groups at regional, national or international levels, which are discussed later in this paper. CBOs can be informal or formal, and both can play an important role in rural development. However, in a project context the role of informal organizations is limited since they are not legally registered entities. Formal organizations have legal status, formally stated rights and responsibilities, and a legally binding governance structure for recruiting members, selecting leaders, and conducting affairs. Given their formal nature, they can open bank accounts, enter into contracts, and sue and be sued. This status is necessary for a community organization to receive and control project funds.

¹⁷ Annex 8.6 World Bank livelihood strategies and rural institutions: Social Funds, Community Driven Development, Community Based Rural Development and Local Governance approaches impact on the rural institutions supporting rural livelihoods

¹⁸ World Bank. 2003. Community Based Rural Development: Reducing Rural Poverty from the Ground Up. Rural Strategy Background Paper

45. Whereas a community-based organization is a membership organization aimed at furthering the interests of its own members, a **Non-Government Organization (NGO)** tends to have a broader scope of activities and usually acts as an intermediary to facilitate the implementation of development programs for or by the poor.¹⁹ The WB is working with four main types of NGOs: grassroots, support, network, and funding. Their roles vary according to the type. Grassroots NGOs work on the frontline and support several different categories of activities—welfare, social action, etc.—to meet the needs of the target group. Support NGOs facilitate the work of grassroots NGOs with training, studies etc. Network NGOs operate at a higher level, national or regional, and are primarily involved in lobbying and advocacy. Finally, funding NGOs, many of whom are international—such as Care, Action aid and Oxfam—provide funding to the local NGOs.
46. Other important local actors that interface with CBOs are **Local Governments (LGs)** and **de-concentrated public agencies**. LGs are state actors, constitutionally or statutory created legal entities that are mandated to govern within their respective local jurisdictions.²⁰ Ideally, local governments have a significant degree of fiscal, administrative, and political autonomy from higher-level governments. As with higher-level governments (central and intermediate), properly empowered local governments can provide funding support to both CBOs and NGOs, and can initiate local development activities within their designated sectors. Line agencies because of sector specialization usually complement or compete (depending on the context) with CBOs and/or LGs in terms of technical and financial services provision and resources.
47. **Collective Action and Individualized Services:** The World Bank’s recent experience with social funds and CDD-based initiatives are based on the formation of groups and associations for collective action. Collective action can facilitate the exploitation of economies of scale by spreading costs and pooling risks, improve market power, help to define property rights and manage common resources, empower and including the historically disenfranchised, mobilize for political and social action, provide safety nets for vulnerable groups, and provide logistics for service delivery on an emergency or regular basis. It is worth noting that some rural organizations do originate in collective action, but operate through the provision of individualized services or private goods to members; for instance, cooperatives like credit unions that provide individualized services.
48. Both IFAD’s “Rural Poverty Report” and the World Bank publication “Voices of the Poor” have highlighted the imperative for development actors to engage with and build on rural institutions in development processes²¹. The 2000/2001 World Development Report “Attacking Poverty” explicitly deals with the empowerment issue as a means for improving the livelihoods of rural poor. Since the 1999 IFAP/WB workshop “Building Rural Capacity”,

¹⁹ Many NGOs are directly involved in delivering sectoral services to communities however the CBRD approach does not support the role of NGOs as direct service providers.

²⁰ For example, district, county, sub-district, or administrative village.

²¹ Narayan, Deepa .1999. Bonds and bridges: Social capital and poverty. PREM Poverty Group Paper, World Bank, Washington, DC.

which was a workshop on the empowerment of producers' organizations, the WB has also agreed to give a bigger role to such organizations in its projects²².

49. The impact of these new strategies for local development on rural institutions and rural livelihood is ambiguous and the existing literature on social funds, CDD, CBRD and Local Governance within the World Bank presents more or less optimistic views on their success. While some claim there is substantial evidence that CDD approaches are more effective than more traditional approaches for the improvement livelihoods, others are more skeptical²³. On the positive side, CDD and local development initiatives have proven to be an effective vehicle for mobilizing rural organizations, often to build basic infrastructure and improve access to goods and services at the community level and economic development (Box 1).

Box 1: The Economic Dimension of Local Development

Local development is closely linked to development of the local economy in the context of rural livelihood framework²⁴. Public investment in basic infrastructure facilitates local business activity. Improving the local business enabling environment lowers the entry costs and risks associated with business development. Increasing the responsiveness and accountability of public sector decision making and administration reduces corruption that often suffocate private sector activity. Finally, the convening power of local governments and other local public agencies, often focused through strategic planning exercises, can bring together local development actors from the public, community and private sectors to promote a more integrated economic development process at the local level.

Source: World Bank. *Local Development Discussion Paper prepared for the International Conference on Local Development. Washington DC, June 2004*

50. However, a recent review of the CDD portfolio by the World Bank's Operations Evaluation Department (OED) was skeptical about the claims made of the superiority of CDD approaches. The OED review points out that most groups that are set up for social funds and CDD are not sustainable and often break-up after the group activity or project ends. As noted in a recent WB document, "part of the problem is that "CDD" is simply too broad a concept to say anything meaningful about"²⁵ (Annex 8.1 and 8.5 illustrate the existing array of projects depending on the combination of their objectives and the approach to empowerment²⁶ and participation of rural institutions.)
51. The CDD/Local Development process helps to organize rural people for more effective lobbying of government and other funding sources. Governments and other donors, how-

²² Pierre Rondot and Marie-Hélène Collion (2001) *Agricultural Producer Organizations: Their Contribution to Rural Capacity Building and Poverty Reduction*, Ed., International Federation of Agricultural Producers and The World Bank.

²³ Mansuri, Ghazala; Rao, Vijayendra. 2004,2006. *Community-based (and driven) development : A critical review*. WPS3209.

²⁴ This includes such aspects as simplifying procedures and facilitating administrative processes related to land titling and property registration, business registration and licensing, levying and collection of taxes and fees, and safety and environmental regulation and inspection. See <http://www.worldbank.org/urban/led/> for more detail regarding how the local public sector, and especially local government, can effectively support local economic development.

²⁵ "India District Poverty Initiatives Project Joint Interim Assessment." World Bank South Asia/ARD, February 2006, Report no. 34719.

²⁶ The WB defines empowerment as: "the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives" (Empowerment and Poverty Reduction Sourcebook)

ever, are not able to finance full coverage of basic infrastructure and services to all rural communities, and there may be positive scale effects from aggregating communities for such purposes. By federating community groups and groups of producers/consumers, efficiencies might be found in provision of infrastructure and access to goods and services for ever expanding rural livelihood strategies. This more regional approach is consistent with new “territorial approaches” to rural development that advocate the need for institutions and groups that are broader than those in traditional CDD projects. Other forms of rural organizations, such as producer associations, micro-finance groups have had success in organizing people for productive and social activities.

52. In conclusion, the range of rural institutions and approaches the WB is working with is very broad. Although the models and definitions vary due to their different contexts, much progress has been made in terms of general approaches and concepts for participatory engagement of local institutions. However, despite the growing CDD and LG portfolio, there is still little analysis on how and under which conditions collective action through rural institutions can improve access to services and increase rural livelihoods. General questions such as ‘What kind of support is needed to formulate a group-based rural strategy?’ ‘How do rural households use the local institutions to develop their livelihood strategies?’ are still valid. Little is still known on the influence of the institutions’ origin and structure (created or existing), their functions (single or multifunction) and the impact of local conditions on their performance in World Bank programs.

6 Review of Project Experience

6.1 The Project Sample²⁷

53. The study uses the following typology inspired by Uphoff and Buck :

Table 1: Typology of reviewed projects

Group	Public LG		Private	Collective action		Hybrid	
Class	Local administration	Local government	Businesses, e.g., contractors	Membership organizations	Cooperatives	Rural Producers Organizations	Service organizations, NGOs
Type	Bureaucratic	Political	Commercial	Voluntary	Voluntary	Commercial	Charitable, voluntary
Sample – entry point	5 (councils, village, commune, district)		1 (micro-enterprise)	25 (These 3 categories comprise community, village organizations, water user orgs., womens groups, farmer alliances and orgs.)			1
Sample – category	5		1	17	4	3	1

54. The ‘entry point’ of a project is the organization stated in the main objectives of the projects as the main rural institutional partner. In the sample Collective Sector Organizations are entry points in 21 projects. Public Sector Institutions (Local Administration/Local Government are entry points in 5 projects and Rural Producers Organizations in 3 projects. One project has a NGO service provider as entry point and one project a commercial for-profit entity. In reality, there are more than 31 entry points across the whole sample since some projects, particularly the more holistic ones, have multiple entry points.

55. The sample matches approximately the share of projects registered by regions in the CBRD database from 2000-2005. Thus, the sample reflects the trends in the CBRD and CDD projects database by having more projects in Africa (10) and South Asia (7). Five projects in ECA were reviewed, four in LAC, three in EAP and two in MNA respectively. The average budget of the projects is USD 53.2 millions (varying from USD 5 to 250 millions).

56. A majority of the projects reviewed (61%) are using rural organizations as partners to deliver public goods (usually small scale community infrastructure). Sixteen percent of the projects are focusing on private goods (credit access, marketing services along the supply chains) and 23% a combination of the two.

²⁷ Annex 8.5: Matrix of Rural Institutions in the selected WB projects (projects’ design elements)

6.2 Rural organizations in WB project design and preparation

57. In order to find a general guiding framework and key design principles to inform the various stages along the Bank project cycle, the following questions were addressed by the review: ‘How did projects in the design phase and later decide which rural organizations to work with?’, ‘How is the strategy towards rural organizations described?’, ‘What is the rationale for the selection of entry points and linkages with other organizations?’.

6.2.1 Selecting rural organizations as entry points

58. Most of the projects reviewed are targeting the poor (as a group, by region, as a theme) and 2/3 of them choose to interact with the rural organizations at the lowest levels (groups and community). Most of the projects are working with existing organizations although in most of the cases new mechanisms (sub working groups, etc) are developed within the organization to deliver the services offered by the projects.

59. All the projects have carried out a series of social assessments in the design phase. Usually the main partner is pre-identified before this exercise, and this rural organization is approached and studied more in detail. There is apparently some variability in the level of participation of the stakeholders in the pre-project assessment and design phase, but this desk review could not accurately analyze this. Some TTLs emphasized that *“for the selection of the partner rural institutions during the design phase the choice of the problem is probably more important than the choice of the channel”*. Being too predetermined during the design in terms of who to partner with may diminish the analytical impact of the assessment by limiting the range of potential rural institutions and excluding potential unexpected synergies among local actors. Interviewed TTLs agreed that a thorough surveying of the institutional landscape and receptiveness must be done in project preparation, and organizational duplication should be avoided unless really radical changes are necessary in structure, composition, and performance to address the problem. The analytical tools such as Social Assessment, Poverty and Social Impact Analysis, Stakeholder Analysis or Institutional Analysis provide useful means to identify and engage rural institutions at an early stage of the project design²⁸. These analyses usually focus on those stakeholders, which are most likely to have a direct impact on project objectives.

60. In general, there is a common agreement among the project TTLs that analysis of institutional and structural relationships can strengthen SL approaches. The distinction between institutions and organizations can allow identifying the inter-linkages between livelihoods sys-

²⁸ [Social Assessment \(SA\)](#), provides an integrated framework for incorporating participation and social analysis into the Bank's operational and analytical work. SAs must be selective and strategic and focus on issues of operational relevance. [Poverty and Social Impact Analysis \(PSIA\)](#) refers to analysis in the Bank's operational work of the distributional impact of policy reforms on the well being or welfare of different stakeholder groups, with a particular focus on the poor and vulnerable. [Stakeholder analysis](#) is particularly useful to map out the various rural institutions which will be part of the design and implementation process. [Institutional analysis](#) helps to identify constraints within an organization that could undermine policy implementation. It also evaluates "soft" institutions, such as informal rules of the game, power relations and incentive structures that underlie current practices.

tems and macro-policies that affect livelihoods²⁹. The TTLs interviewed agreed that institutional analysis usually helps to develop a more integrated approach to environmental, social, economic and political issues. However, the review found that the institutional analysis is usually more about the organizational aspects than the institutional strategies and dynamics of the actors within those organizations. Public goods projects will normally focus on pre-identified rural institutions able to deliver public goods (such as Local Government, Village groups, etc) while private good oriented projects will look more at sector based or smaller groups (RPOs, Self Help Groups).

61. TTLs also expressed that it is important to enhance the capacity at the country level to identify all the actors (institutional mapping), as suggested in a previous WB document, “each economic sector review should present a review of Rural Development actors with their strengths and weaknesses and propose a rural institutions Capacity Building program”³⁰.
62. In terms of the level of the main entry organization³¹ two-thirds (20) of the projects reviewed have entry point organizations/beneficiaries at the community level (11) or even more locally at the group level (9). This is particularly important for projects working with Membership Organizations (14). Most of the projects working on Local Governance issues through Local Governments (5) intervene at the level of interface (sub-district and localities) between the communities and the national authorities (centralized or deconcentrated). It is worth to notice that many projects and rural organizations interact with their beneficiaries and other stakeholders at several levels at the same time. The projects with entry partner organizations at a relatively high level have also strong interactions with actors and beneficiaries at more local levels through sub-groups, sometimes formed in federation (for instance, CNCR in Senegal).

6.2.2 Creating new rural institutions or working with existing ones?

63. WB projects may work with existing rural organizations or establish new ones to work in place of, or in the absence of existing organizations. The existing rural organizations found in the sample projects are often heterogeneous in their capacities, services and functions, i.e., they can have multiple or single functions. Project created rural organizations seem most commonly to start off as single function organizations, but follow a developmental trajectory to being providing multiple services at a later stage. The ratio of existing and created rural institutions in the sample projects is the result of the project design phase studies discussed in previous section, and it would be interesting to investigate how this has been done across sectors and regions, however, such an investigation was beyond the scope of this review. A study of this aspect could relate project objectives, targeted groups, and method of organizational identification and assessment et al.

²⁹ This aspect could not be covered in a desk review since more in depth analysis adapted to each specific context (monographs, interviews with local actors etc) would be needed to carefully examine the nature of this interaction.

³⁰ World Bank. 2001. Rural Development Strategy Background Paper #8: The Role of Rural Producer Organizations in the World Bank Rural Development Strategy. Washington, DC: World Bank

³¹ Annex 8.9 Table of level of entry points and capacity building share.

64. The sampled 31 projects show that the WB heavily favors either partnering with existing institutions (13), or work through a combination of existing and created organizations (13). Only five projects in the sample work solely through a created new rural organization. Existing organizations comprise local government actors, line ministries and their extensions; service providers in the collective sector, such as WUA; and a small proportion of private sector actors and NGO service providers. However, all projects create and capacitate review committees and/or management structures in the existing organization in a new ‘project space’.
65. Projects with objectives addressing systemic issues, which require more holistic approaches and a high degree of legitimacy, favor working with existing rural organizations, or a combination of existing and created organizations. These projects tend to be thematically clustered around contextual or supportive environment, particularly local governance and service delivery. In these situations it is difficult and time consuming to create new systems and the embedded organizations offer in-place institutional capital and legitimacy that can be scaled up faster than mobilizing and capacitating a new agency.
66. Where the problems are more specific, and/or require specific and time-expedient means to be resolved (such as quick delivery of specific goods and services), and/or involve significant changes in social norms, the projects favor creating organizations. Projects favoring newly created organizations tend to be working on creating access to assets, or better utilization of assets, through specific means in fairly narrow time-frames. This approach is used where new thematic approaches are needed, or if there are no, or too low inclusiveness and capacities among existing institutions.

6.2.3 Creating new rural institutions

67. Projects which have created a new organization are a minority in the sample. Almost all created organizations are collectives; e.g. village development organizations, agricultural and non-agricultural cooperatives, and common interest groups. Apparently, creating new institutional channels may be justified when thorough surveying and analysis determines that:
- an opportunity to provide a service exists, but no equivalent organization exists, or
 - the problem requires the development of either new domains, new services, or new accountabilities
 - the problem is a lack of equitable representation, access, or absent stakeholders such as women, indigenous populations, or
 - there is a high risks of corruption, elite capture, or political interference.

The created organizations are usually CBOs established in CDD projects, which typically work through collective sector organizations by mobilizing communities for specific functions. These CBOs are often built on existing social capital (kinship, neighborhood, gender identity, age class, etc.) which is mobilized through collective action and structured into organizations by the opportunities created by the project. In those cases, the benefits of working through created organizations include: high degrees of stakeholder commitment and institutional legitimization, dynamic responses to opportunity, and better inclusiveness. This is particularly true in recently decentralized or devolved economies where numerous gaps in

capacity and service or inclusiveness are coincident with obsolete, inefficient, or poorly oriented institutions; unable in their current form to include the populations targeted by the initiative or to take over the services supported by the program.

68. As promoters of new approaches (usually supported by the project), new organizations appear to be better able to promote inclusiveness and equity by encouraging participation of social groups usually ostracized by more conservative-existing institutions (e.g. Ethiopia Women's Development Initiatives Project). However, elite capture remains a threat for created institutions, especially when 'elite' groups are able to mobilize their existing social capital assets to size the new opportunities.
69. A common concern for created organizations is evidently their replicability and sustainability, which in the long run means institutionalization³². The often opportunistic origin of created organizations, and the new areas of intervention can initially create problems of legitimacy (at the local and national scale), which can sometimes be reinforced by problems of economic sustainability and technical capacity. Even in the short term, the problem solving capacity of created organizations is constrained by the existing institutional landscape, which can easily be populated with organizations beyond its 'carrying capacity'. Thus, new mobilization efforts need to be thoroughly investigated in order to assess if the problem identified by the communities can find a solution through the transformation of practices of existing organizations rather than by the creation of new. However, overall, created organizations' capacity to solve the problem is more important than their 'nature.' As shown in Indonesia, Kyrgyzstan and Romania (Box 2), newly created organizations can gain their legitimacy when they manage to deliver services and solve the problems for which they were created. They need however adequate support and time to do so.

Box 2: Strengthening local governance through increased interaction between CBOs and LG in Romania.

The Rural Development Project in Romania aims to strengthen local governance by improving the capacity of local administration and user groups to undertake public investments that are responsive to local needs and to increase availability of infrastructure and other public goods to rural inhabitants. The RDP is working with existing organizations (Village committees) or creating new ones (Communal investment Advisory Committees) including elected and non elected members (minorities representatives) to approve projects. After few years, local governments are now more accustomed to participatory decision making, with the communities increasingly willing to voice their needs.

6.2.4 Working with existing rural institutions

70. The majority of the sample projects work with and through existing organizations. Where the local problem the project address may be solved by scaling up or modifying some activities or the structure of solidarity patterns among existing organizations, using existing institutional capacity is preferred. For example, this is commonly the case in irrigation infrastructure projects where Water User Associations are involved: the perimeters are already well defined, actors, and function, and responsibilities generally understood, however modification

³² "Institutionalization" is defined as the process by which an organization (or practice) acquire legitimacy and respect from the public that leads people to value and support (cooperate with) that organization over and above what their direct, immediate benefits would warrant. "In World Bank. N. Uphoff & L.Buck.2006. [Draft]

of operating mechanisms (structure, access to decision making and information) may need to be changed to solve water management problems. The advantages mentioned for working with existing organizations are:

- fast relatively efficient phase-up periods on account of local knowledge,
- ease of outreach due to their legitimacy and existing social networks within the communities,
- their capacity to be linked faster with different or changing levels and functions of government and,
- their existing legitimacy within the local context.

71. The majority of the projects create new functions or “modus operandi” in the existing organization. In principle, according to their descriptions, some projects seem to rely entirely on existing institutions. However, in practice, when dealing with the delivery of services or funds, there is usually some amount of creation of new channels of service delivery involved. This usually happens at the sub level of the organization with the creation of committees or sub-organizations. This is typically the case of projects working on the public sector/institutional reform with a public good service delivery focus such as under the Local Governance, CBRD, or “new” Social Fund approaches.
72. Projects working with existing institutions can be involved in different aspects of local governance using the existing social capital of those groups. In Chad, where the level of local elected government is mostly absent, and the state is decentralizing, PROADEL aims to capacitate embedded CBOs to function in a local government-like manner. The CBOs are associations constituted of village and district councils, traditional authorities, and farmer organizations, who develop plans and, through interacting with state or regional committees, implement micro-projects. The decision committees are constituted half of elected representatives of the CBOs and half of public servants from de-concentrated line ministries.
73. **Design Strategy Description and rationale for linkages with other organizations:** The review found that few projects are actually targeting rural institutions per se. The projects usually aim at a broader objective (i.e. reinforcing the local governance framework, improving the service delivery of public or private goods, strengthening a specific service supply chain, etc) in which the rural organization is seen as a potential entry point and can be used as partner, tool or vehicle. All the projects therefore try to establish linkages between the entry point organization and other organizations. Such linkages are dynamic by nature and it was not possible through this desk review to identify trends, however it seems that systemic and channel linkages are two common patterns.
74. For the projects working on local governance issues, the linkages are very often *systemic* and focus on the territory covered by the rural institution. These projects promote linkages between the rural institution and a wide range of stakeholders, from the bottom to the top: for instance, in projects working with local governments or groups of villages, there will usually be linkages to locals groups (CBOs) for participatory planning, implementation and monitoring, but also to line agencies or private sector actors for technical services (technical assessment of infrastructure projects, training etc). Finally, these projects also link with the upper

level institutions for budget transfer, policy issues and reporting such as with responsible ministries or federation of local governments.

75. Projects focusing more on the production or the improvement of private goods along a supply chain or the quick delivery of a specific service or good usually establish links to consolidate the supply chain of the activity around which the rural organization is organized. In these cases, the organizational linkages follow a *channel* along the supply chain of the activity or the good to be delivered. This is typically the case of the producer organizations, in which the linkages with other organizations are built around production at different levels (group of producers, extension services, marketing sector actors, etc).

6.3 Approaches to project design

76. Optimizing project design elements towards effectiveness, efficiency and sustainability of the investments made is obviously a major concern. It is hard to draw systematic findings on effectiveness and efficiency of the various approaches from documents prepared either at the beginning of the project (Social Assessment, PAD) or focusing on the implementation of projects activities through financial and legal aspects (ISR, Aide-memoirs). However, through the interviews with the TTLs some relevant trends and issues were elicited such as the types of approaches (timing, sequencing, etc); the sector affiliation or placement of the partner rural organizations (public/collective/private/hybrid); the projects' positioning of itself in this matter (government-civil society interfaces, civil society – NGOs, etc); the type of project organizations promoted in doing so (parallel structure, working through government units or through rural organizations, size of project staff, etc.) and the financial support modalities adopted (core funding to implementing organizations, matching grants paid on sub-project basis, block grants, performance incentive packages, etc.)³³
77. **Timing and Sequencing of Empowerment & Asset Elements.** Reviewed projects favor a sequenced design that provide CB and resources for beneficiaries to start with social capital strengthening activities that, through 'learning by doing,' lead to infrastructure/socially-focused construction, and in some cases, to more productive economic activities. Among the projects reviewed there are complementary, but sometimes also competing design agendas or program models, focusing on:
- Developing social and institutional capital first as a necessary precursor to enable increased economic and political engagement, or
 - Increasing access to and utilization of livelihood assets before strengthening institutional and social capacity.

³³ Hayward suggests three criteria to distinguish between approaches: "Were the gains (a) equitable and did they reach those typically excluded from local development opportunities? (b) Were the gains made likely to be sustainable, and did they put participants on a longer term path to graduation out of poverty? Or, (c) did the increased social cohesion, individual confidence and skills development lead to an increase in household income and livelihoods opportunities in the local area? Hayward, *ibid*.

Both approaches have strong proponents, and have proved to be workable in the projects reviewed, but which investment sequence produces more positive impacts?³⁴ Answering this question definitively requires long-term monitoring and evaluation data, which was not available for the projects reviewed (all active or recently closed), though encouraging examples were encountered. Obviously, when considering community livelihoods the most effective projects blend elements of social capital enhancement with livelihood investments. Paying attention first to social capital development by building community level and group capacities followed by activities that focus on enhancing economic capital seems more beneficial.³⁵ More important, however, is to consider the ‘fit’ of the intervention to the particular communities’ capacity and their ability to identify and exploit opportunities inside and outside the project area.

- 78. Systemic and phased approach:** The current WB activities covered in the review show a trend towards more systemic and flexible (phasing) approaches, often combining initiatives at various levels and in different sectors. For instance, in Chad, the PROADEL focuses on strengthening Local Governments through the provision of public goods identified through community participatory planning, using private and collective sector institutions while simultaneously enabling the legal and regulatory decentralization environment to encourage the public sector institutions to emerge. At the same time, the ASPOP is reinforcing the capacities of Rural Producers Organizations to deliver private goods to their members and develop their professional networks and representation in the agriculture sector.
79. In term of phasing, the WB has also gained experience in implementing over several years (10-15 years) a staged approach to sustainable rural poverty reduction through a decentralized approach to resource allocation, community participation, and creation of social capital by working with local rural institutions (Box 3). This incremental strategy (sometimes more pragmatic than planned) enables a progressive learning from the implementation of each phase and allows the program to adjust to the capacity of the partner rural institutions and to the context reality while providing a longer term development perspective.

Box 3: Brazil: Empowering rural communities and institutions for poverty reduction. From Northeast Rural Development Program (NRDP) to Rural Poverty Alleviation Projects (RPAP)

The World Bank has been involved in supporting rural development and poverty reduction in Northeast Brazil since the mid 1970s. The emphasis shifted successfully from a set of rural development objectives to poverty reduction objectives based on decentralization, matching grants, participation, and ownership in the mid 90's. The primary goals of those projects (in which resources were transferred directly to community associations) has been to alleviate poverty through the provision of basic economic and social infrastructure and income generation by creating synergies between the municipalities, community based associations, line agencies. One of the primary achievements has been the support of a decentralized approach to resource allocation. The subproject development and approval process that was captured in the project design strengthened the capacity of both communities and municipal governments to prioritize investment decisions.

Source: World Bank Agriculture Investment Handbook. 2004

³⁴ McLean, Keith, *et al.* 2006. Exploring Partnerships between Communities and Local governments in Community Driven Development: A Framework. (Social Development Papers Paper No. 96). Washington, DC: World Bank.

³⁵ *Ibid.*

80. Working with rural institutions has also been done more indirectly through more flexible and innovative approaches at the macro-level, for instance through a series of single-tranche programmatic structural adjustment credits that support the implementation of PRSP, and involve extensive consultations and donor coordination and provide an ensemble of support packages to government, private and collective sectors. (Box 4).

Box 4: Uganda Sectional Programmatic Adjustment Lending Focusing on Poverty Reduction

In Uganda, the government developed a Poverty Eradication Action Plan (PEAP) to improve public service delivery. The reform program supports activities that improve access to and quality of education, health, water and sanitation, and rural services, aiming to raise quality of life and incomes of the poor. The program focuses heavily on activities enhancing efficient and equitable use of public resources and promoting good governance. This includes a new strategy promoting more demand-driven agricultural research. For instance, the multi-donor supported National Agricultural Advisory Services program promotes a comprehensive reform of agricultural extension services, and is a demand-driven program where public funds are channeled to farmer fora at the sub-county level to contract the services of farm advisors. *Source: World Bank Agriculture Investment Handbook. 2004*

6.3.1 Sector affiliation/placement

81. One of the objectives of the stocktaking was to understand the extent to which the rural organizations, which are involved in WB projects are single sector or multi-sector, and if and how the projects affect this. However it is unclear whether *sector* refers exclusively to domains (e.g. Public, Collective, Private, Irrigation Sector, Finance Sector), or to functions (e.g. credit, savings, insurance) and where the demarcation lies between providing services in one sector and another. However, the review differentiates between sectors (Public, Collective, and Private, per Uphoff's typology) and the functions the organizations performed at outset of the projects and at later stages, at the time of the current review.
82. As mentioned before, the choice of problem, i.e., the formulation of the objectives of the project, occurs during the design phase and affects the choice of channel, or delivery mechanism. From a design point of view, the institutions are the vectors for services to be applied to solve the problem and the choice of the organization and its sector affiliation depends on its specialization in terms of service delivery. The sectors most commonly identified in the project survey are local government³⁶, irrigation, finance, infrastructure (roads and transport), and social services.
83. Individual projects may orient towards *multi-sector service delivery* or *single sector service delivery*. Multi-sector projects usually provide open menu block grant or transfer to community groups / local governments. Single sector approaches vary in their degree of community involvement from high, where the community provides the services, to low, where agency controls service provision³⁷.

6.3.2 Public sector focused projects

84. Five projects in the sample are directly working with/through local administrations and/or local governments. Local governance is the way decisions are made and implemented by, or on behalf of, people in a local area. It includes the allocation of authority to decision makers,

³⁶ Local Government warrants consideration: LG provides multiple services, in multiple sectors, and is an important part of the WB sector related and functionality questions

³⁷ The projects reviewed demonstrated common approaches to capacity building of sector actors across the typology. These are presented in Annex 8.10 "Table: Capacity Building in various types of rural institutions.

authorization to use collective financial and natural resources, provision of public goods and services, and holding accountable those to whom authority is entrusted.³⁸ Local governance also includes civil bodies beyond municipal, city, and district representatives who have oversight, authority, or representative functions, and representatives of Central Agencies, to other local actors such as voluntary associations, development committees, and tribal councils.

85. WB projects interact with LG problems in different ways to improve rural livelihoods. Where the environment is conducive for a decentralization reform, project objectives to capacitate LG and communities to interact more effectively are common. Those projects usually support participatory planning activities, strengthen municipal management (the whole formal range of government management systems). By doing so, they attempt to enhance or create an interface between government and the society by building capacities in community organizations to identify and control investment, and interact directly with LA/LG around infrastructure and productive initiatives. This is done generally through the provision of resources for the community-identified investments, which may lead eventually to fiscal decentralization. Where the conditions are not conducive for decentralization a more “parallel” service based approach using the collective and private sector rural institutions is preferred.
86. Assistance to local governance have four aspects³⁹: 1) building the capacity of LG and line agencies to deliver services; 2) increasing local access to public infrastructure; 3) increasing the empowerment of local actors in governance and service provision; 4) enabling the environment. In most of the reviewed projects the capacity of line agencies to provide services is hindered by low capacity, and a reverse (top down) service orientation. Activities focused on public sector actors are usually mirrored by community activity, around developing development plans and instituting a functional relationship between community and LG through micro-projects that are infrastructure based. The majority of the projects reviewed had an infrastructure component. Generally, the infrastructure components were not implemented by LG or LA, rather micro-projects, such as farm-to-market roads, and irrigation and drainage micro-projects were planned and implemented by collective sector actors, with LG and LA involvement in the decision-making, design, and in some cases, co-financing. Service delivery problems have often been addressed through a social fund approach, sometimes bypassing existing elected public institutions. However, social funds have evolved over the years and there are now efforts to link more with LG, and increase community participation in decentralization processes. Nonetheless, in the World Bank practices, using existing local government’s structures is usually more a characteristic of local governance and CBRD approaches which normally integrate fiscal decentralization and public decentralized services framework perspectives in their operations. Few projects (under 10%) considered had an explicit legislative policy component listed in component and sub-component activities. The sample was comprised largely of projects working in a conducive policy framework, where at least de-concentration, if not decentralization, was established.

³⁸ World Bank. 2004. Local Development Discussion Paper prepared for the International Conference on Local Development. Washington DC, June 2004. Washington, DC: World Bank

³⁹ Additional information in *Local Development Discussion Paper*, World Bank, 2004 and in Annex 8.7

6.3.3 Collective sector focused projects

87. The ‘collective sector’ rural organizations, which comprise voluntary member organizations/common interest groups and cooperatives with pooled resources, are the entry-points in twenty-two projects. Here we distinguish between: voluntary membership groups (e.g. common interest groups), cooperatives that pool resources (WUAs, Self Help Groups, and smaller community associations), and rural producers’ organizations (RPOs).⁴⁰ The latter has certain characteristics, e.g., tending to be more organized, professional and profitable, which merits a special category. It is difficult to make a clear distinction between cooperatives and membership organizations, but it appears that over half of these projects have cooperatives (pooled resources) as their entry point. We surmise this approach is chosen by the projects to promote ownership and enhance sustainability.
88. The most obvious rural collectives are organizations of producers and services, either engaging in agricultural or non-agricultural activities. Agricultural collectives ranged from existing and functioning farmers’ and producers’ organizations, over nascent or inactive actors who were revitalized by the projects, to project created organizations with little or no acumen. Many types of community groups are encountered in the project sample: village committees, sub-village groups (pooled resources and common interest, women and youth specific).
89. Community driven development projects can empower marginalized groups, efficiently allocate resources and build social capital, and manage natural resources. CBOs can then be used by those groups to develop different livelihood strategies by mobilizing and diversifying their different assets (economic, natural, social, etc), while balancing their constituents’ social/political expectations with business operation strategies. A Community Forestry project in Yucatan (Mexico) demonstrated this (Box 5)

Box 5: Mobilizing marginal communities “*ejidos*” on Natural Resource Management to increase their social capital

The Second Community Forestry Project aims to help rural forestry communities manage their concessions and develop financially viable alternatives to traditional timber-centric exploitation of forest land through socially embedded institutions (*ejidos*). The *ejidos* are registered land owning collectives with landless poor tenants. Several *ejidos* have diversified their income strategy very successfully establishing mountain spring bottled water plants, others by establishing forest mushroom collection and processing operations, as well as honey production and processing. Environmental evaluations are positive, showing greater coverage and speciation than previously.

90. Each region seems to have developed its “own” vision in terms of interaction with collective rural institutions⁴¹. For example, the sample projects in South Asia have demonstrated that

⁴⁰ RPOs are not categorized as such in Uphoff and Buck’s typology but are considered in this review.

⁴¹ For instance, a recent report on CDD in South Asia described the following: “the CDD starting point in South Asia has not been the Social Fund model for local infrastructure delivery that is now part of a graduation process to decentralization. In the Indian context for instance, community-driven approaches to rural development have often built on local social movements, such as that of ‘self-help groups’ (SHGs) or farmer’s organizations, where the focus has been on strengthening these community-based ‘solidarity’ groups, through whom access to credit/savings/inputs/markets can be enhanced, social empowerment strengthened and local investment attracted. Livelihoods programs typically build capacity of such groups, supporting their collective organization at the village level; federations, producer companies or co-operatives at higher administrative tiers; and facilitating partnerships and tie-ups for employment, product value-addition and marketing. In Hayward,N.,

community driven funds can channel resources to respond to a variety of specialized or complex opportunities and needs. Since the design elements differ so broadly, it is difficult to draw lessons across the spectrum, and may be better captured by discussing briefly how the *problem* they address is reflected in the assumptions and project design that follow. Created CBOs seem to be more prone to change their functional agenda, probably because their opportunistic nature enables (or forces) them to adjust their services to the needs of their members, or face constituent flight and dormancy. (Box 6)

Box 6: NEIAP II, Rural Development Societies' responsiveness to livelihoods opportunities

In war-affected districts of Sri Lanka North East Infrastructure Project the key constraints to increasing rural livelihoods are infrastructure, empowerment and assets. This was initially addressed by mobilizing and capacitating groups' grants, establishment of revolving funds and micro-finance to village organizations and individuals for small infrastructure projects (irrigation and roads) and micro-enterprise generation. Training is provided to village organizations including Women's Rural Development societies (RDS), households, and individuals seeking project assistance. The Women RDS is capacitated and aggregated to become a MFI, filling a gap in services. Over time, capacity building programs identified for/by the RDS had to be revised to include less MFI related activities and more training on new information technologies (computer centers), English language courses, providing better skills to seek employment in the Middle East (migration) or on post-Tsunami reconstruction sites.

91. Community-based management of resources and investments can be transparent and efficient, even where inefficient practices are the norm, and infrastructure and service delivery are lacking⁴². Two design elements considered by staff to be essential in those approaches are: first, *"You can trust the poor to make the best decisions about their own needs and development."* Second, the fund flow must go directly to the communities, where it is managed with the utmost transparency. However, this last point (depending on context) can be problematic when it creates a parallel system of fund flows and service delivery, bypassing and undermining public sector agencies without building up their social accountability, which in turn may be re-enforcing the problem. Perhaps to counter such problems collective sector and public sectors linkages are encouraged in some projects. Increased links between LGs and CBOs can speed "scaling-up" and improve sustainability while improving the decentralization agenda (Box 7).

Box 7. Linking CBOs with Local Governments: Kecamatan Development Program, Indonesia

The Kecamatan (sub-district) Development Program (KDP) is addressing long-term structural poverty in Indonesia through targeted decentralized block grants. The project uses an approach based on administrative units as a means of making a systematic commitment to administrative decentralization. The core of the project's institutional arrangements lays in the relationships between the Kecamatan and the village levels. Villages submit project proposals to the Kecamatan where they are reviewed and prioritized by the Kecamatan Council of Village Heads (UDKP) to which villages elect representatives. These councils also monitor project progress. Funds are channeled via a different structure, from the national to the district level branches of the Central Bank, and then to the Kecamatan level branches of the Bank Rakyat Indonesia (BRI), a government Bank with national coverage. Comparative surveys in Indonesia showed that community conceived and managed infrastructure projects cost less for the same quality; and it was felt that in terms of governance, the community-based model offered a means of building community capacities and linking community planning to Kecamatan planning processes.

Source: Community Driven Development case study: Kecamatan Development Program. 2000. CDD website (World Bank).
http://essd.worldbank.org/cddwk200.nsf/gweb/cs_kematan

2006. Supporting the Peoples' Sector - the SASAR/India experience in community-driven livelihoods development" [draft] 2006, 1.

⁴² Long term investment in northern Brazil and a recent project in Kyrgyzstan (Village Investment Project: VIP) show successes.

6.3.4 *Private sector focused projects and sector linkages*

92. According to the typology used in the present review, private sector rural institutions are either for-profit businesses or non-governmental, non-profit entities like charities and foundations, which in toto are called ‘service organizations’. The non-profit type of rural institutions has many actors: charities, research institutions, foundations, and service providers.
93. The role of **non-profit service organizations** varied from essential, in the case of SERP in Andhra Pradesh, to significant in Mauritania, to minor in Bosnia-Herzegovina. The review found that service organizations and foundations are often involved in similar intervention types and CB activities⁴³.
94. **For-profit businesses** are active in the establishment of value chains/supply chains, or as local contractors, (primarily for infrastructure construction support), and in the financial sector (banks, MFI). Businesses that link beneficiary collectives to markets, and contractors involved in infrastructure construction/maintenance most commonly occur in CDD and CBRD projects. The businesses benefit from the provision of information (especially in value chain initiatives), or material, resources and TA in the case of rural contractors, who often must have improved their capacity to meet WB procurement standards and local building codes.
95. Private sector involvement clusters around two project elements: (1) the creation or support of nascent supply chains where the project beneficiaries are on the supply side, and (2) access to financial services, where the beneficiaries are on the demand side.
96. In a typical **value chain project**⁴⁴, the project identifies a marketing agency or exporter in the private sector and establishes a relationship between this and beneficiaries, usually as part of a crop diversification component. The Bank may or may not identify specific crops as part of the value chain inducement. A comparison of Bosnia and Mauritania suggests that facilitating the relationship and providing some infrastructure yields a better return than picking the crops, providing infrastructure, and facilitating the infrastructure. This should be considered in the light of longer involvement with key actors in the Senegal River Basin.
97. Working through both private and collective sector organizations to build synergy is a common practice in projects focusing on supply chains. They usually use RPOs, which because of their dual nature (collective and private) are usually easier to mobilize and establish incentive structures with (because they see advantages in consolidating or gaining new markets); better prepared in terms of accountability towards their members and with potential to become active and respected actors in the national sector debate (usually in agriculture). However, in the integrated sectors (for example cotton in West Africa) the role of producer organizations used to be relatively simple. It consisted of distributing the inputs supplied by the relevant society (public or private) with the latter recouping its advance when the product was sold. Privatization policies have put this organization in question and the potential role

⁴³ In Andhra Pradesh DPIIP, the implementing agency is the Society for Elimination of Rural Poverty (SERP). SERP is an independent, autonomous society registered under the Societies Registration Act, which, with deep knowledge of local practices and the population, is implementing the project with significant successes and diversification in the portfolio of services offered to beneficiaries

⁴⁴ Such as in Bosnia Small Scale Agricultural Development Project, or Mauritania PDPIAM,

of the RPOs has suddenly become more complex without them being sufficiently prepared for this change. (Box 8).

Box 8: Using RPOs to consolidate the agriculture sector in Mauritania and increase rural livelihoods opportunities

The PDPIAM project aims to improve income, productivity and water management in the Senegal River Basin, while linking producers to regional markets, and to assist the transfer and management of state managed schemes to RPOs (irrigation cooperatives, women's groups, producers' organizations, rural credit cooperative –UNACEM-). The RIs interact through the project with agricultural services and a variety of service providers (exporters, rice traders and millers, contractors, and NGOs). The project promotes information dissemination on agricultural diversification, market opportunities, etc. while addressing both institutional and assets constraints through the direct provision of resources to strengthen credit agencies, improving the public agencies services and promoting the liberalization of land distribution and registration processes. Gradually, participating FOs have diversified their crops and Mauritania is, for the first time, exporting fruits to neighboring states, through linkages with international export firms. Credit agency strengthening expanded the resources available to farmers and associations for diversification and water as well as storage infrastructure, and UNACEM achieved financial self-sufficiency while diversifying its products.

98. Access to financial resources is low for many rural institutions and the communities that constitute them. Therefore, many projects have components to improve access to financial services. Financial services may be basic banking services, or loans and credit. The investment models (grant vs. loans) and linkages with micro finance institutions (MFI) and the private sector are crucial in this respect (Box 9).

Box 9. Investment models and linkages with MFIs in South Asia: Grant vs. loans?

In South Asia several investment models co-exist: direct grants to CIG or village organizations for on-lending to member SHG groups; or a combination of grants for certain activities, alongside revolving funds/small loans, under the auspices of an overall 'village investment fund'. While some analysis suggests that loans are the principal financing instrument for 'private goods, grants can also be a useful starting point for livelihoods enhancement, particularly for the poorest. These two approaches are commonly presented in opposition to one another (particularly when reduced to a simple private vs. public goods opposition), however, later generations of projects (e.g. TN, some watersheds) try to combine them, situating initial grants/seed capital to the poorest or for village level 'public assets' development, in an overall framework of sustainability that also provides for inclusive institution building, and a 'graduation' model of small group savings and credit, building both social capital and access to broader financial services. This integrated model recognizes the framework of both social and economic capital development, with village level options left flexible enough to be adapted to different asset and recipient profiles.

Source: Hayward, N. *Supporting the Peoples' Sector - the SASAR/India experience in community-driven livelihoods development* draft 2006

99. WB projects improves access by working on policy aspects affecting financial access, e.g. advocating for a relaxation of restrictive laws that allow only state actors to provide credit to beneficiaries (as in the Philippines) or by capacitating existing banks and MFI to expand their product line through provision of training in risk assessment, or through the provision of seed capital to loans to a prioritized set of borrowers. In some cases the project acts as 'credit bridge' to MFI funds made available by other agencies, such as the IMF, by assisting beneficiaries who almost-but-don't qualify to get a loan to fulfill the necessary criteria. Bank projects also attempt to build MFI through a process of granting revolving funds to self help groups and as these groups become more successful and establish savings, aggregate them into MFIs that can then serve the intended beneficiaries, even in very difficult circumstances, like in Sri Lanka, or in more contrasted contexts like in India (Box 10).

Box 10: Different WB approaches in India to support MF sector development and access to private good investments for the poorest

In India, Microfinance has been put forward for those projects, which have been more explicitly 'finance' focused from the start and which have made some remarkable achievement in terms of mobilizing savings amongst poor women, building credit-worthiness through SHG inter-lending, and establishing linkages with banks for greater credit amounts to finance more productive investments (e.g. In AP alone, annual credit extended to SHG members was \$400 million in 2005/6). Experience suggests that the SHG-bank linkage model has been enormously successful in extending service to the previously unreached rural poor and can contribute to inform the regulatory environment and policy debate.

Source Hayward, N. *Supporting the Peoples' Sector - the SASAR/India experience in community-driven livelihoods development* draft 2006

100. Conclusion on sector affiliation/placement: The review has identified the following issues with respect to linking sector approaches to approaches that promote direct support to rural organizations:

- *Supply of facilities and services driven by national sector policies may differ from the service mix demanded by communities and rural institutions.* Disjuncts of this nature affect with willingness of both LG and collective sector actors to participate, and are more common in environments where decentralization reform is partial or stalled.
- *Sector focus grounded in technical expertise may be at odds with a rural organization's preference for solving problems.* This affects the degree of beneficiary ownership, and can also be perceived as being at odds with 'learning by doing' approaches.
- *Sector oriented capacity building is more supply-side driven, community approaches are more demand driven.* Decentralized approaches focusing on local public administration, e.g. line agencies and extension services, favor less flexible set-menu provision of training and TA around specific topics and activities, typically service provision, compared to collective sector approaches, where flexibility in training duration, timing, and method was observed.
- *The most effective approach seems to be systemic rather than sectoral* when an ensemble of support packages to both governmental, private and collective sectors are provided.

6.3.5 Financing mechanisms

101. The level of beneficiary financial contribution or Beneficiary Investment Share (BIS), as it is often called, is a critical factor that affects involvement, ownership, sustainability, and the development of accountability relationships. The review, although small, uncovered certain trends in funding mechanisms and level of beneficiary contributions. It is noted that in the PADs, why one delivery mechanism was chosen over another in the project-specific context is very rarely described in any detail. When described, delivery mechanisms are not presented in a standardized manner, e.g. some projects specify the required hard v. soft counterpart contributions while others make no mention of it. Standardized presentation of this information would facilitate comparison and study.

102. Matching grants are the preferred mechanism for delivery of public and private goods in 23 of the projects, thus being the preferred option⁴⁵. Matching grants most often support infra-

⁴⁵ A number of projects provide both public and private goods, for example, in the Philippines 2nd Agrarian Reform Communities Development Project assistance is used for infrastructure *and* enterprise development. In

structure micro-projects in a community-driven or community-based manner. Matching grants are the favorite delivery mechanism for Membership Organizations (the most common beneficiary in the sample), as well as for RPOs, and LG actors. However, differences were observed by category of beneficiary, and one third had variable rate of Beneficiary Investment Share (BIS). Grants and mixed funding methods (variable rate BIS, or combinations of grants, matching grants, loans) are used less for public goods.

Table 3: Sectoral Focus ('output') and beneficiary funding mechanism

	Public	Private	Both	Total
Grants	2	0	1	3
Matching Grant	9	4	10	23
Mixed/Multiple	4	0	2	6
Total	15	4	13	32

103. Mixed funding approaches, or multiple BIS, involving financial instruments such as graduated collection, saving, investment and repayment, is favored by projects with beneficiaries of different types (e.g. LG and MO) or beneficiaries at different stages of development. Mixed types did not occur in private sector focused projects. The average BIS across reviewed projects with a value stated in the PAD was 15.25%. Projects with local governance entry points tend to have higher BIS (17.5%). Membership organizations BIS averaged at 13.5%, however there is a great deal of complexity behind this number as the category is broad and encompasses SHG (self help groups) and common interest groups involved in producing public and/or private goods. Cooperatives average 10% BIS. However, projects with Cooperative entry points, such as Mexico Community Forestry and Philippines ARCDP, base their BIS on the level of beneficiary capacity, providing more assistance to less weaker beneficiaries - up to 50% in the case of ARCDP, and 10-30% in Mexico across four categories. For RPOs, beneficiaries with a strong public-sector/business-focused aspect BIS averaged 20%.

Table 4: Category of rural organization type and BIS % by project (when stated)⁴⁶

	LG	Coop	MO	RPO
Average	17.5%	10%	13.5%	20%
Low	5%	10%	5%	0%
High	30%	50%	79%	20%
Variable BIS	5-20% 10-15% 10-30%	10-30% 0-50%	0-10% 10-25% 67-79%	0-20%

The higher BIS is in keeping with observations from projects that have beneficiaries at different socio-economic levels and variable BIS, such as the Mexico CFP, where the more successful, diversified actors must pay more.

104. BIS variation was also analyzed according to the purpose (output) of projects. Although the sample is small, the largest variability encountered is for infrastructure projects. The small-

Bosnia-Herzegovina the SSCADP has one component developing a supply chain for wine, honey, and vegetables (private goods), with other components in agricultural research (public) and water infrastructure (public)."

⁴⁶ Depending on the situation, the beneficiary investment can be 'hard counterpart' (cash) or 'soft counterpart' (in-kind and/or labor), or some combination of the two.

est variability was for demand driven (*ex ante* unknown) projects. Further research is necessary to investigate the rationale for these variations in BIS.

6.3.6 *Inclusion and Participation*

105. In most of the projects reviewed RIs are seen as a mean to address and mitigate factors of insecurity and instability, dealing in particular with various aspects of *vulnerability*. To do so, RIs are usually supported to promote participation, conflict mitigation, and external linkage (market expansion, local governance).
106. All the projects reviewed concentrate on the poorest, using a combination of targeting factors such as a geographic area, poverty indicators, and other criteria such as sector or readiness rankings for access to project resources (the primary selection criteria is presented in Annex 8.5). Targeting most often focused on the poorest districts (in 19 projects), while regional (4 projects), national (3 projects), and sector based (3 projects) targeting was found in nearly equal numbers. Two projects used other factors, such as community population size or 'readiness' of the beneficiary rural organization.
107. Across the projects, much emphasis is placed on full representation of the beneficiary community in project activities. Inclusiveness strategies and participation mechanisms vary depending on the country situation, and which groups the project aims to include (actors who are traditionally underrepresented in the public space), most often women, indigenous groups, and youth. Some projects work with mandated quotas for the representation of women, or develop women- and youth-specific components, e.g. Andhra Pradesh DPIIP. Ethnicity can be a positive inclusive factor, as in the cases of Mexico or Bolivia where indigenous communities have a mandated presence in development planning. Ethnicity can also be a negative factor, as in Cameroon where some indigenous communities are not even recognized as citizens. In Cameroon, the project engages in advocacy for these populations' inclusion in citizenship and access to consequent benefits. Some projects have reached itinerant stakeholder groups by basing project activities at known rest points (e.g. Kenya ALRMP) and the project engages in advocacy for inclusion through citizenship for these populations and consequent access to services.
108. Many of the inherent weaknesses of participatory processes have been addressed - if not overcome - by refinements in project design that are applicable to specific cultural and political context. The challenges that projects are having difficulty resolving are developing inter-communal coordination and economies of scale. Every program was explicitly concerned about the participation of traditionally excluded persons, and their degree of integration seems to be correlated to the legal status of the group in question in the country in question. In countries where, for instance, there are specific roles, agencies, and set-asides for indigenous communities, their participation is high. In other countries, where women have few basic rights, projects have small but encouraging sub-components.
109. **Legislative environment and legal status of rural institutions.** A major factor affecting inclusion of social groups such as ethnic minorities or indigenous people is the legislative environment. The comprehensiveness of legislative reform towards recognizing ethnic mi-

norities or indigenous peoples and their collective rights varies a great deal: in the cases of Mexico, or Bolivia indigenous communities have a mandated presence in development planning, whereas in Cameroon where some indigenous communities are not yet recognized as citizens.

110. In most countries obtaining legal status for the rural institutions/organizations to access project assistance is not, or is no longer, a major barrier to participation. Almost all projects reviewed required all beneficiaries to be registered, legal entities in order to participate in the project or access to funding. The few projects that do not require legal status of participants has specific provisions for inclusion of e.g., households, landmine victims, returning ex-combatants, women's common interest groups, self-help groups and cooperatives, to establish savings before borrowing. Where official registration is not required beneficiary readiness is demonstrated by strict rules of savings and operation—informal access is very formal in practice⁴⁷. In only a few projects (three of thirty one cases), beneficiaries face significant bureaucratic hurdles or registration wait times, and the TTLs of these projects expressed frustration with the administrative environment. However, as these experiences are rarely reported the conclusion is that in most countries obtaining legal standing to access project assistance is not, or is no longer, a major barrier to participation⁴⁸.

6.3.7 Accountability

111. The nature of the desk review made it difficult to assess the level of accountability of the rural institutions involved in bank projects. Overall, most of the projects promote organizational transparency and accountability. This is particularly true for project created CBOs, which seem to be highly oriented to the project opportunity and requirements (the CBO being created, for instance, with a structure and function that mirror the procurement and safeguard requirements of the WB). In those cases, the level of acceptability or legitimacy is directly related to access to the services provided by the project. Funding directly to communities can however be problematic when it creates a parallel system of fund transfer and service delivery, bypassing and undermining public sector agencies without building up their social accountability, thereby possibly re-enforcing the problem.

112. Elite capture remains a threat for created institutions, especially when elite groups are able to mobilize their existing social capital assets to seize the new opportunities. Research elements are vulnerable to capture if approval committees are not very carefully selected.

113. Whether the projects had LG focus or not, it appears that accountability relationships between actors in rural space are strengthened through the projects, which is most pronounced in changes in the service orientation of ministries and line agencies. Anecdotal reports from local elections suggest that the demand-side of governance is important.

⁴⁷ While the majority of projects do require the rural institution to be registered, a few do not. Those that do not, such as Sri Lanka North East Irrigated Infrastructure Project (NEIAP II), which has infrastructure and livelihood elements, has specific provisions for inclusion of households, landmine victims, returning ex-combatants. In India, the Andhra Pradesh District Poverty Initiatives Project, required women's common interest groups, self-help groups and cooperatives, to establish savings before borrowing.

⁴⁸ This *does not* mean that all the categories of rural dwellers have the same equitable access to legal services.

6.4 From single to multi - functions and sectors

114. Does selecting single function or multi-function organizations, and/or single sector or multi-sector organizations as entry point give clear benefits in terms of improving rural livelihoods? The answer to this question could give a guideline for project design. The stocktaking found that all types and combinations have made contributions to improving rural livelihoods, so the answer must be that it depends - on project design, context, moment in time and start-up factors in general. Thus, no general or global conclusion can be made on which type of organization should be given priority. However, an arguably more important aspect is the organizational development processes that take place during a project and here the review did find some interesting patterns.
115. **Single and multi-function:** About two thirds of entry point rural organizations (in 20 projects) appear to be single function at the outset of the project. However, as the rural organizations develop, supported by the project, and increase legitimacy and capacity, and as response to constituent demand and opportunities, they start to provide new services, functions, or products. Furthermore, some organizations have transcended sector boundaries and added new goods and/or services to their portfolio. Examples include Sri Lanka 'Gemi Diriya', Peru Rural Roads Project, India Andhra Pradesh DPIP, and Mexico Community Forestry Project. This suggests that, in those cases, a central development challenge is being successfully addressed by the WB: *capacitating rural organizations to identify and utilize alternative livelihood sources for their members.*
116. A reduction over time in the functions performed by the rural organizations is also observed. Some projects reduce the services of the rural organization, such as in Chad, where a WUA providing various services deemed unsustainable reduced its portfolio to focus on water. A trend in CDD programs is apparent also: in the initial stages, communities tend to spend on social infrastructure through public good provision (e.g. health clinics), and later they develop better business plans and spend on more productive projects. This seems to hold true across regions. Created CBOs seem to be more prone to change their functional agenda, probably because their opportunistic nature enables (or forces) them to adjust their services to the needs of their members, or face constituent flight and dormancy.
117. **Single sector and multi-sector:** The reviewed projects generally have chosen sector-specific rural institutions as entry points. Most rural institutions/organizations are predominantly sector-specific initially. However, projects that are strongly participatory and oriented towards community demand tend to show a progression from providing basic infrastructure for basic services (water, roads, health centers, etc.) to more productive or diversified services. Other projects that have a prominent private sector linkage component / value chain approach often move from supplying one sort of good or service to more or many. Such diversification can be through alternative crops, new activities (eco-tourism), or new goods (NTFP, beekeeping), particularly where private sector actors are directly involved.
118. Often the evolution of rural organizations from being single sector oriented to multi-sector is not planned by the projects. Rural organizations targeted by the project to deliver specific services can gain some experience and legitimacy among their communities and gradually be aware of other opportunities and sometimes diversify their functions or totally change their

sector of services. For instance, the road maintenance micro-enterprises created by the Rural Road Project in Peru rapidly started to provide other services to their members, such as social protection and employment opportunities, and the most successful ones started to abandon their primary function (road maintenance) to start more profitable tourism or handicraft activities.

119. Federating or networking organizations seems to be an important way of achieving efficiencies and economies of scale for producers and groups. For projects focusing on the provision of individual services, such as micro finance bridges, aggregation seems to be common, especially in South Asia, where revolving funds have evolved to micro finance institutions that offer diversified services.

6.5 Organizational processes and dynamics

120. This section presents a tentative outline of a framework for analyzing organizational processes and dynamics in rural institutions. As discussed in the previous section, rural institutions are characterized by dynamism. One could think that while there is a lack of a clear typology of rural organizations shared by the projects, they benefit from a well developed conceptual framework for thematic interventions, such as empowerment, social capital, fiscal decentralization, etc. The emphasis on themes rather than on typologies may be illustrative of the dynamism of rural organizations. It is therefore found relevant to attempt to look at this aspect in a more structured manner. Though the observations presented are based on the reviewed projects, the section is more speculative than the rest of the report.

121. Across the various types of rural institutions reviewed in this stocktaking different developmental trajectories ending in four basic outcomes can be identified. These outcomes are:

- Organizational Dormancy,
- Sustained Activity,
- Aggregation,
- Disaggregating (rare).

Multiple scenarios are possible in each outcome category. Given the active status of almost all projects reviewed, and the large number of beneficiary organizations, it is not possible to provide detailed counts of projects by their sector affiliation/ placement or their functional characteristics as they are distributed among these outcomes.

122. Organizational Dormancy: Organizational dormancy means that there is a known structure, accepted rules and norms for an organization, but for lack of sufficient resources or capacity to fulfill its purpose/service it does not function. However, given resources and capacity it can be brought to life. Organizations can be dormant before or after project interventions in their area of operation, or even during project implementation if they are not part of the project. Organizations become dormant (returns to dormancy) in two ways, they achieve their purpose (such as institutionalize a service delivery model that is absorbed into regular local practice) whereby they become less and less relevant, or, fail to institutionalize changes/provide services whereby stakeholder's lose interest and leave. Organizations become passive if they lack sufficient resources or capacitating after project assistance to con-

tinue fulfilling their purpose/service. Dormancy among beneficiary organizations was obviously seldom encountered in the sample because the projects' active status indicates provision of various resources for beneficiary organizations. However, it would be relevant to obtain more data on the proportion of beneficiary organizations that become dormant after projects cease. This of course is a matter of their sustainability.

123. In poor areas collective and private sector actors often have less capacity and less access to assets and are more prone to be, or become dormant. In the sample projects Water User Associations, Collectives, and Farmer Cooperatives are often re-invigorated by infrastructure projects, which can mean they have been dormant prior to the project intervention, and that they may have a disposition to become dormant again after project interventions. In other scenarios, where organizations are created for a specific purpose, they either achieve their purpose (such as institutionalize a service delivery model that is absorbed into regular local practice) and become less and less relevant, or, they fail to institutionalize their changes/provide services and stakeholder flight occurs. In very few cases, dormancy is imposed by the project, particularly in cases of elite capture. In Bosnia-Herzegovina, an agricultural research component was terminated after such elite capture became apparent. It should be noted that dormancy across collective and private sector can also be the result of adverse weather events (e.g. droughts, Tsunami), or man-made catastrophes (e.g. war, pollution) that severely disrupt the economic, political, and social landscapes.

124. Sustained Activity: This is in most, if not all cases a major success criterion for a project. After completing the tasks and exhausting the opportunities presented by the WB project, the rural organization is sufficiently capacitated to continue providing its primary service, and/or it diversifies its services. Commonly public sector institutions continue, since their existence is legislatively mandated and their revenue is derived largely if not entirely from central authority. Continuation of collective sector organizations is related to many initial factors, as well as their capacity and ability to identify and take advantage of opportunities, as their mandate or mission permit. Diversification appears to be correlated with sustainability. With the exception of some RPOs, private sector actors are not considered project 'beneficiaries', but benefited from linkages facilitated by projects either to build infrastructure, or new inputs in value chain initiatives. Thus sustained activity of a rural institution can have various trajectories – stable, increase or decrease in outputs, or diversification of functions, to mention the most general.

125. Aggregation: Aggregation occurs in the collective and private sectors and it has both a horizontal aspect (between organizations) and a vertical aspect (involvement in a higher order of activity). Horizontal aggregation occurs when organizations federate or merge with one another to obviate competition and create economies of scale. This was observed with CIGs and Coops across the regions. Vertical aggregation occurs when organizations federate to maximize their ability to affect policy and amplify their voice in the political sphere and scale up and networking. Excellent examples of aggregation were found in Senegal (ASPOP), Ethiopia (WIDP), the India DPIPs, detailed later, and Sri Lanka *Gemi Diriya* (Box 11).

In this project village organizations [VOs] have started forming networks with other villages in the form of an inter-village federation to provide services in a cost-effective manner and achieve economies of scale. The Federation of VOs is registered as a Public Limited Company in Sri Lanka with three units (i) Trade and Finance Facilitation Unit, (ii) Information, Communication and Technology Unit and (iii) Social, Cultural, and Environmental Services Unit. Start-up capital is provided in grant under the *Gemi Diriya Program*, but each federation prepares a business plan to reach self-sustainability in three years. Each eligible joining VO contributes an initial membership fee and subsequent income is raised through fee-based services provided by each unit. The key objective is to achieve co-ordinated and concerted efforts among the participating Village Organizations for undertaking sustainable village development activities and in planning and implementing a common Business Plan.

Source: Hayward, N. 2006. Social Funds Innovations Notes Series, briefing note, 3.

126. **Disaggregating:** This can occur in various trajectories, from individuals who leave the organization by numbers, to bifurcation or further splitting of the organization, to total collapse. The Ethiopia Women's Development Initiative Project provides an illustration. In Ethiopia women CIGs formed, their capacity was strengthened; they performed and aggregated into successful federations. As these federations continued to perform, in several instances, individual members left the federations, starting individual entrepreneurial agencies, stating that their returns would be higher working individually than collectively. As a TTL remarked "It turns out that there is a lot of similarity between the entrepreneurs of Wall Street and the wives of Ethiopia."

127. **Conclusion on organizational processes:** The majority of beneficiary organizations in the projects reviewed are collective sector actors. Given the limits of the study, there seems to be a trend for CDD, CBRD, and value chain rural institutions partnering with WB projects to remain active during the observable project life, aggregate to achieve economies of scale and network. For projects focusing on the provision of individual services, such as micro finance bridges, aggregation seems to be common. Where the project focus on a specific effect or impact, we intuit that dormancy will be the more common outcome, either on account of the inability of the organization to identify and exploit new opportunities, or its being obsolete after the intended impact has been achieved. RIs are usually encouraged to gradually develop both vertical (to national level) and horizontal (to other localities) linkages. The discussion in this section relates directly to issues about sustainability, which is the topic of the following section.

6.6 Sustainability

128. Emphasis on sustainability differed significantly in the sample projects: at the high end, organizational sustainability was listed as an objective; at the low end, sustainability was a routine or theoretical discussion in the PAD predicting that changes in the capacity of the rural organization and the environment would ensure viability. It should be mentioned that sometimes assessing the sustainability of a project can be difficult in countries where the role of the Bank is not clear (cf. Box 12).

Box 12 Azerbaijan, AZRIP

This is a classic CDD project that facilitates the creation of village organizations where there are none (or are only very nascent remaining traditional structures) and include grant review committees at District level, and Regional Operations Offices.

Although, there is a clear need and benefit associated with improving rural infrastructure, the political and policy environments are not conducive: the World Bank is not a major player in the corridors of power, and the centralized Azerbaijani political elite are focused on oil for revenue. Rural infrastructure and livelihoods as well as the decentralization agenda are not seen as priorities (all LGU above mayor are centrally appointed, and grant review committees are politically oriented to the center). In this context, project beneficiaries are extremely unfamiliar with the bottom-up/demand driven approach and rely on informal social networks for support. The sustainability of the rural livelihoods created by the project seems unlikely.

129. Since most projects are active for five years, achieving sustainability in such a short time frame is ambitious. As mentioned in previous sections, there are encouraging examples of rural organizations that develop new sources or revenue, diversify their risk, or expand their sector approach, all of which are correlated with sustainability. Phase 2+ projects show examples of sustaining organizations from previous phases⁴⁹. For project created rural organizations their sustainability, replicability and in the long run their institutionalization are common concerns. Their opportunistic origin and the new kinds of activities they perform can initially create problems of legitimacy, which in turn can be reinforced by problems of financial sustainability and technical capacity.

130. **Assessing Sustainability:** Since the reviewed projects are currently active or have closed within the past year, they do not offer hard, clear evidence of the sustainability of the organizations or the project effects. Most TTLs interviewed used a simple, measurable definition of sustainability: continued operation after cessation of project support. A project may be considered sustainable if its effects, not just its channel, i.e., the rural institution or organization, continue. Such effects can be e.g., service delivery mechanisms; lasting changes that have improved the conduciveness of the environment (such as legislative reform); the adoption of certain patterns of accountability; service orientation, or the increased capacity of individuals involved.

131. Starting conditions appears to be key to the sustainability of rural organizations involved in WB projects. A number of factors were found to be important both for existing and created organizations, namely:

- Local level political stability
- Good leadership and local ‘champions’ – especially with prior development experience
- Highly committed, capacity building/TA training corps, comprised of local individuals
- Internal management capacity and accountability at outset
- Level of democratic access
- Risk of elite capture
- Inclusiveness (expressed most often as number of women integrated into the process)
- Measure of authority
- Long-term commitment of donor agency/government.

⁴⁹ E.g. Senegal Agricultural Services and Producer Organizations Project (ASPOP), and Indonesia Kecamatan Development Project, among others.

Based on these identified key factors, one could suggest a screening process of potential partner organizations as part of the project design phase⁵⁰. Most of the projects likely to support sustainable organizations seem to benefit from good starting conditions, include significant amounts of time and ‘handholding’ while providing specific capacity building and support (financial, material, and human resource improvements)⁵¹. Sustainability is also affected by the length of the project - short ‘one shot’ projects rank low on this measure.

132. It is worth noting that for a small subset of projects stand-alone sustainability is almost non-applicable. For instance, the Kenya Arid Lands Resource Management Project aims to reduce livelihood vulnerability for drought-prone and marginalized communities. Since the arid lands environment is and will continue to be a difficult place to eke out a livelihood, and will suffer serious setbacks from adverse weather events and spill-over from regional conflicts, residents *will* need assistance from outside groups (funding agency, donor, government, etc) for the foreseeable future - in the order of decades, not years. Thus sustainability beyond the project is less applicable, and the emphasis has been on capacity building by developing early warning and coping systems, while also improving access to markets.

133. **Sustainability – summary:** As discussed in previous sections, projects most often first pay attention to social capital development by building community level and group capacities followed by activities that focus on enhancing economic capital. Previous sections have presented encouraging examples of rural organizations that develop new sources or revenue, diversifies their risk, or expands their types of activities (moving into new ‘sectors’). Examples have been given of Water User Associations, collectives, and farmer cooperatives that are reinvigorated by infrastructure projects. In collective sector related projects, organizations seem to develop multiple functions, remain active, often aggregate, and are considered sustainable. Rural organizations often develop and increase legitimacy and capacity, and as response to constituent demand and opportunities, provide new services, functions, or products. Hence, the stocktaking presents in general an optimistic picture of the sustainability of the rural institutions and organizations that are engaged by the WB projects. Taking a *dynamic* view, rather than a *design* perspective in the project preparation phase seem to support the adaptability capacity of the partner rural institution and therefore its sustainability.

6.7 Capacity building for rural institutions

134. Across the projects reviewed, it appears that provision of training and more innovative types of capacity building are essential to equip communities with the range of functional, administrative, technical and social skills necessary to manage their groups and investments, develop their products, participate in planning and decision-making etc.

135. In terms of assessing the projects’ strategies for capacitating rural organizations, a distinction between ‘supply driven’ or ‘demand driven’ delivery mechanisms is made here. Fur-

⁵⁰ See annex 8.11 for an example of a possible sustainability indicators table for rural institutions.

⁵¹ Similar findings are reported in McLean. *ibid.*, 7

thermore, the review looks at the budget allocations for capacity building across the projects, both as an indication of the priority given to this, and to investigate whether different types of project designs in terms of level of entry point would reflect on the cost of capacity building. The review further tried to compare capacity building approaches between the sector affiliation/ placement of the rural institutions to identify relevant differences. Finally, the review looked at capacity building from a sustainability angle.

136. The broad definition of capacity building used here is “processes by which individuals, organizations, institutions develop abilities to perform functions solve problems and set and achieve objectives”. Capacity building comes in many varieties and rural institutions access different types of capacity building in different ways, depending on their sector, function and maturity; and the constraints and problem(s) that the project addresses⁵².
137. **Supply driven mechanisms:** Most projects reviewed use a supply-driven mechanism, where existing capacities, training needs assessments, constraints and the capacity building activities have been identified and analyzed by the project. Capacity building is then delivered through a ‘set menu’ where beneficiary organizations receive pre-defined training and human and material resources. Alternatively the project has an ‘open menu’ with project-supplied options from which the organization can choose. Most often capacity building is provided by project-hired specialists (for e.g. from local CBOs, NGOs, or beneficiary organizations), or through structures set up between the project and relevant government actors. Supply-driven capacity building provision varies by sector (ref. Annex 8.10).
138. **Demand-driven mechanisms:** A smaller number of projects, mainly CDD, operate with demand driven mechanisms, which allow beneficiaries to identify their most pressing constraints and their capacity building requirements. This is perhaps on account of perceptions that this approach can be less efficient, more open to capture, and create difficulties in inter-communal/inter-district development coordination. The CDD projects have different degrees of freedom in terms of meeting demands for capacity building, with corresponding rhetoric about adherence to CDD principles.
139. Only a few of the projects directly focus on the capacity development of rural institutions while exploring various demand driven mechanisms, such as emphasizing peer exchange, learning and review – particularly across rural institutions and programs (Sri Lanka, CNCR in Senegal, etc.).
140. **Comparison of budget allocations for capacity building:** Since the projects’ designs vary significantly even a ‘hard’ budget comparison proves to be somewhat misleading. Two-thirds of the projects (23 of 31) have a designated line item for Capacity Building and of these the

⁵² In terms of the content of capacity building, it can be useful to distinguish between the following:

1) Systems and procedures: “rules of the game” (the rules and procedures with which rural organizations are expected to operate), 2) Human resources (both staffing levels and the skills/knowledge that staff/members have), and 3) Material resources (equipment, materials and infrastructure). Chapter 5: Capacity Building in UNCDF. 2005. Delivering the Goods: Building local Government Capacity to Achieve the Millennium Development Goals. New York: United Nations / UNCDF.

average budget share was 18%. Removing outliers (two highest and lowest values) reduced the average CB budget share to 14%.

Table 6: Budget share for Capacity Building in selected projects

	Budget for Capacity Building
Average (all, adjusted for outliers)	18% (14%)
Highest	46%
Lowest	4%

The highest percentages of budget for Capacity Building occurred in SA Andhra Pradesh DPIP (46%), followed by AFR Chad PROADEL (41%). The lowest values, 4%, occurred in Philippines ARCDP, and Peru Rural Roads II and Romania RDP at 5% - yet both projects that have strong emphasis on capacity building. Seven projects do not have a budget line item for capacity building activities at all, although it was clearly performed, which is something that should be studied further. Public sector-focused projects' budget share for capacity building was approximately 25%, and collective sector-focused projects' share was approximately 17%.

141. From the description of the projects' activities, it is difficult to account for the range of budget allocations to capacity building. Funds spent on micro-project activities appear in some projects' capacity building budget lines, but as a varying proportion of the total for micro-projects. Further, during conversations about collective sector actors, TTLs described 'learning by doing' as a valuable capacity building strategy, but still distinguished skill building activities from micro-project implementation activities. So there is no uniform way of allocating funds for capacity building across the project sample.

Table 7: Categories of Budget share for Capacity building by Selected Projects

% Budget for Capacity Building	# of projects
0-9 %	6
10-19%	10
20+ %	7
% not specified	8

142. **Capacity building and level of entry:** The review tried to investigate whether capacity building costs vary according to the level of the entry point, hypothesizing that capacity building costs would be increasing the more local the entry point. There appears to be a trend toward higher cost, but the sample artifacts are pronounced. The unequal distribution of projects across levels makes comparison between levels difficult, as does the lack of a shared typology for capacity building activities.

143. Do capacity building costs vary according to the degree of decentralization of capacity building provision to beneficiaries? In projects where capacity building is provided to beneficiaries by line ministry or government staff in the project team, the budgeted percentages are low, as in India Ch DPIP. This is because these staff have a relatively high level of specialized knowledge (e.g. livestock), that requires a little 'topping up' to be effectively delivered to beneficiaries. On project teams where community members and/or NGO's provide capac-

ity building, the costs are higher, reflecting a longer training process and higher related operating costs, e.g. India AP DPI. The involvement of community members on project teams is crucial, according to one interviewee, who related that government staff seldom have a grasp of the social aspects, and may not be available or seconded to the project in a timely manner. Other projects, like Tamil Nadu, and Sri Lanka ‘Gemi Diriya’, a Training-of-Trainers model is used, which would be expected to reduce the cost-coverage ratio. Here, a cadre of ‘Community Professionals’ are drawn from the communities initially participating in the project and are trained to be facilitators. Communities that join the project later access services from the community professionals on a demand-driven basis, paying for their services out of a dedicated village capacity building fund.

144. Capacity building across organizations’ sector affiliations: The review found variation in the approaches and mechanisms for capacity building between sectors. The following sections discuss these in turn.

145. Public sector rural institutions: In general, public sector institutions receive supply driven assistance for institutional strengthening. Activities directed at central agencies occur in the context of decentralization/deconcentration reforms, and sometimes affect the structure, roles, and functions of these. For example, extension services are strengthened with regard to their capacity in systems and procedures, human resources for outreach, monitoring, and TA to improve service delivery. Where central agencies are targeted, institutional strengthening towards decentralization occurs through the provision of material support (financial and staff), training and TA, and the provision of information, systems and procedures to improve policy development, regulation, and monitoring (conducive environment). In cases where line agencies and deconcentrated local extension services lack capacity two approaches are found to be employed: either capacity building or TA to the agency or extension services, or projects that capacitate collective and private sector operators to provide services, in a manner coordinated by the state⁵³.

146. Capacity building in local government and administration: District and municipal levels typically receive capacity building on a wide range of topics, matching their multi-functional responsibilities. Topics include local government function and structure, participatory planning processes, financial management, and gender issues among others, all with a view to establish accountability between constituents and the local government. Variables are the degree of local government involvement in project decision-making and the level of co-financing.

147. A major factor affecting the breadth and depth of capacity building to local governments is the decentralization framework. In some countries (e.g. Philippines) local governments are relatively strong and with adequate capacity, while in other countries projects are attempting to develop and encourage local government functionality in extremely resource poor and centralized contexts, e.g. in Chad, which essentially lacks local government structures. In many

⁵³ E.g. Social Funds: Morocco ADS. In Senegal, the Agricultural Services and Producer Organizations Project (ASPOP) reformulated and refocused the Ministries of Agriculture and Livestock, and decentralized the Veterinary Inspectorate; all agencies received capacity building on core functions: regulation, policy formulation, monitoring.

environments where decentralization/deconcentration has been enacted recently, the middle level of governance, at district/commune level is nascent and correspondingly the communities' possibility for engaging with this level is low. In most environments in the sample, the capacity of line agencies to provide services is hindered by low capacity and a top down service orientation.

148. Core areas in which capacity-building to local government is typically offered include: new local government laws/functions/guidelines; participatory planning and budgeting; transparency, disclosure and accountability; financial management and controls; reporting and procurement procedures/ requirements. In some settings, this is expanded to encompass gender training⁵⁴. In order to support the process of capacity building, the practice of peer review and cross-learning between local government administrations has been usefully instituted in several Bank interventions (Uganda, Mozambique). With provision for exposure visits and/or workshops built into the program, local governments are able to share experiences and learn from each other through peer-exchange⁵⁵
149. **Capacity building of collective sector rural institutions:** Collective sector actors form the bulk of beneficiary actors in the sample, and participate in a wide range of capacity building and TA activities⁵⁶. TTLs emphasized the need for building capacity for basic organizational functionality including: mobilization/group formation and self-assessment, project planning/design (including implementation, contracting, or procurement) and business management, project administration, conflict resolution and leadership training. For private goods oriented projects, TA and skills training, and capacity building towards market analysis/opportunity identification, diversification and entrepreneurship are preferred.
150. Capacity building was more emphasized in projects that created organizations or started with nascent organizations, often encompassing the full range of functional capacities and micro-project implementation capacities ranging from participatory processes and rule making, needs assessment, priority identification and project selection, financial management, implementation, evaluation, maintenance and management, depending on the situation.
151. Set-menu provision dominated, though many of the projects offered graduated training that could incorporate elements not initially included if participants identified a need/opportunity. Few projects had truly open-menu capacity building provision reflecting a needs assessment of the capacity problems to be addressed. Capacity building provision to existing agencies is more specific and function driven.

⁵⁴ See annex N: Perrin N. Overview of CB activities for rural Local Government

⁵⁵ Hayward, N. 2006 *draft* LGSP lessons learned

⁵⁶ For example, Village Development Committees, who are responsible for a wide range of activities (accountable leadership, participatory planning and budgeting, management and maintenance of project outputs (e.g. roads), and basic services), receive a range of capacity building, including material resources (e.g. grants, technology), human resources (e.g. peer learning), information (e.g. about better market access, niche opportunities), and systems and procedures (e.g. participatory processes, implementation, operation, management and monitoring).

152. Capacity building and RPOs: The most common approach is to assist in establishing and giving structure to the organization. The support appears very standardized and even prescriptive such as: support to setting up an office, a management committee, internal regulation, accounting and financial management. Other forms of direct support include subsidies for the acquisition of collective investments (equipment). RPOs also receive support to link with grassroots RPOs, and to gain and utilize representation in different consultative bodies. Since the function of RPOs is constrained by the policy environment, capacity building for RPOs also involves legislative advocacy efforts. The case of CNCR, a Senegalese RPO, is particularly illustrative of this process (Box 13).

Box13 Senegal *Comité National de Concertation des Ruraux* (CNCR)

This committee represents nineteen federations (herders, fishermen, vegetable and cotton growers, etc), and covers half of Senegal. Initially excluded from participation in agricultural policy formulation, the CNCR has established legitimacy with constituents, through diversified service provision, as well as policy makers, through advocacy. As part of PSAOP 1, the CNCR received funding to elicit the current needs, interests and concerns of its constituents at the grassroots level (performed by local consultative bodies) and established a semi-separate governing/implementation body with voting board representation from FOs, NGOs, local farmers, and non-voting Ministry observers, to source and manage the provision of TA and funding for member needs, and provide strategic direction. The CNCR is now recognized as a necessary partner by Government and other institutional actors in all rural development programs and participate in the formation of an international umbrella organization, the Network of Farmers' Organizations and Agricultural Producers (ROPPA) comprised of ten West African countries' FO organizations.

153. Capacity building and NGOs: International NGOs, who are usually well financed, and in-country with a mission or development agenda of their own, play a role in many projects. For example in crisis situations, NGOs often provide for and stabilizes rural institutions while the large donor organizations develop more sustained programmatic approaches to the systemic problems. National NGOs offer opportunities for collaboration and frequently are service providers, particularly in projects that are have more of a social fund cast⁵⁷. Other national NGOs make sector specific contributions, most commonly in agricultural research. The typical mechanism is involvement in competitive or tendered research projects, as in Bosnia or Cameroon.

154. Some TTLs bemoaned the 'noise' their project experience when NGOs (and other donors, or other actors) carry out non-coordinated programs in their project area. The volume of the interference, experienced as beneficiary confusion or low absorption of Bank products, is relative to the size of the agency in question⁵⁸. The lesson seems to be that thorough investigation and mapping must be done of previous NGO and donor activity and its effect on local attitudes as a standard part of pre-project assessment.

155. Capacity building and private sector actors: In the sample projects few private sector agencies receive capacity building or TA. Typically, for public goods, local contractors need

⁵⁷ For example the Support for the Social Development Agency, in Morocco, where locally embedded NGOs are able to supply critical services to the population because of their proximity.

⁵⁸ For example, in Sri Lanka, NEIAP-II observed that some international NGOs were functioning as MFIs, but, had distinct agenda. This has a historical aspect also; by the time that the Bank's project was implementing itself, many targeted post-conflict communities in Georgia were already "exhausted from being mobilized by this-and-that international NGO, and disinterested if not outright cynical about the Bank's intentions."

TA to qualify for procurement opportunities in infrastructure projects. For private rural institutions or organizations dealing with private goods, capacity building activities are usually more focused on information dissemination along the supply chains in order to access opportunities, peer review of practices and specific technical training such as IT, marketing, production quality, FM, etc.

156. **Capacity building issues:** There is usually a dichotomy between the objectives of the capacity building efforts (long term empowerment) and the direct impact needs of the project implementation (short term outputs/outcomes). As a TTL said: “*Capacity is not built overnight or built by the provision of technical advisers and budget incentives alone*”. The level of participation in a continuum from least to most influence – information sharing, consultation, collaboration, and empowerment – is determined by the nature of the interaction required with the institutions and the communities in the project. Projects apparently fail to integrate this aspect in their capacity building strategies, which remain focused on project activities and put less emphasis on creating an environment for the conditions of a more demand driven capacity building market for rural institutions to emerge.
157. To face this issue, some⁵⁹ suggested, for instance, establishing a flexible and responsive capacity building support fund for rural institutions alongside rural programs and projects. Others encourage TTLs to build on the capacity building potential for rural institutions created by new IT services, such as the World Bank Institute and the Global Development Learning Network (GDLN) networks and initiatives. These strategies can be particularly effective for the RPOs and local government projects, which are progressively starting to develop networks of local thematic practitioners.⁶⁰
158. Finally, to avoid project driven unsustainable activities and opportunistic behavior by rural partner organizations, the typical project duration of five years should be considered to be extended to ten to fifteen years. This longer timeframe will greatly assist M&E efforts to measure impacts beyond short-term project outputs. Many TTLs thought that to sustain the capacity of rural organizations, it is important to build up the strategic capacities of those organizations and helping them to be structured to corporate levels to enable them to represent their members in the policy debate. In this direction, capacity building goes beyond training and directly focuses on peer learning, networking and developing mechanisms for consultation and for the circulation of information within the organization. Activities supporting RIs’ self-help and adaptability seem to be most effective. It usually focuses on building up their competencies to adjust and expand.

⁵⁹ Bosc, Pierre-Marie, et al. 2001. Rural Development Strategy Background Paper #8: The Role of Rural Producer Organizations in the World Bank Rural Development Strategy Washington, DC: World Bank

⁶⁰ For instance : Developing Horticulture Supply Chains for Growth and Poverty Reduction in Sub-Saharan Africa. This seminar built on a number of on-going World Bank initiatives and projects in Sub-Saharan Africa was addressing key issues related to horticultural development in Sub-Saharan Africa, such as market research and development, competitiveness, standards compliance and export promotion by reinforcing a network of rural institutions spread among different countries and WB projects or the [Community Empowerment Network](#) between CDD and local governance programs in Central Asia, etc.

6.8 Rural institutions in the Bank Management process

158. **Lending instruments:** The review did not find any significant evidence that specific lending instruments are more or less adapted to work with rural institutions. Among the projects analyzed, 7 were using Adaptable Program Loan (APL⁶¹), 21 were using Specific Investment Loans (SIL)⁶² and 1 Standard Credit. Some TTLs argued that SIL were a more flexible and focused instrument which allowed them to reach direct results in a project time-frame while others argued that the systemic approach that is needed to adopt to work effectively on the series of factors impeding the development of viable rural institutions made the use of APL sector loan more appropriate.
159. **Project implementation:** The review found that during project implementation flexibility is probably the key factor in terms of engaging rural institutions and allowing them to support the development of local livelihood strategies. If empowerment is truly important in a sustainable livelihood approach, then projects need to respond to new demands and concerns by empowered people and rural institutions. Projects needs to be able to respond to emergent social capital embedded in the participating rural institutions and explore how it might be reinvested for new opportunities for sustainable livelihood. While it is important to broaden and localize decision making power there are differences of capacity among the communities to respond effectively to the delegation of power. It is therefore important to focus on creating an enabling environment where opportunities are given to all the rural institutions through easy access to information and resources for learning by doing.
160. **Project monitoring and evaluation:** M&E with respect to rural institutions and rural livelihoods is probably the weakest aspect in the reviewed Bank projects. Very few projects are using indicators that can tell us how rural institutions can contribute to the improvement of rural livelihood opportunities. It is difficult to measure improvements in the work with rural institutions due to lack of common definition of the nature of rural institutions and the clear evaluation criteria to monitor in this area. There is a common agreement among the TTLs interviewed that there is considerable work to be done on this respect. The current M&E tools and approaches are usually more project outcomes related. They are designed to give information on high level key principles, while not really monitoring and evaluating specifically the impact on rural institutions' capacity to improve and adapt to changing livelihood strategies and meet the needs of their members. In addition, there is no evidence that the MIS developed by the projects are tailored to the rural institutions needs (present or future) to allow

⁶¹ Adaptable Program Loans (APLs) provide phased support for long-term development programs. They involve a series of loans that build on the lessons learned from the previous loan(s) in the series. APLs are used when sustained changes in institutions, organizations, or behavior are key to successfully implementing a program. They can be used to support a phased program of sector restructuring, or systemic reform in the power, water, health, education, and natural resource management sectors, where time is required to build consensus and convince diverse actors of the benefits of politically and economically difficult reforms.

⁶² SILs are flexible lending instrument appropriate for a broad range of projects. SILs help to ensure the technical, financial, economic, environmental, and institutional viability of a specific investment. They also support the reform of policies that affect the productivity of the investment.

them to adjust and take informed decisions about their environment or strategies⁶³. What is needed, according to one TTL, is ‘A living and breathing evaluation system, one that extends beyond project end date.’

⁶³ MIS are particularly important in the case of Local Government approaches to inform on fiscal decentralization policy reforms or to create social accountability tools for the communities. The same thing apply for RPOs to inform them on marketing opportunities and create synergies along the supply chains stakeholders. Although several projects adapted their indicators in medias res, e.g. Kenya ARLMP, this is not common.

7 Conclusion

161. **Lessons learnt :** The review of selected projects and internal literature about the World Bank and rural institutions found that irrespective of context and diversity of settings, a guiding framework and key design principles can be found that would inform each operation along the Bank project cycle
- **Institutional and context assessment:** there is a common agreement among the TTLs that a thorough surveying of the institutional landscape and receptiveness must be done in project preparation, this includes thorough investigation and mapping of previous NGO and donor activities and its effect on local attitudes as a standard part of pre-project assessment. New mobilization efforts need to be thoroughly investigated in order to assess if the problem identified by the communities can find a solution through the transformation of practices of existing rural organizations rather than by the creation of new specifically dedicated organizations. Organizational duplication should be avoided unless radical changes are necessary in structure, composition, and performance to address the problem. If the objective of the project can be reached by scaling up or modifying activities or the structure of existing organizations, using existing institutional capacity makes sense - the perimeters are already well defined, actors, and function, and responsibilities generally understood. However modification of operating mechanisms (structure, access to decision making and information...) may need to be changed to solve the problems identified. It is important to consider the context – the ‘fit’ of the intervention to the particular communities’ capacitating, and the relationship between project activities and the rural organization’s capacities to work towards the objective (solve the identified problems).
 - **Design elements:** There is a need for WB to create information on the lesson learned for future project design. This is related to a systemic set of issues of monitoring and evaluation, and budgetary efficiency. Two design elements considered by staff to be essential in those approaches are that “*You can trust the poor to make the best decisions about their own needs and development.*” and that fund flow can go directly to the communities, where it is managed with the utmost transparency. The projects address beneficiary RI problem solving capacity, through blended social capital and economic empowerment project components--focused on local activities. Most of the projects promote rural livelihoods and strengthen local governance and tend to use existing rural institutions. Creations of sub-institutions are usually limited to the implementation of new delivery mechanisms or to promote inclusion of destitute groups. Project designs reflect long term thinking, reflected in multiphase elements or lateral integration with other projects in national plans in which an ensemble of support packages to both government, private and collective sectors are provided. Finally, taking a *dynamic* view, rather than a *design* perspective during the project preparation phase seem to support the adaptability capacity of the partner rural institution and therefore its sustainability.

- **Responsive and flexible capacity building and monitoring frameworks:** There is a need to go beyond top-down or abstracted ‘training courses’, and to explore a variety of more demand driven capacity building mechanisms emphasizing peer exchange, learning and review – particularly across rural organizations and programs. Few projects are innovating in this respect and directly focus on the capacity development of rural organizations. The review found that flexibility is probably the key factor in terms of engaging rural organizations and allowing them to support the development of local livelihood strategies. Projects need to respond to empowered people new demand and concerns and be able to hear the voice and changing demand of partner rural organizations. However, it is often difficult to monitor and evaluate the evolution and role of the targeted rural institutions during the project life through the current MIS system. What is needed according to one TTL is ‘A living and breathing evaluation system, one that extends beyond project end date.’”

162. Opportunities: the stocktaking, through the desk review and discussions with the TTLs found some commonalities and shared opportunities among the projects:

- **Institutional assessments:** The review noticed the importance of thorough opportunities and institutional assessments. In line with other comments about monitoring and evaluation, institution mapping and social assessment can be improved to further reduce beneficiary burden and help focus interventions. Rural space can, after all, support only so many institutions.
- **Sequencing:** While there is some debate about sequencing, the projects do sequence empowerment and capacitating before economic resources, in (mostly) a ‘learning by doing’ framework. Depending on context, sometimes attention to social empowerment come first (CDD in South Asia for instance) while in some other cases, professional specialization is the path for empowerment (such as support to RPOs in West Africa or LAC)..
- **Flexibility** in the project implementation, while promoting information sharing and transparency seems to be a key shared approach and is recognized by all the projects.
- **Graduated model:** Beneficiary rural organizations evolve and become more capable, accessing different project resources and assistance on the way, with the hope that they will sufficiently capacitated to sustain themselves without WB support. Matching grants in this matter plays an important role for the empowerment of the RIs.
- **Geographical Concentration:** Projects initially cluster sites in geographic packages, to maximize impact and generate early successes, and incrementally increase their reach across/between provinces or expand nationally.
- **Capacity building:** The most important aspect is certainly to build up the strategic capacities of those organizations and helping them to be structured to corporate levels to enable them to represent the producers in the policy debate. Self-help activities seem to be most effective especially when they build up the RIs’ competencies to adjust and expand. Some TTLs mentioned the opportunity to establish a flexible and responsive Rural Institutions capacity Building support Fund alongside rural programs and projects but also mentioned the opportunity to develop new CB framework through new IT services, such as the World Bank Institute and the Global Development Learning Network (GDLN) networks and initiatives. This could be particularly effective for the RPOs and

LG projects which are progressively starting to develop some networks of local thematic practitioners.

- **Organizational dynamics** of all rural institutions are important. Across the various types of rural institutions reviewed different developmental trajectories ending in four basic outcomes are identified: Organizational Dormancy, Sustained Activity, Aggregation, and Disaggregating. Multiple scenarios are possible in each outcome category. RIs are usually encouraged to gradually develop both vertical (to national level) and horizontal (to other localities) linkages. Further research into the dynamic aspects of rural institutions would be interesting to be able to better support their evolution.

163. **Limits of the desk review:** This stocktaking has aimed to give an overview of experience and has been necessarily broad in view, and limited in depth in some areas. There is a need for more analysis of key themes, e.g. community institutions - different models and functions; the micro-finance environment; the interface with social protection, role of rural institutions in livelihood risk management, new opportunities through IT and labor mobility, migration, climate change, etc. Finally, the desk review did not allow an in depth study of how the evolution of rural institutions is affected by the livelihood strategies of their members.

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8.1 Matrix of Projects Consulted

Country	Title	Region	Duration	Financing	Lending	Objective	Components
Benin	National Community Driven Development Support Project (PNDCC)	AFR	2004-2010	IDA (37.7 M) Grant (2.3 M)	SIL	Promote use of CDD by line ministries, local governments and local communities to improve access of the poorest to basic social and financial services	<ol style="list-style-type: none"> 1. Capacity Building 2. Access to basic services and infrastructure 3. Access to financial services for income generation
Cameroon	Community Development Program Support Project (PNDP) – 1. Phase of Program	AFR	2004-2008	Credit (20 M)	APL	Program: sustainable rural development through community empowerment and strengthened governance Project (1. Phase): set up and make operational decentralized and participatory financing mechanism for CD in rural areas	<ol style="list-style-type: none"> 1. Local Development 2. Decentralization Process 3. CB (local level) 4. Project Management, M&E, Communication
Chad	Local Development Support Project 1. Phase of Local Development Program	AFR	2004-2009	Grant (23 M)	APL	Program: Reduce poverty and sustainable development in rural areas by supporting governance and participation at local level Project (1. Phase): Design and implement a decentralized and participatory financing mechanism that empowers local communities and decentralized authorities/institutions to manage development funds	<ol style="list-style-type: none"> 1. Financial support to local sub-projects CB 2. CB (local development stakeholders) 3. Support for Decentralization (implementation) 4. Project Management, M&E
Mauritania	Community Based Rural Development Project	AFR	2004-2010	Credit (45 M)	S/C	Improve living conditions of village communities in terms of sustainable income increase and access to basic socio-economic services	<ol style="list-style-type: none"> 1. CB 2. Investment Funds 4. Project Management, M&E
Niger	Community Action Program – 1. Phase CAP	AFR	2003-2007	Grant (35 M) and GEF Grant (4 M)	APL	Program: Increase incomes, employment, access to basic infrastructure, food security and improved capacity to manage financial and natural resources Project (1. Phase): set up and make operational decentralized and participatory financing mechanism that empower communities to take charge of their own development	<ol style="list-style-type: none"> 1. Community Support 2. Local Governance Support 3. Local Investment Fund 4. Poverty and Environmental Monitoring 5. Project Management
Ghana	Community-Based Rural Development Project	AFR	2004-2009	Credit (60 M)	SIL	Strengthen capacities of rural communities to enhance their quality of life by improving their productive assets, rural infrastructure and access to key support services from public and private sources	<ol style="list-style-type: none"> 1. Institutional strength. and CB for service delivery 2. Infrastructure for agricultural development (water) 3. Rural enterprise dev. and learning centers 4. Infrastructure for social and human development 5. Community based natural resource

Country	Title	Region	Duration	Financing	Lending	Objective	Components
							mngt Project Management
Tanzania	Second Social Action Fund	AFR	2005-2009	Credit (129 M) and Grant (21 M)	SIL	Empower communities to access opportunities so that they can request, implement and monitor subprojects that contribute to improved livelihoods (linked to MDG/PRS)	1. National Village Fund 2. CE-Capacity Enhancement
Kenya	Arid Lands Resource Management Project 2. Phase	AFR	2003-2009	Credit (60 M)	SIL	Enhanced food security and reduced livelihood vulnerability in drought-prone and marginalized communities in 21 ASAL districts	1. Natural Resource and Drought Management 2. Community Driven Development 3. Support to Local Development
Rwanda	Decentralization and Community Development Project	AFR	2004-2009	Grant (20 M)	SIL	Scale out validated project experience in the country by extending the CRDP strategy for CDD from 11 to 39 districts	1. Capacity Building (institutional) 2. Communication, Information and Education 3. Community Development Initiatives 4. Project Coordination and Monitoring
Sri Lanka	Community Development and Livelihood Improvement Project "Gemi Diriya"	SA	2004-2009	Grant (51 M)	APL	Program: Enable the rural poor to improve their livelihood and quality of life Project (1. Phase): target poor communities in UVA and Southern provinces and improve their livelihood and quality of life	1. Village Development 2. Institutional Strengthening 3. Innovation Seed Fund 4. Project Management 5. Village Self-Help Learning Initiative (VSHLI) Pilot
Sri Lanka	Second North-East Irrigated Agriculture Project (NEIAP II)	SA	2004-2010	Credit (64.7 M)	SIL	Help conflict affected communities in the NE Province and adjoining areas to restore livelihoods and enhance agricultural and other production and incomes, and build capacity for sustainable social and economic reintegration	1. Village rehabilitation + development for social and economic reintegration 2. Rehabilitation and improvements to selected major irrigation schemes 3. Farmers organization CB, empowerment and strengthening agric support services 4. Institutional CB, project implementation support and project oversight
Indonesia	Third Kecmantan Development Project	EAP	2003-2008	Loan (204.3 M) and Credit (45.5 M)	SIL	Reduce poverty and improve local-level governance in rural Indonesia	1. Block grants to kecmantans 2. Developing community and local government CB 3. Support to village micro-finance institutions (revolving funds) 4. Implementation Support 5. M&E, studies, special programs

Country	Title	Region	Duration	Financing	Lending	Objective	Components
							6. Operational costs
Philippines	Second Agrarian Reform Communities Development Project	EAP	2003-2007	Loan (50 M)	SIL	Program: reduce rural poverty and enhance quality of life of the target beneficiaries, comprising primarily of agrarian reform beneficiaries Project: Raise hh incomes and the quality of life of the people in the targeted Agrarian Reform Communities (ARCs) by empowering them to access key support services and undertake economic activities	1. Community Development and CB 2. Rural Infrastructure 3. Agriculture and Enterprise Development 4. ARCs access to financial services 5. Field Implementation Support 6. Project Management, M&E
Chile	Infrastructure for Territorial Development Project	LAC	2005-2010	Loan (50.26 M)	SIL	Effective and productive use of infrastructure services by poor rural communities in the selected territories of ...	1. Participatory territorial planning 2. Infrastructure service delivery 3. Institutional strengthening
Bolivia	Rural Alliances Project	LAC	2005-2011	Credit (28.4 M)	SIL	Test a model to improve accessibility to markets for poor rural producers in selected sub regions	1. Institutional support 2. Implementation of Rural Productive Alliances 3. Project Management
Mauritania II	Second Phase of the Integrated Development Programs for Irrigated Agriculture in Mauritania	AFR	2005-2010	Credit (39 M)	APL	Consolidate incentive measures, increase sustainable irrigation infrastructure and intensify agricultural diversification for targeted actors engaged in irrigated agriculture	1. Incentives and CB 2. Infrastructure for Irrigated Agriculture 3. Agricultural Supply Chains 4. Project Administration
Bosnia Herzegovina	Small-scale commercial agriculture development project	ECA	2003-2009	Credit (12 M)	SIL	Develop private, market integrated agriculture in selected low-income, high-potential areas of southern BH	1. Market integration 2. Private Agribusiness Support 3. Commercial Farmer Development
Yemen	Social Fund for Development III Project	MENA	2004-2008	Credit (60 M)	SIL	Improve access of low income groups to basic social services while providing an example of effective institutional mechanism for providing social services in Yemen	1. Community Development 2. Micro enterprise Development 3. CB and institutional support
Morocco	Support for the Social Development Agency	MENA	2002-2007	Loan (5 M)	SIL	Develop a relevant cost-effective and participatory approach to delivering social services and to better organize local communities to take charge of their own development activities	1. Community Development and Social Infrastructure 2. Economic infrastructure and income generation 3. Institutional development for intermediaries 4. Studies and ADS (social dev agency) capacity building

Country	Title	Region	Duration	Financing	Lending	Objective	Components
Mongolia	Sustainable Livelihoods Project Support of 1 Phase of SL Program	EAP	2002-2006	Credit (18.7M)	APL	Program: targeted poor adopt improved SL strategies that build and maintain human, social, physical, financial, natural capital while reducing vulnerability to shocks Project: Effective approach to promoting improved and secure SL strategies developed, demonstrated and validated and capacity created so that these strategies can be replicated and scaled up in Phase II of program	1. Pastoral risk management (reduce vulnerability) 2. Rural micro-finance (expand diversify rural livelihoods + income) 3. Local Initiatives Fund 4. Management and policy support
Azerbaijan	Rural Investment Project (AZRIP)	ECA	2004-2009	Credit (15 M)	SIL	For hh in rural communities completing micro project investments to improve living standards and increase the use of infrastructure services	1. Infrastructure 2. Capacity Enhancement (CE) 3. Project Management
Georgia	Rural Development Project	ECA	2004-2009	Credit (10 M)	SIL	Georgia's private agriculture sector, mainly small and medium scale farmers and processors, are developed and have access to competitive agricultural markets and supply chains	1. Agriculture supply chain development 2. Rural finance services 3. Legal and institutional framework 4. Project Management
India	Chhattisgarh District Rural Poverty Project	SA	2003-2009	Credit (112.5 M)	SIL	Improve opportunities for the poor and vulnerable, especially women and tribals, to meet their own social and economic development objectives	1. Human and institutional CB 2. Community Investments
Pakistan	Second NWFP Community Infrastructure project (CIP II)	SA	2004-2009	Credit (37.1 M)	SIL	Promote well being of low income communities of NWFP by supporting investments in community development activities, basic services and small scale productive infrastructure and by strengthening capacity at new devolved local and community levels to plan deliver such services and infrastructure	1. Local infrastructure and services 2. Improving local level performance 3. Implementation support, monitoring and evaluation
Kyrgyz Republic	Village Investment Project	ECA	2004-2008	Grant (15.1 M)	SIL	Alleviate rural poverty through (i) improving governance and capacity at local level; (ii) strengthening provision of and access to essential infrastructure services; (iii) support private small group enterprise development	1. CB and empowerment 2. Village Investments 3. Project Management
Chad II	Agricultural services and producers organizations project (ASPOP)	AFR	2004-2008	Credit (20 M)	SIL	Increase agricultural productivities and rural incomes while preserving the natural resource base	1. Promotion of sustainable growth in agricultural production 2. CB for agricultural services 3. Project Management
Romania	Rural Development Project	ECA	2002-2006	Loan (40 M)	APL	Program: Strengthen local governance by improving the capacity of local administration and community/user groups to undertake public investments that are responsive to local needs and to increase availability of	1. CB 2. Rural Infrastructure 3. Project Management

Country	Title	Region	Duration	Financing	Lending	Objective	Components
						infrastructure and other public goods to rural inhab. Project: strengthen institutional capacity of local administration	
Macedonia	Community Development Project	ECA	2002-2005	Credit (5 M)	SIL	Provide support to Government of the former Yugoslav Republic of Macedonia in its post-conflict development efforts aimed at fostering reconciliation among its people, reducing social tensions and building local social capital	<ol style="list-style-type: none"> 1. Community Investment Projects 2. Local Institutional Strengthening (CB) 3. Community Outreach, Information Dissemination and Project Impact Monitoring and Evaluation 4. Project Management
Kosovo	Community Development Fund II Project	ECA	2004-2006	Grant (4 M)	SIL	<p>(i) Improve the quality, access and availability of community infrastructure and services in poor, mixed and minority communities and for vulnerable groups including returnees</p> <p>(ii) Promote institutional CB and social capital formation at community and municipal levels to improve service delivery and stakeholder participation and empowerment in local development</p>	<ol style="list-style-type: none"> 1. Community Investment Projects 2. Institutional CB 4. Project Management
Brazil	Rural Poverty Reduction Project	LAC	2001-2005	Loan (30.1 M)	SIL	<p>Assist State of Pernambuco to reduce currently high levels of poverty by</p> <p>(i) Improve well-being and incomes of poor by better access to basic social and economic infrastructure and services and support to productive activities using CDD</p> <p>(ii) Increasing the social capital of communities to organize collectively to meet own needs</p> <p>(iii) Enhancing local governance by greater citizen participation and transparency in decision making through creation of community associations and Municipal Councils</p> <p>(iv) Closer integration of development policies , programs and projects at local level by assisting MC to extend their role in seeking funding, priority-setting and decision-making over resource allocation.</p>	<ol style="list-style-type: none"> 1. Community Subprojects 2. Institutional Development 4. Project administration, M&E
Mexico	Second Community Forestry Project	LAC	2004-2007	Loan (21.3 M)	SIL	Assist indigenous communities and <i>ejidos</i> that own forests in selected priority regions to improve the management and conservation of their forest resources and to generate alternative sources of income	<ol style="list-style-type: none"> 1. Strengthening of social capital 2. Forest resource management TA 3. Diversification and Investment 4. Institutional Strengthening 5. Project Management

Country	Title	Region	Duration	Financing	Lending	Objective	Components
Uganda	Second Local Government Development Project	AFR	2003-2007	Credit (50 M) and grant (75 M)	SIL	Improve Local Government institutional performance for sustainable, decentralized service delivery	<ol style="list-style-type: none"> 1. Support for decentralization process 2. Local Development Grants 3. Local Government CB 4. Local Government Revenue Enhancement Output 5. Support to Project Implementation
Guatemala	Western Altiplano NRM project	LAC	2003-2008	Loan (32.8 M) and GEF Grant (8.0 M)	SIL	Improve management and conservation of NR and biodiversity and livelihoods of people depending upon them	<ol style="list-style-type: none"> 1. Sustainable Livelihoods 2. Biodiversity Conservation 3. Environmental Service Markets 4. Management, Supervision, M&E
Bangladesh	Social Investment Program Project	SA	2003-2007	Credit (18.2 M)	SIL	Develop effective and efficient financing and institutional arrangements for improving access to local infrastructure and basic services through the implementation of community-driven infrastructure works and social assistance programs	<ol style="list-style-type: none"> 1. Strengthening of Social Development Foundation (SDF) 2. Institutional Development at Community Level 3. Implementation of Community Action Plans 4. Pilot Private Financing in Community Utilities
Comoros	Services Support Project	AFR	2003-2006	Credit (13.3 M)		Maintain social and economic services for a significant number of disadvantaged communities and specific vulnerable groups. Contribute to building the basic capacity of communities and local actors to conduct a local development process	<ol style="list-style-type: none"> 1. Community-based subprojects 2. Capacity Building 3. Health Services 4. Urban Water Supply 5. Project M&E and Audits
Peru	Second Rural Roads Project	LAC	2001-2005	Loan (151M)	SIM	Increase access to basic social services and economic and income-generating activities with gender equity, to help alleviate rural poverty and raise living standards of rural communities.	<p>Community based Rehabilitation, maintenance and improvement of rural and connecting roads</p> <p>improvement of non-motorized transport</p> <p>improvement of road planning and management</p> <p>development of community-based micro-enterprises for road maintenance</p> <p>strengthening social capacity to engage in social and economic development initiatives</p> <p>Project Administration</p>
Philippines	Kalahi Comp. Integrated Delivery of Social Services (CDISS)	EAP	2002-09	Loan (100M)	SIL	Strengthen communities' participation in <i>barangay</i> governance, develop their capacity to design, implement, and manage development activities that reduce poverty.	<ol style="list-style-type: none"> 1. Community Block grants 2. Capacity Building and implementation Support 3. Monitoring and Evaluation

Country	Title	Region	Duration	Financing	Lending	Objective	Components
Ethiopia	Women Development Initiatives Project	AFR	2001-06	Credit (5.0M)	LIL	To test methodologies to enhance social economic welfare of households in selected poor districts by improving and increasing women's opportunities through increased skills, productivity, and income	1. Institutional Strengthening Component: 1.1 Capacity Building 1.2 Information, Education & Communication 1.3 M & E.
Senegal	Agricultural Services and Producer Organizations Project	AFR	2000-03	Credit (27.4 M)	APL	Set in place institutional reforms to achieve autonomy and accountability of public agencies and empower producer organizations	1. National Agricultural Research Fund 2. Research institute Development 3. Agricultural Extension 4. Producer Organizations 5. Strengthening Public Services

8.2 List of people interviewed

Ousmane Seck	Senior Agriculture Extension Specialist (AFTS3)
Valerie Layrol	Rural Dev. Officer (AFTS3)
Amadou Oumar Ba	Sr Agricultural Spec. (AFTS4)
Olivier Durand	Sr Agricultural Spec. (AFTS4)
Patrick Verissimo	Sr Sector Economist (AFTS3)
Gayatri Acharaya	Sr. Economist (AFTS4)
Christine Cornelius	Lead Operations Officer (AFTS2)
Meena Munshi	Sr. Economist (SASAR)
Asmeen Khan	Senior Rural Development Specialist (SASAR)
Manoharan Seenithamby	Rural Development Specialist (SASAR)
Maria Theresa G. Quinones	Operations Officer (EASRD)
Nicolas Peltier	Infrastructure Economist (LCSFT)
David Tuchsneider	Senior Rural Development Specialist (LCSER)
Ousmane Diagana	Lead Operations Officer (MNSHD)
Dung-Kim Pham	Operation officer (MNSHD)
Gerardo Segura Warnholtz	Senior Rural Development Specialist (LCSER)
Vinayak Ghatate	Consultant (SASAR)
Raja Rehan Arshad	Sr Technical Spec. (SASAR)
Natasha Hayward	Social Development Specialist (SASAR)
Barbara Verardo	Social Development Specialist (SASAR)
Karin Shepardson	Senior Operations Officer (ECSSD)
Jorge A. Munoz	Sr Land Administration Specialist (LCSER)
James W. Smyle	Sr Natural Resources Mgmt. Spec. (LCSER)
Andrew Parker	Senior Rural Development Economist (EASRD)
Ulrich Schmidt	Natural Resources Economist (EASRD)
Melissa Williams	Operations Analyst (ARD)
Salamata Bal	Social Development Specialist (AFTS4)
Shahridan Faiez	Senior Social Development Specialist (ECSSD)
Ismael S. Ouedraogo	Sr Agric. Economist (AFTS4)
Anush Bezhanyan	Sr Operations Off. (ECSHD)
Julian A. Lampietti	Lead Specialist (ECSSD)
Susan Chen	Lead Natural Resources Management Specialist (EASRD)
Gotz Schreiber	Lead Economist Official Dept/Div: ECSSD
Prasad C. Mohan	Lead IEC Specialist (AFTRL)

8.3 Typologies of rural institutions

Typologies used by the Bank are presented below to illustrate the various angles of analyses currently adopted by the WB. Groups can be categorized based on (i) their origins, structure, and functions; and (ii) local conditions. Different categories of groups are more resilient or sustainable than others and, over time adjust and change according to member needs and changing local conditions. Groups may be further analyzed by examining their associated impacts or outcomes. These impacts include: (i) success in achieving goals or functions (including well-being improvements, empowerment, etc., depending on the group function or design); (ii) sustainability or ability to survive; and (iii) ability to expand or adjust over time. The Community Based Rural Development group has also adopted a typology of rural organizations for the purpose of their portfolio analysis.

By function ⁶⁴	by origin	by Selection Criteria, and Funding Mechanisms	by local conditions
<p>Economic Functions:</p> <ul style="list-style-type: none"> -lower transactions costs by cost spreading - economies of scale (aggregation of activities) - manage risk (risk pooling) - improve market power - define property rights and manage common resources 	<p>Externally Supported Single-Purpose Groups:</p> <ul style="list-style-type: none"> single-purpose "one-off" groups (e.g. social funds) - single purpose long-term groups (e.g. watershed management, irrigation groups) 	<p>Group formation is voluntary versus condition to receive benefits</p>	<p>Tradition of Democratic and Inclusive Institutions versus Emerging or Non-Existent</p>
<p>Political/Social Functions:</p> <ul style="list-style-type: none"> - empowerment and inclusion - provision of basic services - lobbying efforts - definition and legal designation of property rights - articulate demands 	<p>Externally Supported Multi-Purpose Groups:</p> <p>BRAC, grassroots organizations in Sri Lanka, Bangladesh, Aga Khan Foundation</p>	<p>Entitlement based on selection criteria versus open membership</p>	<p>Well- versus Poorly Functioning Rural and National Public/Private Institutions</p>
<p>Religious & Charitable Functions:</p> <ul style="list-style-type: none"> - provide sense of spiritual well-being - provide sense of connectedness - provision of basic services to vulnerable groups 	<p>Traditional/Indigenous Groups:</p> <p>traditional rulers (e.g. chiefs)</p> <p>➔ Panchayat Raj system(India)</p> <p>➔ religious and caste systems</p>	<p>Grants versus loans versus in-kind contributions</p>	<p>Cultural and Religious Factors</p>
<p>Emergency and Relief, Service Delivery Functions drought, disaster, conflict relief</p> <ul style="list-style-type: none"> - provision of basic services 	<p>Local Formal Government Institutions: set-up by state, often as means to subjugate rural population</p>		<p>Existence versus Absence of Formal Social Segmentation</p>
			<p>Role of Women in Household, Community and National Decision-Making</p>

⁶⁴ (note: groups/associations can have more than one function and/or evolve over time)

8.4 Conversation guide for the Internal Stocktaking

<p><u>I. GENERAL PROGRAM INFORMATION</u> Is increasing Rural Livelihoods [RL] a primary focus of this project, or have activities for increasing RL developed through implementation?</p> <p>To what extent are RLs in the project area agrarian/non-agrarian? [probe]</p> <p>What funding mechanism(s) does this project use for RI?</p> <p><u>II. Design:</u> What strategy is the project focusing on [in relationship Rural Institutions and Rural Livelihoods?] How does the project build on past experiences? What lessons learned and pitfalls are you trying to avoid?*</p> <p>What are the Local rural institutions/organizations covered by the project: (are their formation catalyzed by project opportunity or do they pre-exist) [Which category: local government, private, CBO RIs?]</p>	<p>How were the RIs identified -- by the program plan or during implementation? What criteria?*</p> <p>In the course of the project, which RIs became involved that you were not aware of during the design phase? [follow up questions: missing institutions/orgs?]</p> <p>Has the project introduced or created any RIs? If yes, what criteria were used, and what was the role of community demand in their formation?</p> <p>What dependencies and similar barriers did RIs experience? [How do policy processes affect implementation? Constraints from central government?]</p> <p>How does this program avoid elite capture & exclusion of disadvantaged groups?</p> <p>How does this program manage risk?</p> <p>How are relationships with line ministries managed? [changing their demand orientation]</p>
<p>What factors determine groups' success (or failure) in achieving goals?</p> <p><u>III. Implementation:[CBI, ITA]</u> How do RIs (a) identify and (b) source CBA/TA--from a limited, pre-defined source, or through a competitive system of sourcing? Do RIs have a response mechanism to get CBA/TA?</p> <p>What CBA/TA do you provide, and in what areas, relating to which RL?</p> <p>What was the budget share for these activities?</p> <p>To what extent do you think these capacities are applicable to RIs in other rural locales?</p> <p>What happens after the project; how do RIs secure CBA/TA, + keep on functioning? What kinds of capacities do RIs need to develop to sustain livelihoods that are not predominantly agrarian anymore?</p>	<p><u>IV Overall:</u> Over time are rural institutions/organizations moving from single→multi purpose functions? To what extent are the project's activities a vector for RL increase, or diversification of rural livelihood strategies What <i>indicators</i> do you use to assess ↑RL? If "Yes" - What are they? If none - what could they be? Do key indicators tell you anything about strengthening RI and ↑RL?</p> <p>From your perspective, how can WB design tools and processes be improved to better focus on improving RI capacities to increase RL?</p> <p>Can you think of other ways to innovate to improve RI sustainability?</p> <p>Is there any other aspect of increasing the capacity RI's and rural livelihoods that come to mind which we should be paying attention to as part of our study?</p>

8.5 Matrix of Rural Institutions in the selected WB projects (projects' design elements)

Country	Title	Financing	Lending	Entry Point	Category	Existing v. Created organization	Targeting	Pub/ Priv Goods	Single/ multi-sector	Linkages	Level of RI	Funding Mechanism	Matching Grant % / BIS	% Budget CB	CB Foci
Azerbaijan	Rural Investment Project (AZRIP)	15 M	SIL	Village Org	MO	Existing and created	pop size	Public	Single	Municipal, District, Regional, CBO., NOG, 'other'	Community	Matching Grant	10% (5% cash, 5% in-kind)	24%	Mobilization, Assessment, Planning, Implementation, Fin Mgt
Bangladesh	Social Investment Program Project	18.2 M	SIL	SDF	MO	Embedded	Poorest	Public	Single	LG, Line Depts., NGO, Priv Sect, MFI	Sub-District	Matching grant	15%	--	Financial +Org Mgt, Impl., Monitoring, Planning, project preparation, education
Bolivia	Rural Alliances Project	28.4 M	SIL	Farmer Alliances	RPO	Existing	Poorest	Private	Single-->Multi	Ministries, LG, Priv Sect, NGO, Consult,	District	Matching Grant	0- 20% from RPO AND ~15% from LG	1.2	Planning, proj. implementation., fiduciary, enviro mgt, municipal rev gen.
Bosnia Herzegovina	Small-scale commercial agriculture development project	12 M	SIL	FO, PO, WUA	Coop.	Existing and created	need + ability	Both	Single-> multi	Gov Agric Agencies, Private sector, Research Institute	Locality	Competitive Grant, grant, enterprise grant	-	-	Mobilization, Assessment, Planning, Implementation, Fin Mgt, Research
Brazil	Rural Poverty Reduction Project	30.1 M	SIL	Community Associations	MO	Existing and created	Poorest	Public	single	State	Community	Matching Grant	10-25%	7%	Assessment, Prioritization, Planning, Implementation, Fiduciary, Management
Cameroon	Community Development Program Support Project (PNDP)	20 M	APL	Commune(LG)	LG	Existing	Poorest	Both	single	LG, CBO, NGO, Contractor	Sub-District	Matching Grant, Grant to commune or CBO	0-15	12%	Planning through implementing
Chad	Local Development Support Project (PROADEL)	Grant (23M)	APL	Village/District Councils (LG)	LG	Existing	National	Public	Multi	Commune, MFI, CBO, NGO, Min Extn	Locality	Grant		41%	Planning, Finance, Implementation
Chad	Agricultural services and producers organizations project (ASPOP)	20 M	SIL	Farmer Org, RPO	RPO	Existing	Regional	Private	Single	Ministries, Priv Sector, NGO, Contractors	District	Matching grant	20%+	35%	Technical Svcs, Market Identification, Fiduciary,

Ethiopia	Women Development Initiatives Project	5.0M	LIL	Women's groups	MO	Created	Poorest	Private	Single->multi	Private Sector, MFI, other WB projects	Group	Matching Grant, Micro-Credit Loan	10%	12.40%	Group organization, facilitation, project design, appraisal, implementation & management, book-keeping and financial management, gender & environment,
Georgia	Rural Development Project	10 M	SIL	FO	Cooperative	Existing and created	Geographic	Private	Single	Private Sector: Bank & non-bank FIs, Marketers, Agri-business, Consults, NGOs	Locality	Grant			Rural lending strengthening, Market analysis, Production & processing, farming technology and technical assistance.
Ghana	Community-Based Rural Development Project	60 M	SIL	District + Area Councils	LG	Existing	productive poor	Public	Single	Village + Traditional Councils, Min, Municipalities LG, Rural F.I.	District	Matching Grant	10%	27%	Prioritization, planning, Fiduciary, management
India	Chhattisgarh District Rural Poverty Project	112.5 M	SIL	Villages	MO/CIG	Created	regional	Both	single->Multi	Municipalities, District Gov, NGO, CBO	Group	Matching grant, Village Grant, innovations fund	Community projects: 5% costs +10% cash, panchyat infrastr 5% cash	18%	Mobilization, Plan, Fiduciary, management
India	Andhra Pradesh District Poverty Initiatives Project (APDPIP)	110 M	SIL	District	MO/SHG	Created	poorest	Public	Single->multi	Municipal, District, State, NGO, CBO, banks,	Group	Grant, Revolving Fund		46%	Formation, Group Mgt, Fin Mgt, Federation Building, Basic Education
India	Madhya Pradesh Poverty District Initiatives Project (MPDPIP)	110M	SIL	District	MO/CIG,	Existing and created	Poorest	Public	Single	State and Local gov, communities, NGOs, WUA & FO, Line Ministries	Group	Matching grant village funds		--	Formation & Org strengthening, skills training, sensitization, project admin, infrastr, income security
Indonesia	Third Kecmantan Development Project	250M	SIL	Village	MO	Created	Poorest	Public	Single	MFI, NGO, LGU, cbo	Locality	Matching Grant		16%	Local Governance, Project Monitoring, Conflict Resolution
Kenya	Arid Lands Resource Management Project 2. Phase (ALRMP)	60 M	SIL	Community (Comm. Dev. Cttee)	MO	Existing and created	Regional,	Public	Single	Ministry, Municipalities, LG, NGO, Svc Prod	Locality	Grant, Matching Grant	Credit/savings: 67-79%, CDD: 30%		Leadership, prioritization, procurement, Financial mgt
Kyrgyz Republic	Village Investment Project	15.1 M	SIL	Community Orgs / CBOs	MO	Existing and created	poorest	both	single-> multi	Municipalities, LG, Svc Providers	Group	Grant	25%	19%	Mobilization, Assessment, Planning, Implementation, Fin Mgt, Skills Training
Mauritania	Community Based Rural Development Project (CBRD)	45 M	S/C	Village Associations (ADCs)	LG	Existing	National	Both	Multi	Priv Sector, Contractors, Municipalities Ministry	Community	Matching Grant	10-30%	21%	Planning, management, Implementation,

Mauritania II	2nd Phase of the Integrated Development Programs for Irrigated Agriculture in Mauritania (IDPIAM)	39 M	APL	WUA	MO	Existing	sectoral	Both	single	Ministry, POs, ♀ Orgs, Rural Credit Inst, Svc Providers	Group	Matching Grant	~30%	8%	Farm and Water Management, diversification
Mexico	Second Community Forestry Project	21.3 M	SIL	Forestry Communities	Cooperative	Existing	Poorest	Private	Single->Multi	Ministries, State, NGOs, Municipal Gov	Community	Matching Grant	10-30%	17%	Planning, resource assessment, Gov of resources, diversification, business mgt
Morocco	Support for the Social Dev Agency	5 M	SIL	CBO, NGO	Svc Org	Existing	National	Public	Single	Min, NGO, Priv Sector, Coops	Group	Grant			Through ADS: Assessment, planning, implementation, Mgt & Maint., ADS: MIS & Monitoring
Niger	Community Action Program – 1. Phase CAP	Grant (35 M) and GEF Grant (4 M)	APL	Village Clusters	LG	Existing and created	Poorest	Public	Single->multi	LG, CBO, NGO, svc providers	Locality	matching Grant	Infrastr Proj 20%, Other proj 5-20%	15%	Assessment, Planning, Implementation, Admin, Technical
Pakistan	Second NWFP Community Infrastructure Project (CIP II)	37.1 M	SIL	Community Boards	MO	Existing and created	poorest	Public	Single->multi	Municipal, District, Union, NGO	Community	Matching Grant		16%	Mobilization, Assessment+ prioritization, planning, implementation
Peru	Second Rural Roads Project	151 M	SIM (Sector Invest. & Maint.)	Micro enterprises (ME)	ME	Created	Poorest	Public	Single	Ministries, Extensions, Municipalities, NGO, priv. sect.	Community	Matching Grant		5%	Assessment, Planning, Infra Str Svc Delivery, Monitoring, Mgt., entrepreneurship /bus mgt
Philippines	Second Agrarian Reform Communities Development Project	50 M	SIL	ARCs (Ag Reform Cttees)	Coop	Existing	poorest	Both	Single	Ministry Extn, LGU, Provincial, District, WUA, CBO, NGO, Priv Sect, Gov Fin Svc	Community	Grant, matching grant	up to 50%	4%	Planning, Implementation, maintenance of infrastr., MFI strengthening
Philippines	Kalahi-CIDISS Comp. Integrated Delivery of Social Services	100M	SIL	Village Assembly	MO	Existing and created	Poorest	Public	Single	LGU, NGO, PO,	?	Matching Grant		7%	Particip Planning, Impl, Mgt, Fin Mgt,
Romania	Rural Development Project	40 M	APL	Village Committees	Cooperative->MO	Existing	Poorer, readiness	Public	Single	LG, District Gov, Svc Providers	Community	Matching Grant	10%	5%	Mobilization, Assessment, Prioritization, Implementation, TA, Governance

Senegal	Agricultural Services and Producer Organizations Project (PSAOP)	47.1 M	APL	Multi: RPO, Research Inst, Ministries	RPO	Existing	National	Both	Single	Ministries, Private Sector, RPO & PO/FO Research Inst.	National	Matching grant			Group organization, facilitation, project design, appraisal, implementation & management, book-keeping and financial management
Sri Lanka	Community Development and Livelihood Improvement Proj. (CDLP) "Gemi Diriya"	Grant (51 M)	APL	Village Organizations	MO	Existing and created	poorest	Public	Single	Local Gov, Priv. Sect, MFI,	Community	Matching Grant, Incentive grant, grant	Varied: 30	10%	Participatory Appraisal, Planning, Contracting, Fin Mgt, Monitoring,
Sri Lanka	Second North-East Irrigated Agriculture Project (NEIAP II)	64.7 M	SIL	Village Org/FO	MO	Both	poorest	Both	Single	Min Extn, District Gov, NGO, CBO, Gov Lending + insurance inst.	Group	Matching Grant	~10	15%	Mobilization, Assessment, Planning, Implementation, Fin Mgt
Yemen	Social Fund for Devt III Project	60 M	SIL	? Community Councils	MO	Existing and created	Poorest	Both	Single	LG, Min, NGO, Priv Sector, MFI, Assoc & Coops, CIGs, local cttees	Community	Matching Grant, Grant		33%	Planning, education, MFI strengthening, leadership, planning, implementation

8.6 World Bank livelihood strategies and rural institutions

Social Fund, Community Driven Development, Community Based Rural Development and Local Development Framework and Rural Institutions

The social funds⁶⁵: Social funds were created in the late 1980s, generally as short-term programs to ameliorate the adverse social impacts of economic reform by investing in job creation through public works. They have been used in more than 60 countries for purposes ranging from post-emergency reconstruction to local empowerment. Most social funds have evolved from a narrow focus on increased local investment to a broader emphasis on the way local investments are planned and implemented. Social fund programs also serve as innovators and demonstrators of new methods of decentralized participatory decision-making, management, and accountability that may be adopted for broader application by other public sector organizations.

Because their objectives and operational methods vary widely, generalization is difficult. Early social funds were organized through autonomous (“parallel”) agencies that specialized in identifying and implementing infrastructure investments but had few links to other public sector organizations or to social development policies and programs. Recent generations of social funds have adopted more explicit and sophisticated institutional strategies to balance short-term performance objectives with longer term empowerment, capacity building, and sustainability goals.

In some countries social funds organize financial, managerial, and methodological support for community-driven development programs. In others social funds provide funding, technical assistance, and training to promote accountability and service delivery by local governments. Many employ multiple modalities to support both communities and local governments as contributors to local development. Several countries have employed social funds to link local governments with communities, to strengthen the participatory dimension of public sector decentralization. Traditional social fund modalities organized around centrally managed fund-agencies continue to be employed to address acute needs for local public investment in challenging contexts, such as in extremely high poverty, post-disaster, and post-conflict areas and in failed or failing states.

A key question is whether social funds are temporary or permanent features of the public sector landscape. Because most social funds are largely financed by and closely associated with international development assistance, the sustainability of the institutions and capacities they support is linked to a successful transition from a project to a program modality.

One aspect of this transition is the institutionalization of the systems by which social funds support local initiatives. Some countries have formalized the role of social funds as public sector executive agencies recognized in the law and the budget, but many have not yet addressed the strategic and institutional issues associated with their long-term status. Another aspect is whether governments should allocate their resources to support social fund operations or channel them to communities and local governments in other ways. A third is the incorporation into broader public policies and programs of the principles and methods for decentralized, participatory governance and management of local development promoted by social funds. However a country resolves these issues, if a government views the approach to local development promoted by social

⁶⁵ In : World Bank. Local Development Discussion Paper prepared for the International Conference on Local Development. Washington DC, June 2004

funds as useful in the medium term, it needs an adequate institutional strategy for ensuring that the support that social funds provide to local actors and initiatives will be sustained.

From a policymaker's perspective social funds are one instrument among many for promoting development at the local level. In addition to conventional mechanisms of public management such as sectoral service networks financed by central budgets and democratic local governments financed by own-source revenues and intergovernmental transfers, specialized financing, management, and capacity building arrangements are often useful to support local development. Social funds are a proven way to organize these inputs to supplement conventional public sector channels and to provide incentives for linking sectoral, local government, and direct community support approaches to local development. The challenge for social funds is to define viable strategies for their own integration, or for that of the methods they promote, into established public policy and institutional arrangements.

Community Driven Development: As defined in the Agriculture Investment Handbook⁶⁶, CDD is an approach to poverty reduction that seeks to empower communities and local governments with resources and decision making powers so that they can take charge of their own development. "Empowerment" refers to increasing the assets and capabilities of poor people to participate in, negotiate with, and hold accountable the institutions that affect their lives and directly cover the instrumentalization of rural institutions in this respect. Achieving empowerment often means promoting a stronger voice, access to information, social inclusion, accountability and organizational strength through collective action and the effective use of newly created or existing RIs to improve directly or indirectly rural livelihoods. Typically, decisions and resources are transferred to community groups, based on certain 'non-negotiable' principles (e.g. transparency and downward accountability; capacity building and direct financing to community level, etc). Usually, the CDD approach gives communities access to funds to implement subprojects of their choice. Local investment funds are often, but not always, provided in the form of matching grants, whereby participating communities are expected to make a contribution in cash or in kind. To the extent that rural communities consider food security and income from agricultural sources as their priority needs, projects using the CDD approach are expected to promote agricultural development as well. Subproject choice often depends on the working definition of "community." If defined narrowly as a water-users organization, for example, it would not be surprising to find demands for irrigation pumps or carts for produce. If the project works with parent-teacher organizations, then proposals would naturally focus on education. More typically, however, CDD projects work with villages or groups of villages defined by administrative boundaries, physical proximity, and/or social cohesion. Communities comprise numerous constituencies, which given hard budget choices, face important trade-offs in selecting subprojects from a range of sectors

Community-based (and driven) development (CBD/CDD) projects have become an important form of development assistance, with the World Bank's portfolio alone approximating 7 billion dollars. Despite the importance of the WB portfolio applying CDD approaches when dealing with RI and LS, there are, unfortunately, few evaluations of such projects under this perspective⁶⁷. Although, there is some evidence that CBD/CDD projects create effective commu-

⁶⁶ In 2004. Agriculture Investment Handbook Washington DC: World Bank

⁶⁷ Mansuri, Ghazala and Rao, Vijayendra; 2004/06. Community-based (and driven) development: A critical review. WPS3209. Washington, DC: World Bank

nity infrastructure. A common critic has been that many CBD projects are dominated by elites and, in general, the targeting of poor communities as well as project quality tend to be markedly worse in more unequal communities. However, a number of studies find a U-shaped relationship between inequality and project outcomes. Recent studies have found a distinction between potentially "benevolent" forms of elite domination and more pernicious types of "capture" is likely to be important for understanding project dynamics and outcomes. Several qualitative studies indicate that the sustainability of CBD initiatives depends crucially on an enabling institutional environment, which requires upward commitment. Equally, the literature indicates that community leaders need to be downwardly accountable to avoid a variant of "supply-driven demand-driven development". Qualitative evidence also suggests that external agents strongly influence project success. However, facilitators are often poorly trained and inexperienced, particularly when programs are rapidly scaled up. The created Rural Institutions have then some difficulties to carry on the agenda of their constituents and remain legitimate.

In sum, the evidence suggests that CBD/CDD is best done in a context-specific manner, with a long time-horizon, and with careful and well-designed monitoring and evaluation systems. Community-driven development (CDD) investments use a variety of mechanisms to empower communities to define priorities and take charge of their own development investments. Typically, CDD programs provide resources, often through cash grants, to enable communities to undertake local development activities. Initial community projects frequently involve small-scale infrastructure, but increasingly productive projects become a priority to address poverty and income issues. Agricultural projects are potentially an important element of the subproject portfolio, though experience to date offers limited guidance on how to maximize sustainable impact on agricultural production systems with CDD investments. Supporting income-generating activities (IGAs) without introducing unsustainable subsidies and market distortions is a challenge to be addressed in future analyses of CDD investments.

CDD is an established corporate priority of the World Bank and a key design principle in an increasing number of projects in rural areas. At present, approximately 45 percent of the lending to the agriculture sector uses some variant of the CDD approach a proportion that is likely to increase in future.

The **Community based rural development (CBRD)**⁶⁸ The CBRD models were developed to return to a holistic approach of integrated rural development while addressing earlier mistakes by executing programs through a decentralized, participatory decision-making process. It aimed to empower communities to work directly with government and the private sector so that development interventions respond to actual demand on the ground and fit the local context. By moving program coordination from the center to a level closer to the project beneficiaries, coordination of activities becomes less complex and more manageable; targeting has proven to be more accurate. The process of identifying priorities and delivering services is more responsive and transparent, because those responsible for services have the information, incentives and ability to achieve the positive results⁶⁹. In most cases, single-purpose groups were formed for rapid disbursement of funds, and the project focus was not on creating sustainable groups.

⁶⁸ World Bank. CBRD website:

<http://intranet.worldbank.org/WBSITE/INTRANET/SECTORS/INTARD/INTCBRDTOOLKIT/0,,menuPK:990188~pagePK:64168324~piPK:64168339~theSitePK:990176,00.html> Accessed 08AUG06

The ARD/CBRD database contains 381 projects from FY01-05 which represent \$1.6 billion FY05 investment. \$623 million FY05 was allocated to capacity building and \$ 2.3 billion in total CDD lending. This represents for Ag: \$1.01 billion (48%) uses CDD approach.

	AFR	EAP	ECA	LCR	MNA	SAR	Total
Number	103	45	47	60	47	15	317
Investment	\$1,615.14	\$ 1,095.94	\$ 322.12	\$1,364.55	133.6	\$1,844.78	\$6,376.14
CB	\$411.13	\$304.42	\$48.59	\$208.14	\$36.27	\$632.26	\$1644.20
Total	2026.27	1400.36	370.71	1572.69	169.87	2477.04	8020.34
Attended impact	SO: 64 PI: 31 EI: 10	SO: 19 PI: 21 EI: 09	SO: 21 PI: 24 EI: 07	SO: 33 PI: 23 EI: 08	SO: 08 PI: 08 EI: 04	SO: 22 PI: 32 EI: 10	SO: 167 PI: 139 EI: 48

SO: social, PI: Physical Infrastructure, EI: Environmental Impact

Source: ARD/CBRD database 2001/05

Community Based Rural Development is an approach to reducing rural poverty that promotes collective action by communities and puts them in control of development interventions by making community based organizations (CBOs) driving forces in the process. Often, in fact, CBOs directly manage most project resources. CBRD has the potential to make the allocation of resources more responsive to the needs of the poor, to lead to more sustainable outcomes, and to empower poor communities to negotiate with government, the private sector, and civil society. CBRD is particularly effective in the rural context because it deals directly with the challenges faced by rural people. By promoting participatory approaches CBRD can give the politically marginalized rural poor a voice in both in their community and with government entities. By supporting decentralized decision-making and shifting responsibility for delivering services to the local level, CBRD also overcomes some of the costs and difficulties of operating in spatially dispersed rural populations. The CBRD approach has also been used to support local activities that inject resources directly into the local economy, increase local level opportunity in rural areas, enhance revenues available for local development and diversify rural household income (reduce associated risk). Many secondary benefits are associated with community based rural development. In particular, it is seen as an important vehicle for increasing participation, reducing corruption, improving governance, and effectively targeting the poor. Proponents also view this approach as more sustainable because it can be used to create links to formal local government structures and markets. These links improve the sustainability of social and infrastructure investments, and productive investments respectively.

Usually, CBRD projects follow a phased approach. In phase 1, the activities focus on building up social capital (capacity to organize/manage funds/identify problems and solutions/resolve conflicts) + create condition to establish trust/provide necessary physical infrastructure/improved health services, education. In Phase 2, CBRD usually try to develop linkages with local governments (responsive government + improved services delivery+ partnership between public/private sectors and with markets and credit (increased cash capital + entrepreneurship + private investment+ diverse economic activities)

Local Development through local governance⁷⁰

The WB has also developed a local development framework to provide analytical tools to support a more integrated local development process that strengthens institutions and capacities at the local level to achieve three objectives:

Increasing local access to public infrastructure, public services, and economic opportunities. Access requires proximity. Integrating processes at the local level helps bring a variety of facilities, services, and economic opportunities closer to where people live and work.

Increasing the empowerment of local actors in various governance and service provision settings by strengthening citizen voice and choice in local decision-making and increasing accountability to local civil society.

Enhancing the sustainability of local development processes by strengthening the institutions, capacities, and collective resources that constitute the capital stock⁷¹ for local development.

Empowerment is the starting point for local development. Empowerment is the process of enhancing an individual's or a group's capability to make and express choices and to transform them into desired actions and outcomes.⁷² Both **opportunity** (the availability of options for meaningful decisions and actions) and **capability** (the ability to make meaningful choices and act on them or express them through institutions open to popular "voice") are required.

Local governance is the way decisions are made and implemented by or on behalf of people in a local area. It includes the allocation of authority to decision makers, authorization to use collective financial and natural resources, provision of public goods and services, and holding accountable those to whom authority is entrusted. In addition to local governments and other local public sector agencies, local governance encompasses a variety of civil society institutions, including resource users groups and citizen oversight bodies linked to public service delivery units or local service delivery networks, community development committees, traditional councils and authorities, voluntary associations, and nongovernmental self-help organizations.

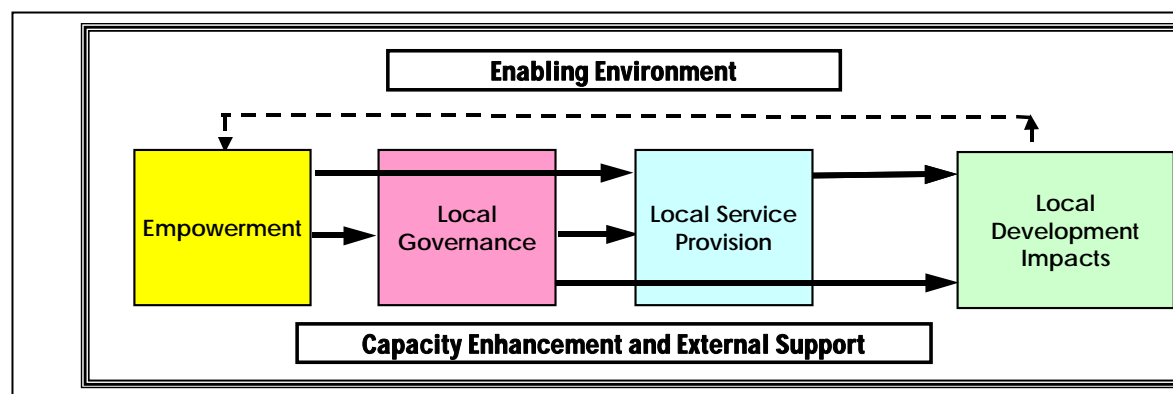
Local service provision systems deploy and manage resources—financial, human, technological, and information—to produce public facilities or services under the direction of institutions of local governance. Local public service providers include deconcentrated structures of central ministries, quasi-autonomous public agencies or enterprises, local governments, private enterprises under contract to public agencies or local communities, nongovernmental organizations (NGOs) financed by public sector grants, self-provision by service beneficiaries, and co production by beneficiaries and publicly financed providers. Service provision includes mobilizing and management of resources and the management of delivery organizations (producers) that transform resources into infrastructure and services.

⁷⁰ In: World Bank. Local Development Discussion Paper prepared for the International Conference on Local Development. Washington DC, June 2004

⁷¹ Human and social capital are the foundation for effective and responsive local institutions that enable collective action, service delivery, and economic growth. Along with economic assets, natural resources, physical infrastructure, and financial reserves, they constitute capital available to support a virtuous cycle of investment sustaining improved access to public services and livelihood opportunities.

⁷² Based upon "Measuring Empowerment: an Analytic Framework" (2004) by the World Bank PREM Empowerment Team. In this paper, the term capability is substituted for the term agency as employed in the PREM note.

Figure 1.1 Basic Elements of a Framework for Local Development



The **local development impacts** resulting from these governance and service provision arrangements include improvements in people's welfare and the accumulation of human, social, and economic capital. Human capital is accumulated by increasing the health and education status of individuals, social capital by increasing the capacity for collective action by local residents and organizations, and economic capital through increased capacity for investment by individuals and firms. All three dimensions of local development contribute to empowerment by increasing the capability of local actors to choose among a broad set of options in pursuit of individual and collective goals.

Thus a local development framework identifies the elements of a self-reinforcing arrangement through which empowered local actors contribute to governance processes and service provision in order to accumulate and invest human, social, and economic capital for their mutual benefit.

Local government strengthening and decentralization is, operationally at least, a relatively 'new' area for the Bank. In recent 'stock takings' of social accountability in the Asia and Africa regions, much of the experience discussed was that of NGOs and CSOs acting without Bank support, and often at the macro or national policy level. Looking across the portfolio of Bank LG projects that have emerged more recently, there appears to be some diversity in approach between those projects designed/managed by urban/public sector specialists, who focus on the intergovernmental fiscal transfer side (the supply side); and those rural/social specialists, who emphasize and try to directly support civic engagement with local government processes (the demand-side).⁷³

8.7 Details on approaches to support Local Governance

- Building the capacity of LG and line agencies to deliver services:* In many environments where decentralization/deconcentration has been enacted recently, the middle level of governance, at district/commune level is nascent. Correspondingly community capacity to engage with LG is low. In most environments considered, the capacity of line agencies to provide services was hindered by low capacity, and a reverse (top down) service orientation. Activities focused on public sector actors are usually mirrored by community activity, around developing development plans and instituting a functional relationship between community and LG through micro-projects that are infrastructure based. Local governance approaches at the commune/district level and at the local electorate level are institutional strengthening interventions, building capacity through provision of information and material resources, and systems and procedures, commonly around coproduction and community participation.
- Increasing local access to public infrastructure:* Increasing access to markets and assets plays a crucial role in increasing RL. Poor areas are characterized by a lack of infrastructure, and there is a corresponding emphasis on infrastructure creation. The majority of the projects reviewed had an infrastructure component. Generally, the infrastructure components were not implemented by LG or LA, rather micro-projects, such as farm-to-market roads, and irrigation and drainage micro-projects were planned and implemented by collective sector actors, with LG and LA involvement in the decision-making, design, and in some cases, co-financing.
- Increasing the empowerment of local actors in governance and service provision:* Another responsibility of local governance is the empowerment of local actors in governance and service delivery. Service delivery problems have often been addressed through a social fund approach, sometimes bypassing existing elected public institutions. However, social funds have evolved over the years and efforts seemed to be made now to link more with LG, and increase community participation in decentralization processes. In the case of Morocco, the broad emphasis of the Support for the Social Development Agency (SDA) is on testing new approaches for delivering social services for infrastructure, education, and health using demand-driven mechanisms. The Social Development Agency, selects districts on the basis of poverty mapping, and focuses on stimulating demand for services and capacitating decentralized agency offices and participating CBOs and NGO for providing services to the communities while coordinating with municipalities. Implementing organizations, based on ADS assessment, receive capacity building to assess local needs formulate, operate and maintain services for their component. However, in the World Bank practices, using existing local government's structures is usually more a characteristic of local governance and CBRD approaches which normally integrate fiscal decentralization and public decentralized services framework perspectives in their operations. For instance the recently started Local Government Support Project (LSGP) in Bangladesh focuses on a community based participatory budgeting approach to deliver public goods through an incremental and conditional block grant provision to elected Union Parishads, taking into account the fiscal decentralization and social ac-

countability principles tested previously by the UNCDF Sirajganj Local Development Project (SLGDP).

- *Enabling the Environment:* All RI are shaped to a greater or lesser degree by the policy and legislative environment, particularly local governance, where the framework affects the roles of demand and supply side. LG is shaped by processes of decentralization and deconcentration, processes which aim to increase responsiveness to local conditions and demands, while concurrently capacitating collective sector actors to interact productively with governance bodies. The environment varied considerably from setting to setting. Few projects (under 10%) considered had an explicit legislative policy component listed in component and sub-component activities. The sample was comprised largely of projects working in a conducive policy framework, where at least deconcentration, if not decentralization, was established. Exceptions include ex- but still mostly socialist governance structures, either still strongly centralized such as Kyrgyzstan, or those that are legislatively decentralized/deconcentrated but practically speaking are not yet functioning that way, such as Chad and Azerbaijan. In most environments encountered, the legal and regulatory framework was sufficiently conducive, and the projects were bringing the laws to life. The comprehensiveness of legislative conduciveness reform varies, from extremely conducive, e.g. Bolivia, Brazil, Mexico, India, and the Philippines, where key actors in decentralization have been mandated to exist, given rights and duties, and ascribed powers and responsibilities, to less comprehensive and hence more constraining legal frameworks hindering ability to reach the poor, such as Cameroon, where several indigenous communities are marginalized to the point of lacking even citizenship, or Chad, which lacks a functioning level of local government, or Kenya where itinerant herders function within tribal but not LG/LA structures.

8.8 Summary of Lessons and Limitations of some WB Approaches

	DECENTRALIZED SECTORAL APPROACHES	LOCAL GOVERNMENT APPROACHES	DIRECT COMMUNITY SUPPORT APPROACHES
KEY LESSONS	<ul style="list-style-type: none"> • Deconcentration within administrative hierarchies is necessary but not sufficient for effective service delivery • Demand responsive arrangements are useful in establishing appropriate service levels and standards • CBOs as co producers and oversight bodies can improve service delivery • Linking public organizations to private firms and NGOs enhances local capacity to deliver services • Local planning processes not only allocate resources but also increase accountability of service providers • Service delivery arrangements should be adapted to the local institutional environment. 	<ul style="list-style-type: none"> • LG responsiveness requires electoral accountability as well as other participatory processes • Decentralization is most effective when LG reform is linked to sector reform • Local governance quality depends not only on LGs but also on the effectiveness of local civil society • LGs can lead local development as coordinators of private initiative as well as advocates for local interests • Effective service delivery requires collaboration between LGs and sector agencies • LG strategic planning helps build partnerships among public, private and CBOs. 	<ul style="list-style-type: none"> • Community driven funds can channel resources in response to urgent, specialized or complex demands • Participatory community planning can efficiently allocate resources • Community-based mgmt of resources and investments can be transparent and efficient • Targeted community-driven approaches can empower marginalized groups • Community control over decisions and resources can build social capital • Strengthening CBOs can increase poor people's voice • Community contributions help ensure that investments are demand driven and "owned" by beneficiaries • Increased links between LGs and CBOs can speed "scaling-up" and improve sustainability
FREQUENT LIMITATIONS	<ul style="list-style-type: none"> • Little local discretion to adjust national sector policies and service priorities to local conditions or preferences • Difficulty ensuring coordination and collaboration across interdependent sectors • Emphasis on operational management limits strategic response to local conditions and priorities. • Difficulty ensuring adequate responsiveness and accountability of sectoral officials. • 	<ul style="list-style-type: none"> • Risks associated with transfer of responsibilities to LGs without adequate resources • Incomplete decentralization policies can limit LG capacity to respond to local priorities • Excessive politicization of decision-making or "elite capture" may lead to inequitable allocation or poor management • Weak service delivery focus and technical capacities among some LGs • Problems coordinating between devolved LGs and sectoral organizations • Inadequate contact between LG officials/LG agencies and communities • Vulnerability to "demand overload" when citizen expectations and devolved responsibilities exceed LG capacity 	<ul style="list-style-type: none"> • Risks of "elite capture" and weak accountability resulting from entrenched inequalities of power and resource access within communities • Difficulty resolving problems across several communities and achieving economies of scale • Sustainability problems due to insufficient coordination with sectors and LGs • Weak links to public sector systems for planning, governance, and fiscal management, and accountability • Lack of strategic perspective on local economic development •

Source: World Bank. *Local Development Discussion Paper* prepared for the International Conference on Local Development. Washington DC, June 2004

8.9 Table of level of entry and capacity building share

	LG	NGO/CBO	RPO	COOP	MO	CB %
Provincial to State			Senegal PSAOP 17%			# Projects: 1 Avg CB: 17%
District Administrative subdivision of province	Ghana -District and Area Councils (27%)		Bolivia Farmer Alliances (RPOs) (1.2%) Chad ASPOP Farmer Org, RPO (35%)			# Projects: 3 Avg CB: 21%
Sub District Administrative subdivision of District	Cameroon—Commune (12%)					# Projects: 1 Avg CB: 12%
Locality A set of communities linked geographically, socially, econ)	Chad – Village/District Councils (41%) Niger – VDCs (Village Clusters) (15%)			Bi-H – FO, PO, WUA Georgia-- FO	Indonesia Kecamatan – village organizations (16%) Bangladesh – SDF Philippines Kalahi – Village Assemblies (7%)	# Projects: Avg CB: 18%
Community a set of households	Mauritania – Village Associations (ADCs) (21%)			Mexico – <i>ejidos</i> (17%) Philippines ARCDP – Ag Reform Cttees (4%)	Azerbaijan – Village Org (24) Brazil – Community Associations (7%) Kenya –Community Development Cttee Pakistan – Community Boards (16%) Romania-- Village Cttees (5%) Sri Lanka <i>Gemi Diriya</i> Village Organisations (10%) Yemen – Community Council	# Projects: 11 Avg CB: 12%
Group		Morocco ADS Peru- Rural Roads (5%)			Ethiopia—SHG/CIG Women's Groups (12%) India APDPIP – SHG (46%) India CDPIP—CIG (18%) India MPDPIP—CIG Kyrgyz - Community Organizations (CIGs) (19%) Mauritania IDIPIAM – WUA (8%) Sri Lanka NEIAP II Village Org, FO (15%)	# Projects: 9 Avg CB:18%

8.11 Table of possible indicators to assess RIs sustainability in WB projects

A screening process of potential partner organizations could be guided by a number of indicators as presented in the following table. The chances a group will be effective during its time under the project assistance, and sustain itself beyond the project are affected by the items in the left column.

Parameter	Indicator 1	Indicator 2	Means of verification
Local level political stability	Years/terms of current leadership	Occurrence of local level political conflicts – nos. events.	Interviews with local key informants (teachers, journalists or other)
Good leadership and local 'champions' – especially with prior development experience	Nos. and size/type of past projects successfully completed.	Nos. projects suggested by the local leadership for central gov. funding or donors.	Independent reviews or evaluations. Interviews with past and present project beneficiaries. Citizens reporting card.
Highly committed, capacity building/TA training corps, comprised of local individuals	Level of functioning of local extension staff (in various departments) – high to low.	Existence of local NGOs or other organization (e.g., religious, charitable) (with proven track record in training delivery)	Rapid institutional appraisal by national researchers.
Internal management capacity and accountability at outset	Readiness of partner organization to allocate staff and resources (as available) to the project.	Readiness of partner organizations to adhere to transparent financial management.	Assessment by project identification and appraisal teams.
Level of democratic access	Existence of formalized consultations with stakeholders.	Positive evaluation of organization's responsiveness by stakeholders/ beneficiaries.	Assessment by project identification and appraisal teams through group interviews with key informants and a variety of citizens.
Risk of elite capture	Leadership of organization is, or is closely linked (by 'strawmen'), to local elite.	Lack of democratic access to organization's allocation and detailed planning practices.	Assessment by project identification and appraisal teams through group interviews with key informants and a variety of citizens.
Inclusiveness	Number of women, IPs, poor and vulnerable individuals participating fully in the organization.	Existence of special provisions to reach and include most vulnerable and weak groups and individuals.	Assessment by project identification and appraisal teams.
Measure of authority	Organization is respected locally, including by the local elite.	Organization has competent leadership.	Assessment by project identification and appraisal teams through group interviews with key informants and a variety of citizens.
Long-term commitment of donor agency/government.	Planned duration of project.	Positive risk assessment of project.	PAD

Source: Jens Sjørslev.2006

8.12 Overview of capacity building support for Local Government

Typical constraints:	Elements of Capacity building strategy	Typical training:
Human resource: -number of personnel -individual lack of skills -individual lack of awareness of innovations	- temporarily underwriting the cost of additional personnel with a strategy on how it can be sustained - funding conditional to key personnel in place - direct training of local personnel or TOT - involving personnel in real-time planning and management activities - Developing guidelines, manuals and reference material	-Basic institutional arrangements: LG laws and regulations, definition of functions, responsibilities -Basic administration: record keeping, filing, conduct of meeting -Gender issues: role of women councilors, development priority for men and women and roles in LPP
Material or logistical constraints: -lack of operating budget for LG -lack of material resources (buildings, equipment, vehicles)	- Devising sustainable mechanisms to fund travel and related expenses for local personnel - Provision of basic material support technically appropriate	-Inclusive planning: planning and budgeting procedures, tools, methods -Tendering and contracting: tendering procedures, bid, evaluations, contracts negotiation -Operation and maintenance: management, user fees, annual maintenance planning, budgeting -Financial management: bookkeeping accounts, fund management -Revenue collection: fiscal regulations, taxes, duties, use fees, revenue collection methods -Auditing: procedures and methods -Communication and information: publicity, public relations, media options -Monitoring and evaluation: database management, MIS, M&E
Institutional constraints -inappropriate and vague procedures for financing, planning, budgeting, implementation, procurement and financial management	-test, adapt, develop and extend more appropriate procedures systems and rules -prepare simple guidelines, manuals and reference manuals -train personnel	Typical peer learning activities: - Peer learning around centers of excellence - Cross support on administrative or specific technical issues between LGs. - Peer reviewing with performance grant attached for good performing1
Incentives for good performance -inadequate mechanisms for ensuring accountability and control of personnel	Link funding arrangements to performance Improve information, communications and mechanisms for downward, horizontal and upward accountability Overall support for reform of the policy, legal and regulatory framework within which LG operates	- LG chairmen/secretary for a - Study tours - Newsletters -Websites on performance of LG - Federation, networks of practitioners, etc.

Source: N. Perrin, adapted from: UNCDF “Delivering the Goods” 2005

8.13 References

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