

COMMUNITY-DRIVEN DEVELOPMENT: DECENTRALIZATION'S ACCOUNTABILITY CHALLENGE

Susan Wong and Scott Guggenheim

Decentralization is often hailed for moving government closer to its citizens and providing opportunities for participation in decision making. Achieving this goal, however, depends on a variety of conditions, including establishing mechanisms to promote broad civic participation and more responsive and accountable local governments. These goals are especially relevant for East Asian countries pursuing large-scale decentralization programs. One mechanism intended to make development planning and management more responsive and accountable arises from what the World Bank has called community-driven development (CDD).

A great deal of empirical evidence reveals that decentralization will not always achieve the goal of making local governments more responsive and accountable. They are often susceptible to elite capture: that is, public decision making often reflects disproportionate influence by well-off and well-connected groups. In many countries, officials exploit the opportunities offered by decentralization to promote their own commercial activities. Standard mechanisms for accountability, such as elections, audits, and performance benchmarking,

often do not work well in environments where information is scarce, open elections are unfamiliar or rare, and clarity about performance standards is lacking. Decentralization can also aggravate existing social problems. Polarized local environments can erupt into open conflict when decentralization leads to the exclusion of one group from government. Marginalized groups, particularly the poor, often fare worse under decentralization when local governments do not see redistributive or highly targeted social programs as priorities—particularly if the primary beneficiaries of such programs are people least likely to vote. A great deal of work is needed to introduce transparency, consultation, participation, and accountability mechanisms that can link public administrations with their surrounding communities and give the poor a greater voice.

Decentralization and CDD are inherently political reform processes. Nevertheless, because development programs channel significant resources into the existing administrative structure, donor choices can help determine to what extent decentralization promotes healthier links between communities and governments.

The challenge of finding mechanisms to promote more responsive and accountable local governments is especially relevant in East Asian countries undergoing large-scale decentralization. China, for example, has quietly but effectively pursued a national program for village elections, and is developing a package of programs that provide new village governments with investment resources. Indonesia, as this chapter will show, is similarly concerned with fostering more effective, adequately funded local governments that can pursue a range of investments, and with encouraging communities to feel they have a stake in local government and the means to change it.

CDD programs are one mechanism for making development planning and management more accountable. Although community development is a well-established idea in the literature, large development agencies such as the World Bank first became involved with significant CDD programs in the late 1990s.

This chapter defines CDD as an approach that gives communities or locally elected bodies control over the decision making, management, and use of development funds.¹ CDD differs significantly from an earlier generation of community-based rural development projects in emphasizing the role that communities play in driving the development process rather than acting as passive beneficiaries.

The long-term goal of CDD projects, especially in East Asia, has been to reduce poverty by improving local governance and empowering local people. While varying somewhat in design, CDD programs generally consist of a participatory planning process at village and commune or subdistrict levels, leading to funding and implementation of priority activities. CDD programs emphasize giving communities and locally elected bodies the power, information, and skills to determine the best use of development resources.

CDD approaches are especially relevant in countries where the priorities of central and local governments with respect to poverty are weak, and where governments will respond more readily to poverty if there is strong demand emanating from society. The demand side is as important and fundamental in politics as in the realm of economics. CDD hypothesizes that the community demand-side approach—if well designed and implemented—will exert multiplier effects in broader decision-making processes at the local level.

The growth of CDD programs has occurred in parallel with a general trend toward decentralization and democratization in countries within the region over the last decade or so, driven by varying political motivations. Given these trends, what has been the relationship between the portfolio of CDD programs and decentralization reforms? How have these programs worked within evolving decentralization frameworks? This chapter describes some of the dynamics behind these two trends and focuses on three main issues:

- CDD's role in *improving the quality* of decentralization by promoting greater civic participation, voice, and accountability in local governance.
- CDD's role in *delivering cost-effective and timely services* within a decentralized context.
- CDD's role in *informing and formulating* decentralization regulations.

Based on the above analysis, this chapter argues that in a decentralized environment, CDD programs can improve the quality of the decentralization framework by promoting greater civic participation, voice, and accountability in local governance; providing an effective means of delivering much-needed services in a decentralized context in a cost-effective and time-efficient manner; and directly informing and shaping decentralization regulations. While CDD projects are too new to allow definitive statements about their overall success or failure, preliminary evaluations point to tangible contributions in these areas. The chapter also discusses challenges that lie ahead for CDD in decentralized environments.

CDD as Public Sector Heresy: CDD Works in Practice but Does It Work in Theory?

Specialists in public administration are often wary of CDD for understandable reasons. CDD financial flows bypass formal intergovernmental transfer systems, and CDD sits outside integrated government planning. But are there persuasive counterarguments as well?

One is that CDD can improve the way local governments function and thus help them work better for their citizens. The decentralization literature says little about the role of nonstate actors in making local governments work in transparent and accountable ways. CDD aims to strengthen that role. By promoting demand, competitive pressure, and the flow

of information between governors and the governed, CDD programs introduce a range of accountability mechanisms and participatory processes that improve local governance, especially in a decentralized environment. CDD encourages the creation and strengthening of community groups, and forges new norms regarding civic behavior and expectations regarding the relationship between government and the people.

Whereas reforms of public administration tend to focus on the government side of the governance equation, CDD emphasizes the other half of the equation: strengthening citizen participation and demand. These two efforts are not mutually exclusive, but the starting points are quite different. CDD approaches governance from the bottom up by helping poorer communities make their demands more audible and visible, thus influencing local planning and decision making.

CDD also responds to an efficiency problem. East Asian subnational bureaucracies are already overburdened trying to meet routine district-level requirements. All too often, faced with limited time and resources, these governments simply delay new efforts to meet the development needs of villages, or collapse them into existing programs that may or may not reflect local development priorities. Thus, for example, a 1997 review of 48 villages in Indonesia found that fewer than 3 percent of village development requests proposed through the government's development planning system ever received funding (Evers 1998).

CDD programs have the potential to eliminate some of these problems. CDD projects do not have

to follow cumbersome or leaky procedures for transferring funds or develop complicated mechanisms for coordinating and delivering services. Community groups can fulfill many of these functions instead. And, for certain types of infrastructure and services, preliminary evidence suggests that delivering funds directly to communities complements investments of district governments with no loss of quality, and allows large-scale provision of productive investments that would otherwise not have occurred.

This chapter examines how CDD approaches have been designed to operate in different decentralized environments. As other chapters explain, the forms, dimensions, and degrees of decentralization—political, administrative, and fiscal—vary across the region. CDD programs also show wide variation in design, management, and closeness to local governments. These variations relate to historical and structural factors within specific country contexts, as well as to different strategic approaches to CDD.

A note of methodological caution is needed. Large-scale CDD programs at the World Bank are relatively new, with the large majority having been in effect for less than three years. Within such a limited time frame, it is premature to draw conclusions, whether positive or negative, about critical aspects of CDD, such as their impacts on poverty and local government, evolution, and sustainability. Furthermore, CDD projects have proved no more immune to the general lack of rigorous evaluation than other development projects. Such rigorous evaluation is rare in all contexts, and some studies indicate that the CDD community devotes

"There have been spectacular successes and miserable failures in the efforts by developing countries to make services work. The main difference between success and failure is the degree to which poor people themselves are involved in determining the quality and the quantity of the services which they receive."

World Development Report 2004: Making Services Work for Poor People

"The core message from poor people is a plea for direct assistance to them, without exploitative and corrupt 'middlemen' and free of well-intended but often wasteful development programs. They call for systemic change."

"They [poor people] want to develop their own organizations so they can effectively negotiate fair partnerships with governments, with traders, and with NGOs; they want direct assistance and local ownership of funds through community-driven programs, with governments and NGOs accountable to them."

Voices of the Poor, World Bank, 2000

(Personal accounts from over 60,000 men and women in 60 countries of the realities of living with poverty, and what they need to improve their lives)

substantial if not more effort than other sectors to such evaluations (Wassenich and Whiteside 2003). That being said, funders are now making concerted efforts to install comparable measurement systems across the CDD portfolio.

The lack of comparable evaluations precludes any conclusive statements about the overall impacts of CDD. Yet it is possible to draw some preliminary conclusions about CDD performance. Projects already under way collect a great deal of useful information, and several older projects are yielding a growing body of evidence, including evaluations of their technical quality, audits, cost-benefit analyses, case studies, and information on types and levels of participation. This chapter draws on that information while noting that a full assessment of CDD will have to wait several years.

Given the diversity of CDD, this chapter addresses general approaches while honing in on three countries where specific large-scale CDD programs intertwine with significant decentralization reforms: Indonesia, Cambodia, and the Philippines. While all these CDD programs are housed within government ministries or interministerial committees, they differ somewhat in terms of their design, links with local government entities, and historical evolution.

The Indonesian *Kecamatan* Development Program (KDP) gives communities planning and decision-making power over development resources. KDP initially built on the government's bottom-up planning structure while introducing a broad range of reforms to make that system more participatory and efficient. KDP channels funds outside the usual government disbursement mechanisms, allowing financing to flow directly from the national level to *kecamatan* and village-level bank accounts controlled by communities. Since Indonesia's decentralization in 2001, the second and third phases (2002–7) of KDP have emphasized greater oversight from district parliaments, government monitoring, links with sectoral agencies such as education and health, district matching grants, and local involvement in drafting formal decentralization regulations on village autonomy.

The *Kapit Bisig Laban sa Kahirapan*-Comprehensive Integrated Delivery of Social Services (KALALHI-CIDSS) in the Philippines began in 2002. Its design is similar to that of KDP, except that community-funded plans are more closely

integrated with municipal development plans. This partly reflects the country's more evolved decentralization process, in which local governments play a more significant role than in Indonesia.

The Seila Program in Cambodia is rather different.² It began as a postconflict government experiment in alleviating poverty through decentralized systems for planning, financing, and implementing development at the province, commune, and village levels. The program has evolved considerably, and in its second phase (2001–5) has supported further design and implementation of deconcentration and decentralization reforms and worked more closely with locally elected bodies, with funds flowing through official intergovernmental fiscal transfer systems.

This chapter also highlights a sectoral CDD project to show how they operate. Sectoral CDD projects generally work within line ministries and provide block grants to community organizations such as school committees, health management councils, and farmer or irrigation organizations, which decide how to use the grant funds. The Cambodia Education Quality Improvement Project (EQIP) provides block grants directly to school cluster committees for use as they see fit to improve educational quality (see box 12.1).

We chose these case studies for two reasons. First, they represent the latest thinking on CDD design and approaches in the East Asia region and are considered the most successful of the CDD portfolio. While not without significant problems and challenges, they afford a glimpse of some of the trends and issues facing CDD. Second, the CDD projects in these three countries are intricately linked to their national decentralization reforms. Thus, they illustrate concrete ways in which CDD projects can interact with and influence reforms within a decentralized framework.

How Does CDD Strengthen the Decentralization Framework?

Promoting Civic Participation in Local Planning and Decision Making

In theory, decentralization facilitates participation by local populations. In actuality, the legacy of decades of authoritarian rule and embedded hierarchical structures and behavior in many countries subvert

BOX 12.1 CDD Projects in Three East Asian Countries*Indonesia: The Kecamatan Development Program (1998–2007)*

Begun in 1998, the government's KDP aims to alleviate poverty by raising rural incomes, strengthen local government, and community institutions, and improve governance. KDP recently completed its first phase, funding more than 50,000 infrastructure and economic activities and benefiting some 35 million poor people. Field studies and audits show that KDP projects delivered a broad range of services at lower-than-normal cost with greater community involvement. KDP is now entering its second and third phases, which emphasize building villagers' technical skills and strengthening local government institutions as part of the country's overall decentralization process. The program encompasses some 28,000 villages—almost 40 percent of the country's total.

Cambodia: Seila/Rural Investment and Local Governance (RILG) Project

RILG Project aims to contribute to rural development and reduce poverty by supporting the provision of priority public goods and services at the commune level, and to promote good governance by enhancing participation at the commune and provincial levels. RILG works through Cambodia's Seila Program, a mechanism for mobilizing and coordinating aid that supports the government's decentralization and deconcentration reforms. Together, RILG and Seila provide grants for rural infrastructure and related public goods identified through the planning process. The two programs also provide technical assistance for strategic studies to inform deconcentration reforms, and to review and strengthen the regulatory framework for decentralization.

While the RILG Project began only recently, Seila started in 1996. The first phase (1996–2000) enabled the government to formulate and fully test in five provinces provincial and commune systems for budgeting, planning, financing, and implementing development. Seila initially supported elected commune and village development councils and emphasized participatory local planning and financing. The program has since evolved with the country's deconcentration and local election process to work with the 2002 elected Commune/Sangkat Councils. The second phase (2001–5) supports the implementation and further design of decentralization and deconcentration reforms.

Cambodia: Education Quality Improvement Program (1999–2004)

EQIP aims to develop a model for a participatory approach to improving school quality and pursuing performance-based management of resources. The project has two main components. The first finances grants to provincial committees, quality improvement grants to school clusters, and monitoring and evaluation activities. The second component supports the National Committee on Effective Schooling, policy studies, and provincial and district education offices.

Philippines: KALAHI-CIDSS Project (2002–6)

This project aims to strengthen participation in village governance and develop communities' capacity to design, implement, and manage development activities that reduce poverty. The project was influenced by Comprehensive Integrated Delivery of Social Services, the country's previous poverty alleviation program, as well as by Indonesia's KDP. The project will encompass some 5,300 villages in the country's 40 poorest provinces.

broad-based participation and the idea that people can hold local government officials accountable. In such contexts, CDD projects can provide mechanisms to accelerate participation and accountability through broad-based planning, decision making, and implementation. CDD can help design the planning cycle to engage the poor and other marginalized groups, thus moving toward more inclusive governance. In most cases, the CDD community planning process begins with participatory appraisals that include social mapping, wealth-ranking exercises,

and, in Indonesia, separate meetings for women. The local planning process varies from country to country. In Indonesia and the Philippines, it takes the form of a list of development priorities. In the Philippines, local governments agree to include the CDD list of projects in municipal development plans. Activities that appear in those plans qualify for funding through donor assistance or other sources.

Under CDD, decisions on allocating resources occur in a decentralized, participatory manner—in contrast with the first generation of social funds,

which typically relied on external parties at the national level to make such decisions. Forums composed of elected community representatives make decisions at intervillage and subdistrict levels. In Indonesia, quotas ensure that women participate in the decision-making process, thus broadening the scope of civic participation.

Cambodia's Rural Investment and Local Governance (RILG) Project under the Seila Program illustrates the link between decentralization reforms and CDD. Begun in 1996, Seila piloted a model for decentralized planning, financing, and managing development activities at the province and commune levels. At the time, the country had no formal decentralization policy. In its early stages, Seila supported participatory planning and decision making through community, village, and commune development councils, with local plans funded outside normal government channels. As decentralization reforms slowly evolved and commune elections were held in 2002, the program was integrated into local government institutions and processes.

Scaled up from an initial five provinces to a nationwide program, the Seila pilot experience on participatory planning and decision making fed directly into the country's deconcentration and decentralization reforms. The Inter-Ministerial Administrative Proclamation (*Prakas*) on Commune/*Sangkat* Development Planning—the regulation governing the preparation and implementation of a commune development plan—incorporates lessons from Seila on how to prepare a commune development plan, a commune investment plan, and an annual budget. The regulation and accompanying guideline encourage local governments to open budget discussions to the public. These guidelines also highlight the need to set up appropriate mechanisms to facilitate the direct involvement of beneficiaries in the detailed design and supervision of all projects in the commune development plans.³

In the Philippines, the KALAHI-CIDSS Project is designed to promote community participation and development within existing government structures.⁴ Communities and local governments engage in a demand-driven, bottom-up process of planning and problem solving that leads to grants for community investment programs. The emphasis is on ensuring that decision making and management of public resources are participatory and demand-driven.

Local governments play an important role by providing technical services for planning projects, to ensure their feasibility. Municipal development plans automatically include all the activities selected under this process, and therefore so do the annual budgets of local governments, safeguarding the sustainability of these investments.

These CDD processes are not without their challenges and limitations. First, many struggle to integrate village and subdistrict planning with planning at the district and provincial levels. The subvillage or village level may not be appropriate for choosing the location of certain public facilities or forms of service delivery, such as health clinics and schools. "Supralocal" or interjurisdictional cooperation is needed to achieve economies of scale and pool limited resources. Local planning cannot supplant the need for improved regional and integrated multisector planning. Countries need to better link small, dispersed investments occurring at community levels with larger investment projects to achieve technological sophistication and economies of scale.

As a second challenge, a community-driven planning process may overlook some needs. Efforts to address violence against women and assist widows and female heads of household, respond to health needs, and conserve the environment often do not survive a participatory, competitive community planning process. Greater advocacy is needed to highlight concerns such as immunization programs, accompanied by special funding windows, quotas, and vertical programming so the local planning and budgeting process can address them.

Giving Citizens a Voice

One of the main apprehensions regarding decentralization has been the extent to which local elites may dominate local decision making just as easily as—if not more easily than—central authorities. Particularly in highly stratified societies, local elites may capture the benefits arising from a decentralized planning and financing system. Dropping funding to provincial or local levels where, for decades, people have not been allowed to develop broad civic decision-making institutions or accountability mechanisms hardly seems wise.

What can be done to counter these inequalities? Decentralization needs to be accompanied by

reforms that increase the transparency and accountability of local government. CDD programs build on the premise that gradually broadening participation in policy making and resource allocation can enhance accountability and transparency and improve equity in service delivery.

CDD programs encourage citizens to exercise voice and demand accountability and transparency through several mechanisms:

- A strong emphasis on *information disclosure and transparency*, especially related to project budgets, financing, contracting, and procurement. Financial and contract information is discussed publicly and displayed on village information boards. In Indonesia's KDP, village committees must report back to the general village assembly at least twice during subproject implementation to discuss progress and financial status.
- A *grievance mechanism* (Indonesia and the Philippines) that channels anonymous complaints to project authorities and encourages efforts to address grievances.
- *Strong community monitoring* mechanisms. In Indonesia and the Philippines, each village forms an independent committee responsible for overseeing contracts, procurement, finances, and implementation of development projects. These committees must report on financial status and physical progress at various stages. Provincial journalists and NGOs are also invited to act as watchdogs over the proper use of public development funds. Together these mechanisms provide a system of checks and balances to help keep local governments accountable.

Studies and preliminary evidence highlight two other features of the CDD process. First, CDD projects generally include a decentralized financing mechanism that operates more quickly than comparable disbursements from line agencies. Second, the services delivered are cost-effective compared with the delivery of small-scale works by public agencies.

Decentralized Financing Mechanisms

The pitfall of many decentralized planning processes worldwide has been a lack of resources to implement the resulting plans. CDD projects tackle this problem by providing finances directly from the national level to local levels to implement

community-identified priority projects. Several CDD case studies, in the region as well as globally, show that one of the main reasons for the popularity of CDD projects is that they do in fact disburse funds quickly. Why did the governments of Indonesia and the Philippines initially choose a CDD model when they had traditional line agency programs to combat poverty at their disposal? Those programs were not disbursing funds fast enough and were not reaching the poor.

In Indonesia, for example, KDP's ability to provide quick, high-volume disbursements of development funds from the national level straight down to the local level was the main reason that the government chose to launch the program in 1997–98. The traditional methods for disbursing funds through line ministries had failed, as shown by the poor track record of the \$1.2 billion national social safety net program, which was canceled halfway through implementation because of poor targeting, leaks, and limited effectiveness.

Moreover, the direct financing mechanism cleared up decision-making bottlenecks caused by central efforts to plan and control activities. KDP's disbursement system takes an average of two weeks between the time when a village places a request and when funds arrive in the village account. Even during the East Asian financial crisis, KDP disbursed funds nearly twice as fast, on average, as agriculture, health, and education projects implemented through line departments (see figure 12.1). Bypassing intermediate levels of government enabled KDP to move quickly to respond to village-level demands.

Furthermore, as these CDD programs evolved, they opened windows of opportunity for additional financing from government and private sources as well as communities. Under KDP, communities contribute 17 percent of project costs, on average, and these contributions often equal or surpass the grant amount. Among participating districts, 40 percent provide matching grants from their own resources to contribute to capital costs.

Community-identified projects do not have to be financed by CDD: officials can establish links with many potential sources of financing. For example, in the Philippines, all projects identified through the CDD process are included under municipal development funds, so the local budget covers recurrent costs. This also helps attract funding from other government and nongovernmental

BOX 12.2 Funds Arriving in Cambodian Schools

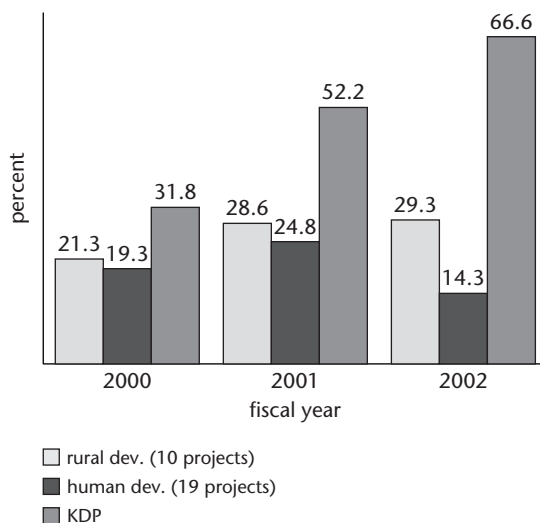
The Cambodian Educational Quality Improvement Project (EQIP) is a CDD sectoral project that is modeling a participatory approach to improving school quality and using performance-based management. Cambodia's Ministry of Education, Youth, and Sports (MoEYS) has emphasized decentralization in its Education Strategic Plan 2001–2005. Projects such as EQIP, as well as several other donor-funded school grants and cluster programs, show what can happen when governments devolve responsibilities and funding to local schools and communities.

Funded in part by a World Bank credit of US\$5 million, EQIP began in 1999 and supports clusters of schools in three provinces. The project allocates grants based on priorities identified through school committees composed of representatives from communities and each member school. The project is highly popular with participating schools and communities. According to one evaluation:

There was widespread enthusiasm for EQIP among those interviewed, and a desire to build on the progress already made. Decentralization issues featured prominently. Stakeholders welcomed the opportunity EQIP provided for making decisions at local levels. Being able to decide what to purchase for a cluster through a cooperative process at that level was greatly appreciated. It was recognized that the actual process of making decisions at provincial, district and cluster levels was developing skills in prioritizing, planning, budgeting and reporting . . . When asked what was the most important achievement of EQIP, the most popular answer was that it gave finances for priority needs in a timely and predictable manner. Enormous value was placed in this achievement. Previously there had been no resource flow from the MoEYS to schools and little if any to the provinces.

Source: Turner 2002.

FIGURE 12.1 Project Disbursement in Indonesia by Ratio, Fiscal Years 2000–2



Source: World Bank Indonesia disbursement reports.

sources. In Cambodia, under the RILG Project, district integration workshops provide a forum for other government and nongovernmental actors to fund projects identified through the local planning process.

Cost-Effective Service Delivery

Studies of Indonesia's KDP and the Urban Poverty Project, its urban counterpart, as well as preliminary estimates from KALAH I in the Philippines, show that infrastructure projects cost some 25 to 56 percent less than similar small-scale works delivered by other public agencies. These cost savings are consistent with estimated savings from CDD projects in other regions. For instance, a case study of CDD projects in Brazil cites savings of 30 to 50 percent.

All these CDD programs have delivered demand-responsive public investments in infrastructure and economic and social activities. Because CDD planning and financing is decentralized, small-scale infrastructure projects are usually funded and implemented within three to four months. Under the first stage of KDP, villages completed more than 50,000 infrastructure, economic, and social subprojects. Technical reviews and external evaluations show that these projects were popular with communities and government officials alike. A sample of infrastructure projects showed that they yielded high internal rates of return ranging from 33 to 83 percent. These projects generated 25 million workdays, with 2.8 million villagers gaining short-term employment through labor-intensive works (World Bank 1998).

The national size and scope of these CDD programs have allowed governments to deliver essential public goods and services in a demand-responsive way while relieving overburdened national and sub-national bureaucracies of the need to manage thousands of small village projects and byzantine financial sign-offs at multiple levels.

Technical Assistance in Formulating Decentralization Procedures

Increasing Public Engagement with Local Governments

In both Indonesia and Cambodia, CDD programs evolved as national decentralization reforms began to play out at local levels. In Indonesia, KDP incorporated greater roles for district parliaments, monitoring and supervision by local governments, and cost-sharing arrangements with district governments. In Cambodia, the Seila Program was adapted to work through the newly elected Commune/*Sangkat* Councils in place of the early Commune Development Councils. Financial transfers now flow to Commune/*Sangkat* Funds as well as provincial investment funds.

The CDD programs in both countries have built on lessons from participatory, decentralized planning and financing to shape decentralization regulations. The institutionalization of participatory, transparent mechanisms in decentralization procedures and frameworks has been a key aim. Both governments had passed legislation and decrees outlining decentralization frameworks but were still formulating implementation guidelines, making them amenable to community contributions.

A further benefit is that national ministries responsible for creating decentralization guidelines have implemented CDD programs. In Indonesia, the Ministry of Home Affairs, with guidance from Bappenas, the national planning agency, is responsible for issuing the implementing guidelines for decentralization. In Cambodia, the Ministry of Interior and the Ministry of Economy and Finance are key members of the Seila Task Force, and the Seila Program has provided financial and technical resources to new departments in these two ministries that regulate and support subnational authorities.

Drawing on lessons from the first and second phases, the third phase of KDP will assist district and village authorities in crafting 13 regulations (*perdas*) for village autonomy under Decentraliza-

tion Law 22. Building on the KDP platform, the Initiatives for Local Governance Reform Project is designed to support district policies related to information disclosure, procurement, revenue generation, budget planning, and allocation, leading to higher pro-poor expenditures (World Bank 2004a).

Similarly, the Seila Program in Cambodia has channeled five years of experience with participatory planning and financing into helping government working groups complete the country's decentralized regulatory framework, draft supporting guidelines, and revise and strengthen regulations. For example, technical advisors from Seila have advised the government in developing the manual of financial management and procurement procedures for commune funds.

In contrast to Indonesia and Cambodia, where central governments are still formulating decentralization reforms and regulations, the Philippines has had a Local Government Code for some 12 years, and local governments are already well established. From the outset, the KALAHI-CIDSS project has worked within the decentralization law and engaged with formal institutions such as the *Barangay* Development Council and the Municipal Development Council to make the process for planning and allocating local development resources more participatory. Furthermore, to strengthen coordination with local governments and enhance sustainability, the Philippines project works with municipal committees chaired by the mayor and composed of the heads of all local departments. Local representatives of national agencies, NGOs, and donor institutions also participate. These multi-agency committees meet every two weeks to discuss progress and determine needed contributions to KALAHI projects, including staff, salaries, and other recurrent costs (World Bank 2002).

Conclusions and the Challenges Ahead for CDD

Community-driven development projects aim to influence and strengthen local governance, with the intention that the participatory approach will spill over into broader decision-making processes at the community level. For CDD sectoral programs, such as those in health, education, and water and sanitation, the aim is to institutionalize mechanisms whereby users of services can engage in decision making and monitor investments and services.

TABLE 12.1 Points of Local Government Engagement in CDD Projects

	Indonesia	Philippines	Cambodia	
	KDP	KALAH-CIDSS	Seila	EQIP
Project implementing agency	Ministry of Home Affairs and National Coordination Team.	Department of Social Welfare and Development (DSWD).	Seila Task Force (composed of 5 ministries) provides overall policy and program guidance. Implementation rests with ministries, provinces, and communes.	Ministry of Education, Youth and Sports (MoEYS).
Laws and regulations	KDP3 will help to draft the 13 village autonomy regulations.		Seila's pilot experience directly influenced the laws and regulations on commune/ <i>sangkat</i> planning. Program provides technical assistance.	
Local planning	<i>Kecamatan</i> and village officials join in local planning process.	Municipal and village officials join in local planning process. DSWD staff facilitate planning.	Planning has become part of formal government at the commune/ <i>sangkat</i> levels.	MoEYS staff and school administrators join with community and school reps. in planning.
Financing	Ministry of Finance (MoF) transfers funds directly to village and intervillage accounts.	MoF transfers funds directly to village and intervillage accounts.	MoF transfers funds directly to commune/ <i>sangkat</i> and provincial levels.	Funds flow from MoEYS directly to school clusters for school grants.
Cofinancing	By 2004, under KDP3, local governments will be paying all or partial capital costs.	Local governments and communities must contribute a minimum of 25%.		
Monitoring and oversight	District parliaments and local officials provide oversight and monitoring.	DSWD staff at different levels, as well as local governments.	Close monitoring and oversight provided by Seila staff at all levels.	MoEYS staff and local school cluster committees.
Capacity building	Training for <i>kecamatan</i> project managers, village councils, district parliaments.	DSWD staff and local governments.	Seila supports training of local government staff and local commune councils.	MoEYS line staff; school administrators.

Source: Various World Bank project appraisal documents, project reports, and discussions with task teams.

CDD has improved decentralization frameworks by:

- Promoting greater civic participation, voice, and accountability in local governance. CDD introduces mechanisms for participatory planning

and decision making, as well for monitoring and transparency, into the local governance equation.

- Providing an effective means of service delivery within a decentralized context by delivering needed services in a cost-effective and time-efficient manner.

- Informing and shaping decentralization regulations.

CDD entails challenges, too. As noted, CDD projects are too new to allow definitive statements about their overall success or failure. Nevertheless, preliminary evaluations point to some challenges ahead, especially in decentralized environments.

First, can CDD become an overall development strategy, or will CDD projects provide a relatively narrow way to fulfill numerous small, discrete development investments? Existing reviews show that communities can build village roads, water supplies, schools, and clinics. However, such reviews do not reveal how village projects will tie in with efforts to plan road networks, protect watersheds, train teachers, and supply needed drugs. Experiences in Cambodia and the Philippines suggest how to coordinate local government input into discrete CDD investments and address recurrent and operational costs, but this area needs more exploration.

Expansion to this higher level requires that CDD programs engage more effectively with sectoral agencies to help them become more demand-driven and responsive. As CDD projects such as Seila and KDP become better established, techniques for integrating the CDD platform with higher-level planning and sectoral agencies become clear. As the Cambodia EQIP Project has shown, helping the Ministry of Education, Youth, and Sports move responsibilities for planning and financing down to school clusters can yield significant benefits for schools and communities. The challenge will be to strengthen accountability and participation in service delivery.

Second, can CDD improve links with private sector service providers? CDD projects tap such suppliers for construction materials and some forms of specialized technical assistance, but few have explored the use of private markets to procure books and teachers, qualified health services, and specialized training. Local procurement of goods and services sacrifices economies of scale, and identifying qualified service providers in poorly regulated professional environments is difficult. Nevertheless, some scope for promoting private sector service supply may exist.

Third, can governments better integrate CDD projects into their budgeting and planning process

to address recurrent costs, operations and maintenance, and sustainability? As countries gradually integrate CDD capital and operating costs into intergovernmental fiscal systems, they need to ensure that these systems and financial flows remain transparent and easily tracked by the public.

When Is CDD Appropriate and When Is It Not?

Community-driven development programs are not always appropriate. Large-scale CDD operations such as KDP, Seila, and KALAHI presume fairly sophisticated management structures, conducive local social environments, and mechanisms that allow direct fiscal transfers to reach communities and be accounted for with reasonable accuracy. CDD projects in postconflict areas, where few of these conditions apply, seem to work reasonably well within limits, but involve significant quality tradeoffs.

Other conditions for success relate to the specific design of each CDD program. KDP assumes that private markets can provide qualified technical assistance. Seila assumes that local markets for contractors are reasonably competitive and can provide quality services. KALAHI relies on the competence of municipal governments. Programs that cannot assume that such conditions exist must adjust their design accordingly.

A subtle but important risk is that CDD projects may be asked to do more than their design can sustain. A good example is the challenge of linking CDD operations to district planning and budgeting. The solution lies in complementing CDD approaches with projects and strategies directed toward district- and province-level reform, not in transforming CDD operations into two-headed beasts that must perform both local and district planning and budgeting.

The need to supplement CDD with a broader reform strategy for local government is fundamental. CDD can be seen solely as a low-cost way to provide basic infrastructure and services. In certain environments, particularly postconflict and transitional countries, where virtually all standard systems and normal activities have been disrupted, CDD projects may be the only way to operate. But for most countries, CDD will work best if it is one part of a broader reform strategy intended to improve the quality and efficiency of government services.

Annex: CDD Portfolio Breakdown

Global Trends

For fiscal years 2001 to 2003, World Bank lending in support of CDD has totaled nearly \$2 billion annually, and averaged approximately 11 percent of

all Bank investments. The following tables and figures reveal the contours of this lending worldwide and in East Asia.

TABLE 12A.1 World Bank Lending in Support of CDD, Fiscal Years 2000–3

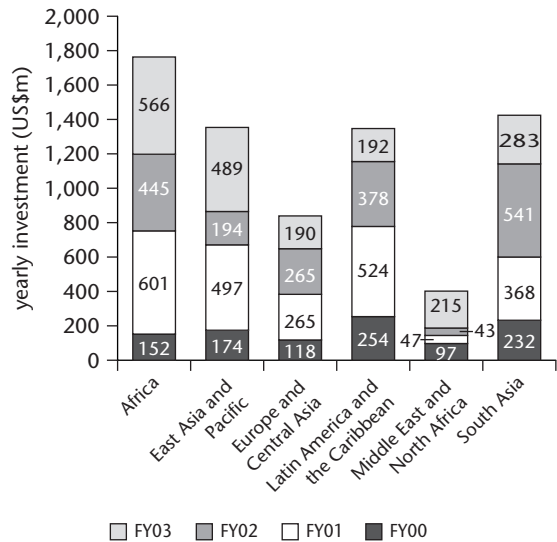
	No. of CDD projects	Total World Bank lending ^a (US\$ billions)	Total World Bank CDD lending ^b (US\$ billions)	CDD as % of Bank lending (percent)
FY00	55	15.3	1.0	7
FY01	78	17.3	2.3	14
FY02	78	19.5	1.9	10
FY03	83	18.5	2.0	11
Total	294	70.6	7.2	11

Source: World Bank CDD briefing note for Mr. Shengman Zhang, July 14, 2003, SDV.

a. Includes the International Bank for Reconstruction and Development and the International Development Association.

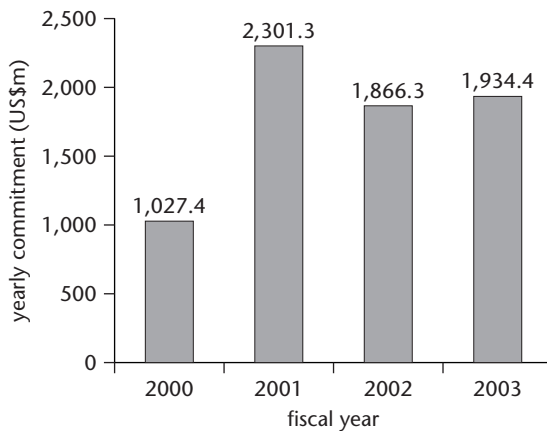
b. Excludes enabling environment.

FIGURE 12A.2 Regional Trends—CDD Investments by Fiscal Year



Source: World Bank CDD briefing note for Mr. Shengman Zhang, July 14, 2003, SDV.

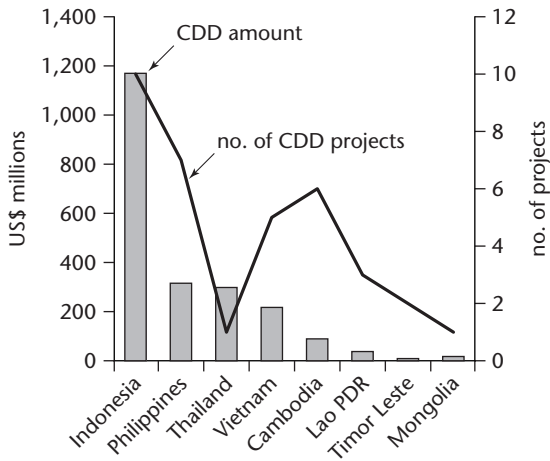
FIGURE 12A.1 Bankwide CDD Lending for Fiscal Years 2000–3



Source: World Bank CDD briefing note for Mr. Shengman Zhang, July 14, 2003, SDV.

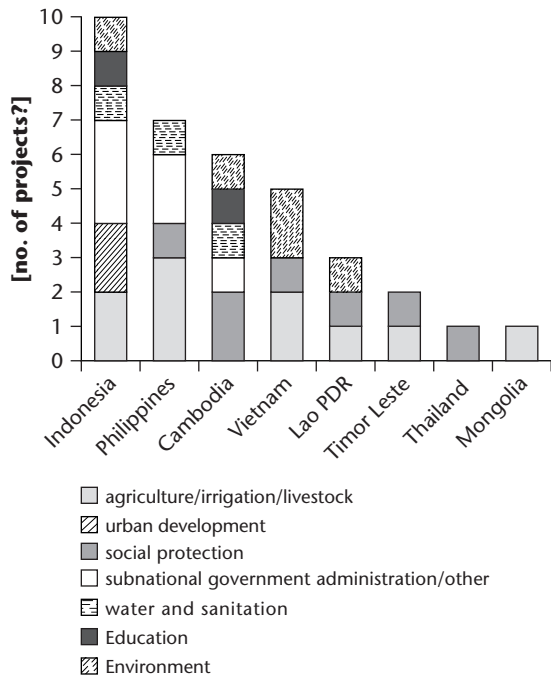
CDD Trends in the East Asia and Pacific Region

FIGURE 12A.3 CDD Project Breakdown by Country



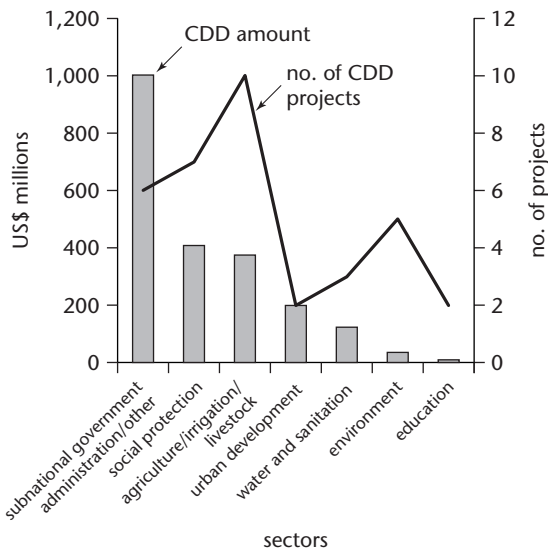
Source: Authors' calculations and desk review research.

FIGURE 12A.5 Sectoral Breakdown of CDD Projects by Country



Source: Authors' calculations.

FIGURE 12A.4 CDD Project Breakdown by Sector



Source: Authors' calculations.

TABLE 12A.2 World Bank–Funded CDD Projects Open in the East Asia Pacific Region, as of June 30 2003

	Country	Number of CDD projects	World Bank ^a amounts (US\$ millions)	CDD amounts (US\$ millions)
1	Indonesia	10	1,220	1,170
2	Philippines	7	341	316
3	Vietnam	5	333	217
4	Thailand	1	300	298
5	Cambodia	6	89	89
6	Lao PDR	3	38	38
7	Mongolia	1	19	17
8	Timor-Leste	2	9	9
	Total	35	2,349	2,153

Source: Authors' research and calculations.

a. Includes the International Bank for Reconstruction and Development and the International Development Association.

Endnotes

1. The content of the CDD portfolio has been the subject of wide debate within social and human development circles. This chapter adheres to the broad definition used by the World Bank's social development network: "Community-driven development (CDD) gives control of decisions and resources to community groups. These groups often work in partnership with demand-responsive private sector, NGOs, and central government agencies."

This definition raises two issues. First, who decides how to allocate resources? CDD projects are distinguished from earlier Social Funds by the fact that local communities or local elected bodies make such decisions. The earlier generation of Social Funds—and even many to this day—involve communities in planning, preparing proposals, and implementing projects. However, Social Fund staff at national or regional levels actually make decisions on proposals.

CDD projects, on the other hand, retain decision making within communities through village-elected forums or elected local government. Thus, for the last several years, Social Funds that do not involve communities in decision making on resources have been considered separate from the CDD portfolio.

The second issue relates to the role of locally elected governments. Traditionally, CDD projects have focused on community organizations and forums that are not part of the formal government decision-making structure. Over the last two years, however, the World Bank has defined CDD to include both locally elected community organizations and democratically elected government bodies working in partnership with community groups. Thus, debates about whether CDD is outside or inside the usual political channels have blurred.

2. Seila is a Khmer word meaning "foundation stone."
3. For a fuller description, see World Bank 2003b, annexes 11 and 12.
4. Interview with Cyprian Fisiy, former World Bank task team leader for the KALAH-CIDSS Project.

Bibliography

- Asian Resource Center for Decentralization. 2002. *Decentralization and Power Shift: An Imperative for Good Governance*. Quezon City, Philippines: University of the Philippines, National College of Public Administration, Center for Local and Regional Governance.
- Evers, P. 1998. "Village Government: Does the Current System Enhance Good Government?" Washington, DC: World Bank, Social Development Department.
- Ministry of Home Affairs, Community Development Agency, and National Management Consultants, Indonesia. 2002. "Kecamatan Development Program: Phase One—Final Report, 1998–2002." Jakarta: Ministry of Home Affairs.
- OECD (Organisation for Economic Co-operation and Development). 1997. "Final Report of the Ad Hoc Working Group on Participatory Development and Good Governance." Paris: OECD, Development Assistance Committee.
- Turner, M. 2002. "Whatever Happened to Deconcentration? Recent Initiatives in Cambodia." *Public Administration and Development* 22: 353–64.
- Wassenich, Paul, and Katherine Whiteside. 2003. "CDD Impact Assessments Study: Optimizing Evaluation Design under Constraints." World Bank, Washington, DC.
- Wescott, Clay, and Doug Porter. 2002. "Fiscal Decentralization and Citizen Participation in East Asia." Paper for conference on Citizen Participation in the Context of Fiscal Decentralization: Best Practices in Municipal Management in Latin America and Asia.
- World Bank. 1998. Project Appraisal Document, Kecamatan Development Project. Internal draft document. World Bank, Washington, DC.
- . 1999. Project Appraisal Document, Education Quality Improvement Project. Internal draft document. World Bank, Washington, DC.
- . 2000. *Voices of the Poor*, vols. I, II, III. Washington, DC: World Bank.
- . 2001a. "Promoting Good Governance with Social Funds and Decentralization." *PREM Notes*, Public Sector No. 51. Washington, DC: World Bank.

- . 2001b. "Decentralization and Governance: Does Decentralization Improve Service Delivery?" *PREM Notes*, Public Sector No. 55. Washington, DC: World Bank.
- . 2001c. Project Appraisal Document, Second Kecamatan Development Project. Internal draft document. World Bank, Washington, DC.
- . 2002. Project Appraisal Document, Kapitbisig Laban Sa Kahirapan/Comprehensive and Integrated Delivery of Social Services (KALAHY-CIDSS) Project. Internal draft document. World Bank, Washington, DC.
- . 2003a. "Decentralizing Indonesia: Regional Public Expenditure Review: Overview Report." Washington, DC: World Bank, East Asia Poverty Reduction and Economic Management Unit.
- . 2003b. Project Appraisal Document, Rural Investment and Local Governance Project. Internal draft document. World Bank, Washington, DC.
- . 2004a. Project Appraisal Document, Initiatives for Local Governance Reform Project. Internal draft document. World Bank, Washington, DC.
- . 2004b. *World Development Report 2004: Making Services Work for Poor People*. Washington, DC: World Bank; and New York: Oxford University Press.

