
VI. MAINSTREAMING A PARTICIPATORY COUNTRY STRATEGY AND PROGRAM PROCESS IN ADB

Gaining effective national participation in a CSP cannot be the responsibility of a Country Team alone. Team members operate in ADB's institutional framework that can encourage or discourage, enable or impede attempts to enhance participatory processes with a DMC. This concluding chapter reviews areas of ADB behavior relevant to integrating participation in the CSP process, not leaving it as an 'add-on' or 'extra'. There are three institutional issues: first, preconceptions about the trade-offs commonly associated with enhanced participation; second, typical internal and external constraints and how they can be addressed; and third, systemic steps needed to accelerate progress in introducing greater DMC participation in the CSP as a mainstream way of working in ADB.

Trade-offs

Disbursement versus Impact. It is commonly felt that enhancing participation will delay or reduce project lending and disbursement, and this influences institutional positions and perceived trade-offs. However, ADB's basic mandate has always been to maximize development impact, not just to maximize lending volume.

When disbursement does take priority over development impact, the case for participation to enhance local ownership and commitment is often placed at a disadvantage. Nonetheless, there is no evidence so far to suggest that participation negatively influences the rate of CSP completion or later disbursement.⁴⁸ However, 'seeing is believing'; a learning process approach to introducing participatory-oriented reform to the CSP is recommended.

Costs versus Benefits. It is frequently assumed that enhanced participation is inevitably costly and time consuming. This has not proven to be the case for similar institutions, nor is it the case if all ADB operations—from strategy to implementation—are considered. The misconception arises from the fact that widening and deepening participation creates tangible 'front-end' costs. But less apparent is that these costs are subsequently made good by less tangible and long-term benefits in programming downstream and in DMC behavior. Evidence is accumulating that downstream benefits of greater DMC participation in a CSP accrue from 1) better delineation, i.e. selectivity, of ADB assistance enabling more focused annual programming; 2) savings in staff time due to more rapid and smoother project design due to prior engagement with key players in the DMC and reduced supervision; and 3) improved quality and sustained impact because of greater local ownership and commitment.⁴⁹

Recent World Bank data show that for 22 CASs with a consultative process, the costs in time averaged 5.5 staff weeks (ranging from 2 to 8 weeks).⁵⁰ This did not noticeably delay the duration of the CAS exercise as a significant proportion of the time required was for internal processing. ADB has official coefficients for CSP preparation to be used in departmental planning, but does not monitor or have hard data on the actual duration and costs of CSP exercises it has accomplished. However, assuming that these ceilings are not exceeded, enhancing participation suggests an average increase of some 12 percent in staff time, but not necessarily in the overall duration of the CSP.⁵¹

The direct financial cost of participation averaged US\$25,000 (range of \$5,000 to 50,000)⁵². This equates to an additional direct up-front cost of about 10 percent when set against existing budget ceilings.⁵³ Where a MDBs' country strategy is perceived as the lender's affair, rather than a shared concern, the costs of participation are often more apparent to the lender than to the borrower. The DMC should be encouraged to provide joint finance, but without ignoring local contributions in terms of opportunity costs.

Another less recognized benefit accrues to ADB in terms of building internal capacity for client-centeredness through better understanding of country-specific needs and possibilities. Put another way, a significant beneficiary of CSP participation is the ADB itself. Benefits accrue through enhanced knowledge and expertise in appraising a DMC's situation, needs, and possibilities. This is apparent in the LGU exercise for the Philippine CSP, the affects of which are being fed into many ADB-LGU related products. Finally, ADB also benefits from a broader and deeper awareness within DMCs of its own limitations and constraints.

Overall, the emerging evidence assembled in this study shows that the additional, but minimal, front-end costs in CSP participation are more than offset by ensuing benefits across many aspects of ADB operations. In other words, it appears that well-designed participation in a CSP can generate and spread positive effects in terms of ADB's program quality, cost-effectiveness, and development impact.

Constraints and How to Deal with Them

Changing business practices toward enhancing CSP participation introduces new types of risks and a number of internal and external constraints. Some constraints are associated with the trade-offs described above. Others stem from sensitizing the borrower about a different way of working with and relating to ADB. Typical constraints and possible remedies are discussed below.

Internal Constraints. The following internal constraints are likely to be found as CSP practices are altered to make them more participatory:

- 1) tension between participation processes and disbursement pressures;
- 2) increase in ADB staff time to do a CSP;
- 3) uneven awareness among staff of the merits of participation in CSP;

- 4) additional finance for information sharing, consultations, and other participatory activities;
- 5) insufficient front-end resources for initiating participatory processes;
- 6) uncertainty about the division of roles and responsibilities within ADB and with Resident Missions;
- 7) lack of competencies in stakeholder selection and insufficient staff capabilities to work with participatory methods;
- 8) uncertainty about criteria to assess the quality of participation;
- 9) limits posed by policies on the disclosure of ADB information; and
- 10) degree of conformity between CSP strategy and annual update of sector investments.

Resolution or reduction of these constraints presents different types of difficulty. The first constraint is a structural issue requiring strong management commitment to business reform. Unequivocal support for deeper and wider DMC participation in a CSP, for example through a normal budgetary provision, investment in staff competencies in participation, and factoring in the time required, should foster staff motivation. These steps will also help deal with constraints 2 to 5. A strong management signal of the importance of CSP participation suggested above could be reinforced by a systematic process of documenting and sharing lessons from participatory experience from within ADB and from elsewhere.

Constraint 6, uncertainty about role division, is already being addressed to some extent by an ADB decision to allocate an NGO liaison function to RMs. The factor to be stressed is the critical importance of local knowledge and extensive civic relationships that RMs can cost-effectively bring. Constraints 7 and 8 can be addressed through a dedicated program of capacity building for ADB staff, with the Human Resources Division playing a leading role.

Probably the biggest constraint to full DMC participation is the disclosure policy common to MDBs. These typically circumscribe access of DMC governments to internal deliberations and decision-making processes, and make limited or no provision for public disclosure. The MDB's board and DMC government do not permit public access without joint approval. It is not common for such permission to be given. The joint ownership of a CSP that ADB wants with a DMC will be very difficult to achieve if these restrictions are not modified.⁵⁴ Similarly, public understanding and confidence in ADB's work and intentions will be undermined if information about final decisions is kept from them. To overcome this constraint, ADB could consider creating, as standard practice, a public information document highlighting major aspects of the CSP content. If steps are not taken in this direction, a seed of doubt will always remain about ADB's commitment to both participation and transparency.

The most pertinent internal constraint to enhancing DMC participation in a CSP is the discipline with which strategies are applied to the annual updates when decisions are made concerning sector investments. In the past, ADB staff noted that the COS was often so general that it served poorly as a guiding framework for the annual update.⁵⁵ The system linking CSP and annual updates is vital for making participation really meaningful in terms of downstream benefits.

External Constraints. External constraints and risks are less amenable to resolution by the ADB. They include

- 1) insufficient DMC capacity and/or motivation to engage in strategy and sector analysis;
- 2) risks associated with difficulties in stakeholder selection, e.g. the inclusion/exclusion of activists with alternative or opposition agendas;
- 3) reduced direct control over schedule, agenda, method, and quality;
- 4) the danger of inadequate management of conflicting or contending views and priorities;

- 5) the receptivity of DMC governments to involvement of nonstate actors in intergovernmental relationships and negotiations;
- 6) disharmony and questionable accountability among civic actors who wish to be participants;
- 7) refusal/reticence of relevant stakeholders to engage, e.g. other aid agencies, due to staff time constraints or for institutional reasons;
- 8) local stakeholders using CSP participation as a way of pursuing other agendas, such as pressuring government, which actually belongs in the governance arena;
- 9) greater public exposure of the ADB, where inadequate information and incorrect understanding lead to false accusations and unrealistic expectations; and
- 10) raising expectations through increased participation in a CSP exercise.

The conditions within DMCs set the most important limitations on increased local participation in a CSP. However, governments are not homogenous and trends towards decentralization are opening up new opportunities. Where the whole CSP process within a DMC cannot be participatory, ADB staff should be encouraged to explore whether some elements can be approached in this way. Some policy areas, for example, may offer participatory opportunities: the Pakistan CSP started with social-sector policies, and the Philippines CSP with local-government-related issues.

Whatever the setting, creating greater public awareness of ADB's work and role through the media is unlikely to solicit negative government reactions. Thus, strategies should be adopted that allow information to permeate through society and create a better understanding of what ADB has to offer, how it does business, and how it wants to listen and learn.

Accelerating Progress

CSP exercises already include some participatory elements. Commonly, participation in a CSP is driven predominantly by

information gathering. Such efforts may have involved wide consultation, as in Kazakhstan, where an ADB staff member spent a significant amount of time visiting a wide range of stakeholders, both inside and outside the Government. However, these initiatives are usually 'add-ons' to existing practice. Ad hoc participation in the past has not promoted as broad and deep a participation as possible to gain maximum benefit to ADB and borrower. Consequently, the quality of CSP participation has been largely determined by staff motivation, DMC circumstances, and selective management support in terms of time and modest additional finance. Following are three ways in which progress in this area could be improved.

Financing Enhanced Participation in a CSP. To integrate participation in a CSP calls for up-front financing. This requirement is not formalized or budgeted as a matter of course. But in addition to up-front finance, the preceding chapters indicate the need for ADB to undertake action-learning as a way of: (i) creating both experience and confidence among staff; (ii) generating in-house evidence on costs and benefits, including those further downstream; and which would (iii) provide relevant case-study material for internal capacity building. One incremental way of achieving these objectives is through a participation fund, described below. A more substantial route is to mainstream participation resources in the regular budget.

Enhanced participation in a CSP would accrue from systematic investment, for example through a RETA with a strong learning and sharing element. This might be structured in a manner similar to RETAs 5692 and 5894 established to enhance participation and capacity building within ADB work. These RETAs supported some early work on enhancing participation in CSPs.

Investing in Staff Competencies and Incentives. Another type of incentive to support participation is through the staff appraisal system. If participation is valued institutionally, this should be reflected in the way in which staff performance is assessed and rewarded. Modifying the current staff appraisal system would be an incentive with almost zero cost.

A further incentive to change business behavior is by investing in staff competencies and capacities in participation. One useful method is to have staff attend participation exercises being carried out by others. This does not imply that everyone should become a participation specialist. Rather, it means that staff would have a basic understanding and the confidence to approach interactions with DMCs in a more participatory way. Here ADB's social development specialists can play an active, supporting role drawing on real-life examples.

Action-learning. The Operations Evaluation Office could design a systematic ongoing review of DMC participation in CSPs. This would help answer questions and doubts that inform perceptions about affects of enhanced participation on disbursement, costs, and benefits. This exercise would track and monitor potential savings or additional (human and financial) costs over the planning period. It could contribute to building ADB confidence about new ways of working.

A typology of DMCs in terms of their potential for more CSP participation along the lines of the scenarios described in this paper (see Chapter IV, Establishing a Positive Environment) might be helpful for this study. It would require supportive connections with the DMCs and would, therefore, contribute to sustaining participation in the planning and review processes. For ADB's own learning and making sound trade-offs, it is important that CSP innovations are examined for their downstream effects as part of the country programming system. Generally speaking, it is important to take a system view of innovation, not segregating CSP from country programming as a whole.