

STAKEHOLDER ANALYSIS

1. Stakeholders are people, groups or institutions that may *be affected by*, can significantly influence or are important to the achievement of the stated purpose of a project. They include government, civil society, and the private sector at national, *intermediate* and local levels. Stakeholder analysis identifies key project stakeholders, their project-related interests, and the ways they affect project risk and viability. It helps to identify those who can be included *and the manner of this involvement* in the planning of the Project. The stakeholder analysis seeks to answer questions like:

- ✓ Who depends on the project?
- ✓ Who are interested in the outcome of the project?
- ✓ Who will influence the project?
- ✓ Who will be affected by the project?
- ✓ Who will work against the project?
- ✓ Who can be included in the planning of the Project?

2. Broadly speaking, stakeholder analysis consists of four steps:

- (i) identifying major stakeholder groups;
- (ii) determining stakeholders' importance and influence on project planning;
- (iii) analyzing their institutional capacities; and
- (iv) selecting representation among stakeholders to be included in the participatory processes of the Project.

3. This simple analysis, repeated or amplified at every stage of project design, helps ensure effective ownership and participation in the subsequent project.

A. Identification of Stakeholders

4. Stakeholder analysis begins during initial poverty and social analysis (IPSA) with the identification of key stakeholders and preliminary analysis of their interests and capacities. Identification of stakeholders may start with a checklist of existing stakeholder groups (Table 4.1.1).

Table 4.1.1: Stakeholder Groups

<p>General public: those who are directly or indirectly affected by the project (women's groups, individuals and families, indigenous groups, religious groups)</p> <p>Government: civil servants in ministries, cabinets, etc.</p> <p>Representative assemblies: elected government bodies (parliament, national and local assemblies, district and municipal assemblies, elected community leaders)</p> <p>Civil society organizations: networks, national and international NGOs, grassroots organizations, trade unions, policy development and research institutes, media, community-based organizations.</p> <p>Private sector: umbrella groups representing groups within the private sector, professional associations, chambers of commerce.</p> <p>Donor and international financial institutions</p>

B. Determination of Stakeholder Interests

5. The list will then be analyzed to identify stakeholders currently included in government processes and those that are excluded.

Table 4.1.2: Questions to Help Identify Stakeholder Interests

<p>For what purposes are they organized? What are their usual activities? In what are they specialized? How closely do they work with poor and vulnerable people? What are their expectations? How might they benefit from the initiative? Might it affect them adversely? How viable or risky is their involvement? Are they likely to support a given initiative? Why? How? With what level of commitment? What resources might they mobilize? Might they oppose the initiative? Why? How? With what level of commitment? What role is it hoped that they might play in the activity? Is this realistic? Why (not)?</p>

6. For groups that are excluded, or are not excluded in technical sense but do not participate, it may be relevant to analyze constraints for these groups' inclusion and participation.

Table 4.1.3: Questions to Help Understand Linkages Among Groups

<p>How well do they coordinate with other civil society/private sector/government organizations? How frequently and well do they communicate with one another? How widely are they networked with other groups? Are certain groups dominant and others dependent, or are groups fairly equal? Are they part of larger organizations? (for example, national NGO apex organizations?) What role do they play in these? Are they leaders?, in what contexts?, on which issues? How are they perceived by citizens and members of other organizations? How have they responded to externally-funded projects in the past? Were their contributions perceived as useful and productive? What information and other resources do they control? Do they share responsibility? Over what are they most likely to come into conflict? How wide and effective is their influence?</p>
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7. The next step is to rank the relative importance and influence of these groups.

Table 4.1.2 Summary Stakeholder Analysis

Stakeholder	Primary (a)	Secondary (b)	Key Stakeholders' Interest in the Project

- (a) Primary Stakeholders: People, groups or institutions affected positively (beneficiaries) or negatively (e.g., those involuntarily resettled).
- (b) Secondary Stakeholders: People, groups or institutions that are important intermediaries in the project delivery process (e.g., ADB, government line agencies, or NGOs).

C. Assessing Institutional Capacity of Stakeholders

8. Before deciding how each stakeholder should take part in participatory analysis and planning exercises, it is crucial to assess their capacities, commitments, and experience. This analysis should cover how well an organization functions, the quality of its work, experience with participation, and issues related to social capital.

Table 4.1.4. Themes for Institutional Analysis

<p>A. Function</p> <p>Decision-Making: Are decisions based on adequate and good quality information? Is decision making based on broad internal participation? Once made, are decisions implemented and followed up?</p> <p>Resource Mobilization: How many resources are mobilized from members / other sources? Are resources managed effectively and efficiently? What changes are occurring over time in these patterns?</p> <p>Communication and Coordination: How frequently do members communicate with one another? What important information is exchanged and how broadly? How effective is the resulting coordination of activities?</p> <p>Conflict Management: What sorts of conflict have arisen internally and externally? How effectively are problems addressed and how well does the organization learn as a consequence?</p> <p>B. Quality</p> <p>Effectiveness: Are organizational goals clear? attained? cost-effectively?</p> <p>Accountability: How regularly are leaders held responsible for decisions, management of resources? Are there open elections, free flows of information, broad participation in decisions, policies, and resource allocations?</p> <p>C. Experience with Participation</p> <p>Have members used participatory methods in their work? as facilitators? in what sectors? with what stakeholders? with what results? What participatory exercises have staff taken part in? when? Has the organization/country designed activities using participatory or other qualitative research data? what? when? with what result?</p> <p>D. Social Capital Issues</p> <p>How diverse is group membership? How well connected is the group and its members with other groups? How regularly and intensely do they interact with other citizens? Is information exchange with other groups open and supportive? How is it well-regarded/trusted by sponsors, peers, those they serve? To what extent do members espouse and conform with ethical standards? Are these qualities typical of the society in general?</p>

D. Selecting representation

9. Once stakeholder groups and their interests are identified, their relative importance determined, and their capacities inventoried, the roles they may play in assisting with preliminary activities among

poorer groups or in helping with planning meetings may be determined. Each stakeholder group should select representatives they wish to send to these meetings.

10. A stakeholder analysis facilitates preparation of a draft *participation strategy/plan* outlining how to involve which stakeholders at different stages of the project cycle (see Appendix 4.4). Such a plan will help the design team ensure that an appropriate range of consultations is commenced from the outset of the design phase. A record of stakeholders actually consulted, the assessments made of their interests and capacities, and the decisions made about their participation should be included.

PROBLEM ANALYSIS

1. There are a variety of ways to analyze and present problems. Most important is phrasing the problem correctly—to ask the right questions. Relevant questions for poverty reduction require enquiries on the structural causes of poverty and social exclusion, why earlier policies aiming at poverty reduction have failed, the obstacles for the poor or excluded groups to benefit from development, etc.
2. The problem-tree analysis is a graphic device that describes a problem and the hierarchy of factors that are believed to cause the problem. The problem tree organizes these cause-and-effect relationships in a way that can lead to a strategic selection of project components. This technique helps to identify the causal factors underlying what is normally seen as the *core problem*. At times, the process of carrying out the analysis will lead to a conclusion that the true core problem is not the same as that originally assumed and the project strategy must be revised accordingly.
3. Because it is a visual technique, the problem-tree analysis can easily be used as a tool to encourage participation both of the target clientele and of the implementing agency. Where there are significant differences in the problem tree as seen by the community compared to that of the implementing agency, this discrepancy must be resolved before the design can be finalized. Thus, for a project that will provide services proposed by a line agency (e.g., irrigation, microfinance, urban development, water supply, etc.), the project design would seek to ensure that the relationship between the needs as expressed by the expected clients and those proposed to be provided by the agency would be identical.
4. There are two key steps in using problem-tree analysis in project design:
 - (i) Preparing a problem tree (Figure 4.2.1). There are two steps in preparing a problem tree:
 - ✓ the preparation of a negative statement describing the problem; and
 - ✓ the preparation of a diagram illustrating the network of factors seen by the target groups as causes of the problem. For projects that may seek to solve more than one problem, it is recommended that a problem tree be prepared for each problem that is to be addressed by the project.
 - (ii) Preparing an objective tree (Figure 4.2.2). The objective tree has the same configuration and content as the problem tree. The only difference between them is that the problem tree describes the causes of a problem, while the objective tree describes the same elements as proposals to solve a problem. Narrowing the components to a number that is manageable within the context of an individual project may be obtained by preparing an objective tree and identifying priorities.
5. The use of these analytic devices helps to organize ideas about the needs of clients into a hierarchy of cause-and-effect relationships that can be systematically translated into a *logical framework* of project objectives and components responding to the needs of the clients. During the design stage, the content of the problem tree will evolve and change as additional information about the problem becomes available.
6. In a typical ZOPP (objectives-oriented project planning) process, skilled facilitators solicit ideas from all participants about the causes of an agreed-upon priority problem. The various suggestions are then grouped into common areas and, with the help of participants, developed into a cause-and-effect network in the shape of a problem tree. This highly participatory process normally engenders a high level of ownership and consensus on the final problem analysis.

Figure 4.2.1: Example of a Problem Tree

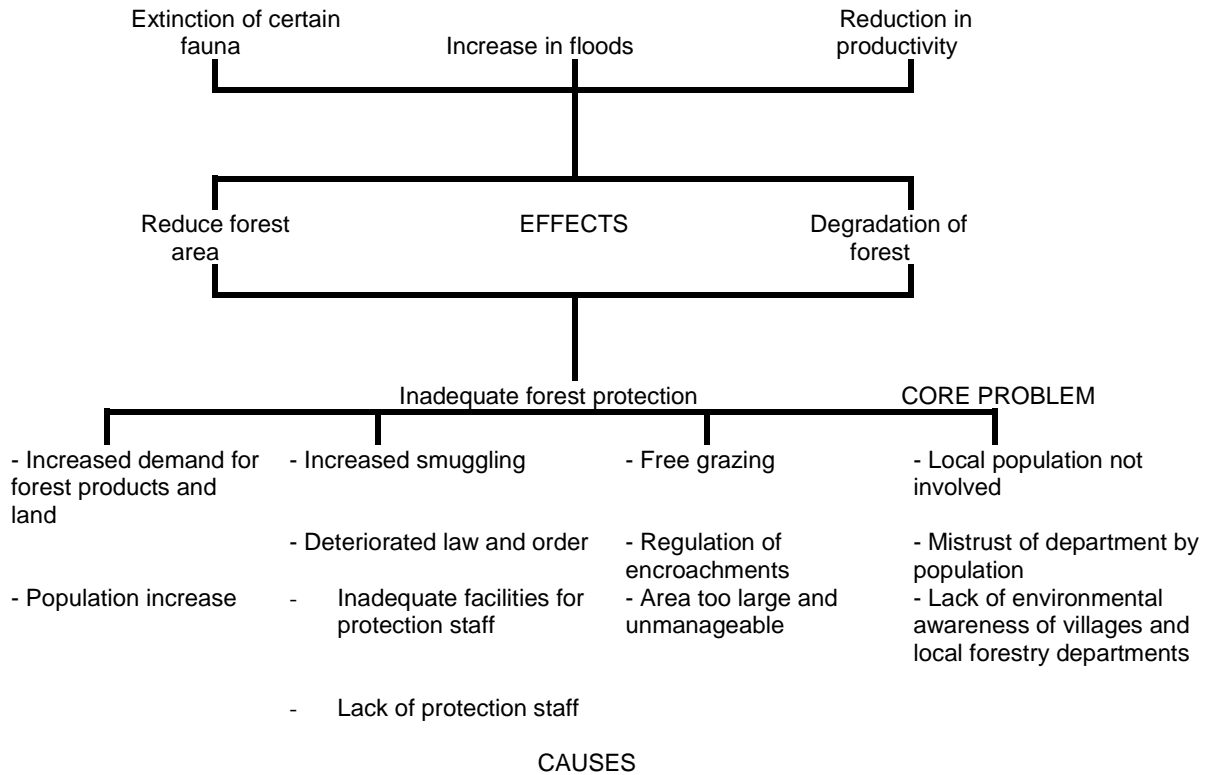
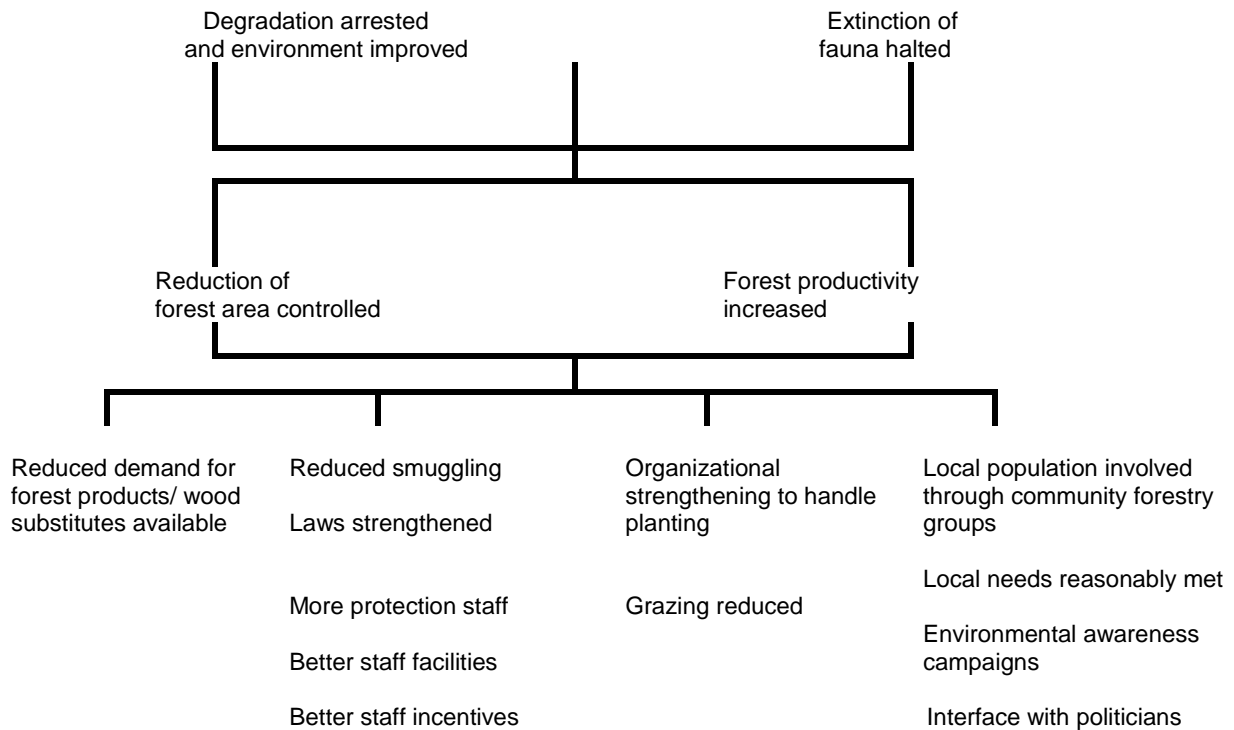


Figure 4.2.2: Example of an Objective Tree



PARTICIPATORY PLANNING

1. Like most development agencies, ADB has learned from bitter experience that failure to generate effective participation and ownership in the implementation of projects invariably leads to unsatisfactory outcomes. It is now generally accepted that the primary means of avoiding this situation is to ensure that the initial design of a project is based on a highly participatory process aimed at producing consensus and commitment to the final product. Beyond the design of a project, ADB promotes participatory processes because it recognizes that, ultimately, it is the collective efforts of government and community that determine the success of development, rather than the impact of external investment. The critical elements in determining the “quality at entry” of ADB investments are (i) the level of ownership, (ii) participation in the design process, and (iii) strategy for ongoing participation.

2. There is no blueprint for a participatory planning process since requirements must be geared to the nature of the project and its local setting. In general, however, the more important active participation is to the successful implementation of the project, the greater will be the need for participatory planning. All poverty interventions require detailed participatory planning. In projects focusing on clientele who have previously been excluded socially or economically, intensive participatory planning is essential and will normally involve increased time and expense.

A. ZOPP (Objectives-Oriented Project Planning)

3. Various approaches to systematic participatory planning have been developed, of which the best known is the *objectives-oriented project planning* or Zielorientierte Projektplanung (ZOPP) method popularized by GTZ (*Gesellschaft für Technische Zusammenarbeit*, German Technical Development Agency). The ZOPP process is essentially a logical sequence of planning steps to organize collective action between multiple stakeholders. To achieve this, ZOPP uses a set of visual tools to help stakeholders clarify the project objective, identify the core problem and, through their involvement in the identification process, to develop an enhanced sense of ownership of the emerging design.

4. ZOPP emerged from the logical framework¹ (logframe) and its use can therefore be expected to satisfy the ADB’s mandated requirements for (i) production of a logframe as part of the project design and (ii) use of key indicators from the logframe in project performance monitoring. The major additions of ZOPP to the original logframe approach have been in the area of (i) participation, (ii) problem and objectives analysis, and (iii) the use of multidisciplinary teams. *Workshops* and specialist workshop facilitators have become a trademark of the ZOPP process.

5. While ZOPP workshops using cards and whiteboards have become a proven method of improving participatory planning, reviews during the mid-1990s highlighted several weaknesses.² As a result, emphasis is now given to the use of more flexible approaches and to increased use of social analysis via PRA and similar techniques. ZOPP was also seen by some as encouraging a blueprint design rather than the more flexible arrangement inevitably required for a development project (especially when dealing with socially complex projects or using a *process* approach). To reduce such risk, emphasis is now given to extending the use of ZOPP into an objectives-oriented, project *management* process and the production of *rolling plans*.

B. Elements of Participatory Planning

6. ZOPP and related processes treat project planning as a continuous process of negotiation between the borrower (the government), the financier (ADB), and all other stakeholders. The ultimate success of a project is closely related to how well a consensus has been achieved during its planning and maintained during its implementation.

¹ The logical framework was developed in the United States in 1970. Combined with visualization and facilitation techniques, it became ZOPP and was adopted as the official planning system of GTZ in 1984.

² Criticism was mainly based on (i) the mechanistic reliance on a set of standard techniques used in ZOPP workshops, (ii) excessive reliance on external facilitators and confusion over ongoing management responsibility, and (iii) pseudo participation.

7. The planning of a project involves agreement between all stakeholders on the following:

- (i) specific goals;
- (ii) the starting situation and the underlying causes of the problem to be addressed;
- (iii) strategies to achieve the goals, changes required, and risks entailed; and
- (iv) the action plan to implement the change.

1. Project Goals

8. The hierarchy of project goals tends to be set externally before project planning begins. However, effective consultation with the intended target group is essential in confirming that the purpose of the project actually corresponds with the real needs of its intended beneficiaries.

2. Situation Analysis

9. Situation analysis involves the following:

- (i) a clear identification of the key stakeholders and the nature of their interest in the project;
- (ii) an analysis of the underlying causes of the problem using techniques such as (a) strengths, weaknesses, opportunities, and threats analysis; (b) problem tree; and (c) mind mapping (recognizing that the perceived causal relationships will initially differ among stakeholders); and
- (iii) analysis of the project environment, including the legal, economic, and policy framework as well as the technology considerations.

3. Project Strategy

10. The project strategy describes how the project plans to operate so as to achieve its goals. This description also covers the results that must be achieved and the inputs necessary to achieve them.

C. Role of Planning Workshops

11. The preparation of most projects is expected to involve at least three major workshops— inception, midterm, and final. Because the conclusions reached during these workshops form the foundation of the ultimate project, it is essential that they be prepared with careful attention to three areas: (i) selection of participants; (ii) presentation of critical information; and (iii) effective participatory analysis.

1. Selection of Participants

12. The proposals or plans produced by the workshop will require the endorsement of government authorities. The ease of obtaining this endorsement will be closely related to the level of participation of the authorities in the analytical process of the workshops. Similarly, project implementation will be dependent on the conviction and support of the project's intended clientele. Within this framework, identification of participants should flow automatically from the stakeholder analysis commenced during initial poverty and social analysis. In many situations, however, direct participation of the powerless in formal workshops may not be realistic or appropriate *so a series of preliminary exercises may be appropriate.* (see below).

2. Presentation of Critical Information

13. In the inception workshop, the key task is less to analyze information than (i) to create the opportunity for in-depth analysis of the problems to be tackled (see below); and (ii) to determine what specific information needs to be collected for subsequent workshops in order to confidently define and debate the design options. In the midterm workshop, all necessary information is expected to be available to adequately consider social, environmental, technical, and economic elements of the design options. The final choice of design will be strongly influenced by the relative contribution to poverty reduction of

the various design options. For this reason, it is important to be able to present to the midterm workshop a comprehensive analysis of needs, demand, and absorptive capacity, and to have quantified the numbers and poverty status of potential beneficiaries.

3. Effective Participatory Analysis

14. On the side of the government, participatory analysis has two objectives:

- (i) Gain the conviction and support of the relevant authorities.
- (ii) Develop the necessary political and bureaucratic support to pursue design options that will frequently involve changing the status quo.

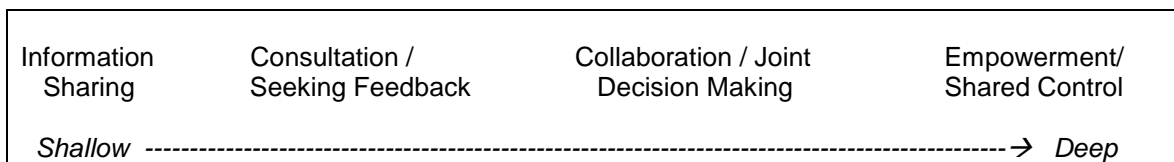
15. On the side of the project's clientele, the major challenge is likely to lie in creating a situation in which the voice of the poor can be freely and openly expressed. Strategically, it is likely that a series of consultations will be necessary, commencing with small, localized, informal meetings facilitated by an NGO or trusted local person. Gender separation will frequently be required in such meetings. *Tools such as participatory rapid assessment (PRA) may be appropriate for these exercises.* Building on these consultations, it may be possible to arrange more formal workshops *structured in a manner that assists* [where the] representatives of the poor *to* [can] feel sufficiently confident to argue their preferences. In order to assist in this process, two preparatory tasks must be addressed:

- (i) Preliminary agreement must be sought from the executing agency to actively support the participation of client groups.
- (ii) Experienced and sensitive facilitators must be available for all critical workshops.

PARTICIPATION STRATEGY

1. A participation strategy involves systematically deciding who will be engaged, in what manner, and at what times. Its purposes are to promote **transparency**, success and sustainability, and to prevent delays and manage conflict. It builds on stakeholder analysis and examination of the context and institutions involved to create a systematic plan of action for each phase of activity. A record of what was undertaken and with what degree of success, based on the strategy for each phase, helps participants manage the ongoing work.

2. Participation ranges from superficial to deep—from passive exchange of information to full engagement. Transparency and validation of proposals through consultation are both very important, but it is not until people feel that they have influence over decisions that affect their lives and the resources involved—*or until accountability mechanisms extend to them*—that they develop a sense of ownership that motivates their sustained commitment. Thus, efforts should be made to move beyond consultation to deeper forms of participation by a broader range of stakeholders whenever feasible.



3. Every development situation is different, so *each* participation strategy is to some extent unique. *It must balance short- and long-term goals with both resource and time considerations and concerns over possible project delays or complaints if stakeholders feel they have been not sufficiently included in decision-making.* The relative importance of stakeholders varies in policy, programming, sector and project work, and at different times in each of these. In a country with a developed civil society sector, NGOs are much more involved than in a country where they are new. The level of experience of governments and citizen groups with participation is also significant. Some sectors, for example water supply, rural health or microcredit, require broader stakeholder participation than others, such as capital market development or telecommunications. Features of the cultural context, for example the patterns of authority and public decision-making and attitudes that devalue contributions of women, ethnic minorities or the poor must be addressed. The level of social capital (the density of networks) in a society and the overall political situation should be taken into account as well.

4. The participation strategy may summarize the entire project design and implementation process, or it may be used to negotiate details of each constituent stage. For an initial country mission the participation strategy probably lists central ministries (of finance, planning, the relevant sector(s), and of cross-cutting issues such as women's affairs and environment), national NGO umbrella organizations, unions, chamber of commerce, and relevant public interest groups. Where any of these is not relevant, this fact is simply noted. Which ones play a role in formulating particular decisions and which receive (or share) information should be clarified. Gaps are identified and a detailed participation strategy for succeeding stages may be drafted with key stakeholders before the end of the mission.

5. As project design proceeds, the number of stakeholders in the participation strategy usually increases. Stakeholders involved at previous stages are typically engaged in initial and final meetings to review the mission. New stakeholders—regional and local level government, citizens, civil society and private sector organizations—may need to be assessed. *Their roles in planning and carrying out succeeding participatory activities must be decided as well—some new stakeholders might assume responsibilities for sharing information with or helping to lead*

participatory exercises with citizen groups in their areas. A separate participation strategy might well help to clarify the steps involved.

6. Each element of the strategy can be listed on the accompanying table. The first page summarizes what each stakeholder organization would do, with whom they would work, using what method, who would be responsible, plus the time and costs involved. The second page shows the relative timing of each of the activities. The strategy should be shared with all stakeholders so they have an outline of the agreed responsibilities.

7. For further details, see the ADB User's Guide to Participation. See also the ADB website's Participation page. (Both under preparation).

Participation Strategy Summary Chart

Stakeholder Group ¹ (List each separately)	Objective of their Intervention	Type of Participation ²	Participation Methods ³		Time Line		Cost Estimate
	Why they are Included		Which Method	Who will be Responsible	Start Date	End Date	
Central government ministries							
Representative assemblies and committees							
Poor and vulnerable groups							
Organized civil society (A, B, C...)							
Private sector (A, B, C...)							

¹ include ministries, departments, representative body or (sub)committee, plus civil society (unions, NGOs, etc.), and private sector organizations at national, regional and local levels.

² information sharing, consultations, shared decision making, shared responsibility or control.

³ for example, participatory rapid assessment (PRA), future search, qualitative or quantitative surveys, workshops, meetings.

GUIDELINES FOR INVOLVING NGOs AND CBOs IN PROJECT DESIGN

A. ADB, NGOs, and Government

1. ADB seeks to strengthen the effectiveness and sustainability of its poverty reduction efforts by harnessing NGO experience, knowledge, and expertise.¹ In its country-level operations, ADB acknowledges and responds to governments as sovereign authorities and recognizes that NGOs are not a substitute for governments. Nevertheless, it recognizes NGOs as being important actors and stakeholders in civil society and as having legitimate involvement in the national development process, particularly in matters relating to poverty reduction and social development. ADB therefore works to support and encourage constructive relationships between governments and NGOs and to pursue tripartite ADB-government-NGO cooperation. Section B of this appendix deals with community-based organizations (CBOs), a form of local NGO of particular importance in ensuring ownership and sustainability of development initiatives.

1. When to Work with NGOs

2. ADB works with NGOs under the following circumstances:

- (i) *When the underlying causes of poverty need to be identified or confirmed.*
At the beginning of the loan design process, it is essential to confirm that the initial design concept is based on an accurate understanding of causes and effects. In initial public consultations, both advocacy and operational NGOs can play a valuable role in challenging traditional assumptions.² By coupling local knowledge with both development theory and practical experience, NGOs can often provide alternative analyses and suggestions for different approaches to resolving the problem.
- (ii) *When it is difficult to listen directly to the voices of the poor.*
All project designs require effective consultation with the poor. However, the very poor may have good reason to be distrustful of powerful outsiders who come asking questions and making proposals. Where normal consultation processes are not likely to produce realistic or representative responses, carefully selected NGOs may provide a useful intermediary in gaining critical information.
- (iii) *When project success requires the active participation of the poor or other excluded groups.*
 - (a) *During pre-design and design.* NGOs and other civil-society organizations often have closer contact with and better understanding of the poor and other socially or culturally excluded groups. Through this contact and understanding, NGOs can identify the most pressing development concerns and offer unique and valuable insights as to the strategies most likely to succeed or fail.

¹ In its broadest sense, the term "NGO" refers to civil-society organizations—organizations not based in government and not created to return a direct benefit or profit for its members. This broad definition covers a very large universe of organizations that often are structurally and functionally unrelated. ADB is concerned primarily with "developmental" NGOs—organizations entirely or largely independent of government, not created for the financial or material gain of their members, and addressing concerns such as (i) social and humanitarian issues of development, (ii) individual and community welfare and well-being, (iii) elimination of disadvantage and poverty, and (iv) environmental protection and management. The term "NGO" is used generically as a term of convenience. In ADB operations, "NGO" is used to cover parallel terms, among many others: (i) voluntary organization, private voluntary organization, and private voluntary development organization; (ii) people's organization; (iii) community organization or CBO; (iv) grass-roots organization; and (v) public interest group. While ADB is concerned primarily with organizations that do not exist to serve member's self-interest, it does address organizations such as CBOs and people's self-help organizations that are created to serve the interests of disadvantaged persons, groups, and communities.

² An important functional distinction exists between *operational* and *advocacy* NGOs. While the operational NGOs are focused on the delivery of development initiatives, (including environmental protection), advocacy NGOs focus on policies or actions that affect specific or broad development outcomes. The latter perform an important role in civil society by influencing and monitoring the policies and practices of governments as well as development agencies such as ADB.

- (b) *During implementation.* Many NGOs operating at the field level have developed an ability to form close links with local communities and strategies to help mobilize them to achieve important development outcomes. In projects requiring community participation and ownership, NGOs can often be contracted to assist in the formation of user groups or CBOs (see below).
- (iv) *When flexibility, responsiveness, or innovation are likely to be required during implementation.*
NGOs can often react more quickly to changing circumstances and are keen to experiment with new approaches. NGOs have been very effective in pilot programs seeking to maximize community participation.
- (v) *When links between poor communities and government are weak.*
Breakdowns and exclusion can occur for many reasons—lack of government resources, insensitivity, or lack of care stemming from political, cultural, or gender perceptions, etc. In these circumstances, NGOs can be valuable intermediaries in building bridges between people and communities on one side, and governments, development institutions, and donors, on the other.
- (vi) *When independent monitoring and evaluation are required.*
Most project logframes identify critical assumptions concerning the likelihood of participation by the poor and the level of support from the implementing agencies, private sector, etc. Often it is important to monitor the validity of these assumptions, identify weaknesses, and propose remedial action. NGOs can often be employed to perform this role, especially when the quality of local governance is doubtful.

2. Limitations of Working with NGOs

3. A paradox often encountered in cooperating with NGOs is that the qualities that make NGO cooperation desirable may be inconsistent with many government, donor, and ADB characteristics. In the latter case, there may be significant pressure to disburse funds and deliver project components. By contrast, NGOs working on participation and client ownership may focus on ensuring an effective process rather than on preordained outputs. At other times, NGOs may have the capacity to act quickly but cannot because of the procedural requirements imposed by governments, donors, and ADB.

4. Given the range of NGOs in operation, it is not surprising that a range of criticisms is likely to be encountered. Common concerns concerning NGOs are the following:

- (i) sometimes limited strategic perspectives and weak linkages with other stakeholders;
- (ii) limited resource base and limited, technical, organizational, and administrative capacity;
- (iii) strained relationship with governments because of political, legal, or ideological suspicions;
- (iv) questionable legitimacy, accountability, and credibility, and lack of evidence in their claims to mandate and constituency;
- (v) uncertain motivation, objectives, and operational agendas; and
- (vi) the degree of accountability NGOs accept for the ultimate effects of their policies and programs.

3. Key Guidelines

5. Key guidelines for involving NGOs and CBOs in project design are the following:

- (i) Establish understandings of the capacities, requirements, and processes of each party *at the outset* and try to find a workable synergy. Many NGOs seek to have a *partnership* relationship in ADB-funded projects but are not aware of the limitations created by ADB and government requirements and procedures. Conversely, treating NGOs purely as commercial subcontractors can lead to resentment and lost opportunity.

- (ii) Establish a dialogue with NGOs as early as possible in the design process. Attempting to subcontract certain tasks to NGOs without prior consultation during the design stage is likely to lead to ongoing tensions during implementation.
- (iii) Identify the possibility of and boundaries for *collaborative decision making* in relation to the project objectives and timetables. Shared decision making and transparency in operational requirements can often help establish mutual understanding and avoid or resolve conflicts.
- (iv) Don't overestimate NGO capacity. In countries where NGOs have only recently emerged, or where NGOs have been recently formed, development strategies may still represent more rhetoric than reality. Where large-scale CBO formation is required (e.g., in rural water supply and sanitation), it may be necessary to develop a suitable methodology during the project design phase and to train NGO staff in the approach prior to contracting the NGO.
- (v) Where there is a risk of tension during implementation over process vs. output, establish in advance clear agreement on (a) what will constitute a satisfactory level of community organization or preparedness and (b) what indicators or milestones will be used for monitoring progress.

4. Identifying and Evaluating NGOs

6. A single view of NGOs or a single approach to cooperation with ADB is, unfortunately, not realistic. NGOs vary widely according to philosophy, purpose, mandate, clientele, expertise, operational approach, scope of activities, etc. Important distinctions exist in level of operation, approach, and orientation. Major differences also exist in terms of (i) operational capacity, (ii) organizational and administrative efficiency, (iii) access to resources, and (iv) willingness and ability to work with other development actors. Other differences arise depending on whether the NGO is based internationally, nationally, or locally.

7. Approaches and modalities for cooperation with NGOs must vary according to the type of NGO, and the specific kind of cooperation being considered. Cooperation with NGOs will also be affected by country-specific circumstances, particularly the attitude of government and the number and range of NGOs. Basic criteria for identifying NGOs include (i) legal status, (ii) demonstrated legitimacy in representing the concerns of client groups, (iii) organizational responsiveness and responsibility, (iv) credibility, (v) transparency, (vi) competence and capacity, and (vii) local knowledge.

8. Evaluating NGOs for possible cooperation is often best done on a sectoral and/or geographical basis. In this way, a specific and limiting set of criteria can be developed that engenders trust, credibility, and an effective working relationship with government and other major stakeholders. Good practice requires that evaluation criteria be applied objectively, fairly, and transparently. However, it is important that, wherever possible, it should be based on proven performance rather than on the basis of mission statement and unsubstantiated information.

9. Many countries have sectoral NGO networks or a nationally based NGO apex organization. It often is useful to involve such networks or the apex organization in identifying and evaluating NGOs for cooperation, particularly those that attempt to apply codes of conduct and other accountability measures to their members. At the same time, however, it is important that relevant and qualified NGOs should not be excluded simply because they are not members of an apex organization.

10. Resident Missions may also assist in NGO assessments based on their close knowledge of national NGO communities as well as individual NGOs. Resident Missions can also provide information on other country-specific aspects of working with NGOs, including requisite government procedures.

B. Community-Based Organizations

11. CBOs play an important role in ADB operations, particularly where local participation is critical. They are a channel for (i) empowering people, (ii) broadening the distribution of political and economic power, and (iii) creating demand for greater central response to community-level priorities. CBOs provide a collective bargaining power that can enable the poor, the landless, small farmers and traders, and urban squatters to negotiate from a position with some degree of power and strength. CBOs offer important opportunities for institutionalizing the availability of microfinance, production inputs, marketing structures and services, technical support, education, health, and other essential services in ways that are responsive and accountable for the people involved. From the view of the government or other external agency, CBOs can provide an invaluable way of reducing the transaction costs involved in dealing with individuals from that community. However, low social capital is a common characteristic of poverty and, for ADB poverty interventions, it is frequently necessary to either create new CBOs or expand the capacity of existing ones.

1. Nature and Origin of CBOs

12. While still covered under ADB's broad definition of "NGOs," CBOs are distinctive in that they are generally organized for the benefit of their own members. A key characteristic of CBOs is that they can mobilize communities by (i) expressing their demands, (ii) organizing and implementing participatory processes, (iii) accessing external development services, and (iv) sharing benefits among members. CBOs can have a wide range of functions, including economic, social, religious, and recreational. In the design of projects seeking to stimulate development at the community level or those that focus on poverty reduction for the poorest, it is necessary to carefully examine the range of community-level organizations. In order to assess the potential of any organization, this analysis examines whether the organizations are formal or informal, traditional or modern, organic or established with some kind of external facilitation. In some countries, a term close to and often interchangeable with CBO is "people's organization" (PO), although it is more likely to describe an organization covering a particular sector, such as artisanal fisherfolk rather than a particular physical location.

13. CBOs often are informal. Frequently they are without formal registration and may not be known outside their areas of influence, even to government officials. Examples of CBOs include neighborhood associations, tenants associations, community development organizations, water-user groups, credit associations, and local political interest groups. Some CBOs have a strong development (as distinct from welfare) focus and might be regarded more like development NGOs, although the latter are defined by the pursuit of interests that transcend the direct interests of their own members. CBOs generally exist to directly address the immediate concerns of their members. Learning about CBOs involves close contact and discussion with members of the community where they operate.

14. An effective CBO generally exhibits five characteristics:

- (i) It addresses a perceived need and common interest within the community. Typical interests include water supply, provision of basic social services, community security, sanitation, etc. Where community needs cannot be met by government agencies, communities often mobilize themselves to meet this need. CBOs mostly emerge when their concerns are shared not by only a few but by the broad community.
- (ii) The benefits of community members working together matches or outweighs the cost. Benefits returned by a CBO may be the following:
 - (a) economic—group savings or availability of credit, market power exerted through market vendor associations, benefits returned through local-level producer cooperatives;
 - (b) social capital formation—development of a group-based capacity to solve problems or address government systems;
 - (c) returns for individuals—group power in developing knowledge or skills for individuals;

- (d) social—a sense of belonging; or
 - (e) political—greater community access to authority and political or administrative systems, increased power in conflict resolution, etc.
- (iii) The group is based within existing local social linkages. CBOs most often have their foundations in existing social relationships or groupings through which members have an identity, such as neighborhood or community relationships, kinship relationships, social class relationships, gender, age, livelihood associations, etc.
 - (iv) The group relies upon itself for capacity, knowledge, skills, and leadership to manage its tasks. Most effective CBOs are self-reliant and not dependent on outside support, leadership, or funding.
 - (v) The group owns and enforces its internal rules and regulations. Group members know and internalize its operational processes. Group members participate in determining both the rules and mechanisms and their enforcement, and, in the end, have authority over the leaders.

2. Common Problems

15. Four common weaknesses are observed in involving CBOs in externally developed projects:
- (i) The CBO is dominated by a traditional elite, and the poorest members of the community are effectively excluded.
 - (ii) The CBO has been formed before the community has developed sufficient awareness and enthusiasm to want to create and maintain such a body.
 - (iii) The institutional structures created are not supported by the necessary capacity, knowledge, and technical skills necessary for long-term survival.
 - (iv) Too much is expected too soon from newly established groups, and organic development may be distorted in order to meet unrealistic expectations of project-derived disbursement timetables.

3. Establishing and Developing CBOs

16. The critical choice frequently facing project planners is whether to build on existing CBOs or to create new, purpose-specific ones. In principle, the first choice is normally much preferred since it greatly lessens establishment time and cost, and it usually assures community acceptability and sustainability. In practice, two problems make the choice more difficult. First, the focus of the pre-existing CBO will not be the same as that required to meet the specific need of a project. Provided there is no conflict of agenda, however, specific training and minor reorganization can normally resolve this problem.

17. Greater difficulties arise when the existing CBO is controlled by some form of community elite. Where social capital is high and/or communities are cohesive, entrenched leadership does not constitute a problem and, in fact, may facilitate effective responses. In more divided communities, common particularly in South Asia, elite leadership frequently causes two types of problems:

- (i) The participation of the poorest members of the community may be either overtly or subtly prevented. A subset of this phenomenon may have a gender orientation that prevents the essential participation of women.
- (ii) While the leadership may not discriminate against any member of the community, it may be unwilling to share information and decision making, which is essential for effective community participation.

18. Because of these inherent dangers, careful analysis is required to identify and evaluate existing community structures, particularly in terms of participation and exclusion.³ Where elite domination is entrenched, it may be difficult or unwise to create a new CBO that may be seen as a rival. However, where the project does not involve visible resources or significant opportunities, resistance to setting up a new body is less likely. In other circumstances, it may be preferable to create a new sub-body such as a women's subcommittee or a water and sanitation committee whose membership is based on representation (e.g., separate male and female block or hamlet representatives).

19. Whenever new or existing CBOs are needed to ensure project success, sufficient pre-investment work must be done to raise community awareness and credibility concerning the value of participation. At the same time, it is important to avoid the creation of a handout mentality, and the requirements and obligations of participation must be fully understood. Often, it is valuable to formalize this understanding in terms of a community contract.

20. In order to establish or expand the capacity of CBOs, an intermediary is usually needed. Government agencies usually lack proximity to the communities, especially where there is social stratification. In this situation, intermediary NGOs can often play a useful role in mobilizing communities and creating an appropriate interface with the proposed project. Such organizations can be contracted to organize CBOs, provide them with training, and help strengthen their overall capacity. NGOs contracted should be experienced and reputable and have established relationships with community groups and especially with the poor.

³ "Institutional mapping" is the most common first step in surveying how communities organize themselves and how various segments of a community relate to other segments and to entities outside the community. Institutional mapping identifies the size and influence of one organization in relation to others, and can help define the degree and extent of shared decision-making among groups. In addition to surveying what groupings exist and their relative strengths and degrees of influence, institutional mapping provides an overall picture of the community-based social safety net that exists within a community, and any gaps or weaknesses.