



Community driven development (CDD) has emerged as one of the fastest growing mechanisms for assistance among multilateral development banks (MDBs) and other aid agencies since the mid-1990s. More than 100 countries have now implemented CDD projects. At least a quarter of these are in the Asia and Pacific region. The use of CDD has been driven by a growing demand from both countries and aid agencies for large-scale, bottom-up, and demand-driven, poverty reduction projects that increase the capacity of communities for self-development and strengthen local institutions.

Lessons emerging from CDD approaches point to its potential in empowering poor communities to participate and effect development outcomes in ways that “move the needle” toward enhanced social inclusion and poverty reduction. Among the multilateral donors, the World Bank has, since 2000, funded more than 500 projects amounting to \$14 billion. The largest CDD operation, the Kecamatan Development Program in Indonesia, has disbursed close to \$1.3 billion in nine years and is the Government’s showcase national community development program. The Inter-American Development Bank has also supported community-driven rural development since the 1990s through social investment funds. For their larger scale coverage, these ongoing programs offer practical insights on operational issues that are relevant to ADB’s envisioned program for promoting inclusive growth.

CDD – A CONCEPTUAL INTRODUCTION

Definition

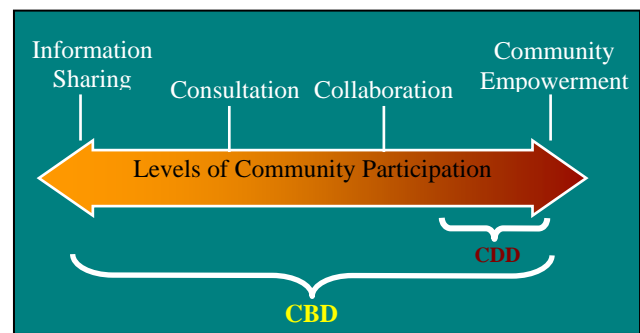
The World Bank’s Poverty Reduction Strategy Paper Sourcebook (2003)¹ defines CDD as an approach that gives control over planning decisions and investment resources for local development projects to community groups. The underlying assumption is that people (individuals or communities) are the best judges of how their lives and livelihoods can be improved and, given adequate support, resources, and access to information, they can organize themselves to provide for their immediate needs.

¹ World Bank. 2003. *Poverty Reduction Strategy Paper Sourcebook*.

This paper adopts the following five defining elements of CDD projects. First, they are community focused because the target beneficiary, grantee, or implementing agent is some form of a community-based organization (CBO) or representative local government. Second, they involve participatory planning and design. Third, the community controls the resources, which ensures that there should be at least some form of resource transfer to the community/CBO. Fourth, the community is involved in implementation through direct supply of inputs, labor, or funds, or indirectly through management and supervision of contractors or operation and maintenance (O&M) functions. Finally, CDD projects employ community-based participatory monitoring and evaluation to ensure downward accountability to the community.

CDD can be considered a subset of the much broader community-based development (CBD) approach, which encompasses a wide range of projects that actively include beneficiaries in their design, management, and implementation. The level of community participation in CBD projects can vary, from simple information sharing, to social, economic, and political empowerment of community groups. On the continuum of community participation covered by CBD, the subset of new generation CDD projects would be placed at the extreme right of the axis (Figure 1). Among the five defining elements above, the third (community control of resources) makes CDD distinct from other forms of CBD.

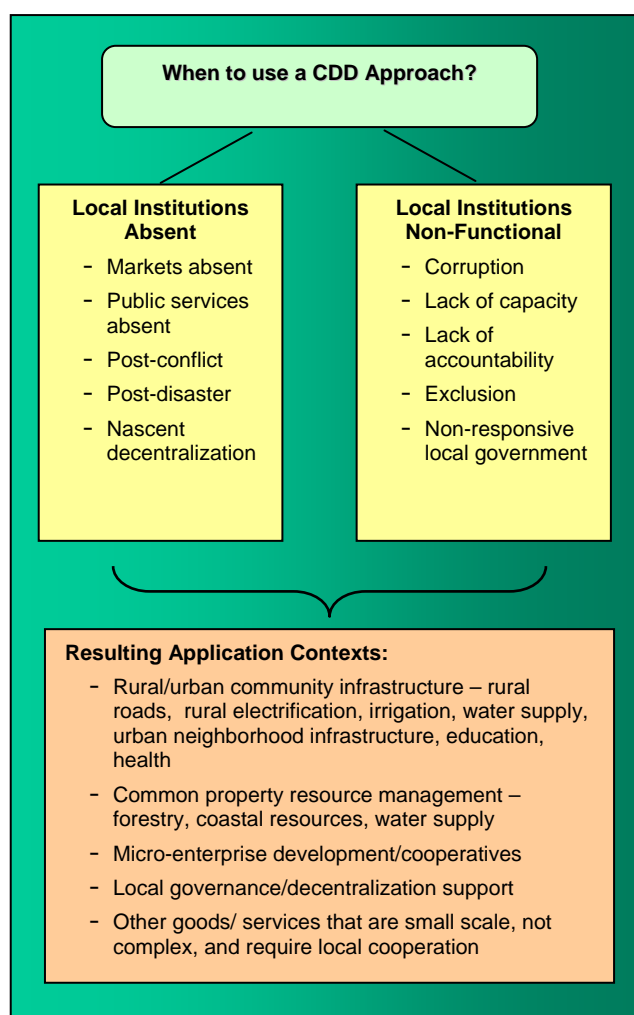
Figure 1: Distinguishing CDD from CBD in Terms of Community Participation



Benefits of Using CDD

When designed and implemented well, the CDD approach promotes equity and inclusiveness, efficiency, and good governance. Equity and inclusiveness are achieved through effective targeting, inclusion of vulnerable and excluded groups, putting resources in direct control of poor people, and allowing poverty reduction measures to go to scale. Efficiency is gained through demand responsive allocation of resources, reduced corruption and misuse of resources, lower costs and better cost recovery, better quality and maintenance, greater utilization of resources, and the community's willingness to pay for goods and services. Good governance is promoted by greater transparency and accountability in allocation and use of resources because the community participates in project decision-making processes. Some of the principles of CDD—such as participation, empowerment, accountability, and nondiscrimination—are also worthy ends in themselves.

Figure 2: When to Apply CDD



When is CDD Applicable?

A CDD approach may be warranted in situations of “local institutional failure.” These failures can be failures of omission, i.e., when local institutions are absent or nonexistent, as may be the case with local credit markets, management bodies for common property resources, or in post-conflict and post-disaster situations. They can also be failures of commission when local institutions do not function because they lack capacity or because of corruption, control of resources and decisions by powerful local elites (elite capture), or lack of accountability. In terms of sectors, CDD can be effective in projects involving locally managed resources and services, such as community infrastructure development, common property resource management, micro-enterprise development, and local governance or decentralization support. Figure 2 summarizes the context where CDD would be most effective.

CDD is not an appropriate mechanism for every situation. But it does have considerable potential to deliver large-scale poverty reduction programs in a variety of sectors and country conditions that yield visible impacts quickly. However, good design is key (Box 2); understanding local conditions and linking with formal institutions is essential; scaling-up has to be planned properly; evaluating performance and ensuring social accountability are important; and a phased and pilot approach is recommended.

Box 2: Ten Key Design Principles for Sustainable and Effective CDD Operations

1. Establish an enabling environment through relevant institutional and policy reform
2. Make investments responsive to informed demand
3. Build participatory mechanisms for community control and stakeholder involvement
4. Ensure social and gender inclusion
5. Invest in capacity building of community-based organizations
6. Facilitate community access to information
7. Develop simple rules and strong incentives, supported by monitoring and evaluation
8. Maintain flexibility in design of arrangements
9. Design for scaling-up
10. Invest in an exit strategy

Source: World Bank Poverty Reduction Strategy Paper Sourcebook (2003)

There are, however, some valid criticisms and inherent limitations associated with CDD. Conceptually, CDD does not cater to problems that are beyond the capacity of local institutions or

activities that require economies of scale. CDD by itself does not guarantee immunity from the risks of elite capture. Additional measures may be needed to ensure effective participation of the poor and those excluded within the community. Further, because CDD is demand driven, it tends to select communities that already have in-kind commitment and planning capacity. This can mean that, in the absence of careful selection criteria, the poorest communities with limited capacity are crowded out.

In practice, several CDD operations, especially the pioneering projects, have witnessed challenges in scaling-up, limits to targeting, added costs and limits to participation in practice, subproject cycles that are too short for sufficient empowerment, dependence on field staff requiring decentralized management, occasional cases of “supply-driven demand-driven” development (i.e., predetermined sector priorities of donor agencies restricting the intended demand-driven nature of a project at the community level), and institutional sustainability, especially in earlier CDD projects that created parallel institutional structures outside the government.

The key message is that CDD is an approach that is evolutionary and does not lend itself to a “one size fits all” scenario. Consequently, it has inherent design and implementation challenges but also potentially large development rewards if undertaken successfully.

CDD EXPERIENCE IN ADB

Between 2001 and 2007, ADB funded 57 loan projects worth about \$2.5 billion that included CDD approaches to enhance delivery of inputs and beneficiary participation. They constituted 14% of the total loans approved during this period. Over one-third of the projects were in the agriculture and natural resources sector, followed by a smaller proportion of water supply and sanitation, waste management, education, health and “multisector” projects. The projects were primarily in Southeast Asia, South Asia, and Central and West Asia, especially where the DMC governments were investing in rural development programs. An internal review² by RSDD in 2006 concluded that, when successfully implemented, CDD approaches do add tangible value in creating the connections necessary to engage and benefit poor communities, and enhance the

poverty reduction impact and sustainability of the overall project or program

The 57 projects share salient CDD features:

- Project resources, usually block grants, are provided directly to local community based organizations or local government units with community representation
- Communities or CBOs work with or are authorized by local government units to plan and implement project activities. As beneficiary or grantee, CBOs are given specific tasks: procurement of inputs, organizing labor, monitoring use of funds, manage contractors or assume operation and maintenance (O&M) responsibilities.
- NGOs (civil society organizations) are engaged to undertake community mobilization and capacity building and help build into the procedures anti-corruption, accountability and evaluation measures.
- Participatory appraisals and bottom-up planning mechanisms are introduced or strengthened to enable local communities, through the CBOs, to provide monitoring and feedback for the local government planning and budget allocation process.

² ADB. 2006. *A Review of Community-Driven Development and Its Application to the Asian Development Bank*. Manila Available at: <http://www.adb.org/Documents/Participation/Review-CDD-Application-ADB.pdf>