

**Highlights of the Panel Discussion**  
**Community Driven Development: Can it work for ADB?**  
6 October 2006, Auditorium D, ADB Headquarters

**I. Overview Session:**

R. Dobias welcomed the participants to the Panel Discussion. He explained that this is the second day of a two-day roadshow that RSDD is doing on Community Driven Development. S. Bajpai delivered the opening remarks. Copy of the Remarks is in Attachment 1.

R. Dobias thanked Mr Bajpai for the remarks. He introduced Mr. Scott Guggenheim from World Bank Indonesia who gave an overview on CDD's opportunities, potential benefits, and constraints from the WB's point of view.

S. Guggenheim started his presentation by providing an overview of what community development is from various perspectives: purists, theoretical, banker. He highlighted the experiences of various CDD projects in Afghanistan (NSP), Indonesia (KDP), Viet Nam, and Timor L'este and described the benefits from these programs such as the positive economic internal rates of return, bigger savings, lower corruption rate, among others. He also discussed the common criticism of CDD like high overheads, poor technical quality, elite capture, low sustainability, etc. S. Guggenheim also highlighted the lessons learned about good CDD strategy. Full details of the presentation is in Attachment 2

A. Weitz noted that in ADB, CDD programs are also implemented but there is a lot of room for improvement. It is important for ADB to look at the challenges cited by S. Guggenheim.

**II. Panel Discussion**

**Veronica Villavicencio** is the Executive Director of the Peace and Equity Foundation from the Philippines. In her message, she indicated that empowered communities should govern and they should have a voice culturally and politically. Community participation is an essential element in all the projects and civil society organizations (CSOs) should help facilitate this processes. Secondly, she emphasized that to help empower communities, support should be provided to enhance their means to meet their basic needs and be free from being highly vulnerable. One key challenge identified is to help communities affected by shocks or disasters whose livelihoods were highly affected; how can CDD enable these communities to move out from these situations of disasters and calamities? Thirdly, she believes that in pursuit of CDD, the CSOs serves as partners. While they are highly decentralized and varied in terms of size, which is poses as a difficulty, but that is where there strength lies. Their being decentralized and their work either issue based or sector focused, intersects and integrates them with the communities for most of the phases of their work. The success of community projects depends on the local leadership both from the village and the CSOs as well as the community management system.

**Ruel Lucentales** is an Assistant Secretary for the Department of Social Welfare and Development of the Philippines. He shared that the Department serves as the executing agency of the CDD program KALAH-CIDSS supported by a loan from the WB. The program started with 11 municipalities and now is covering 103 municipalities in 42 provinces ranked by the NSCB as having the highest poverty incidence in the country. He has drawn out key points based on their experience in implementing the KALAH-CIDSS: First, it is recognized that CDD is a strategy for making democracy alive at the village level. Through the project, they helped facilitate and assist villages to have a control of their own lives, attend to their own needs and respond to their own assessment of local poverty situation— aimed at transforming the villages into self managing communities. Secondly, in implementing CDD it is important to look into the productive

engagement with the local government units (LGUs) because after the projects are completed, what is left are the LGUs running the projects. When engaging the LGUs, it is important to introduce a new paradigm of local governance— from the traditional political patronage oriented type of governance to something that is sensitive to the needs of the communities. Thirdly, the investment for capability building for LGUs as well as community volunteers are just as important as the investment for the community projects. This investment in social capital is important because this is what remains together with the projects that will be handed over to the communities. Lastly, it is important to consider the inclusion of O&M dimension in project plans generated by the communities.

**Kethkeo Sihalath** is the project director for the VAI and the Vice President for the VUDAA from Lao PDR. He described that the Vientiane Urban Infrastructure and Services Project has four components of which the Village Area Improvement component used a CDD approach. At first, he was not convinced that the project would succeed because there were many concerns like how to make the people participate in the project as well as the VUDAA did not have the experience in the bottom development approach. With the help of Lao Women's Union and a Lao gender specialist, the community mobilization progressed and the villages were able to accomplish the work ahead of schedule. The success of the project can be measured by the active participation of the community in all aspects of the project. During the first phase, the project was implemented in six villages which was difficult because of contribution concerns. But the second and third phases where it covered 20 and 25 villages, respectively, was much easier because the people already understood the benefits of the project and that the VUDAA has also learned a lot from the process of the first phase. **Lindsey John Davison**, consultant for the VUDAA added that in the context of Lao, to have experienced the acceleration of implementation of the project in the last 3 years shows the strength of the CDD approach to development. There are three things in its success: ownership, pride of people in their achievements and the change in wellbeing of the people and health benefits.

**Shane Rosenthal** is the Urban Specialist from the Central and West Asia Department of ADB. He shared his experience on CDD in a Kyrgyz project in which he was involved with as consultant of the World Bank. In 2002, Kyrgyz is a transition economy, moving towards decentralization, local infrastructures were in shamble, and the local communities are trying to settle down. The WB came with mandate from the Government to address the situation— the problem was not only on infrastructure but also with the local institutions. During the process of developing the Kyrgyz project which was named Village Investment Project, a lot was drawn from KDP project in Indonesia. The project was planned to cover about 400-500 villages using small-scale NGO approach. Locally, the issue of misperception on the project has not occurred and at the same time Government side have a champion that drew political support. The issues faced ranged from how to manage the project at the national level to dealing with newly empowered local institutions. There were debates on how the project will be approached and it ended up with the hybrid approach. The local decision making body for the project composed of the civil society and the local government. The project has disbursed very quickly— a year and a half ahead of schedule— and there is already a follow on project, engineering quality has been good. In doing a CDD project he raised the following main points: (i) one needs a champion, (ii) political will (iii) need manager's support; and (iv) the willingness to give the villages a choice. On application to ADB, he feels that there is a need to: (i) work on awareness on what CDD is; (ii) see potential for linking ADB's more focused approach; and (iii) note that CDD is not only about building infrastructure but also about building institutions.

### III. Question and Answer

1. **Januar Hakim** from SERD, ADB raised a query for the representatives of the Philippines, Lao PDR and Kyrgyz. In S. Guggenheim's presentation, he has highlighted that CDD is about a

village's choice and this is related closely to trust and cooperation. How and who initiated the process of cooperation? How do we scale up operation from a relatively small scale activity to big scale project that would involve a slightly different system in terms of designing, supervising and implementation?

**R. Lucentales** shared that in KALAH-CIDSS case, to build trust of stakeholders and partners, it is always a requisite to start with a proper orientation before entry into any LGUs. DSWD, being the implementing organization, initiated stakeholders' forum and series of orientation for LGUs although there are also champions involved in the initial process. On scaling up, KALAH-CIDSS has done it in a phased manner (4 phases). The 183 municipalities were calibrated for the 5 year period of the project implementation, though this should also consider the readiness of government to provide funds for the various phases.

**L.J. Davis** explained that in the Lao context, there was not much distrust from government to the community. Trust that was developed during the program was outstanding. During the initial implementation of the program, a local gender specialist worked with the Lao Women's Union in advocating the program to the villages and linked the VUDAA with the villages. During the first phase of the program, the people did not believe that the program will be successful but its successful completion has helped build the trust of the next batch of villages. On upscaling, VUDAA initially had on its umbrella around 100 villages and its now 199 villages. The new boundary of Vientiane will cover new 192 villages and people are clamoring to be part of the project. VUDAA is still looking for ways to upscale. **S. Rosenthal** shared that up scaling was a huge issue in Kyrgyz; this would mean revisiting all the assumptions.

2. **Manoshi Mitra** from SERD, ADB shared that she has a loan for Lao coming up that will cover 5 provinces in the northern part of the country and will deal with minority villages. The project will use CDD approach to try to develop a bottom-up problem solving type of approach for the extension and improvement in livestock productivity linked up to regional trade. The project also identified the women's union as one of its biggest ally in terms of developing a community mobilization organization that is needed before introducing the CDD. On the context that the provinces are unaware of the CDD approach and that the organization is imbued with the top-down system, a parallel TA will be implemented to help build capacity to do CDD work. She also noted the experience of VAI project the leadership is coming from the local people but believes that the contradiction will always be there because after all ADB Staff are all outsider to the countries we worked with. Most of the time a lot of good ideas comes from the outside but she indicated that the quicker one can localize the ideas, the better.

She also pointed out that it is interesting to hear Mr. Lucentales' and Ms. Villavicencio's understanding of CDD and its impact to the community after its completion— i.e. a much more empowered community. This entails the need to have a long term view of CDD hence, the need to depend much on local civil society and NGOs capacity. She indicated that CDD has to be used in a cautious manner and maybe also take a role in building capacity of those partner organizations such as CSOs.

**V. Villavicencio** responded that they also recognize the need for CSOs and NGOs to pursue further institutional development and capacity building in terms of their ability to look at projects as part of community development process and be able to build community power. The concern is how sustainability can be built together with village-based local governance up to the provincial level where there is very thin thread of engagement. It is felt that there is a need for more social investment in this area, especially in the KALAH-CIDSS case, because this is where the information and resource flow happen.

3. **W. Arriens** of RSID, RSDD shared that 2.5 years ago ADB celebrated the Water Week with a theme on to helping poor people who do not have water yet and the slogan was “Water for the poor, setting the rules, and finding the money”. After 3 days, the participants adopted a revised slogan “Water for the poor, simplify the rules, decentralize the money” and it seems that this has a lot to do with CDD. At ADB, one of the concerns raised is how to seriously accelerate investments to rural villages in order to achieve the MDG for water and sanitation, and it was concluded that existing project modality that used in ADB are not going to do that. Last week a conference with 5 large borrowers was done and one suggestion to accelerate the achievement of these MDGs on rural water supply and sanitation is to look at other modalities that straight away work with local communities. This can be done by involving private sector through turnkey contracts that work down to local level or outsource work to capable CSOs. In practice, this means bypassing the government intermediary level and government will have to take the role of monitoring, setting standards, making sure that the work that gets done by channeling the money to local level still are within appropriate standards and some promise for sustainability. So the question is, what is the promise of doing more CDD approaches specifically for water supply and sanitation for rural areas? In addition, **R. Dobias** also raised the issue of do you restrict development choices?

**A. Weitz** shared that CDD has been for a more sectoral approach. KDP has done an open menu for the community to choose what they want to do. Most of the time communities do not choose sanitation from the menu. She feels that scaling up investment in sanitation in INO is a tricky and difficult area especially if one want to do it right, fast, at large scale and with CDD approach.

**R. Lucentales** shared that in the case of KALAH-CIDDS, it also operates on an open menu system where the community identifies what type of project and it is noted that rural roads and water system are the most requested projects. But the faster implementation of the water project is facilitated better by bringing the money straight to community accounts. What is done is from the national account, the money is deposited directly to the community account which is managed by the communities. Communities are provided with capability building on fiduciary matters.

**S. Guggenheim** has emphasized that CDD can make many things but it cannot do everything. There are several areas where CDD is probably not the right instrument for it like those that involve high externalities like environmental protection. Communities are not going to select sanitation as a first priority. For some of the areas, people will explore with what they can do with the model. He emphasized that this about matching the instrument with what we want to do and we should more or less have an idea of what the community will pick and why they would pick it at a certain context. As we were saying that it is the community agenda that we are going to support and it is of doubt if the community will pick sanitation. That maybe the national government’s agenda but there may be other ways to push the sanitation agenda. On the concern regarding restricting development choice, he indicated that while communities do the choice does not mean they know everything. So he advised that it matters to provide more technical support, more technical information and still preserve community choice.

4. **I. Anderson** of RSDD, ADB raised the query for S. Rosenthal about the hybrid model between the local government and the community and S. Guggenheim has talked about disbursing the money quick to the community, how did you bridged that gap? For the panel in general, does the CDD work in large urban settings where you turn out of large number of people, who no legal access to land, etc?

**S. Rosenthal** indicated that the hybrid was not a problem because it was not sending funding thorough intergovernmental finance system instead it is sent directly to the account of the local decision making body. On the urban issue, it seems that there would be problems with the land tenure and safeguard issues. **L.J. Davison** shared that the VAI was implemented in the urban area

but Vientiane City is small. At the moment it is working because there is only one agency involved (VUDAA) and there are not many groups to deal with just like in a big city like Manila.

**S. Guggenheim** reminded that a lot of community development projects were started by urban development planners in 1970s. In terms of being able to do CDD project in the urban area, the urban people have been doing it long before even rural people do. What matters is as long as one is clear on what they want to do, it can be done; there a lot of experience of in the urban sector doing that.

5. **M. Mongiorgi** of SARD, ADB raised 2 concerns: First, given the fact that communities are not homogenous how do you ensure that the elites choose the subprojects? Second, can CDD really work in post-conflict communities?

**V. Villavicencio** explained that in an effective community development programs, it is important to build trust and mechanism where people, especially the poor, are enabled to participate in the community processes. This requires a lot of interaction and building of capacity; in a multicultural community like in Southern Philippines, there is extra effort particularly for CSOs to identify leaders from among the silent sectors of the community and stakeholders like women and youth. In CDD program where this is led by National Governments, they should be banking a lot on CSOs and NGOs working with communities.

**S. Guggenheim** explained that there is no question that elite capture happens on a large scale CDD. However, this happens less in CDD operations compared to any other type of operation. A test was done by WB on the elite capture and the found that elite capture happens as long as you have direct participation with small number of people deciding where the subprojects are going to be. Study has been done by WB and they found out that only about 15% attend in village meetings. On the post conflict communities, a lot of experiences have been noted like in Afghanistan and East Timor and they were generally successful. Global scale on this is that CDD works well in a post conflict environment with a footnote that conflict ridden communities with highly divided people don't work so well.

6. **Silas Everett of Mercy Corps** noted that the CDD methodology has been there for a long time and recognizes the synergy between the bottom up, top bottom, middle up approaches and the realization provides some opportunities. He also emphasized the role of CSOs and NGOs in local governance. The issue raised is on the types of political threats, resistance, counter incentives to CDD?

**S. Rosenthal** explained that in the context of Kyrgyz, there was a very strong support from the Government. There was lack of funding for development at the local level that everybody was pleased. In Azerbaijan, there was a very strong resistance to the idea at the local authority and national government level because it will go outside the state structure. R. Lucentales shared that in the KALAH-CIDDS, on the political side the issue is more of who gets the mileage or the credit for the accomplishment of the project. Another one, as one proceeds with the CDD implementation and empower communities, there is the feeling of local political leaders losing control over the villages which they used to dictate on.

7. **D. Teter** of VPO2, ADB noted S. Guggenheim's comment about activities that involve externalities and that CDD may be the worst approach. He shared his experiences about protecting a national park or protected area where they involved the community. The approach used was to provide the communities alternative livelihoods. His perception is this approach has failed to protect national parks because it did not answer the economic needs of the community. There must be a way to apply CDD principles in these communities that also helps in the environmental objectives.

**R. Dobias** shared that in a project where used to work with, they used local villagers as guide and porters for elephant research park. This project has prohibited extracting of forest resources. After a long period of time, the park has been successful. **S. Guggenheim** agrees that there should be a way to align incentive structure and he feels that there might be complementary strategies at the same time.

8. **J. Tian** of RSDD, ADB raised a question to S. Guggenheim. Were the WB staff involved in the appraisal, planning and decision making and implementation of each subprojects? This is of interest because if ADB will scale up this will be a challenge to ADB's human resource.

**S. Guggenheim** explained that the WB staff does not appraise individual projects but we appraise the financial disbursement system and the TOR for all the consultants and do prior review on the first project for each province. **A. Weitz** also added that for the Urban Areas Project in Indonesia, we also did the same where we only look at a few districts but not all.

9. **S. A. Wooster** of NGO Center, ADB inquired on the changes in attitude in WB and Management on CDD?

**S. Guggenheim** noted some changes: (i) For the KDP, a disclosure policy was requested different from what WB has. The Indonesian government has a waiver from the Board to disclose all the documentation; (ii) KDP was the first program to include an anticorruption action plan as part of the loan package; (iii) cut down the number of contracts in the project from 50 to 4 and pay individual consultants from using bank payroll. On management, there was a strong country support and support from the Vice President for pushing forward on the CDD work.

10. **K. Julian** of CWOD, ADB raised an issue for S. Guggenheim on criticism that people put on this CDD program that could undermine decentralization efforts and fiscal decentralization efforts in Indonesia?

**S. Guggenheim** emphasized that there is no evidence to support that CDD undermines decentralization. He thinks that putting some competitive pressure to government actually makes it better. It misses the point where some thinks that development is strengthening government; development is about solving poverty and getting people empowered.

#### **IV. Summing Up**

S. Tanaka highlighted the major points that were brought up during the discussion. She noted that and through the Departmental Briefings and the Panel Discussion, there has been an increased learning about CDD which benefits the staff. The common ideas that were brought up about CDD approach are the following: (i) it serves as a vehicle of governance to disburse, (ii) it connects the mainstream development at the macro policy level to the communities, and (iii) it is about increasing the village's choice.

On ADB's comparative advantage, it is believed that ADB can contribute (i) in scaling up CDD operations, and (ii) in enhancing sustainability by getting the policy context right. On how ADB will go forward in doing CDD operations, there is a need to conduct more technical discussions to sort out whether to pursue pilots or go straight to big scale CDD project, whether to start as program loan or as investment loan. With the success of the CDD discussions, it may also be useful to conduct awareness raising activity or informal seminar for the Board of Directors on this topic. There may also be a need for a strategic framework within ADB to guide ADB in doing CDD operations.

**OPENING REMARKS**  
**BY**  
**MR. SHYAM BAJPAI**  
**DEPUTY DIRECTOR GENERAL, RSDD**

**Panel Discussion on Community Driven Development: Can It Work for ADB?**  
**9:00 am, Friday, 6 October 2006, Auditorium Zone D**

**1. Welcome**

- Good morning. It is my pleasure to warmly welcome all of you to the *Panel Discussion on Community-Driven Development (or CDD in short) – Can it work for ADB?*
- We would especially like to welcome friends and colleagues from outside of ADB. We have representatives from the governments of the Lao PDR and the Philippines, as well as resource persons from NGOs and other agencies here in the Philippines. We are particularly grateful for the efforts extended by the World Bank in helping us to organize this event.

**2. Background of ADB's Review of CDD**

- We are gathered here this morning to ask ourselves: "Can CDD work for ADB?"
- To help us answer this question, a study entitled *A Review of Community-driven Development and Its Application to the Asian Development Bank* was prepared by the Regional and Sustainable Development Department. You will find the full report and the summary outside of the room after the session. The study was triggered by **three recent events**. **First**, ADB's Operations Evaluations Department released in December 2004 a special evaluation study on the effectiveness of participatory approaches. The evaluation highlighted the need for ADB to improve the application of participatory approaches along with the project cycle. ADB since then has been exploring effective ways to strengthen participatory approaches. CDD is one of several options.
- **Second**, in 2005 the World Bank's OED published a report on *The Effectiveness of World Bank Support for Community-Based and -Driven Development*. The report highlighted the major benefits and impediments of CDD interventions. The report triggered a significant international discussion on the pros and cons of CDD. RSDD was interested in learning more about it and assessing the implications for ADB.
- **Third**, when ADB's review on CDD started, there was an internal discussion regarding the strategic directions in its Medium-term Strategy II 2006-2008. One of the considerations was

whether we could explore more innovative instruments to strengthen our operational effectiveness.

- After three months of document and portfolio reviews, and staff interviews and focus group discussions in ADB, the Review was drafted, redrafted and recently finalized. The Review looked at the conceptual framework, experience of the World Bank and the Inter-American Development Bank, and of course ADB. Its key findings have been circulated to all departments in ADB.
- The **key message of the Review** was that CDD is one of the fastest growing mechanisms for development assistance in the World Bank and some bilaterals since the mid-1990s; and that there is a growing body of evidence that refutes the myths about participatory and community-based approaches, such as slow disbursements, inability to scale up, creating parallel governance and fund-flow structures, exorbitant costs, and so on. But the Review also uncovered the obstacles and challenges associated with the CDD approach.
- With regard to ADB's experience with CDD, the Review concluded that ADB's experience is primarily confined to CDD 'components' instead of full-fledged CDD 'programs'. Yet, there is a sufficient number of committed and capable staff upon whom we can build experience and work on scaling-up. To do so, however, will require a greater commitment by the institution in areas such as allocation of resources for implementation support. RSDD believes it is worthwhile to consider putting into place a greater institutional commitment because CDD can support some of the priority sectors for poverty reduction such as rural infrastructure, microfinance, and urban neighborhood projects, as well as post-disaster and post-conflict recovery programs.
- The Review recommended that ADB should move ahead with CDD carefully, by starting with a small number of pilot programs in selected countries for pipeline projects in 2007-2008.
- To further discuss these findings and identify pilot programs, we met with operational departments yesterday. There have been very active responses from our operational colleagues, and we would like to continue this trend this morning.

### **3. Expectation from the Panel Discussion**

- Ladies and gentlemen,
- This morning, we would like to hear your response to the question, "Can CDD work for ADB?" What are the major considerations? Where are the opportunities? What major obstacles lie in our path?

- We will be helped in this by a distinguished panel of practitioners. Bob Dobias will soon introduce each of them to you. I would simply like to thank them on behalf of RSDD for the considerable efforts they have made to join us today.
- Once again, we appreciate your being here this morning and look forward to fruitful discussions on the topic. Thank you.

## DEVELOPMENT FROM BELOW



## OBJECTIVES OF TALK

- REVIEW JUSTIFICATION
- REVIEW ARGUMENTS, PRO AND CON
- REVIEW EVIDENCE
- REVIEW OPPORTUNITIES FOR ADB/WB COOPERATION

*INDONESIA IS A CASE STUDY*

## WHAT IS COMMUNITY DEVELOPMENT?

THERE ARE MANY FLAVORS, BUT IN GENERAL CDD REFERS TO PROJECTS THAT:

- DISBURSE DIRECTLY TO BOTTOM-MOST LEVELS
- FUND COMMUNITY PLANS
- INCLUDE FACILITATORS
- PROMOTE PARTICIPATION

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## Community Participation, the purists view

- **Villagers plan**
- **Villagers decide**
- **Villagers control funds**
- **Villagers implement**
- **Villagers manage, and**
- **Villagers operate and maintain works**

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## VARIANTS ON THE THEME

- SINGLE-SECTOR VERSUS MULTI-SECTOR
- DISTRICT GOVERNMENT VERSUS COMMUNITY
- MICRO CREDIT VS. INFRASTRUCTURE
- PRIVATE SECTOR SERVICE PROVISION
- ROLE OF CONTRACTORS, NGOS ETC.

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## WHY DO COMMUNITY DEVELOPMENT: THE THEORY

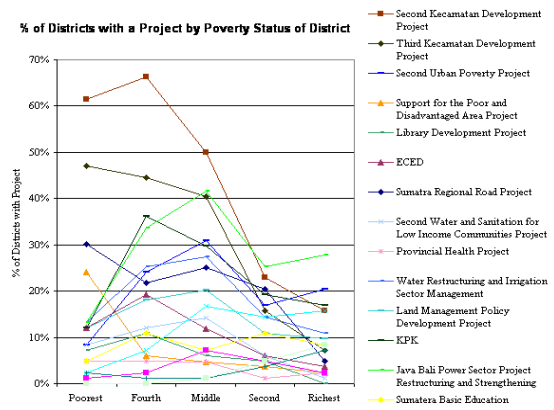
- CHOICES MORE ATTUNED TO LOCAL NEEDS
- MORE LIKELY O&M
- BUILDS SOCIAL CAPITAL
- MORE PARTICIPATION YIELDS BETTER OVERSIGHT AND LESS CORRUPTION
- ACTIVE PARTNERS IN DEVELOPMENT

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## A FEW OTHER REASONS: THE BANKER'S VIEW

- REACHES THE POOR
- RAPID RESPONSIVENESS
- SCALE-ABILITY
- HIGH RATES OF RETURN
- FAST DISBURSEMENTS
- LOW LEAKAGE

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## CDD SCALES UP QUICKLY

- **AFGHANISTAN:** NSP covers 13,000 villages 2 years after appraisal
- **KDP** scaled up from 2,000 to 30,000 villages in 4 years (now going national)
- **VIETNAM** now becoming national poverty Development Policy Programmatic

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## Measurable Benefits of the CDD Approach

### EIRR:

The average EIRRs of 4 programs analyzed in Indonesia were:

WSLIC	: 34.5%
CERD	: 24.1%
P2D	: 46.2%
KDP	: 52.7%

\*Bappenas: Findings Of Post-construction Economic Impact Analysis Study For CDD Programs, ASEM Grant TF-053282-IND October 2005

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## RAPID RESPONSE: SOME EXAMPLES

- **ACEH RESPONSE:** 3 CDD projects prepared and appraised within 5 months.
- **AFGHANISTAN:** NSP negotiated 4 months after identification.
- **TIMOR L'ESTE:** CEP First donor project negotiated.
- **BALI – KDP** covered all of Bali within 2.5 months of bomb.

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## Measurable Benefits of the CDD Approach:

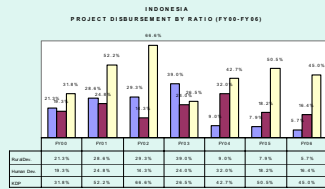
**Real Cash Savings: Re-Costing and Swadaya**  
Re-Costing analysis compared the savings achieved by CDD methods compared to traditional contractor built projects:

<u>Re-Costing Savings</u>		<u>"Swadaya" Savings</u>
WSLIC	: 49%	23%
CERD	: Built by contractors	None recorded
P2D	: 23%	None recorded
UPP	: 66%	35%
KDP	: 55%	21%

Voluntary contributions ("Swadaya") in the case of WSLIC, UPP & KDP covered the cost of village facilitators.

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## KDP'S DISBURSEMENT PERFORMANCE INDONESIA



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## CORRUPTION AND CDD: WHAT WE KNOW

- RATES SUBSTANTIALLY LOWER THAN STANDARD PROJECTS
- AUDITS AND CREDIBLE THREATS OF AUDIT MATTER MORE THAN PARTICIPATION AND SOCIAL CONTROLS
- FOLLOW-UP IS CRITICAL

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## COMMON CRITICISMS OF COMMUNITY DEVELOPMENT PROGRAMS: Design

- High overheads and T.A.
- Poor technical quality
- Bypasses local governments
- Elite capture
- Low sustainability
- Corruption and Leakage

**THESE ARE ALL TRUE!**

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## Common Criticisms II: Strategic

- Low government ownership and incompatibility with administrative structures
- Weak links to local government and technical agencies
- Cannot address supply side constraints
- Weak if any link to productivity changes

**THESE ARE ALSO TRUE!**

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**BUT THEY DON'T HAVE TO BE!**

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## LESSONS LEARNED ABOUT GOOD CDD STRATEGY

- Understanding country historical contexts is critical;
- CDD works best when placed in a CAS that brings other programs to bear;
- Begin with an identified champion;
- Broad-based ownership takes time;
- Learning requires constant evaluation;
- CDD can evolve to programmatic lending but it can't start there;

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### SELECTED LESSONS LEARNED ABOUT DESIGNING LARGE-SCALE COMMUNITY PROGRAMS

- Keep disbursements direct!
- All problems boil down either to poor management or insufficient transparency and communication;
- Pilots don't help much (but they take up lots of time);
- Public goods are different from private ones (and some fall in-between);
- Contractor performance is highly variable and should be assessed carefully;
- Always strive for simplicity (skip that extra great component!);
- Audits (or credible threats of one) lower leakage.
- Good projects have no conditions.

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### MAIN POINT REPEATED:

**IT IS  
ABOUT VILLAGE  
CHOICE!**

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### OBSERVATIONS ON ADB'S CDD WORK THAT CAN OR ARE BEING FIXED

- CDD IS AN OUTLIER WITHIN ADB'S PROGRAM
- TOO LITTLE ON-SITE MANAGEMENT
- OVER-RELIANCE ON CONTRACTORS
- GOLD-PLATING WITH TA AND GOV'T WISH LISTS
- INSUFFICIENT FOLLOW-UP ON VIOLATIONS
- SCARCE AND LARGELY UNUSED M&E

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### SELECTED LESSONS ABOUT MANAGING CDD

- EVOLVE OR DIE!
- DESIGN IS EASY, SUPERVISION IS HARD;
- SET THE BOUNDARIES EARLY AND BE CONSISTENT;
- HARASS THE ENGINEERS!
- INFORMATION FLOWS ARE ALWAYS A BOTTLENECK;
- DEMAND EVALUATIONS.

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### BUT POSITIVE TRENDS, TOO

- MORE ON-SITE PRESENCE
- IMPROVING DIALOGUE WITH GOVERNMENT ON CDD
- DEDICATED, KNOWLEDGABLE STAFF
- INTER-AGENCY COOPERATION AND LEADERSHIP (i.e. Decentralization Support Facility)

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### GOING FORWARD: INDONESIA CASE STUDY

- NATIONAL COMMUNITY EMPOWERMENT PROGRAM
  - PRESIDENTIAL INITIATIVE LAUNCHED BY 7 MINISTERS;
  - COMBINES CASH TRANSFERS WITH COMMUNITY DEVELOPMENT;
  - TO COVER ENTIRE COUNTRY BY 2008;
  - REVISE CDD DESIGNS IN 2007
  - APPROX. \$1.5 BILLION/YEAR FOR CDD.

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## ADB-WB COOPERATION INDONESIA

- ADB CHAIRS MULTIDONOR CDD TASK FORCE
- JOINT DESIGN FOR HOUSEHOLD CCT PROGRAM
- JOINT MANAGEMENT FOR CDD SUPPORT PROGRAM
  - 1<sup>ST</sup> PHASE TO BE BRIDGED WITH \$200 MILLION WB ADDITIONAL FINANCING
  - PLANNED SWITCH TO POLICY BASED MULTIDONOR SUPPORT BY 2008

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## Summary: Pros and Cons of CDD

### PROS

- **Growing business**
- **Efficient preparation**
- **Reaches the poor**
- **Popular**
- **Lower costs**

### CONS

- **Initially hard for governments**
- **Needs different staff mix**
- **Higher supervision**
- **Doesn't aggregate**
- **Needs long-term commitment**

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**Community Driven Development: Can it work for ADB?**

6 October 2006, Auditorium D, ADB Headquarters

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