

EXECUTIVE SUMMARY

A framework for mainstreaming participatory development processes into Asian Development Bank (ADB) operations was introduced in 1996. It was prepared in response to recommendations in the Report of the Task Force on Improving Project Quality, which emphasized the need for ADB to do more to enhance the sense of ownership among beneficiaries and developing member country governments for projects that are supported by ADB, and for greater beneficiary participation in all aspects of the project cycle. This special evaluation study (SES) was initiated in view of the consequent proliferation of participatory approaches in the new generation of rural development projects and the widely reported poor performance of earlier rural development projects using top-down and supply-driven approaches.

The problems in earlier projects (referred to as “conventional problems” in this report) include, in particular, less relevant project interventions and poor project sustainability. Considering the top-down and supply-driven approach as the cause of these conventional problems, a new set of participatory or bottom-up approaches has emerged as a solution. In rural development projects financed by ADB, bottom-up approaches include (i) beneficiary consultation and participatory planning, (ii) community development support, (iii) engagement of nongovernment organizations (NGOs), (iv) local government involvement, and (v) private sector participation. In view of the rapid scaling up of the new approaches, there is a need to provide early feedback on their performance as well as lessons learned.

The SES sought to find out if the new approaches offer an effective solution to the conventional problems. The SES applies a “principal-agent” model, which focuses on the issue of how a principal designs incentive measures for his/her agent so that the agent’s best interests, given those incentives, lead to a desirable outcome for the principal. This model has been used in analyzing incentive structures in public services. The effectiveness of services depends on relationships among three major players—policymakers, service providers, and beneficiaries. Citizens as a whole (the public) are the principal, represented by elected governments, which are therefore the proxy principal. Citizens influence governments through voice and elections, and governments influence service providers, which act as the agents for policymakers in governments.

In rural development projects financed by ADB, ADB and national governments act as the proxy principal, designing projects, determining implementation policies, and controlling providers—executing agencies and frontline providers, who are the agents. Using this model as a conceptual framework, the SES examines the roles of the major players in five central elements of rural development projects—resources, information, decision making, delivery mechanisms, and accountability. The SES selected six rural development projects as cases to examine in detail how the roles and relationships of the players have changed in the new generation of projects using participatory approaches.

Findings from the case studies show that the actual application of the participatory approaches varied significantly across the six projects examined—some of them spent substantial resources and long periods on beneficiary consultation and participatory planning. There was evidence that the participatory approaches improved information flows and created new delivery mechanisms. However in the case of intensive consultation, there was no evidence that the increased participation empowered beneficiaries in resource control and decision making, nor did it give them authority to hold providers accountable, enhance their ownership, or motivate them to take care of project facilities that were formally transferred to

them. In particular, inadequate maintenance of project facilities (such as rural roads and irrigation systems) remained widespread, leading to poor sustainability of project benefits.

The SES identifies a set of issues from the cases studied, including beneficiary ownership and project sustainability, downward accountability of providers to beneficiaries, the real value of beneficiary consultation and participatory planning, poverty reduction through the efforts of the nonpoor, the need for contextualized project design instead of following a standard model, the need to simplify monitoring and data requirements, and the critical importance of thorough fieldwork at the project design stage. Factors underlying these issues are investigated, leading to suggestions for better alternatives.

The SES provides a number of insights. First, the participatory or bottom-up approaches examined did not offer an effective solution to problems encountered in earlier projects, because they did not alter the principal-agent relationships among policymakers, project providers, and beneficiaries. While citizens as a whole were the principal, beneficiaries—individually or as groups—did not have the authority as the principal to hold providers accountable in the provision of services via policymakers. Providers were the agents working for policymakers and therefore responded to policymakers instead of to beneficiaries.

Second, the conventional problems—especially less relevant project interventions and poor project sustainability—were persistent, prevailing in not only the earlier projects but also the new projects examined. A deeply-seated institutional cause of the problems seemed to be intrinsic in the nature of the grant financing of the projects, which were largely free to beneficiaries, whose lack of payments to providers underlay their lack of real power to control providers.

Third, of the five central elements of service delivery—resources, information, decision making, delivery mechanisms, and accountability—control of resources was the most critical, determining the power in decision making and the authority as the principal to hold providers as the agents. In a competitive market, clients individually act as the principal to hold providers accountable, because they control payments to providers. In the projects examined, project funds were controlled by policymakers. Beneficiaries controlled few resources and therefore had little power in decision making and in controlling providers.

Fourth, information flow and delivery mechanisms seemed to be less important, although information was powerful under certain conditions, such as when beneficiaries had multiple choices of providers. Some of the participatory approaches (such as beneficiary consultation, participatory planning, engagement of NGOs, formation of beneficiary groups, and beneficiary training) focused on information flow or delivery mechanisms instead of the key issue of resource control, and achieved more rhetoric than real results.

It was not the application of a standard package of participatory approaches that made project interventions more relevant or sustainable. Rather, the design of the interventions needs to be based on a thorough understanding of local realities in project areas. Instead of requiring a uniform application of participation, ADB should ensure thorough fieldwork is conducted at the project design stage, encourage the design of local solutions for local problems based on local realities, and reward project staff based on the quality of project design rather than on lending approvals. Sufficient time and resources must be provided for not only consultants but also ADB staff to conduct thorough fieldwork at the grassroots level. The 1996 Staff Instruction on mainstreaming participatory processes into ADB operations needs revisiting.

Since participation is not a goal in itself but a means to achieve an objective, the use of participation should have a clear purpose. The form of participation may vary depending on that purpose, as well as on local conditions in particular project areas. The practice of applying a standard package of participation in all rural development projects without a clear purpose—by hiring NGOs, organizing beneficiary groups, conducting consultation workshops, providing training courses, and developing village plans—is not necessarily worthwhile, and automatic application should be discontinued.

Depending on specific conditions, alternative forms of participation may be explored, such as those focusing on the establishment and strengthening of direct relationships between beneficiaries and providers by making providers more accountable to beneficiaries. In cases where the direct approach is not practical, appropriate incentives should be designed for policymakers and providers so that their best interests, given the incentives, lie in achieving the objectives of the public. The SES proposes alternative measures, with a view to encouraging innovation and discussion of these. The need for pilot testing of such measures is highlighted, and this should be followed by an evaluation of the pilot testing before more widespread application.

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