



Technical Assistance Report

Project Number: 40305
May 2007

Supporting Community-Driven Development in Developing Member Countries

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CBD	–	community-based development
CDD	–	community-driven development
DMC	–	developing member country
RSDD	–	Regional and Sustainable Development Department
RSGS	–	Gender, Social Development, and Civil Society Division, Regional and Sustainable Development Department
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention (geographic)
Sectors	–	Multisector (agriculture and natural resources; transport and communications; water supply, sanitation, and waste management)
Subsectors	–	Irrigation and drainage, roads and highways, integrated
Themes	–	Inclusive social development, governance, capacity development
Subthemes	–	Other vulnerable groups; civil society participation; client relations, network and partnerships development

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. In January 2006 the Asian Development Bank (ADB) initiated a study to capture the global experience of community-driven development (CDD) approach and its application to ADB operations. The 3-month study concluded that CDD could potentially offer ADB an effective tool for inclusive growth and an opportunity for a new business line. The study also highlighted the need for ADB to proceed in CDD with care, given ADB's limited in-house experiences and resources. It recommended that ADB engage in pilot CDD projects as a special initiative over the next few years and use the experiences for building capacity and knowledge in ADB and its developing member countries (DMCs). The recommendation was widely supported during departmental briefings in ADB in October 2006. This technical assistance (TA) is designed to implement the key recommendations of the study and promote and support the demand for CDD in DMCs. The design and monitoring framework is in Appendix 1.¹

II. ISSUES

2. CDD as a mechanism for poverty reduction and local development has emerged and grown rapidly since the mid-1990s with the support of funding agencies, particularly the World Bank. CDD gives community groups control over decision making and the use of block grant resources for local development, especially in infrastructure projects. Within the spectrum of a community-based development (CBD) approach, which is a generic term for projects and activities that involve community-based organizations or groups, CDD's distinguishing feature is community control of resources, backed by direct channeling of funds to community groups or members. In CDD programs, communities are active participants who prioritize their development needs and compete for resources by preparing proposals.

3. CDD has been attracting attention because, when properly implemented, it is more developmentally effective than other approaches. For example, independent evaluations of the Kecamatan Development Program in Indonesia—the largest ever CDD operation in the world—indicated an average economic internal rate of return of 52.7%,² a much higher rate than that in other similar but non-CDD rural infrastructure projects implemented in similar geographic areas of the country. CDD also offers the prospect of improved accountability. Transparency in decision making and procurement, and the threat of audits have demonstrably reduced corruption and leakage. The bottom-up planning process of CDD presents more opportunities for women and the poor to effectively participate in community and local governance processes. Evidence also indicates that CDD is likely to offer better performance in cost recovery and the operation and maintenance of the selected infrastructure and services due to a strong sense of ownership of the community members. CDD can demonstrably operate to scale, as evidenced by the World Bank's annual CDD-related lending volume of about \$1.5 billion.

4. CDD is not just developmentally effective at the activity level. It also aligns well with some of the higher level strategic directions of ADB. Properly designed, CDD has much to offer in terms of the overarching poverty reduction agenda and achieving both income and non-income millennium development goals. It promotes inclusive patterns of growth and civil society demand for good local governance, while offering opportunities for better results in some of ADB's priority sectors such as rural and urban infrastructure, as defined in the Medium-Term Strategy II 2006–2008. CDD could be an innovative solution to difficult contexts where formal

¹ The TA first appeared in *ADB Business Opportunities* on 28 February 2007.

² Guggenheim, S. Development from Below. Presentation made at a panel discussion on CDD: *Can It Work for ADB?* Manila (6 October 2006).

local governance and/or local markets are absent or dysfunctional due to postconflict or postdisaster situations, or to remoteness, exclusion, and other factors. It works well in programs or projects that focus on local-level infrastructure and service delivery such as roads, irrigation, and water supply and sanitation, local governance reforms, microenterprise development, and common property resources management.

5. However, CDD is not applicable to all development programs. There are also risks and limitations with it. Success requires a significant level of capacity development assistance to community members or groups, local governments, and other implementors, which may mean a longer preparation period when first implemented. Close supervision is required during implementation. Challenges typical to traditional development projects may still need to be managed well, such as problems of elite capture, limitations in inclusiveness, technical suitability of certain infrastructure choices, adverse spillover effects of certain infrastructure decisions on neighboring communities, and long-term sustainability. In addition, CDD-induced governance and fund transfer structures should eventually be integrated into decentralized local governance and budgeting systems once community participation becomes a routine.

6. Both ADB's and the World Bank's evaluation studies on CBD, CDD, and other participatory approaches published during 2004–2005³ highlighted most of the noted risks. Despite these challenges, the World Bank's Board and Committee on Development Effectiveness recognized the significant potential of CDD for poverty reduction and recommended that the World Bank continue its effort to scale up CDD operations. In addition, the projects evaluated were those of earlier generation CBD/CDD. The new generation of CBD/CDD projects incorporate lessons learned. To avoid a parallel structure, for example, CDD programs are increasingly prepared within the larger local governance support and budgeting process. Project designs have been improved to better deal with excluded and/or vulnerable social groups as well as the sustainability of community-based organizations improved under the CDD programs.

7. In response to the growing popularity of CDD, ADB through its Regional and Sustainable Development Department (RSDD) conducted in 2006 a comprehensive review of its own experience with CDD, as well as its latest findings from other development partners. The key conclusion of *A Review of Community-Driven Development and Its Application to the Asian Development Bank*⁴ was that CDD has long passed the novelty stage; there is enough evidence to show that scaled-up application of CDD in ADB operations can indeed promote inclusive growth.

8. ADB has a reasonable level of experience applying CBD, CDD, and related participatory approaches to lending operations in rural and urban sectors, including large-scale projects financed by ordinary capital resources. Of 339 projects approved in 2001–2005, 28 (8% by number of projects) were labeled as projects with strong CDD elements, while 78 (23%) were labeled as CBD projects. Among 28 projects with strong CDD elements, 44% were from Southeast Asia, 40% from South Asia, and 16% from Central and West Asia region. However, the application of CDD in ADB-supported projects has mainly been confined to relatively small components within large loan projects. Its empowerment emphasis also has been limited; only

³ World Bank. 2005. *The Effectiveness of World Bank Support for Community-Based and -Driven Development, An Operations Evaluation Department Evaluation*. Washington, DC; and ADB. 2004. *Effectiveness of Participatory Approaches: Do the New Approaches Offer an Effective Solution to the Conventional Problems in Rural Development Projects?* Manila.

⁴ ADB. 2006. *A Review of Community-Driven Development and Its Application to the Asian Development Bank*. Draft. Manila.

11 of 339 projects involved direct channeling of resources to communities, the major feature that distinguishes CDD from CBD. Only nine projects had a participatory monitoring and evaluation component. A “full-scale” CDD project that involves a majority of project funding channeled to communities and strong capacity support to local and community governance building is still rare.⁵ The review further pointed out the very limited application of CDD within the postconflict or postdisaster context. Limited staff capacity, the fear of implementation delays, and the lack of systematic institutional support were among the major reasons for such limitation. The innovative nature of CDD will require a period of testing in the context of ADB’s operational procedures.

9. In summary, the review proposes that ADB start with three major actions supported through a regional TA involving countries with CDD potential. First, a special initiative would be launched to prepare and implement a few CDD pilot projects among those in the pipeline for the next 2 years. Such pilot projects could include: a “full-scale” CDD project, a CDD project or component in fragile states and/or a postconflict context, cofinancing or joint operation of a multiagency CDD fund, a CDD component or project with a good social accountability mechanism, and with an effective social inclusion mechanism. The pilot initiative would be pursued in collaboration between the operations departments and RSDD, and would allow ADB to experiment with innovative new approaches and catalog the findings through learning by doing. The results would guide future application of the approach. This should also involve exploration of a possible new CDD-friendly operational modality and flexible and innovative lending instruments as part of ADB’s ongoing Innovation and Efficiency Initiatives.

10. Second, the Japan Fund for Poverty Reduction and the Poverty Reduction Cooperation Fund have been instrumental in spurring the use of participatory methods in ADB-supported projects, including CDD components. It is essential that a repository for ADB’s institutional knowledge concerning its CDD experience be built to accelerate ADB’s learning. There are already at least 30 ADB-financed loan projects with CDD components and a number of grant projects financed by the Japan Fund for Poverty Reduction and TA resources supporting CDD objectives. Tracking, supporting, documenting, assessing impacts, and disseminating good practices among these are essential.

11. Third, there is still a large and unmet need by much of the population in DMCs—especially the poor, women, and other excluded groups—for effective participation in local development that could be addressed through the application of CDD. However, this need has not been translated into a strong demand for CDD, and so promoting such demand is important. Awareness raising and dissemination of CDD good practice could be effectively used for this purpose, targeted at governments (central and local), nongovernment organizations and other civil society organizations, and private sector entities that are increasingly interested in CDD as part of their corporate social responsibility programs.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

12. The intended medium-term impact of the TA is enhanced capacity and commitment of DMCs and ADB in scaling up CDD operations. The expected TA outcomes are the increased demand for CDD by DMCs and ADB’s enhanced institutional readiness for CDD.

⁵ Indonesia could be the only exception where there is a relatively long history of a number of nationwide government CDD programs.

B. Methodology and Key Activities

13. The key expected outputs of the TA are (i) relevant and timely assistance provided to ADB's CDD pilot initiatives in the DMCs concerned; (ii) knowledge generation and management for ongoing CDD operations in ADB-supported projects; and (iii) enhanced awareness of and capacity in applying CDD in participating DMCs on the part of governments, civil society, and the private sector.

14. **Component 1: Pilot Initiatives.** Component 1 will provide technical support through CDD expert inputs to at least two ADB-assisted lending operations in preparing pilot CDD projects,⁶ and explore innovative and efficient CDD operational modalities in collaboration with RSDD's Special Initiatives Group. The latter activity would involve assessing the need for procedural improvements in ADB to reduce transaction costs for CDD or CDD-type lending operations, and exploring the feasibility of and demand for flexible financing instruments and/or modalities for CDD, including possible nonsovereign lending. The pilot projects are being selected in close consultation with ADB's operations departments and DMCs.⁷

15. **Component 2: Knowledge Management.** The knowledge products envisaged under this component will include, but will not be limited to, the following:

- (i) case studies that track and document ongoing CDD experience in and lessons learned from loans, TAs, and grants;
- (ii) a CDD database that contains a project tracking information system, a description of key available resources by country, a list of experts and consultants, and other similar information;⁸
- (iii) a regularly updated website under ADB's soon-to-be revamped social development website; and
- (iv) up to 10 small-scale studies that assess specific issues related to operationalizing CDD through ADB operations.⁹

16. **Component 3: Awareness and Capacity Development.** This component will encourage DMC demand for the CDD approach by raising awareness and knowledge of CDD among key stakeholders such as central and local governments, private sector operators, and civil society organizations. The component will also develop capacity among CDD practitioners in the field to become CDD ambassadors to other countries/stakeholders where potentials are high. Networking among the champions in DMCs also will be supported. Finally, at the end of the TA period, the review recommendations will be revisited for any realignment in ADB's strategic approach to CDD operations. This component will proactively seek collaboration with other development partners such as the World Bank to avoid resource overlaps and enhance harmonization, especially where a capacity development mechanism already exists.¹⁰

⁶ This will be complemented by staff or staff consultant assistance to operations departments in preparing one or two more additional pilot projects.

⁷ Using the long list of loans in the pipeline for 2008–2009 approvals, RSDD and operations departments jointly worked on short-listing of pilot projects in early 2007.

⁸ Such a database should be built on existing systems in ADB such as C-cube. Maintenance of the database will be continued by RSDD's Gender, Social Development, and Civil Society Division upon completion of the TA.

⁹ Possible topics of assessments could be how to strengthen gender equality in CDD operations; enhancing impact monitoring methodology; exploring private-public partnerships in CDD; or ex post cost-benefit analysis.

¹⁰ A good example of this is the CDD subgroup under the multiagency Decentralization Support Facility in Indonesia which provides a mechanism through which a range of research and capacity development activities are supported. ADB currently leads this group.

C. Cost and Financing

17. The total cost of the TA is estimated at \$400,000. The TA will be financed on a grant basis by ADB's TA funding program. Details of the cost estimates are in Appendix 2.

D. Implementation Arrangements

18. The TA will be implemented over 24 months starting in June 2007. ADB through its Gender, Social Development, and Civil Society Division (RSGS) of the RSDD will be the Executing Agency for the regional TA and will be responsible for overall management and monitoring of TA activities. RSGS will work closely with selected country teams and project teams in the operations departments, and in particular with the relevant resident missions. It will also work closely with the Special Initiatives Group to explore opportunities for developing a new business line and financing instruments. About 10 DMCs will be included in the TA.¹¹ A no-objection letter will be obtained before starting or financing the TA activities in the territory of the participating DMCs. The TA will be technically guided by an interdepartmental CDD working group to be established in ADB. The group will be expanded gradually to include DMC stakeholders during TA implementation. Further, the TA will be implemented in partnerships with the World Bank and other development partners.

19. Eight person-months of international consulting services will be required. International consultants will be recruited to (i) assist in preparing CDD pilot projects, and (ii) assess and develop operational and financing modalities for CDD. In addition, a national consultant (CDD and social development analyst) will be required for 22 person-months. Recruitment of all consultants will be carried out on an individual basis and in accordance with the *Guidelines on the Use of Consultants* (2007, as amended from time to time). Outline terms of reference for the consulting services are in Appendix 3.

20. The TA will be synchronized with the revamp of ADB's social development external website by providing knowledge products and other materials. Given the significant work on knowledge management and capacity development on CDD carried out by other development partners, the TA will build on their success and add value by applying pertinent lessons to ADB-assisted operations.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis for Supporting Community-Driven Development in Developing Member Countries, and hereby reports this action to the Board.

¹¹ These countries, spread across five ADB operational subregions, will be selected in consultation with operations departments on the basis of potential demand and the existing portfolio and pipeline.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Enhanced capacity and commitment of DMCs and ADB in scaling up CDD operations	CDD featured as an important modality in DMCs' national development plans and ADB's strategic documents	National poverty reduction strategies / development plans in DMCs and ADB's strategic documents	Assumption <ul style="list-style-type: none"> Existing CDD projects are properly designed and implemented to demonstrate enough success to convince DMCs and ADB of CDD's effectiveness.
Outcome DMCs' demand for and ADB's institutional readiness for CDD enhanced	At least three new requests for CDD projects from DMCs reflected in 2009–2010 loans	ADB's country operations business plans and Project Preparatory Information System	Assumption <ul style="list-style-type: none"> MTS III will emphasize importance of reducing inequality and promote inclusiveness through local and community-level development.
Outputs <ol style="list-style-type: none"> Assistance to ADB's CDD Pilot Initiative provided in participating DMCs Knowledge management for ongoing CDD operations in ADB implemented Awareness of and capacity for CDD enhanced in participating DMCs 	By May 2009 (24 months) Technical support to at least two pilot CDD lending operations and an assessment of possible new financing instruments for CDD A range of knowledge products (see Activities and Milestones) produced on ADB's CDD experience Support to in-country briefings, practitioner exchange, conference participation of CDD "ambassadors" and networking	Quarterly update of TA progress review reports and TA completion report Quarterly update of TA progress review reports and TA completion report Communication with DMC counterparts, quarterly update of TA progress review reports and TA completion report	Assumption <ul style="list-style-type: none"> There is sufficient demand for pilot in ADB and DMCs. Risk <ul style="list-style-type: none"> ADB-wide operational focus will shift away from local governance support and community development.
Activities with Milestones <ol style="list-style-type: none"> CDD Pilot Initiatives <ol style="list-style-type: none"> Identify and provide technical support to processing of at least two new pilot CDD lending programs (June 2007–May 2009, intermittent) Prepare and conduct an assessment to develop new flexible lending modality fit for CDD in collaboration with the Special Initiatives Group in RSDD (June 2007–May 2008) CDD Knowledge Management <ol style="list-style-type: none"> Track and document ongoing CDD experience in ADB operations (annual good practice note in December 2007 and December 2008 for dissemination) Develop and maintain database on CDD lending and grant projects in ADB (database framework to be developed by October 2007) Develop and update website on CDD under ADB's Social Development Website (revamp by October 2007) Support small-scale studies related to ADB's CDD operations, e.g., impact assessment, thematic studies (August 2007–May 2009, demand-based) 			Inputs Output 1: <ul style="list-style-type: none"> TA resources \$140,000 (CDD consultant and operations modality specialist) Staff and staff consultant Output 2: <ul style="list-style-type: none"> TA resources \$140,000 (case writer, CDD data analyst, studies, database and website) Staff and staff consultant CDD briefing for ADB staff financed by ADB training program

Activities with Milestones	Inputs
<p>3. CDD Awareness and Capacity Development</p> <p>3.1 Conduct in-country briefings on CDD to assess demand for and enhance knowledge of CDD (June 2007–May 2009, at least 2 briefings)</p> <p>3.2 Conduct at least two project-to-project exchange programs (by December 2008)</p> <p>3.3 Provide financial and/or technical support to DMC stakeholder participation (at least four champions) in regional conferences/training on CDD by May 2009</p> <p>3.4 Support on-line or other networking and a knowledge exchange on CDD in DMCs</p> <p>3.5 Prepare ADB's renewed approach to CDD based on the regional TA experience.</p>	<p>Output 3</p> <ul style="list-style-type: none"> • TA resources \$80,000 • Staff and staff consultant • Existing networking structures on CDD supported by the World Bank and other development partners <p>Total: TA resources \$400,000 (including contingencies \$40,000)</p>

ADB = Asian Development Bank, CDD = community-driven development, DMC = developing member country, MTS = medium-term strategy, TA = technical assistance.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
Asian Development Bank (ADB) Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	118.0
ii. National Consultants	44.0
b. International and Local Travel	19.0
c. Reports and Communications	4.0
2. Training, Seminars, and Conferences ^b	75.0
3. Surveys and Studies	80.0
4. Miscellaneous Administration and Support Costs ^c	20.0
5. Contingencies	40.0
Total	400.0

^a Financed by ADB's technical assistance funding program.

^b Including two country briefings, two project-to-project exchanges, participation of four developing member country representatives in international or regional conferences, and participation of other resource persons.

^c Including on-line networking support, publications, and editors.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. Community-Driven Development (CDD) Specialist (6 person-months, intermittent)

1. The consultant will have a degree in social science, political science, public administration, or other relevant social development field. He/she will have at least 10 years experience in poverty reduction and participatory development, including experience in designing and implementing CDD-type projects involving infrastructure in Asia and the Pacific. The consultant should have good conceptual and practical understanding of what it takes to bring about changes to develop accountable, inclusive, and effective local institutions in the region. Familiarity with multilateral development bank lending schemes is a must. Ability to work in a multidisciplinary team is essential.

2. The consultant will undertake the following activities:

- (i) consult with operations department staff to identify pilot CDD projects;
- (ii) travel to the developing member countries (DMCs) concerned and provide technical inputs and/or facilitation support to the DMC counterparts and the Asian Development Bank (ADB) project team concerned in preparing and/or implementing one or two pilot CDD projects;
- (iii) prepare a summary report on the constraints and opportunities for preparing and/or implementing CDD projects;
- (iv) identify at least six ongoing loan and grant CDD projects in ADB that should be featured in case studies;
- (v) assisted by the national consultant who will collect data from case study project officers, prepare at least six case studies (each about 5–6 pages) on ADB-assisted CDD projects and update analysis and recommendations of the 2006 CDD review of ADB; and
- (vi) suggest how ADB can implement other technical assistance components.

2. Operations Modality Specialist (2 person-months)

3. The consultant will have experience (i) in implementing development projects that involve communities in procurement, fiduciary arrangements, and similar activities; and (ii) with financing instruments and modalities for development banks. Knowledge of community-based procurement and direct community financing is essential.

4. The consultant will undertake the following activities:

- (i) review current procurement and consulting services, project administration instructions and other procedures in ADB, assess from the efficiency point of view if modifications can be made to support CDD-type activities, and recommend how these modifications can be accomplished;
- (ii) carry out demand assessments in selected DMCs to identify their readiness to borrow for large-scale CDD loans and under what terms and conditions, and assess the potential demand for and capacity in CDD nonsovereign lending, programmatic lending, the use of cash transfer and other transactions in combination with CDD;
- (iii) review existing financing instruments and modalities in ADB, including those recently developed by the Innovation and Efficiency Initiative, and assess if existing

- instruments and modalities provide sufficient flexibility, efficiency, and opportunities for a large scale operation;
- (iv) review the CDD experiences of ADB and its development partners to identify ways to reduce transaction costs, especially supervisory costs during subproject implementation and consider whether or how innovative instruments or modalities can address the problem;
 - (v) review project monitoring and evaluation mechanisms adopted by a range of CDD projects or components in ADB, the World Bank, and other development partners, and suggest cost-effective ways of monitoring and evaluation within the limited resource environment without compromising project implementation and impacts;
 - (vi) review funds flow mechanisms adopted by the selected CDD projects in ADB and assess their effectiveness and lessons learned; and
 - (vii) on the basis of the assessment above, recommend whether new financing instruments and modalities should be considered to scale up CDD operations in ADB and, if so, what should the instruments/modalities look like.

B. National Consultant: CDD and Social Development Analyst (22 person-months, full-time)

5. The national consultant will be based in Manila and perform tasks under the supervision of staff of the Gender, Social Development, and Civil Society Division, Regional and Sustainable Development Department.

6. The national consultant will undertake the following activities:

- (i) considering the criteria used in the 2006 ADB CDD review report, collect project data for 2006–2007 for loan projects;
- (ii) develop a CDD grant project database (e.g., the Japan Fund for Poverty Reduction and technical assistance projects);
- (iii) with the help of operations departments, collect key documents and data related to CDD project preparation and implementation and input them into the database;
- (iv) develop other databases related to CDD, such as resource persons/consultants, regional institutes, nongovernment organizations/civil society organizations involved and other activities financed by the World Bank and other aid agencies (by country), and knowledge products produced by ADB and others;
- (v) collect and process key documents and data for case studies to be prepared by the international CDD specialist ;
- (vi) in line with the revamp of the social development page in ADB's external website, develop a CDD section and regularly upload CDD knowledge products and events information;
- (vii) provide logistical and administrative support to the training, conference, knowledge exchange, and the selection of proposals for small-scale studies;
- (viii) assist in and facilitate communication among the CDD working group inside and outside of ADB; and
- (ix) identify ways for on-line networking among the DMC CDD champions and other means to enhance their knowledge exchange.