



THE BANK'S COOPERATION WITH NGOs

A Background Paper

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Awareness has grown in recent years that people, rather than systems, are the key to development. On the one hand, beneficiaries are demanding a larger role in the development projects which shape their lives. On the other hand, it has become clear that such projects can work properly only if the beneficiaries are closely involved from the outset.

ADB and NGOs: Growing Together

I. IMPORTANCE OF NGOs IN THE 1990s

"One way of ensuring closer beneficiary involvement is to work with nongovernment organizations (NGOs)." ¹ NGOs are now recognized to be valuable facilitators in bringing about closer grassroots beneficiary involvement in development. NGOs can often motivate and mobilize their grassroots clientele in a way that government, even local government, cannot because they enjoy the confidence of the clientele and work directly with them. NGOs understand clientele culture and idiom which are important social dimensions that impinge on beneficiary participation in development efforts.

NGOs capacity to mobilize participation is only one of the recognized advantages. Their capacity for experimentation and innovation is well known. They are value-based and have committed and dynamic staff, dedicated to grassroots work. They are able to reach services to communities which are not easily accessible by public agencies. Their service-delivery is often cost-effective as they have low overheads. In general, they have a voluntaristic ethic that is difficult to replicate in other types of organizations.

To a large extent, donor recognition of the importance of beneficiary participation for development effectiveness and limitations on the capacity of government and public sector executing agencies to promote such participation, has contributed to the increasing interest in NGOs. To an even greater extent, NGOs' own capacity to influence new approaches to development has dramatically increased in the last decade. NGO leaders themselves have become articulate spokespersons for their grassroots clientele, taking on, in many cases, an advocacy role, where previously they were involved in service delivery. This has occurred as a result of many factors.

First, NGOs now command much greater resources than in the past. According to OECD, NGOs of its Development Assistance Committee (DAC) provided assistance equivalent to 9 percent of total official development assistance in 1986.² This is in addition to significant U.S. private contributions to NGOs and assistance to NGOs channeled by governments of DAC member countries, as well as USA and Japan.³ NGOs in India alone are reported to handle \$520 million annually or 25 percent of all

¹ Asian Development Bank, Growing Together.

² Paul, Samuel, "Nongovernmental Organizations and the World Bank: An Overview," in Samuel Paul and Arturo Israel (eds.), *Nongovernmental Organizations and the World Bank: Cooperation for Development*, The World Bank, 1991, p. 22.

³ *Ibid.*, p. 23

external aid.⁴ Second, the numbers of NGOs operating in the Bank's DMCs has increased many-fold. There are about 18,000 NGOs registered in the Philippines and an even greater number in India. Third, NGOs now attract not just committed but more professional staff, many of whom are technically experienced and also have proven managerial and communication skills. Hence, NGO perspectives are increasingly supported by quality research and credible methodologies and evidence, making them more defensible in the development community. Fourth, the emergence of a greater number of NGO networks promoting North-South and South-South NGO linkages, has enabled donor access to many NGOs who may otherwise not have been heard.

II. BROADENING OF THE CONCEPT OF DEVELOPMENT EFFECTIVENESS FOR THE BANK

A. Ensuring Beneficiary Ownership of Projects

As evident from the quote at the beginning of this paper, the Bank has recognized the importance of beneficiary participation for development effectiveness. More specifically, beneficiary participation is key to ensuring beneficiary ownership of the project (along with ownership by other stakeholders). Such ownership, the Report of the Task Force on Improving Project Quality says, is "vital" to sustainability.⁵

Beneficiaries will feel a sense of ownership only if they are involved in projects from the very beginning. This means beneficiary consultations during project identification to ascertain their needs; beneficiary involvement in project design to ensure that the project objectives and design parameters are set by beneficiary needs; and beneficiary involvement in implementation to ensure intended project outcomes. NGOs can help in beneficiary consultations during project identification to help them prioritize their needs and identify actions to address them. They can mobilize beneficiaries for participation in implementation of the projects in order that beneficiaries may have a stake in how the project performs.

For example, in water supply and sanitation projects, NGOs can ensure that beneficiaries are involved in decisions regarding placement of facilities. They can help users to gain access to training and technology and organize responsibility for operation and maintenance of the facilities during and after the project. Thus beneficiaries can help to ensure intended outcomes as also feel a sense of ownership of the benefits because the facilities serve their needs and they help to maintain them. In credit projects, NGOs can organize women's groups to articulate their requirements for credit (location of credit source; amounts required and frequency of loans; schedule of repayment) to facilitate timely delivery of credit and in the amounts and manner appropriate to beneficiary needs.

Part of the NGOs' comparative advantage in mobilizing beneficiaries for active involvement in projects is that NGOs are not perceived to be "outsiders" who come into the community to meet with the beneficiaries when the need arises — they live and work in the community and have built up a certain credibility with them.

⁴ The World Bank, Strategies for Improving Bank Operations by Strengthening Linkages with NGOs, June 13, 1994 (draft).

⁵ Asian Development Bank, Report of the Task Force on Project Quality, January 1994, p.6.

B. Enhancing Project Quality

Beneficiary participation and improving the potential for beneficiary ownership of projects has also been highlighted by The Report of the Task Force on Improving Project Quality. The report also underscores many other aspects related to improving project quality that directly suggest more effective contribution of NGOs to the work of the Bank and the executing agencies in DMCs.

The report mentions the need to look beyond the traditional measures of quality such as cost-effectiveness and economic internal rates of return to social and environmental impact. NGOs often have a detailed knowledge of and sensitive approach to social and environmental conditions in the geographical area they work in. Such knowledge and approach can be invaluable in social and environmental assessments conducted by the executing agencies in the Bank's DMCs. Further, where such social and environmental conditions have to be closely monitored throughout the life of the project to ensure that there is no negative impact, for example on women, NGOs can assist in such monitoring.

The report calls for the "introduction of *experimental* and *pilot projects* into the Bank's program, and through the use of *process-oriented* approaches in some cases to build and strengthen institutional capacity.⁶ The Bank and executing agencies can usefully harness NGOs' experimental and innovative capabilities to help them design these pilot projects iteratively using process-oriented (e.g. participatory) approaches. NGO projects, almost as a rule, emphasize more the process or "learning-by-doing strategy"⁷ than government projects. In this way also, NGOs build a closer relationship with the beneficiaries than government is able to.

Finally, the report specifically mandates NGO involvement in Bank operations. It says that the "Bank *must* (emphasis added) encourage governments to shed roles and functions than can be fulfilled by the private and nongovernment sectors with greater efficiency and effectiveness."⁸ It is now widely acknowledged that governments are not well positioned and often do not have the capacity to undertake certain development-related tasks, especially since administering development has become more complex. The report recommends that Project Preparatory Technical Assistance (PPTA) fact-finding missions should, along with government, visit sites and hold consultations with prospective beneficiaries and NGOs.

III. RELEVANT INITIATIVES IN BANK-NGO COLLABORATION

A number of initiatives suggest themselves as being appropriate to the context outlined in the previous sections.

1. **NGOs can be involved in many new ways in Bank operations.** NGOs are no longer mainly involved in service-delivery as they traditionally were. On the contrary, the persistence of poverty in many countries and the increasing number of vulnerable groups as a result of structural

⁶ Ibid., p.8.

⁷ Ibid.

⁸ Ibid., p.9.

adjustment programs in some countries, has necessitated diversified roles for NGOs (including social mobilization, advocacy, and informing and influencing policy) and more cross-sectoral involvement for an integrated focus. They have, therefore, more to contribute to the Bank and executing agencies now than they had before.

2. **The Bank can support capacity building of NGOs.** Although NGOs have diversified in functions and sectoral involvement, their capacities are stretched. Except for the established NGOs with proven abilities, most NGOs are poorly equipped, technically and managerially, to deal with escalating development problems. Yet they are needed because they are close to the people, are sensitive to their needs and listen to them more than government is able to. Selective and appropriate capacity-building efforts of NGOs in Bank operations recognizes NGOs as viable and necessary for fulfilling development objectives.
3. **The Bank can promote greater government-NGO dialogue on development issues so that policy at the country level reflects realities on the ground.** Since NGOs work among the communities, they are in a position to assess the performance of a variety of development interventions and obtain feedback from the beneficiaries. This assessment and feedback can inform policy of what strategies are effective and how beneficiary expectations can be addressed in the planning process based on lessons of experience.
4. **The Bank can promote partnerships with NGOs at all levels, especially between the government and executing agency and NGOs.** It is well accepted that no one set of institutions in a country can effectively undertake all development tasks. NGOs' recognized contribution to development effectiveness has already been mentioned. To optimize the benefits that NGOs can bring to development, NGO involvement in the project cycle as well as in policy consultations should be institutionalized. One way is to devise formal partnership mechanisms at various levels or strengthen those that already exist.

Partnership mechanisms can be institutionalized at various levels. They can exist between the Bank and NGOs, at the regional level, for policy consultations (e.g., a consultative group such as the World Bank-NGO Committee that meets annually to discuss, among other things, World Bank policies and NGO concerns); between the Bank, government and NGOs at the country-level for policy consultations (e.g., consultative group on resettlement that meets on every Bank mission and is formally involved in designing and monitoring resettlement in specific Bank operations in that country); between NGOs and government for sectoral strategy formulations and project cycle involvement (e.g., NGO-government committee in each sectoral ministry to discuss sectoral strategic plans as well as project interventions); between executing agencies other than government and NGOs for project implementation (e.g., a committee consisting of executing agency staff and relevant NGOs to discuss implementation and beneficiary feedback as part of the project monitoring process).

5. **Bank support for a more enabling legal and regulatory environment at the country level for nongovernmental initiatives in poverty reduction.** Just as it is recognized, particularly in newly industrializing countries, that the for-profit private sector can be expected to perform efficiently if government policies are conducive of initiative; similarly, the non-profit private sector, or NGOs, can also perform effectively if a conducive legal and regulatory environment exists to promote rather than constrain their potential. On the part of the government this involves, e.g., devising NGO registration procedures that are simplified, with intent to promote more NGO initiatives; requesting from NGOs details on their foreign funding with the intent to systematize rather than curb involvement; adopting a disclosure of information policy on proposed development policies and projects with intent to welcome NGO input rather than to dissuade; and, monitoring NGO political activity with the intent to facilitate dialogue rather than control NGO activities. In addition, government might need to promote greater "political space" for NGOs, characterized by a "level playing field" and open communication links with government, in order to ensure that NGO advocacy is fruitful and not misdirected.

6. **Bank exploration of a menu of financing options for NGO efforts.** To encourage NGO experimentation and pilot efforts, which government and other executing agencies are not generally well-positioned to undertake, a variety of financing options need to be explored and existing sources effectively used (e.g., TAs of the Bank and Participation Fund of the World Bank). While many NGOs still require grant funds to undertake development activities as they are non-profit, some qualify for loans as NGO funding sources have diversified significantly over the years and some of them have adopted revenue-generating mechanisms. For example, some NGOs have profit-generating development initiatives, such as schools in urban areas, and provision of credit for the poor for profitable enterprises. There are still other NGOs which have two "arms" —a consulting "arm," comprising educated professionals, which generates revenue, and a development "arm" that is funded by the revenue from consulting.

IV. NGO DEFINITION AND TYPOLOGIES

NGOs have been variously defined and classified. They are classified as a "residual" category, i.e., those that are neither for profit nor governmental (e.g., savings clubs, parent-teacher associations, chambers of commerce, labor unions, alumni associations).⁹ They are also classified as residual nongovernmental but including those that make a profit, albeit equitably shared among members, such as cooperatives. NGOs can also be classified functionally, e.g. development-oriented or human rights-focussed. Development-oriented NGOs can be further classified as, e.g., those primarily involved in disaster relief or provision of services or community-

⁹ Brown, L. David, and Korten, David. C., Understanding Voluntary Organizations: Guidelines for Donors, Policy, Planning and Research Working Paper, Country Economics Department, The World Bank, September 1989, p.3.

organizing.¹⁰ Hence, organizations that work for the poor (intermediaries); formal membership organizations (labor unions); and informal organizations (user groups) can all be categorized as NGOs. While these categories are often mentioned, they are more analytical than real.

As the number of NGOs proliferate globally, functional distinctions become blurred. Many NGOs combine several functions and take on certain functions while giving up others. They make choices based on, among others, effectiveness of strategies, beneficiary needs, and political exigencies at the grassroots level. NGO functions can also change in response to changing staff competencies within the organizations and shifting donor priorities which affect availability of funding for certain sectors. NGOs may also *present* certain concerns in terms that are not easily identifiable with one of their functions. For example, NGOs working among "oustees" of a dam project may present the problem of resettlement as a human rights issue. Some NGOs working for the development of indigenous peoples participated in a Conference on Human Rights in Vienna in 1993 and drew attention of the world community to the *human rights dimension* of the problems of indigenous peoples.

Rather than NGO typologies, the more important issue for the Bank in working with NGOs is assessing NGOs' track record and development impact, involving them effectively where they have comparative strengths and supporting capacity enhancement in areas where they appear weak. NGOs have many strengths and these were identified in the first section of this paper. In addition to low technical and managerial capacity mentioned earlier, NGOs also have other limitations. Some of them are noted below.

- NGOs are good at experimentation and pilot efforts, but their successes on the ground are often the result of a coalescing of unique circumstances which cannot be easily replicated. For example, a charismatic NGO leader or committed village headman might have been instrumental in successful NGO efforts. The potential for replication and scaling up are important considerations for an institution like the Bank which has to apply effective strategies in a variety of development settings, both intra-country and within the region.
- NGO outreach is limited. NGOs work in among small communities over a limited geographical area. Their successes cover a smaller population than would be required to be reached under a Bank operation. NGOs may not always exist in areas to be covered in a Bank operation and NGOs working in one area in a Bank project may not be effectively "extended" to work in another under the same project.
- Many NGOs do not use conventional evaluation criteria for their activities — indeed, most NGOs do not even systematically evaluate their work. Consequently, the Bank may have difficulty comparing NGOs on the basis of their impact.

Some limitations are a function of weak institutional capacity. Others are a function of characteristics which have low replicability potential, such as good

¹⁰ Ibid., p.10-11.

leadership, often charismatic, which is not found in public agencies or even in all NGOs. Still others are simply a function of the small size of NGOs and concentration in a limited area, often deliberate NGO strategies that make them effective in developing close relations with the beneficiaries and making them acceptable in the community. Finally, and perhaps most importantly, limitations may be a function of differing perceptions between donors and NGOs, of success and how to measure it.

V. OTHER INTERNATIONAL AGENCY PERSPECTIVES VIS A VIS NGO INVOLVEMENT

A. The World Bank

While NGO involvement in World Bank-financed operations dates back to at least the early 1970s, a quantum leap in such involvement has occurred since 1991.¹¹ As far as the project cycle is concerned, the trends show that there has been significant increase in NGO involvement in all stages but substantial increases in their function as advisors and in monitoring and evaluation.

NGO participation in more upstream stages of projects, principally design, has also been substantive. In one case, NGOs were involved in pilot efforts to demonstrate feasibility of certain approaches which have then formed the basis for the design of larger projects. In another case, NGOs conducted gender assessments and studied appropriate participatory approaches used at the grassroots level, to ensure that gender issues were effectively addressed in the design phase of the project.

NGOs have also been instrumental in designing the "Social Investment Funds" — a new mechanism to provide assistance to the most vulnerable groups in society.¹² Such funds have been supported by the World Bank since 1986 "to help already poor people who are being squeezed still further as their countries take severe but necessary steps to overcome serious financial crises."¹³

Outside of the project framework, NGOs have been involved in sectoral programming, principally in environment. For example, NGOs have been involved in consultations on the National Environmental Action Plans (NEAPs), are five or ten year plans that analyze country-level environmental problems and propose solutions. In Guinea, an NGO prepared the World Bank-supported NEAP. "The NGOs close ties with the communities enabled it to obtain a wide range of feedback and ideas from those people most affected by the environmental problems in Guinea."¹⁴ NGOs were instrumental in shaping certain components of the environmental investment strategy for Mauritius.

Official World Bank-NGO operational collaboration is guided by the OD No. _____ on World Bank-NGO collaboration. NGOs also continue to be involved in

¹¹ The World Bank, Cooperation Between the World Bank and NGOs: 1993 Progress Report, Operations Policy Department, February 2, 1994, Fig.1.

¹² The World Bank, Working with NGOs in the World Bank, A Global Partnership for Development, 50th Anniversary, p.2.

¹³ Ibid.

¹⁴ Ibid., p.16

various new ways, as shown above, in World Bank-financed projects and sectoral plans. However, the World Bank has moved beyond the focus on involving NGOs in projects and sectoral work as important in itself (and, hence, beyond forms and modalities of Bank-NGO collaboration) to addressing more fundamental policy concerns that NGOs have raised. NGOs have become rather more important in the World Bank for drawing its attention to issues of the consultations with communities on environmental assessments, beneficiary participation, a more open disclosure of information policy, and establishment of an independent inspection panel to investigate complaints from parties affected by Bank operations.¹⁵

The World Bank has responded to these issues in various ways. While a more open disclosure of information policy and the inspection panel is in place, the World Bank is continuing its dialogue with NGOs on consultation with communities in environmental assessments. On beneficiary participation, a recent World Bank report recognizes NGOs as one among many stakeholders who "affect, or are affected by the policies, programs and projects which it (the World Bank) supports."¹⁶ The report also recognizes that NGOs have an advantage in helping to promote beneficiary participation. It states that the characteristics of NGOs, such as their "small-scale, locally-specific programs with defined beneficiary population"¹⁷ enables their work to be "more amenable to participatory approaches."¹⁸

Beneficiary participation was also identified, by a World Bank report, as an important element in improving quality at entry for World Bank-financed projects. The report entitled "Effective Implementation: Key to Development Impact" by the Portfolio Management Task Force of the World Bank, states that "in the identification and preparation stages, the Bank should foster borrower commitment to beneficiary participation."¹⁹ Although the report does not specifically mention NGOs, it follows that because NGOs have the ear and trust of the people they work with at the grassroots, it is likely that involvement of NGOs in promoting beneficiary participation will increase both through projects and through policy dialogue.

B. The United Nations System

The approach to NGO collaboration in the UN system can cover only broad areas of focus, since each agency of the system has its own priorities and approach dictated by those priorities. At the country level, among other things, the UN system has adopted participative programming that "seeks to actively involve relevant NGOs in the formulation, implementation and assessment of development programmes in an ongoing and flexible process," mechanisms that will allow field representatives to be flexible in responding to local needs; and a sharing of ideas and experience that will help field staff to become more effective in working with NGOs.²⁰

¹⁵ Ibid., p.14.

¹⁶ The World Bank, The World Bank and Participation, Operations Policy Department, September 1994, p.2.

¹⁷ Ibid., p.20.

¹⁸ Ibid.

¹⁹ World Bank, Effective Implementation: Key to Development Impact, Portfolio Management Task Force, September 1992, p.26.

²⁰ United Nations, Working with NGOs: Operational Activities for Development of the United Nations System with Nongovernmental Organizations and Governments at the Grassroots and National Levels, Geneva, 1993, p.iii.

At other levels the initiatives include, establishing consultations with NGOs on operational issues; strengthening the work of the inter-agency NGO unit; establishing a central unit or focal point for policy guidance. Key operational processes identified include, supporting NGO networks, capacity building and training of NGOs, encouraging participative evaluation approaches and strengthening NGO capacity for evaluation.

VI. ADB-NGO COLLABORATION

A. Policy Paper of 1987²¹

The Bank had limited experience until 1987 in its collaboration with NGOs. The collaboration was generally limited to consultations and informal discussions with NGOs on development issues. A more definitive policy outlining possible new areas and opportunities for Bank-NGO collaboration was, therefore, needed. In addition, the persistence of poverty in the region prompted the Bank to rethink its own strategies and those of governments to tackle poverty directly. Hence, a greater cooperation with NGOs to supplement the efforts of the Bank and its executing agencies was thought necessary.

The main objectives of Bank-NGO collaboration as stated in the paper was to address the basic needs of disadvantaged groups and support improved natural resource management and conservation activities in the DMCs. Among the sectors of collaboration mentioned, in which such cooperation was possible was environment, agriculture, irrigation, fisheries, livestock, forestry, urban development and housing, water and sanitation, health and population; and education and training.

NGOs had been involved in government projects mainly as sources of information on local conditions or for implementation of certain components of projects. In addition to their role in implementation, the paper suggests that the Bank can draw on NGOs expertise and knowledge of local conditions to facilitate its own efforts in helping to identify, prepare, monitor and evaluate projects that it finances.

The paper identifies four forms of cooperation between the Bank-NGOs. They are: source of information; consultants or contractors; executing or cooperating agencies and cofinanciers. While the first and last form, viz. Source of information and cofinanciers refers mainly to NGO function, the two other forms refers mainly to the type of contractual relationship to the Bank. Although functional and contractual relationships are not distinguished in the 1987 policy paper, the distinction is useful because NGO involvement has implications for the Bank in ways not necessarily apparent with professional consulting firms or for-profit contractors. The political and social aspect of Bank-NGO relations go beyond the mechanics implied in contracts.

The 1987 paper identified the Bank mechanisms that will be initiated to facilitate increased Bank-NGO collaboration. They are maintaining records and information about NGOs for easy identification of interested NGOs; getting more information out to NGOs about Bank projects; encouraging contacts between executing agencies and NGOs; increasing coordination with bilateral and multilateral institutions;

²¹ Asian Development Bank, The Bank's Cooperation with Nongovernmental Organizations, June 1987.

and holding tripartite workshops between the Bank-government and NGOs to exchange views on NGO involvement in Bank operations.

B. Operational Experience

Attempts to involve NGOs substantively in ADB operations have occurred since the late 1980s. Loan documents of projects involving NGOs since 1987 show that NGOs have been involved largely in implementation and in this mode of collaboration their relationship to the Bank has been as consultants and cooperating agencies.

The review of experience is divided into two parts. The operational experience consists of a review of selected completed and ongoing Bank-financed projects. Although the sample is not representative and the selection was primarily based on availability of information, an attempt has been made to include projects across a variety of sectors. The country selection is less broad because substantive Bank-NGO operational experience has, so far, been limited to a few DMCs. The second part of the review consists of Bank-NGO collaboration outside the project framework.

Overview of Principal NGO Roles in Project Implementation

- **NGOs in Financial Intermediation**

Four projects (Philippines NGO Micro-Credit 1 and 2, Nepal Microcredit for Women and Bangladesh Rural Employment Creation involve NGOs as financial intermediaries. NGOs provide, either exclusively or in combination, the following services in financial intermediation in these projects. They serve as conduits for onlending loan funds to the beneficiaries and they provide credit support services to the banks and to the beneficiaries. As credit support "agents" NGOs assist the beneficiaries (sub-borrowers) in completing loan applications, raising awareness among them, and group formation and strengthening. In credit support to banks, NGOs assist with loan appraisal, supervision and recovery. NGOs also function as credit conduits and the relending interest rates to NGOs and onlending interest rates to sub-borrowers usually cover the cost of loan administration by the executing agency and the NGOs respectively. In the case of NGOs this rate could also cover the cost of "social preparation." One of the purposes of having NGOs involved as credit conduits in Bank-financed credit projects, is to strengthen their potential to become Alternative Financial Institutions (AFIs).

The Philippines NGO Micro Credit Project (1988) was intended to strengthen, in six selected regions, the ongoing Tulong sa Tao (TST) Self Employment Loan Assistance Program of the Government. The project was a \$8 million pilot to ascertain the demand for credit among low-income groups that are "bankable" but are not accessed by the formal financial system and to test the approach of involving NGOs as conduits for credit. The project designers believed that NGOs can viably access the "hard to reach" and monitor repayment of loans because of their close relationship to the beneficiaries. The project executing agency was the Department of Trade and Industry (DTI) which relend the borrowed Bank funds to eligible NGOs. The NGOs onlent these funds to eligible beneficiaries and smaller NGOs. Relending and onlending rates were

intended to cover the cost of administration of loan funds (as also social preparation in the case of NGOs).

The pilot project was considered a success because the funds were fully disbursed two years ahead of schedule and the targets were exceeded in terms of number of beneficiaries reached, number of NGOs who applied to serve as conduits, and number of jobs created. The pilot project demonstrated that there was an unfulfilled demand for credit among new clients and for repeat loans for those assisted under the First Project to help them sustain their businesses. It also demonstrated that involving NGOs can help reach those who need non-collateralized credit. The success of the pilot project encouraged the Bank to approve \$30 million for a Second NGO Microcredit Project. The second project involved the NGOs as financial conduits also, extending the coverage to all the regions in the country. The second project is ongoing.

The ongoing Bangladesh Rural Women's Employment Creation Project (1990) has so far involved NGOs only in credit support services for the executing agency for the credit component, namely, the Bangladesh Krishi Bank (BKB) and its borrowers, although there is a provision for them to serve also as conduits for onlending funds to sub-borrowers in areas where BKB branches do not exist. In relation to NGOs, one difference between the Bangladesh project and the Philippines First and Second Micro-Credit Projects is that it provides (in addition to the fees for credit support) for a 1% bonus to participating NGOs, as a reward where recovery rate is 80% or more.

The Nepal Microcredit for Women, an ongoing pilot, provides also for two models for NGO involvement in credit provision. Model A will involve NGOs in support services only while in Model B, NGOs will function as credit conduits also. In determining the fit between the needs of the beneficiaries and NGO capacity to fulfill the functions of financial intermediation, the project adopts a three-stage approach. In Stage I, NGOs will be given training in the social preparation; in Stage II, NGO which "graduate" from the training will participate as credit support "agents" of the participating banks. In Stage III, NGOs who perform well as credit support agents will be selected as conduits for onlending funds to sub-borrowers. The first three years of project implementation will focus on strengthening NGOs through training and involving them as credit support agents only. One difference between the Nepal and Philippines pilot micro-credit projects is that in the latter case, the interest spread did not cover the estimated cost for credit support since the NGOs supported under the project were already involved in the government-funded TST program and were expected to have trained the beneficiaries.

- **NGOs in Grassroots Organization and Support Services**
 - **Natural Resource Management**

Four Projects, all in the Philippines, have notable NGO involvement in natural resource management. They are the Forestry Program; the Forestry Sector Project; the Low Income Upland Communities Project and the Fisheries Sector Program. Only in the latter three projects did the NGOs have a substantial role in grassroots mobilization. In the Forestry Sector Program, they served as contractors for reforestation, not necessarily including a prior involvement in community mobilization or support during the period of the contract. The Low Income Upland Communities Project has been described in the next section under NGOs in Full-Service Activities.

The Forestry Sector Program (1988) was the first attempt to move away from a "force-account," in which government undertook reforestation directly, towards community-based reforestation, in which contractors were engaged. Under the Forestry Sector Program, the NGOs, as also other private institutions, functioned as contractors for reforestation in project areas. The government-NGO contracts were for 3-4 years. NGOs had a negligible role in actually mobilizing the communities, since the mode of involvement was as contractors using the communities as hired labor for reforestation of a targeted hectareage.

In the later Forestry Sector Project (1992), the emphasis shifted to involving NGOs only in community mobilizing and support services to the communities, while the government directly concluded the Forest Land Management Agreement (FLMA) and Community Forestry Management Agreement (CFMA) with the groups assisted by the NGOs. The agreements allow the groups to have a 25-year lease on the land, extendable to another 25 years. The site plans involve either reforestation, watershed rehabilitation or residual forest management, including agroforestry. NGO roles in community support under this project included baseline information collection and the development of a site management and implementation plan.

NGOs are involved in community organizing and support under the Fisheries Sector Program (1989). In the implementation of the bay-specific Coastal Zone Management Program (CZMP) component, the NGOs are involved in organizing the fishing communities to undertake natural resource management activities in their area as well as activities for income diversification. NGO staffs are expected to live in the community and together with Executing Agencies, Local Government Units (LGUs) and Government Organizations other than executing agencies, and communities, form a bay management coordinating group. In the case of income diversification activities, the NGOs are also conduits for onlending credit to the fishing communities.

- **NGOs in Grassroots Organization and Support Services**
— **Village Development**

Two projects, the Pakistan Chitral Area Development Project (CADP) and the Nepal Upper Sagarmatha Agricultural Development Project (USADP) involve NGOs in community organizing and training. While in USADP the NGO role is mainly to supply community organizers and district village workers for extension activities under the project, the CADP provides for intensive involvement of the Aga Khan Rural Support Program (AKRSP), the NGO acclaimed for its community organizing and support to the poor in the remote North-West Frontier Province (NWFP), in formation of and services to village organizations.

Under the USADP, the community organizers at the village level ascertain beneficiary needs, help them articulate it and organize them around sustainable grassroots economic and ecological activities.

In the CADP project, the design and implementation of the village development component will follow the model already established by AKRSP, although the village organizations formed under the project will be villages not already covered by AKRSP. According to the Report and Recommendation to the President (RRP), "AKRSP has shown that initially villagers can be most effectively organized around productive

activities, and that construction of a physical infrastructure scheme with genuine participation of villagers in planning and implementation is an effective entry point and a catalyst in organizing villagers." AKRSP will collaborate with the NWFP in forming village organizations (VOs) and women's organizations (WOs). AKRSP is also involved in helping these organizations in planning, design and implementing productive physical infrastructure (PPIs) which will include irrigation schemes, access roads and woodlot nurseries. AKRSP provides support services to the organizations, such as credit for land development and crop production and marketing of produce.

- **"Full-Service" NGO Activity**

Two projects in the Philippines, the Low Income Uplands Communities and the Non-Formal Education Project are examples of what may be called "full-service" activities at the grassroots. In full service provision a contracted NGO provides all services required to the identified community as opposed to the NGO being one of the many service providers to that community. Full service activities may or may not be predetermined. Services to the communities may, therefore, include helping them to articulate their needs and identify suitable interventions within a broad sectoral framework. The vehicle for funding for such a full -service model can sometimes be subprojects, in which the NGOs submit proposals for activities to be undertaken in a subproject area.

NGOs are involved in full-service activities in the Low Income Upland Communities Project (1989). NGOs will arrange for, implement and coordinate project services including community organizing, land titling, agro-forestry extension, reforestation contracts and infrastructure construction in a watershed. One NGO per watershed will be contracted to implement all the activities within the watershed through Site Management Units (SMUs) and Sitio Service Centers. The main implementing unit will be the Watershed Management Unit (WMU) which will support the SMUs, will help link services from concerned government agencies to the targeted communities and will be responsible for preparing and obtaining approval of work and financial plans for the watershed. NGO community organizers will reside within the targeted communities and help them develop socioeconomic development plans (SEPDs) and establish nurseries, undertake agro-forestry and reforestation.

While in the Low-Income Uplands Community Project, the activities in natural resource management, such as reforestation, were actually predesignated, and the NGOs simply involved in their implementation, the Philippines Non-Formal Education Project (1993) is an example of a design that builds on NGOs' recognized experience in service provision at the grassroots level. The Functional Education and Literacy Program (FELP) "aims to provide functional education and literacy training in the poorest barangays in the target area." Subprojects under this program will be managed and implemented by accredited organizations, including NGOs. The implementing organizations will be involved in determining beneficiary learning needs and organizing a learning group. The learning funds will be used specifically for (i) local adaptation and production of learning materials that directly address the expressed needs of the learning groups; (ii) fees or honoraria for trainers, local resource persons and community facilitators to support the learning groups; (iii) provision of basic learning materials and supplies to support the learning process; and (iv) conduct of baseline studies to identify and determine the priority interests of the target beneficiaries.

C. Lessons Learned and Recommendations

This section is indicative rather than definitive because it is based on anecdotal information. There are three principal reasons for this. First, most projects reviewed in this paper are ongoing, hence a full review of implementation is not available except in the case of the Philippines First NGO Microcredit Project and the Philippines Forestry Sector Program. Second, the amount and nature of information the project staff has about NGO involvement in ongoing projects is a function of what they are required to monitor during review missions. Review missions largely monitor physical progress; hence staff knowledge of NGO involvement in projects is limited to implementation outputs and even that to the extent progress or lack of it is attributable to NGO performance. Since the most revealing and significant information about NGO involvement in development is related to process (that which causes outputs to be positive or negative), such as relationships between government staff and NGOs or NGO capacity to influence implementation mechanisms, which are not generally monitored in projects, this section is inadequate. Third, the lessons of experience and the interpretations that form the basis of the recommendations are derived from discussions with only one set of stakeholders, namely Bank staff. These cannot be validated till the NGOs and executing agencies participating in the selected projects are also invited to contribute their perspectives.

Implementation Procedures and Process

- **NGO Selection: The Problem**

An issue confronting projects in the Bank is how to select appropriate NGOs. Since it is assumed that NGOs are attractive for their social purpose and close relationship to the communities, this section addresses problems of selecting socially-purposive NGOs rather than technically qualified ones. This is not to suggest that NGO technical capacity is not an important issue in project implementation; however, technical deficiencies can be addressed with institutional strengthening mechanisms, whereas selection of socially unmotivated NGOs defeats the purpose of NGO involvement in the first place.

Within Bank projects, there appears to be a heavy reliance on eligibility criteria for selecting NGOs to participate in the project. While such criteria are useful and transparent, what the criteria are, who is involved in framing them, whether they are rigid or flexible and whether they are enforceable even if they are well designed, are important considerations. They may also be internally inconsistent in ensuring that NGOs selected reach a desired clientele.

The experience of the Philippines Forestry Sector Program suggests that the eligibility criteria were not able to ensure that the selected NGOs had a base in the communities and were, at least, motivated by non-pecuniary considerations. On the contrary, some NGOs clearly violated the spirit of NGO involvement by indulging in unfair payment practices for hired labor for community reforestation. NGOs were contracted for reforestation at a fixed price for hired community labor based on an agreed formula for unit cost per hectare. But the NGOs paid their labor less than the estimated cost and kept the difference as profit for their organizations. Various review

missions subsequently commented that the NGOs selected were Manila-based organizations with only peripheral links with the grassroots, and some of them were formed specifically to take advantage of funding under the Program.

In the Bangladesh Rural Employment Promotion Project, political interference of a minister resulted in some NGOs not being selected according to agreed procedure. At least in one case, the agreed upon procedure was not enforceable.

In the Philippines First NGO Microcredit project, NGOs which were finally selected based on the established criteria, were financially sound but did not adequately service the clientele who wanted to start new businesses and which the project also hoped to reach. The PPAR found that most of the clientele reached were those who wanted to expand existing businesses. One reason for this can be traced to the NGO selection criteria formulated under the Project. At least two financial criteria (minimum net worth of peso 100,000 and a minimum collection rate performance of 80%) probably were inconsistent with characteristics of NGOs that service those starting new businesses and those in the survival economy. In addition to the net worth criterion, the PCR of the First NGO Microcredit Project identified the criterion of risk assets ratio of 1:5 thus reducing the potential of many small NGOs to participate.

- **NGO Selection: Assessment and Recommendations**

Part of the solution to the problem of selecting NGOs is to make eligibility criteria more inclusive both in elements and process and make them flexible to change according to realities on the ground. Another way is to design project interventions such that NGOs are likely to self-select, either because opportunities for profit maximizing are low or because of their comparative advantage. It is also important, however, to ensure that mechanisms for selection within projects are balanced with initiatives outside of projects to ensure that socially motivated NGOs come forward.

- **Mechanisms within Projects**

- (i) *Eligibility criteria* - Eligibility criteria should include indicators that detect the participatory nature of NGOs and accountability to their clientele. One such criterion could be positive beneficiary evaluations of past NGO performance. Such evaluations could be obtained through independent surveys or by asking beneficiaries directly. This is particularly important in projects seeking NGOs experienced in working with grassroots women. Not all NGOs work with women effectively although many have programs that are women-oriented. Another criterion (included in the NGO selection criteria under the Bangladesh Rural Employment Creation Project) could be beneficiary representation in the NGO management structure. A third criterion could be number of staff of the NGO who actually live and work in the community rather than in the city offices of NGOs. This is particularly important in countries like the Philippines, where Luzon-based (particularly Manila-based) NGOs dominate the NGO skyline.

Eligibility criteria should also be made adaptable to changing situations and criteria dropped or added depending on implementation exigencies. For example, if the genuine community-based NGOs are not coming

forward to participate, eligibility criteria should be carefully scrutinized for inhibiting aspects. If changes are indicated, then there should be flexibility in the process to make these changes. NGO involvement in the process of formulating eligibility criteria itself will likely avoid some of the pitfalls of inappropriate criteria and internal inconsistency.

- (ii) *Self-selection* - Since the advantage and attractiveness of NGOs is their grassroots orientation and beneficiary access, one way of selecting NGOs is to design interventions in a way that discourages fund-driven NGOs from participating. Following the unfortunate experience of non-socially motivated NGOs in the Forestry Sector Program, the subsequent Forestry Sector Project minimized the problem by reducing the opportunities for profit making under the Project. Under the project, the communities hold the contract for natural resource management called the Forest Land Management Agreement (FLMA) and the NGOs are only contracted for support services such as community organization and development of a management plan. Although the usefulness of the design in discouraging fund-driven NGOs was only a byproduct of the actual project objective of providing security of tenure for the community groups for long-term management through FLMAs, it suggests design mechanisms that might attract the "right" NGOs and deter the socially unmotivated ones.

- **Indirect Initiatives**

- (i) *Recruitment* - Newspaper advertisements requesting applications from interested and qualified NGOs are useful as a means of wider selection and of communicating the existence of opportunities for NGOs to participate. This was used, with apparent success, in the Philippines Fisheries Sector Program in combination with eligibility criteria formulated under the program. However, newspaper advertisements often do not attract the best in the business, especially smaller NGOs working in the rural areas, partly because they may not even see the advertisement and partly because they may be diffident of their own capacity to write a proposal or even a sophisticated letter. On the other hand, they may not even be looking for new opportunities.

Newspaper advertisements should be accompanied by active recruitment of good NGOs. Such recruitment can be based on information sought from a combination of sources such as other donor agencies and NGO surveys that also include an assessment of their capabilities.

- (ii) *NGO Workshop* - NGOs may be invited to a workshop to discuss their views on a variety of technical and social subjects, especially in relation to project objectives, during which their social and technical capabilities may be assessed and used as a basis for selection. Used in combination with a recruitment procedure mentioned above, it can become an adequate selection process and may eliminate the need for formal eligibility criteria. A workshop, sensitively facilitated, can help to draw in NGOs who are not sophisticated and who have little exposure to donor styles.

Many socially committed NGOs are not eager for new avenues of involvement, because they are usually already stretched. Both a high response and a low response to overtures by the executing agencies and donors for the NGOs to participate, should be a cause for concern. If there is high response, the project may be attracting fund-driven NGOs. If there is a low response, the socially committed NGOs may not be coming forward. Hence, a combination of methods need to be used to attract good NGOs.

- **Payments to NGOs: The Problem**

Unreliable procedures for making payments to NGOs through the existing line agency mechanism has caused implementation delays and considerable discontent among NGOs in some projects. Although the cases of such delays in the projects reviewed have largely occurred in one sector (environment), in one country (Philippines) and one executing agency (Department of Environment and Natural Resources - DENR), such problems are known to have occurred in line agencies in other DMCs also in relation to other donor-financed projects.

In projects in which DENR was the executing agency (Philippines Forestry Sector Program, Forestry Sector Project and Low-Income Upland Communities Project) Bank project staff and the PCR on the Forestry Sector Program indicated that payment delays affected the implementation schedule. In the cases of the Forestry Sector Program and the Low Income Upland Communities Project, this view is confirmed by feedback from NGOs received by the Bank. In all cases, payments to NGOs were released after an evaluation of NGO performance by DENR. Not only was the bureaucratic process in sanction of payment extremely cumbersome, apparently involving no less than 20 steps (signatories), but DENR was the final authority in evaluating NGO performance.

A joint statement by NGOs in the six watershed areas of Mindoro (implementing the Low Income Upland Communities Project), mentions payment delays (including advances) for NGO services as a problem and payments delays to the communities for their development activities indirectly affecting NGO credibility with their clientele. The evaluation by DENR of NGO performance on which payment depends can also be a problem if the formula applied for determining area forested by the contractors is not an acceptable standard. A note by one of DENR's own staff quoted in the one of the cases accompanying the joint statement states that "confusion arising from the use of an obsolete formula has resulted in delayed payments to contractors. This is unfair to the contractors who should not be made to suffer because an improper formula was applied."

In the Philippines Fisheries Sector Program, the NGO implementing the program in Region 5 faced funding constraints due to delays in payments by the executing agency, the Department of Agriculture.

It is a credit to the commitment of the participating NGOs in the Forestry and Fisheries Sector Program that they continued to perform services even though payments were delayed.

- **Payments to NGOs: Assessment and Recommendations**

The solution to the problems regarding timely payments to NGOs will remain complicated as long as line agency procedures are not changed and fewer steps introduced into the process of NGO evaluation, sanction and disbursement. Although no examples of acceptable or simplified procedures have been found in Bank-financed projects selected for review, some possible ways of reducing the problems can be suggested. The options suggested below that bypass the line agency structure should be explored in cases where it appears that the existing structure is not responsive to simplifying critical elements of procedure vis-à-vis NGOs and the Bank feels that it has little leverage in bringing about changes.

- (i) *Decentralization* — Authority for performance evaluation and payment should rest with the lowest unit of the line agency. This requires changing the rules that govern sanction and disbursement of funds, but this can be made part of the conditionality of the loan.
- (ii) *Local Government* — Another way, particularly relevant in the Philippines, is to make the Local Government Unit (LGU) the implementing unit and the one with the responsibility for assessing NGO performance, as well as sanctioning and disbursing funds. The repeated problems with NGO payments in successive forestry projects in the Bank suggests that the line agency was probably inherently unresponsive to NGO needs.
- (iii) *Private Contractor* — Another way, used by USAID in its Natural Resource Management Project (NRMP) in the Philippines, is to channel the money to a private contractor who then is responsible for evaluations and payments to subcontractors. This system has apparently worked well in NRMP because DENR has not been responsible for NGO evaluations or been the channel for NGO funding. Although the option of direct funding to a contractor is not available to the Bank which has to channel its funding through a government agency, some mechanism of government-private contractor joint implementation can be devised that allows a block payment to a private contractor for direct disbursement to NGOs based on contractor evaluation of NGO performance.

- **Executing Agency-NGO Collaboration: The Problem**

The problems of inhibiting procedures can be compounded by poor executing agency-NGO collaboration. Poor communication between the two sets of institutions has resulted in NGOs not being fully conversant with the procedures for implementation in projects, thus affecting their performance.

In the Philippines Low Income Upland Communities Project, among other things, the inadequate understanding of implementation procedures and expectations of

NGOs resulted in inadequate NGO performance. In the Fisheries sector program, poor coordination between NGOs and executing agencies initially, affected program implementation.

- **Executing Agency-NGO Collaboration: Assessment and Recommendations**

Executing Agency-NGO collaboration can be improved partly by having staff of the two sets of institutions represented in coordination units at the national and local levels, steering groups, and working groups. However, representation only partially addresses implementation problems. In fact, having participating NGOs represented on the numerous coordination levels and mechanisms created in a project, however well intentioned, can confuse NGOs more than assist in smoother implementation. More than the mechanism for executing agency-NGO collaboration, the quality of collaboration brought about by such representation is important and should be monitored. A more sustainable collaboration mechanism is associated with decentralization, namely partnerships between local government agencies, communities and NGOs.

- **Local level coordination**

The fisheries Sector Program established a Technical Working Group involving the local government and the NGOs to address the coordination problems in the program. Since NGOs participate in it on their own time and at their own cost, it suggests that they probably feel it to be useful.

- **Multi-level coordination**

A careful monitor of the impact of NGO representation on multiple bodies needs to be conducted periodically. In the Philippines Low Income Upland Communities Project, NGOs are represented in the Water Management Council at the municipal level which is an advisory body for the Water Management Unit, managed by the NGO. NGOs are also part of the Provincial Project Steering Committees, which has an advisory role. It is not clear what NGO representation at these multiple levels was meant to foster, in terms of collaboration between executing agencies and the NGOs. It is clear, however, that the continuing implementation problems for NGOs, such as inter alia, payment delays (mentioned before), actions without consultations with the NGOs, and lack of process-learning, mentioned in the Joint Statement by the participating NGOs, suggest that these mechanisms have not had much effect.

- **Partnerships**

Since NGOs directly involved in grassroots mobilization and local level service delivery are most comfortable and operate most effectively at that level, probably the most sustainable means of ensuring executing agency-NGO collaboration is partnerships between local government, communities and NGOs. The Bank could build on models in certain DMCs such as the Philippines, where local government units (LGUs) have been given considerable autonomy to forge partnerships between themselves and communities and in many cases NGOs also. Following the promulgation

of the Local Government Code, many LGUs in the Philippines have implemented innovative development projects at the local level in partnership with NGOs and communities. Many LGUs have won awards for their innovative efforts.²²

One recent award recipient is the municipality of Sulat, Eastern Samar which established a partnership with the provincial government, the Department of Health and the NGO, the Eastern Samar Development Foundation, to implement the Partnership for Community Health Development, a concept promoted under the World Bank-financed Philippines Community Health Development Project. The partners worked together to assess beneficiary needs at the barangay level; conduct training and retraining for, e.g., midwives and health workers; and construct sanitation facilities. Diarrheal disease, the main killer of infants in the area before 1991, prior to the inception of the partnership, is no longer a cause of infant deaths in the area (see Appendix 1 for brief description of this initiative).

Institutional Capacity for Quality Service Delivery

- **Project Implementation Capacity in Executing Agencies: The Problem**

Some projects have identified technical, project management and monitoring capacity of government and public sector executing agencies, such as banks, as being inadequate for quality service delivery. Principal areas of weakness that have implications for NGOs are 1) lack of subject area specialists in line departments and banks to inform, advise and troubleshoot to ensure that NGO performance does not suffer for lack of technical support; 2) lack of personnel who understand NGO needs, social purpose, and process-oriented operating style. The example given here of lack of executing agency capacity to deal with NGOs sensitively is illustrative of a generic problem in executing agencies in most DMCs, although there are variations across executing agencies (as across DMCs) as to the extent of their non-responsiveness.

Lack of in-house financial capabilities for monitoring credit performance of NGOs was identified in DTI under the Philippines First Micro-credit Project. Lack of trained financial analysts at the local level who could interact with NGOs and help them understand project requirements and financial issues affected NGO performance.

In the Bangladesh Women's Employment Creation Project, the Department of Women's Affairs (DWA) is a new agency within the government. It does not have experience in project management.

In the Philippines Forestry Sector Program, one of the weaknesses of DENR was its technical capacity. It had insufficiently trained personnel. The weakest points in the DENR structure were its community and provincial offices, the ones that

²² The LGU annual awards program is administered by Prof. Edele Guiza at the Asian Institute of Management, Manila. A sizeable number of successful LGU initiatives for which awards have been given have involved partnerships with NGOs. Prof. Guiza is a source of information on ongoing and proposed LGU-NGO partnerships to implement a variety of community-based projects.

NGOs are most likely to come in contact with. Monitoring of NGO performance was considered a severe constraint affecting implementation in the Forestry Program. As noted before, the formula used for determining performance based on area reforested was considered obsolete which affected evaluation of NGO performance, which, in turn, had other implications for NGO effectiveness.

DENR's low technical capacity was also a problem in the Philippines Low-Income Upland Communities Project. NGO feedback on the project presented in the form of a Joint Statement, mentions that in relation to activities being undertaken based on the Socio-economic Development Plans (SEDPs), "in some cases, technical designs for infrastructure from the engineering unit were inappropriate or materials delivered were substandard."

Suggesting the lack of sensitivity of DENR personnel to NGO needs, the statement reads, "the implementation structure has fostered a set of counter-productive attitudes on the involved personnel, e.g. personnel in DENR tend to dictate schedules. NGO and PO personnel tend to react negatively to impositions which oftentimes conflicted with pre-planned on-site activities."

- **Project Implementation Capacity in Executing Agencies: Assessment and Recommendations**

A variety of options can be suggested to address the issue of inadequate implementation capacity among executing agencies. One option widely used in the Bank is institutional strengthening mechanisms for the executing agencies. Mechanisms of institutional strengthening are related to improving executive agency support to NGOs participating in the project. Until an impact study of the institutional strengthening efforts of the Bank is done, however, focussing particularly on sustainability of the efforts, the usefulness of the mechanisms to augment the implementation capacity of the executing agency in general, and NGO and beneficiary-related aspects in particular, is not demonstrated. Moreover, low implementation capacity may be compounded by unrealistic expectations of executive agency implementation potential by project designers.

- **Increasing Staff**

Providing additional technical personnel is one way to augment capacity in executing agencies. Under the Philippines Second NGO Micro-credit Project, with a larger lending Portfolio and greater NGO participation than the First Microcredit Project, more financial analysts were placed at the field level to provide guidance to NGOs involved as credit intermediaries. In the Bangladesh Rural Employment Creation Project, a Project Coordinator (NGO Specialist) was recruited to coordinate the activities of a team of consultants providing advisory and institutional strengthening services to the Department of Women's Affairs. Another variation of this mode of institutional strengthening is to create a focal point of NGO-related activities at the national level as is done in Women's Development Department of the Ministry of Local Development in the Nepal Micro-credit for Women Project.

In the Pakistan CADP, the AKRSP staff were contracted to the Planning and Development Department of NWFP to accelerate work on the village development component.

- **NGO secondments to Government**

Having socially committed, grassroots experienced local NGOs provide staff to be seconded to executive agencies could be a more effective strategy to improve their (executive agencies') sensitivity and understanding of beneficiary needs and NGO operations in projects than hiring international or even locally-based individuals who may be NGO specialists but are not NGO staff, past or present. Although NGOs may not be willing to be "co-opted" in this way and/or the executive agency may be opposed to direct NGO influence, this is a mechanism worth exploring if the institutional set-up in which the NGO staff is placed can be made relatively autonomous from the regular line agency procedures to ensure maximum effectiveness of the secondment.

Local NGO secondments can enhance the sustainability of NGO-related institutional strengthening of executive agencies since local NGOs are likely to have a more of a stake in their governments being effective development institutions than, for example, international specialists who are without a local base and who move from project to project and country to country. Local NGO secondments might help to guard against consultants acting as implementers but failing as strengthening agents as is apparently happening in the Bangladesh Rural Employment Creation Project.

- **Setting realistic implementation targets**

Overburdening executing agency staff with unrealistic implementation targets can contribute to low implementation capacity which can negatively affect NGO performance. A paper containing, among other things, an analysis of the Philippines Forestry Program loan suggests that the enormous burdens placed on the DENR because of expectations of such a large program actually "forced sloppy work..."²³ including inability to handle the paperwork burden that led, among other things, to delays in making payments to contractors and provide training to contractors on reforestation. If executive agencies are to provide technical support to NGOs and improve their understanding of and sensitivity towards them by using process-oriented approaches, setting realistic targets is necessary.

- **Implementation Capacity in NGOs: The problem**

Almost all projects reviewed for this paper identified low NGO capacity for implementation and institutional support to augment their capacity have been provided either as a component of the project itself or as technical assistance. Particular weaknesses identified by the projects include lack of technical expertise, for example in forestry, and understanding of financial operations and banking principles in the case of credit intermediation.

²³ Korten, Francis, F., "Environmental Loans: More Harm than Good?" paper presented at the Fifth Annual Conference of the Northwest Consortium for Southeast Asian Studies, Vancouver, British Columbia, October 1992, p.17.

In the Philippines Low Income Upland Communities Project, the mid-term review mission noted that only one out of four participating NGOs had a forestry expert. Compounded with lack of assistance from DENR, NGOs could not fulfill the expected implementation requirements. NGOs participating in the Philippines Forestry Program had a similar constraint which prevented them from performing to expected levels.

In the Philippines Second NGO Micro-credit project, NGOs contracted to be financial intermediaries required the assistance of financial analysts to strengthen their capabilities.

- **Implementation Capacity of NGOs: Assessment and Recommendations**

While it is true that most NGOs, especially the smaller groups, lack technical expertise, the lack of NGO implementation capacity in Bank-financed projects may have more to do with high expectations of NGOs, a point made earlier in relation to expectations of executing agencies. These expectations relate to the functions NGOs perform and their scale of the operation in Bank-financed projects. While the NGO sector is diverse and many NGOs have developed a variety of capabilities, the Bank should recognize that NGOs as they have evolved are primarily catalysts for mobilization at the grassroots. In this role, their technical involvement has been limited to small-scale efforts, such as experimentation with new technologies. Their contributions have been in developing new approaches to service provision to the poor (such as social preparation). The Bank should be cautious in expecting that such contributions should necessarily result in a scaled-up NGO capacity, especially to fill gaps in executive agency incapacities.

The Bank must also recognize that the extent to which NGOs can be pushed over the threshold from experimentation to effective implementation (even with institutional strengthening) is a function of NGO absorptive capacity, NGO motivation in developing their capacity to stretch themselves functionally and spatially, and NGO capacity to scale-up without compromising their relationship with the beneficiaries (which makes them attractive in the first place). In the case of micro-credit projects, another aspect to be considered is NGO willingness to take risks with loan funds. These considerations should be factored into projects that propose to involve NGOs.

- **NGO Absorptive Capacity**

Absorptive capacity of implementing agencies, including NGOs, should be given the same importance as demand for services in determining implementation capacity in the assessment of potential effectiveness of the project. Initial findings in the ongoing Philippines Second NGO-Microcredit Project indicate that NGOs have not been able to absorb expected amounts of funds for onlending, and disbursements to sub-borrowers have also been much less than expected. In following on the success of the First NGO Micro-credit Project, in addition to, and probably even more than, credit demand, the Bank should have used the capacity of existing NGOs to increase their monitoring and financial capabilities to deal with the larger loan sizes, and greater

number of beneficiaries, as the yardstick for expansion potential into a second project. Given that the absorptive capacity continues to be a problem, it is not clear in what way and to what extent the NGO Development program accompanying the Second NGO Microcredit Project is making a difference to NGO capacity.

- **NGO Functional and Spatial Diversification**

A careful assessment needs to be made about NGO motivation in wanting to move into functional areas they have limited or no experience in and also into other geographical areas. Many NGOs may be motivated to expand beyond their capacity because of availability of funding and opportunities for networking with government, bigger NGOs and donors. Some may even have dishonorable motives, as some NGOs in the Forestry Program who paid the labor less than was budgeted in order to make profit. Some NGOs may be interested in transplanting to another area to gain more experience but others may have a political agenda and to develop a new base.

- **NGO relationship to the beneficiaries**

NGOs which are primarily involved in mobilization and beneficiary support cannot easily make the transition to a higher scale of operation and other types of functions without costs to their credibility with the clientele. Transition involves dealing with new agencies (donor and government), more bureaucratic levels and cumbersome procedures, and greater technical complexity. The greater number of implementation aspects the NGOs have to deal with the less control they tend to have over implementation processes affecting the beneficiaries. In the Philippines Low Income Upland Communities Project, the Joint Statement by six participating NGOs suggests that NGOs were not able to enforce the provisions laid out in the project regarding, among other things, schedule of payments to NGOs, and prior consultations with the NGOs and beneficiaries on changes to the Socio-Economic Development Plans (SEDPs).

- **Risk-taking with loan funds in micro-credit projects**

The Bank should understand that micro-credit is complex and risky for NGOs and slower than expected disbursements may be an indication of NGO unwillingness to take risks with loan funds. In the Philippines Fisheries Sector Program, the credit component, although small, is moving slowly partly because NGOs are unwilling to take risks with loan funds. Reinforced by eligibility criteria and impact determinants that give considerable weightage to repayment rates, NGOs which are likely to participate as credit conduits for loan funds are those with a base of clients who have already demonstrated their creditworthiness (as happened with the Philippines First Micro-credit Project and is also evident in the Second Micro-credit project) or those with considerable experience in social intermediation to the poorest in the low income category and who have the confidence that they can ensure good repayment rates (very few NGOs in the DMCs probably qualify in this category).

- **NGOs as "Gap-Fillers"**

The Bank and executing agencies must guard against the tendency to view NGOs as "gap-fillers," i.e., substitutes for government service delivery systems

where such systems are absent, inadequate or of poor quality. Involving NGOs as credit conduits wherever banks do not reach the poor effectively, with the expectation that they can become alternative financial institutions for the low-income groups, is an example of a "gap-filling" approach. The existence of a few good performers such as Grameen Bank and BRAC does not necessarily make all NGOs effective in the intermediation function, even with training and technical assistance. This suggests the need to ensure that NGO capacity is fully appraised during project preparation.

Another way to assess NGO capacity is to use an iterative approach during project implementation. This is used in the design of the Nepal Micro-credit for Women (a pilot project), in which participating NGOs, in the first stage of the project, will receive training and technical assistance and only function as agencies for credit support for the beneficiaries and for the banks. An evaluation of their potential conducted after three years will determine which NGOs, if any, will graduate to the next stage to function as credit conduits. It is recommended that, in order for this evaluation to be fully objective and usefully inform further interventions in microcredit in this and other projects, it should be an independent evaluation, preferably including a self-evaluation by NGOs, to facilitate their own understanding of their capacities and limitations.

Project Design and the Bank's Processing and Administration Procedures

- **Project Design: The Problem**

Some of the problems identified as being problems of NGO implementation, actually occur not only because targets are unrealistic but because they are set when the project is designed, with little or no involvement of NGOs in determining what can be accomplished. Many of the problems relating to inappropriateness of the project to beneficiary needs as is the case with the Philippines Low Income Upland Communities Project, is again a result of not involving both beneficiaries and NGOs in the design of the project, to determine what the needs are and suggest how those might be addressed. PPTAs, as presently constituted, largely address technical issues rather than social and NGO-related issues. ADTAs have also been limited to funding institutional strengthening rather than exploring more process-oriented approaches to projects.

Bank staff also despair that they do not have enough time for project processing to enable them to pay attention to new approaches, process-orientation or involvement of NGOs in the design of projects.

- **PPTAs**

Beneficiary needs assessments, social and NGO assessments should be an equally, if not more, important aspect of feasibility determined during project preparation. However, conversations with Bank staff suggest that PPTAs are biased in favor of technical feasibility. Hence they do not lay much emphasis on social feasibility and assessment of NGO capacities. They also do not appear to require a separate beneficiary needs assessment, although it seems particularly critical, e.g. in the case of women, because the project should be designed to address not only what the women

need but how to minimize (or avoid altogether) the likely negative effects of project interventions on women.

As far as involvement of NGOs in a PPTA is concerned, although a review of institutions contracted under PPTAs has not been undertaken to determine if they are consulting firms or NGOs, with both technical and grassroots experience, discussions with Bank staff suggest that PPTAs have generally involved consulting firms rather than NGOs. The Bank's procedures do not, at present, appear to be conducive to NGO involvement in PPTAs in areas of NGO expertise.

- **ADTAs**

ADTAs are used mainly for institutional strengthening of the executing agencies and NGOs. While this is important, it is not quite clear how well they are designed and what their impact is.

- **Time-Frame for project processing**

Total project processing time is about eighteen months. However, very few months of these is actually spent by staff in the field. While detailed assessments cannot be expected to be conducted by staff anyway, staff say their multiple responsibilities constrain them from devoting the time necessary to supervise and guide the work of consultants and ensure that required process-orientation has been incorporated and is being followed. The problem is that unless the consultants are carefully selected and staffs have the full confidence that they can perform on their own, staff time in guiding the process intensively is increased.

- **Project Design: Assessment and Recommendations**

NGO involvement in project design should be increased. Technical assistance-related mechanisms already exist in the Bank which could facilitate greater NGO involvement. For example, NGOs could be involved as consultants in project preparation technical assistance (PPTAs) in conducting beneficiary and social assessments. Next, formal consultative processes could be set up between the Bank, executing agencies, and the NGOs to jointly design the project under the Advisory Technical Assistance (ADTAs). However, the Bank's procurement procedures could constrain the creative use of Technical Assistance. Pilot projects are also an effective way of testing potential for effectiveness since they are more amenable to a process and iterative orientation than regular projects.

- **PPTAs**

The Bank should ensure that PPTAs adequately undertake beneficiary and institutional assessments. Some guidelines on how to systematically conduct beneficiary consultations within the framework of a PPTA and involving NGOs are already available. Among the important contents of a Bank-commissioned study on

Cooperation with NGOs in Agriculture and Rural Development²⁴ are specific guidelines in conducting, for example, a PPTA to involve beneficiaries in the project planning process and involving NGOs as contractors for beneficiary consultations.²⁵

In order to bring in NGO expertise in a PPTA, particularly for the beneficiary needs and social assessments, the Bank should modify the requirement that only one firm be used as a principal contractor. Although, there are examples of the principal contractor being required to have social experts on the team, and some NGO staff can be brought in as social experts, this requirement has, apparently, limited enforceability.

Some NGOs, particularly international NGOs and well-equipped national NGOs have, however, the technical and social expertise to become principal contractors for feasibility studies. The Bank should attempt to locate such NGOs and encourage them to bid, rather than rely on the existing network of consulting firms. One known case of an international NGO involved under a PPTA is that of CARE-Nepal which is being contracted to undertake a feasibility study for an integrated program under a Bank-financed basic needs pilot project in Nepal.

Although international NGO participation in PPTAs is a step towards bringing PPTAs closer to assessing multiple aspects and realities in the proposed project area, in-country NGOs in the Bank's DMCs are adequately, if not better, qualified (and certainly, better accepted among beneficiaries) to undertake beneficiary and social assessments, especially involving methods such as participatory rural appraisal (PRA). Their participation is, however, inhibited by the Bank's procurement policies, which require knowledge of bidding procedures and sophisticated proposal writing skills. Although direct selection is permitted under the Bank's guidelines, it is not encouraged because it eliminates competition. In order to facilitate the selection of NGOs as consultants, it will be necessary for the Bank to simplify procurement procedures. Alternatively, the Bank could allow liberal use of direct selection in cases of NGOs with demonstrated expertise but with clear disadvantages in competing with established firms and international and well-equipped national NGOs.

- **ADTAs**

ADTAs also can be used for involving NGOs in project preparation, especially in continuation of a PPTA (as a piggy-backed ADTA, perhaps) although this would again require a shift towards more innovative use of ADTAs for assessments of needs and capacities rather than institutional strengthening as has been the practice. This is particularly useful in situations where the time allocated for a feasibility study is not adequate to complete the processes required for effective social assessments, including beneficiary and NGO assessments. Pending Bank changes in its procedures enabling longer time frames for PPTAs as well as enabling PPTAs to be "split" into technical and social sections, piggybacked ADTAs for the required assessments could be a feasible option.

²⁴ Asian Development Bank, Cooperation with NGOs (Nongovernmental Organizations) in Agriculture and Rural Development, prepared by International Development Support Services, 1989.

²⁵ Ibid. Vol.2, p.56-58.

- **Pilot Projects**

Pilot Projects are versatile mechanisms which can be used to test concepts, capacities and approaches. As already mentioned, the Nepal Microcredit for Women project is one example of a project which among other things, has used phased implementation in a pilot project to test the capacity of NGOs in large-scale financial intermediation. A phased implementation is one type of process orientation, where the implementation of a phase does not proceed until the success of the previous phase has been demonstrated. Pilot projects could be used more extensively to involve NGOs and beneficiaries in demonstrating different process-oriented methods to addressing beneficiary needs. Since one of the acknowledged problems with the Philippines Low Income Uplands Communities Project was inadequate assessment of the needs of the Mangyans (the inhabitants of the Upland areas), given the sensitivities of the indigenous community regarding forest land and uses of the forest produce, a pilot project could have demonstrated process-oriented methods (such as participatory rural appraisal) to assessing needs and appropriate strategies to natural resource management in the Upland communities acceptable to the Mangyans and NGOs operating in the area.

- **Time-Frame for Project Processing**

It seems self-evident that the time frame for project processing needs to be increased to enable staff to spend more time in the field. Staff can then conduct more effective consultations not only with government but also with NGOs and beneficiaries. They can also supervise the work of consultants, especially during a PPTA, to ensure that a PPTA for social and process-oriented work is really meaningful. However, if the participation of NGOs with skills in using, for example, PRA or ZOPP process methodologies, is facilitated by intensive efforts to locate such NGOs and enabling TA procurement procedures, Bank staff may not need to supervise the process of TA implementation so closely.

- **Monitoring of NGO Involvement in Implementation: The Problem**

The main mechanisms for monitoring implementation are the review missions. The Task Force on Project Quality Report commented that monitoring of implementation focuses more on physical progress than qualitative aspects of the project, such as beneficiary involvement, capacities of implementing agencies and interim impacts. The lack of attention to these issues, often because of time limitations, affects the monitoring of NGO involvement in projects in two ways. The problems of NGOs in implementation are not given adequate attention and not enough analysis accompanies the identified problems to provide much insight into causes of the problems. Needless to say, the result is usually to criticize NGOs for their inability to fulfill targets.

BTORs of the Forestry Sector Program and Low Income Upland Communities Project suggest that monitoring of NGO involvement in implementation is limited to determining NGO performance in achieving pre-identified implementation targets. Further, the analysis of the reasons for NGO incapacity to fulfill expected targets are not investigated inadequately to determine precisely the chinks in the implementation chain that might be causing the problem, such as NGO-executing agency relationship or the faults in the design of the project that might be affecting implementation capacity of NGOs, such as unrealistic targets.

- **Monitoring of NGO Involvement in Implementation: Assessment and Recommendations**

Review of NGO involvement need to be substantive and analytical. This could be accomplished with outside expertise for specific aspects, such as NGO involvement, especially if flexibility in review processes or available staff time is inadequate for an in-depth analysis. Independent assessments of implementation progress should be commissioned in conjunction with routine monitoring by staff, perhaps with terms of reference that focus on assessment of NGO involvement. Participatory problem-identification and problem-solving methods could also be used.

In reference to inadequate NGO performance in fulfilling targets, the BTORs have often suggested "the disengagement of non-performing NGOs" as a solution. Such a summary dismissal based on a limited characterization of NGOs as "non-performing" does a disservice to mechanisms in the project design and implementation structure. It is also not helpful in determining sustainable solutions to problems NGOs face, which have implications for problems of implementation in general. Besides, disengaging non-performing NGOs does not necessarily ensure the availability of "performing" NGOs. As long as the causes of the problems are not investigated intensively and precisely, the review missions will represent little more than lost opportunities to turn the project around.

Outside experts, with a sensitivity towards and understanding of NGO issues, could be brought in to participate in review missions. Particularly in mid-term review missions, participation of outside experts will give a certain depth to the review. Independent monitoring by a well-selected team to accompany a regular Bank-staff-conducted mid-term review (with monitoring of NGO involvement, among other things, as part of the terms of reference) could be made standard practice, in order to get a balanced perspective.

Joint problem-identification and problem-solving workshops are ideal to make the monitoring of implementation a participatory experience. A day's intensive self-reflection organized during a review mission (or separately, without Bank participation, but intended to contribute to a review) could yield valuable insights that outsiders may often miss. Such participatory mechanisms will themselves contribute towards a greater motivation on the part of implementing agencies to identify their constraints and work out their differences.

D. Overview of NGO Roles in Policy Dialogue/Advocacy

NGO roles in policy interactions with the Bank may be considered under three headings. The first is at the project level. The second is at the programming level. The third is at a conceptual level, that engages various parts of the Bank, particularly the senior management, in discussions relating to, e.g., Bank's environmental policies and projects and project quality and, more generally, on the development paradigm.

At the projects level, there is only one example of NGO participation in sectoral work, i.e. in the development of the sector study on "early childhood development in the Philippines," a joint financing effort of the Bank and the World Bank.

At the programs level, programming missions meet with NGOs to get their ideas on country investments. At the conceptual, NGOs have periodically written to the President of the Bank on various issues, more specifically on the impact of environmental projects that the Bank is financing. More recently, NGOs have commented on the Task Force on Project Quality report. Institutionalized mechanisms that exist are the NGO Working group on the ADB, which has been recognized by the Bank as a group that will be listened to whenever it wishes to meet with Bank staff. Meetings with the group are not regularly scheduled, however, NGO participation at the Bank's Annual Meetings is now also institutionalized and logistical support to facilitate NGO meetings and outputs during the Annual Meetings is provided at ADB's expense. NGOs attending the Annual Meetings produce a document called "Bankwatch" that outlines NGO positions on Bank-related issues, particularly its projects.

Areas of needed change in relation to Bank projects and operating procedures highlighted by NGOs are: transparency and openness in the Bank's decision-making and operational processes, such as disclosure of information on projects not just once they are approved but while they are still in the pipeline; the need for improved consultative processes with groups at the local level early in the project cycle to ensure that beneficiary needs are incorporated into project design; participation of beneficiaries in actual design of projects. In addition, transparency in criteria for assessing the percentage of successful projects mentioned in the Report of the Task Force on Project Quality is also required, according to NGOs.

The impact of these mechanisms is difficult to measure because Bank-NGO policy dialogue, either formally or informally is new. The impact that has occurred may be difficult to attribute to the Bank's own initiatives because policy-level changes at the Bank are also a response to changes in policies of other donors, particularly the World Bank, many of which are ahead of the Bank in the forms and intensity of collaboration with NGOs. Nevertheless, some modest changes in the Bank as a result of NGO advocacy globally, can be cited.

The improved access of NGOs to the policy-reviewing processes of the Bank, such as the Annual Meetings, is itself a result of greater advocacy by NGOs. The recent staff instructions on a new, more liberal policy on disclosure of information is evidence that the Bank is responding to NGO concerns. Draft working papers, e.g., on resettlement are available for comment by NGOs. This background paper will also be available to NGOs for comments. While these are gains, they are small compared to the initiatives required to improve the atmosphere for Bank-NGO collaboration.

1. Assessment and Recommendations

NGO advocacy on behalf of several groups affected by the Bank's projects is likely to increase and the impact will be determined by how well the Bank "listens," how much it builds consensus with NGOs, directly and in collaboration with DMC governments, and how it ensures that consensus decisions find their way into actual operations. The Bank has a role to play in using its leverage with DMC governments to allow greater access for NGOs to influence policy because many countries may be democratic in structure but do not have open policy environments. Hence, many NGOs cannot get governments to even "hear" them much less "listen" to them. If NGO advocacy is to be channeled constructively to

inform policy, DMC governments need to find ways of responding to and accommodating diverse and opposing views in programs and projects. Involving NGOs is no longer a matter of choice, because the costs of not involving them, to development effectiveness and credibility of institutions like the Bank, is high. Also, development is no longer the prerogative of one set of institutions because the needs are increasing and capacities have to be merged for the greatest impact.

Recommendations presented here relate to issues of how Bank-NGO policy collaboration can be improved through

- Internal processes, by opening up its own documentation and procedures to public scrutiny and debate. Specifically this means more intensive involvement of NGOs in sector work and in the process of drawing up the country strategies as well as in country programming. It is also necessary to initiate opportunities for Bank staff to "listen to NGOs" even when they are at headquarters, and not only in the field
- External relations, by negotiating with DMC governments to increase opportunities for NGO involvement in policy and early project preparation and design. The Bank can also work with other bilateral and multi-lateral development agencies to the extent that it might be able to share with them some NGO concerns that may have been brought specifically to its notice and need urgent attention and suggest ways of addressing them
- Partnership for policy between the Bank, DMC governments and NGOs. The partnerships for policy are, perhaps, the most important means of ensuring sustainable collaboration, before controversy around development issues begins and before NGO advocacy becomes a crusade against the Bank.

Internal Processes

The Bank's latest Disclosure of Information Policy (R134-94 approved by the Board on September 8, 1994) goes a long way towards opening up its documentation for scrutiny and debate. Although the staff instructions outlining the policy state that it "emphasizes a presumption in favor of disclosure," the extent of access NGOs and others will actually have to the documentation depends on how liberally the policy is enforced. If NGO participation in policy dialogue is to be meaningful, it is necessary for NGOs to be able to comment on relevant documentation and attempt to influence policy and projects at a stage when such influence is still possible. If the policy-making and project processing is too far along, it becomes more difficult for any change to occur.

NGOs could be more involved in sector work, in contributing written work and/or in intensive and organized consultative processes that generate information and perspectives that inform issues and approaches of the study itself. For example, NGOs can contribute to background papers that focus on innovative ways of addressing beneficiary needs at the grassroots (best practice cases). Organized consultative processes that inform the design and content of a sector study include, for example, workshops in which NGOs are invited to identify issues of importance and suggest

approaches to addressing them. Similar strategies could be used for NGO involvement in the formation of a Country Strategy (COSS).

Country Programming missions could be very fruitfully involve NGOs in identifying development needs and helping them determine the priority interventions to address those needs. Such missions already consult with NGOs, although the extent to which the Bank staff can discuss issues in depth with NGOs, is limited, since missions are usually constrained for time. To get over this constraint, in addition to informal consultations with NGOs, an organized mechanism that helps to articulate NGO perspectives in the country on a regular basis to inform Bank staff could be set up with the help of the Resident Mission. This could be a liaison committee comprising Resident Mission staff and NGOs who serve for a fixed term. Such a liaison committee was set up by the World Bank Resident Mission in India. One meeting of such a committee could precede the country programming mission and the agenda could include specific NGO positions and perspectives on development priorities of a DMC. Representatives of the DMC government could be part of this committee or be invited periodically to contribute to discussions.

The Bank should increase opportunities for its staff participating in seminars and training programs, to hear NGO perspectives.

- SDU, as the focal point for Bank-NGO cooperation could organize informal brown bag presentations by NGOs. This can begin with NGOs in the Philippines and gradually extend itself to NGOs in other DMCs who visit Manila on other business. Some regional NGO networks have their headquarters in the Philippines and staff of member NGOs often come to Manila to attend meetings. SDU could request these networks to inform them of visits by such NGOs. These presentations could include, where relevant, NGO feedback on their involvement in specific Bank-financed projects. In addition, more Bank staff should have access to the NGO working group on the ADB. More formal interactions between staff from other than SDU, should be organized around specific issues of concern to the NGO working group.
- Thematic workshops/seminars organized by the Training Division, which have so far not witnessed NGO participation as resource person, should have NGO resource persons along with outside experts. NGOs with demonstrated experience at the grassroots and in participatory development are likely to be much better experts on how to build participatory processes at the grassroots, how to reach vulnerable groups and women, and how poverty is perceived and should be addressed at the grassroots level, than those who do not have such experience. The Bank should make efforts to identify resource persons from such NGOs. To lead the way, the training programs on "Incorporating Participatory Approaches into Project Design and Implementation Arrangements" and "Bank Cooperation with NGOs" may be encouraged to have substantive NGO staff involvement as resource people to explain what and how NGOs can contribute to the project cycle.

External Relations

The Bank can work with DMC governments to provide an enabling environment for advocacy by NGOs and grassroots groups. Although this is a sensitive issue, it is increasingly the case that NGOs in many DMC's use their international NGO links to lobby western governments and donors to apply pressure on DMC governments because they do not have an enabling environment in their countries that gives them access to their policy makers and ensures that NGOs are heard. The most prominent examples of DMCs NGO advocacy of their own governments through international NGOs and multi-lateral institutions are in the environment sector.

The process that characterized advocacy against the World Bank-financed Sardar Sarovar dam project in India that eventually led to the cancellation of the remaining World Bank loan for the project, is a typical example of how NGOs in developing countries have, through a circuitous route involving international NGOs, policy makers in the developed countries particularly the US and multi-lateral institutions, tried to get their governments to pay attention. The Bank faces a similar advocacy process, in the context of the proposed ARUN III Hydroelectric Project in Nepal, to be cofinanced by the Bank, the World Bank and other donors. Already, pressure is being placed on the Bank by a US-based environmental advocacy group to reconsider its involvement in the project. With the formation of a new advocacy group called the Arun Concerned Group in Nepal, the advocacy effort involving national and international environmental coalitions is likely to get stronger.

One way to begin to influence the environment in DMCs for more open participation of NGOs in the process is to sensitize the policy-makers to the strategic necessities of opening the process to greater influence from groups within the country. This way tensions can be defused early complexities arising from participation of international groups is reduced and collaborative interventions can contribute to an outcome acceptable to a broader number of interested groups in the DMCs.

The Bank can work with bilateral and multi-lateral institutions in devising ways of jointly addressing problems brought to its attention in which the other institutions also have an interest. For example, in the context of ARUN III Project in Nepal, the Bank can suggest that NGO representation be allowed on the World Bank's Inspection Panel (if not permanently, then at least during the consideration of ARUN III), in order that the recommendations of the panel be reflective of a consensus of a broader set of institutions, including NGOs. The Inspection Panel being considered for the Bank should also include the possibility of representation of NGOs. The Bank's working paper on the subject favors an independent roster of experts rather than a permanent body as the primary model for the Bank. Such a roster should contain NGO names with a stipulation that when the panel is constituted to investigate a complaint, an interested NGO be included (perhaps one which has already written to the Bank about the project in question).

Partnership for Policy

In parallel with the efforts to persuade DMC governments to liberalize the environment for NGO influence on policy, the Bank could initiate a partnership process at the country level for a more sustainable collaboration between the Bank, DMCs and NGOs. An essential ingredient of sustainable policy collaboration is consensus building.

A partnership process should help to minimize the concerns Bank staff often have regarding consultative processes with NGOs, such as who should be consulted, what should be discussed, and how much consultation is necessary. A partnership could work for a project and for a policy. In fact, for a partnership for policy, the process could be initially organized around a potentially controversial project and institutionalized later as a mechanism for collaborative policy-making. An example of how an iterative partnership for policy can be constituted is given below.

- Public hearings could be held after the initiating memorandum of the project has been prepared and made publicly available. Notice of the hearings could be widely distributed and the hearings themselves could be organized in potential project locations (to enable beneficiary participation) and also at the national level. The notice could invite NGOs to organize such hearings.²⁶ Representatives of government should attend these hearings, although the NGOs should prepare reports consolidating the views presented at each hearing, their own views, and present options to the government to address concerns regarding the proposed project. NGOs organizing the hearings and government representatives could jointly consolidate the reports and NGOs representing different options could be invited to a meeting with policy makers, concerned Bank and proposed executing agency staff to discuss the options and the government's position. A final consensus plan for addressing concerns (in the context of the proposed project and subsequently) should result from this meeting and include any further consultative processes that should be established.

VII. ADB'S CURRENT PERSPECTIVE AND FUTURE AGENDA

A. Asian Scenario: Opportunities and Constraints

The Bank is fortunate that most of its DMCs are characterized by a political and institutional environment that has the potential to foster collaborative development. Most countries are relatively politically stable which means that the government is not always preoccupied with maintaining law and order. A good number of them also have strong and capable institutions which can enable capacity-building efforts to focus on specific needs rather than be spread around. Some have a skilled labor force, and an emerging private sector that can fulfill many infrastructure needs, freeing up funds for human resource development and poverty alleviation. Some DMCs, principally the Philippines, India, Indonesia and Bangladesh also have highly experienced NGOs and a well-developed NGO "sector."

There are constraints, however, and these can prevent effective collaboration among government and NGOs. NGO-Government relations are sometimes characterized by mutual suspicion. Ruling parties accuse NGOs of using development

²⁶ Some public hearings were held in Nepal in the context of the Arun III project in Nepal cofinanced by the Bank, although some NGOs have complained that these were not enough and did not address really local concerns.

as a "front" for covert political activities against the government and having leaders who themselves have ambitions of entering the political area, contrary to the spirit of NGO activity. In countries like Bangladesh, where NGOs command as many resources as (or more than) government, most of it obtained through donors, the government can, understandably, get nervous about NGO influence. There are differences also on perspectives. NGOs do not necessarily share the Bank's or DMC governments' perspective of growth leading to poverty alleviation via a "trickle-down" process. They believe that such a perspective will prevent policies and projects from focussing on strategic requirements for targeted poverty-reduction.

The constraints can also relate to the characteristics of the NGO "sector" itself, as it has developed within the framework of political and social conditions in each DMC. In the Philippines, the post-Marcos era witnessed a conducive environment for the development of NGOs. The Aquino government actively encouraged NGO initiatives and allowed resources to be channeled to them. The result was that many NGOs sprouted to take advantage of the liberalized policy. However, while innovative and worthwhile NGOs emerged, fund-driven NGOs, largely Manila-based, many of them set up by government officials themselves and existing only on paper, also entered the NGO arena. This has created confusion for those wanting to work with genuine NGOs and created consternation among the genuine NGOs that much of the funding is being given to NGOs with voluntary spirit, base or stake in grassroots development.

In Bangladesh, a similar open door policy to foreign funding, largely in response to an urgent need for relief and rehabilitation after 1971, has allowed a strong international NGO presence in the country in addition to promoting a monopoly in the indigenous NGO sector, where a few well-connected performers command a significant amount of the foreign resources allocated for indigenous NGOs.

India, by contrast, has a long history of voluntary activity and self-help initiatives which flourished particularly during the freedom struggle under the influence of leaders like Mahatma Gandhi. The strong voluntaristic ethic in India has generated pioneering efforts in grassroots development. In addition, and partly because of the federal structure, power is not concentrated in the federal government but dispersed in the many states of the Indian Union. Power and influence in the NGO sector is similarly not concentrated and some of the better known and experienced NGOs are not New Delhi-based. Finally, a generally guarded environment for entry of foreign resources into the country, particularly to the NGO sector, may have also helped to deter the emergence of "fund-driven" NGOs and minimized one of the effects of availability of generous donor funds (as seen in countries like Bangladesh), namely, the creation of an NGO class structure. The relative inhospitality towards international NGO presence in the country, except in a supportive role for indigenous NGOs, has resulted in few international NGOs operating in India.

While the political and social framework within which NGOs have developed in the DMCs is helpful in understanding the context of government-NGO collaboration, it should not pose a limitation for the Bank in trying to forge government-NGO partnerships for projects and policies. The NGO sector in each DMC consists of NGOs of different political shades and economic beliefs and with varying inclinations towards collaboration with government. These diversities must be seen as an opportunity towards rather than a constraint to forging partnerships. Partnerships can only work if an effort is made to understand diversities among NGOs and appreciate

their richness and contribution to an agenda that is based on compromise and consensus among institutions. It is also in appreciation of these diversities that NGOs should be seen not as contractors, hired to undertake particular tasks, but as institutions of civil society having philosophical dimensions which influence the way they operate and the impact they have on the ground.

B. The Bank's Operational Priorities

The most recent and important initiative in the Bank to address the impact of Bank-financed projects, is the formation of the Task Force on Improving Project Quality. Many issues and recommended changes in the Bank's operating procedures identified in the Task Force Report (hereinafter The Report), are consistent with issues and recommendations contained in this paper for collaboration with NGOs and developing partnerships. These include The Report's recommendations on: close beneficiary and NGO involvement in different stages of the project cycle, not only in implementation but particularly in design; more attention to social issues (which would require greater beneficiary involvement in identifying needs and strategies); more pilot efforts which can demonstrate process methodologies to implementing agencies; and the need to consider, in project design, the absorptive capacity of implementing agencies, including NGOs.

One other issue contained in the Report which has implications for the Bank's collaboration with NGOs is the shift in purposes and nature of benefit monitoring and evaluation to encompass more process indicators. Reference has already been made in this paper to the limited value of BTORs of review missions in monitoring progress in a way that helps to understand the reasons for poor implementation capacity. The inclusion of process indicators in monitoring will help to identify these reasons better by focussing more on the quality of NGO participation in, for example, coordination arrangements set up under a project.

The quality of benefit monitoring and evaluation will be enhanced by the involvement NGOs and beneficiaries in assessing the effectiveness of the processes not only through consultations but also through systematic and regular participatory monitoring and evaluation.²⁷ Beneficiaries and NGOs should, along with the executing agency, other implementing agencies, and the Bank, participate jointly in workshops to evaluate processes. Further, NGO and beneficiary involvement in evaluating outcomes also will give an insider's view of what has worked. Such involvement downstream in the project cycle will complement NGO and beneficiary involvement upstream, namely in identifying needs and designing strategies to address them. Upstream involvement of NGOs and beneficiaries is also recommended by the Report as well as earlier in this paper.

²⁷ A case study of the process by which the logframe, (recommended by the Report for expanded use by the Bank), through the involvement of NGOs, became a participatory tool for developing indicators for monitoring and evaluation and was structurally modified through that process to more accurately reflect what needs to be evaluated, is contained in Vanita Viswanath, *Building Partnerships for Poverty Reduction: The Participatory Project Planning Approach of the Women's Enterprise Management Training Outreach Program (WEMTOP)*, World Bank Technical Paper (forthcoming).

It cannot be overemphasized that the "approval culture" referred to in The Report can be inimical to effective Bank-NGO collaboration. The processes that enhance such collaboration, especially promotion of partnerships, require careful nurturing, partly because they need sensitive handling and partly because the Bank has no real experience in undertaking such processes. If the Bank is serious about ensuring ownership and it is agreed that ownership cannot be the prerogative of one set of stakeholders, namely, the government, then the Bank should make every effort to ensure that it does not spread itself thin.

Discussing resource implications of new initiatives by the Bank to support a process orientation and improved collaboration with NGOs, are beyond the scope of this paper. The Bank should look more closely at special funds set up by other institutions to address their process-oriented initiatives. One such special fund is the Participation Fund of the World Bank, set up to help promote participatory processes in World Bank-financed projects. The resource constraints may, however, be addressed in a limited way by using existing resources judiciously and creatively and expanding the use of existing financing mechanisms to more types of initiatives. TAs, as already mentioned, can have multiple uses.

Already, TAs are being used for process-oriented initiatives for improving implementation. For example, a TA to the government of Bangladesh provides for institutional strengthening for government-NGO partnership. Under this TA, NGOs and government are to cooperate, among other things, in establishing a formal consultative group. The TA supports the participatory process to be followed in setting up the consultative body, including joint workshops between government and NGOs. The TA also provides for training for NGOs and the NGO Affairs Bureau of the Government of Bangladesh and study tours for government and NGOs to neighboring countries to study their initiatives of government-NGO collaboration.

While more resources are definitely required to effect many changes proposed in this report, many initiatives are a question of reorganizing work and planning ahead. NGO workshops and meetings in the field can be organized by Resident Offices staff or NGOs themselves. NGOs, despite being severely constrained themselves, are happy to oblige in arranging meetings provided they believe the Bank is seriously committed to listening and accommodating NGO and beneficiary views.

VIII. FUTURE DIRECTIONS

It is clear from the exhaustive process that resulted in The Report, that the Bank is aware of the need not just for change, but a radical shift in the way it goes about its business. Operational experience which has been reviewed in this paper also demonstrates the need to focus on quality and process, which are critical to improved and more intensive collaboration with NGOs. The Bank also needs to keep pace with changing perspectives and processes on working with NGOs adopted by other bilateral and multi-lateral institutions as well as project-involvement. Two examples, which are of relevance to the Bank and which need to be explored, are the World Bank's initiatives on Participation and the Social Fund mechanism that can be used to facilitate more effective NGO involvement in projects. The Bank also needs to explore demands from NGOs for new types of initiatives, such as direct funding (including lending for NGOs

under the Bank's normal procedures for lending to the private sector), and capacity-building which is not necessarily connected to the implementation needs of projects.

A. A Participatory Process to Promote Participation

A lot has been said about The World Bank perspectives on NGO involvement at the beginning of the paper. Recently, The World Bank produced a report to the Board endorsing an expanded effort to promote and further learn from participatory approaches in projects financed by the World Bank.²⁸ Not only was the report about participation, it was also produced after a three year long participatory process in which a World Bank-wide Learning Group of about 100 staff took time away from their normal duties to intensively participate in studying the importance of participatory development and sharing experiences among themselves and with NGOs, other donors and experts, as well as learning from them.

The participatory process has been carried further, to the production of the report itself, in which NGO perspectives and comments on the main report and the recommendations (written by NGOs which participated in two workshops at the beginning and end of the three year learning process), have found a separate place in an Addendum to the report. The World Bank is also engaged in producing a Participation Sourcebook, documenting, among other things, experience of the World Bank on working with intermediary NGOs in promoting participation.

ADB could initiate an effort to study its own projects with NGO involvement from which lessons about promoting participation can be drawn. The selected projects should be intensively evaluated and contain NGO and beneficiary experiences revealed through a systematic participatory process.

B. The Social Fund

A Social Fund (also called the Social Investment Fund), used in many World Bank-financed projects, is a mechanism through which resources are channeled, according to pre-determined criteria, to demand driven subprojects proposed by public, private or voluntary (formal or informal) organizations.²⁹ Individual subprojects are not designed at the time the Social Fund is established.³⁰ The World Bank has used the Social Fund particularly effectively in some of its projects in Latin America.

Among the characteristics that have made social funds effective in Latin America are: a high degree of autonomy achieved through the use of private sector managers and exemption from public sector recruitment and salary regulations and from the government's annual budget cycle, procurement and disbursement procedures; and, the demand driven nature of fund financing whereby sponsoring entities, such as NGOs, can prepare and implement projects.³¹ The demand driven nature of the financing has

²⁸ The World Bank, *The World Bank and Participation*, Operations Policy Department, The World Bank, September 1994.

²⁹ Carvalho, Soniya, *Social Funds: Guidelines for Design and Implementation*, Human Resources Development and Operations Policy Working Paper, The World Bank, 1994, p.1.

³⁰ Ibid.

³¹ Glaessner, Philip, J., et al., *Poverty Alleviation and Social Investment Funds: The Latin American Experience*, World Bank Discussion Paper No. 261, 1994 p. xi.

particularly helped to achieve a high degree of involvement by NGOs in social fund programs. In addition to facilitating NGO involvement by bypassing of government procedures in subproject selection and disbursement, the social fund has encouraged certain other initiatives promotive of expanded NGO roles, such as NGO involvement in supervision of subprojects. Appendix 2 is a list identifying the salient features of World Bank-financed projects using the Social Fund mechanism.

The Bank should explore use of the Social Fund mechanism in its projects, not only for promoting more effective NGO involvement but also as a way of channeling funds where they are most effectively and directly utilized, at the local level. Among the many positive lessons of the Social Fund in Latin America are that, through this mechanism, the execution of a much larger program of small projects than that of the line ministries, was made possible. The Social Fund may also enable more models of implementation, such government-NGO partnerships at the local level, to be effected. The World Bank is presently involved in designing a Social Fund for Cambodia. Since the Social Fund is a multi-donor financing mechanism, the Bank can seriously explore cofinancing of this Fund in Cambodia as a first effort.

C. Direct Funding for NGO Capacity Building

NGOs have advocated direct funding mechanisms for capacity enhancement, not tied to specific implementation needs of projects. While bilateral agencies have, either directly or through NGOs in their countries, directly funded NGOs, primarily through grants, for implementation of NGO programs including assistance for equipment and technical support, the multilateral agencies have been largely precluded from direct funding because their primary clients for development have been governments. However, the Bank does have a provision for funding, through loans, to the private sector. Under the extended definition of the private sector adopted by The Report,³² NGOs and people's organizations are included and hence qualify for direct funding. Also many NGOs are no longer bit players in development. Some of them, such as the Grameen Bank and Don Bosco in the Philippines, are large, well equipped and profitable. They can qualify for loans and repay them just as responsibly as the traditional private sector. The Bank should, therefore, extend loans to qualified NGOs under their regular program of lending to the private sector.

Direct grant funding to NGOs for their own initiatives, especially to smaller NGOs is, however, problematic. Unless the amount of funding available is substantial and for sustained assistance, small one-time grants given to large numbers of NGOs have little measurable impact. The World Bank administers a Small Grants Program for NGOs for one-time, non-operational support (such as workshops or newsletters). The initiatives are carefully selected with a high-level World Bank-wide selection committee; the program is well administered; the funds are useful in a limited sense and are welcomed by NGOs — but since there is no follow-up support, the funds are, essentially, goodwill funds. The Bank can, however, explore the possibility of direct TA grant financing to NGOs on a case by case basis.

³² Asian Development Bank, Report of the Task Force on Project Quality, January 1994, Box. 1 p.9.

Another financing option that could be explored is a fund for capacity building for NGOs involved in the Bank's credit projects. The time lag between the repayment periods for NGO repayment to the executing agency and the executing agency's repayment of the Bank loans allows for accumulation of funds with the executing agency. Such funds are presently encouraged to be used for revolving credit. They could, however, also be used as grants for capacity building, although to be sustainable, they would need matching contributions. This type of financing would not, however, qualify as direct financing of NGO initiatives by the Bank since the fund would be administered by an executing agency of the government.

IX. RECOMMENDATIONS AND ACTION PLAN

1. Operational Collaboration: Projects and Policy

The Bank should begin the implementation of recommendations regarding projects and policies outlined in the relevant sections of this paper as soon as possible. The urgency for change in the Bank's work to promote better quality of projects was already indicated in the The Report also.

2. Evaluations of Selected Projects

To enable detailed assessment of the process and identification of interim outcomes to validate the initial findings of project experience outlined in this paper, evaluations of the selected projects should be carried out as soon as possible. NGO and executing agency perspectives, along with those of Bank staff should be obtained separately as also through joint participatory evaluation workshops in the field.

3. Institutional Strengthening

A detailed impact assessment of institutional strengthening TAs should be conducted before more funds are put in for such efforts. TAs for institutional strengthening of various kinds, related to project implementation, are well endowed and the possible waste of resources resulting from standardized use (and design) of such TAs has potentially serious implications for resources for new and necessary initiatives as well as quality of projects.

4. Initiatives of Other Agencies

The Bank should carefully study the initiatives of other agencies, particularly the bilaterals. Although the initiatives promoted by the World Bank and the United Nations in support of better quality projects and NGO involvement are probably more relevant to the Bank, bilateral agencies also have some good models which can be replicated. This is true particularly with regard to innovations at the local and community level involving NGOs. For example, the proposed expansion of USAID-Philippines NRMP project is incorporating some innovative collaborative arrangements among NGOs themselves to promote institutional

strengthening for implementation that minimizes the problem of low implementation capacity among NGOs.

5. **Documentation**

The Bank should encourage the writing and wide distribution of short case studies from project staff about innovative design mechanisms or mechanisms for problem-solving during implementation that they have used or are in evidence elsewhere. The case studies should detail the process as well as the outcomes. The Bank should also publish as Working Papers (as in the World Bank), background papers prepared by consultants which are the basis of papers to the Board. Board papers are vastly abridged versions of the original reports and are modified to suit the Bank's bureaucratic style and language. Much research and analysis which goes into the preparation of the original paper, is lost in the process. The Bank should publicize among its staff but also outside, TA reports that reveal innovations in processes at the country level, relating to collaboration among different institutions. TAs that focus on such processes should stipulate that the reports should detail the processes as well as the outcome.