

IFAD approach to Community Driven Development in West and Central Africa

Lessons of Experience

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Key words and definitions

Governance. The concept of **governance** comprises the set of rules that regulate the life of a society (its institutions), the organizations which give form to social aggregations within a society, and the act of governing, that is the way institutions are established and organizations behave. The **quality** of governance depends on the extent to which those who govern operate in a **transparent** manner, are **responsive** to the requirements of those who are governed, and are **accountable** to them. The **objectives of good governance** are to achieve such goals in a society as **stability, growth, equity, and efficient use of resources.**

Pluralistic governance. A **pluralist governance system** encompasses, in addition to the key instruments of liberal democracy (freedom of opinion and of political association, independence of the legislative, judiciary, and executive powers), the development of **strong civil society organizations** and private enterprises, and the creation of **competitive markets** for goods and services. It establishes a **variety of centers of decision making**, and of **power to implement decisions**, in the political, social, and economic fields, that enhances the opportunities for competition and efficiency, and for the consolidation of a liberal democratic setting.

Community: a self contained socio-economic residential unit of rural people who recognize some form of local collective governance, where the exercise of direct participatory democracy is a practical option.

Collective governance of a community implies a set of accepted endogenous rules, i.e. the **institutions** of the community, and an **organization** responsible for the application of the rules and for organizing collective action of interest to all the members of the community

Community based organizations, CBO is a generic term applied to all organizations controlled by a community

Village Development Committee, VDC: the organization of the collective governance of a village responsible for development

Common Interest Group, CIG: the organization of some members of a community that get together to achieve a common purpose

Users Association, UAs: a CIG established to operate and maintain, with resources mobilized from the members of the association, a “toll goods” producing infrastructure constructed with public funds

Micro-finance Institutions, MFI. A CIG specialized in savings collection and loan making (can establish business relationships with the formal banking system).

Draft

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Lessons of Experience

Foreword

This paper is to begin a process of sharing views and experiences about IFAD's approach to Community Driven Development (CDD) in West and Central Africa Region, expected to result in an improved and renewed thrust of IFAD CDD project design and implementation practices.

Despite the long experience accumulated by IFAD in dealing with the rural people in the region, it is only recently (say for the last five or six years) that the conventional supply-driven approach to rural development has been abandoned, and new innovative project designs introduced. Projects especially designed on a demand-driven basis have actually been in operation for only three to four years, and a first important lesson learned is that not enough is still known about the IFAD target communities, and about the best ways to help them achieving sustainable institutional and economic development. This consideration suggests the importance of devising ways to accelerate, systematize, and deepen the learning process that has just begun, through the pro-active cooperation of all stakeholders, in Rome and in the field.

The paper attempts to distill from the review of design and implementation experience of a purposive sample of 5 IFAD West Africa projects the concept of CDD that emerges from the practice, and to draw some preliminary conclusions about the broad lines that may distinguish a renewed IFAD CDD policy in WCA for the future.

The five projects reviewed

Ghana, The Village Infrastructure Project, VIP
Mauritania, The Oases Development Project, ODP-2
Senegal, Project d'Organisation et Gestion Villageoise, POGV-2
Mali, Fonds de Développement Sahélien, FODESA
Cape Verde, Projecto de Lucha contra a Pobreza Rural, PLPR

Three criteria applied to select the sample

- the project major thrust is to develop the rural communities, through a demand driven participatory approach
- the projects represent different options for the organization and management of the service delivery system, and
- the projects have been implemented for a sufficiently long time, or represent a second phase of an earlier project with a similar approach, to have accumulated experience that can be usefully shared.

Summary and Conclusions

1. From the review of the design and the implementation experience of the IFAD CDD projects in WCA a clearly identifiable concept of Community Driven Development emerges. It conveys the view that the best way to facilitate the sustainable development of rural communities is through mechanisms that share with the communities the authority and responsibility to plan, produce, and finance the goods and services they demand. It is a dynamic concept, centered on the idea that rural communities are subjects of change in their own right,

which sets a key strategic prong of external interventions in the creation of the conditions that unleash the potential for socio-economic transformation dynamics of the communities themselves.

2. The emerging idea of CDD is that is a policy that facilitates the access of the poor rural people to human, physical and social capital assets by encouraging:

- the emergence of sustainable transparent and accountable organizations at the level of social aggregation where the exercise of direct participatory (as distinct from representative) democracy is a practical option, and
- the further aggregation of those organizations as required to enhance their opportunities to moderate the impact of market and government failure to improve the livelihood of their members.

3. The level of intervention of IFAD CDD projects in WCA is the rural “community” intended as:

- the locus where all members of a group of people having some form of collective claim over a territory can be given the opportunity to influence decisions in matters of public choice that affect their livelihood

This definition implies:

- a territory
- everybody in the group knows (or can know) each other, and
- they share institutions to regulate their common governance affairs

4. CDD policy addresses key issues of local governance within and around the communities, with a view to improving the quality of the governance system (transparency accountability responsiveness to peoples’ needs), and the objectives of goods governance (equity, stability, growth, and efficient use of resources).

5. To improve the governance system within the communities, CDD policy envisages the mobilization of the institutions commonly recognized by the members of a community with a view to ensuring, through animation and consensus building, the articulation of the principle of “non-exclusion” (i.e. no discrimination against the higher social strata in a community selected for intervention) with the principle of “inclusiveness” (i.e. securing a pro-active role to the lower strata and to women). The expectation is that transparent consensus building processes within a community, combined with the use of self-targeting instruments by the project, result in a more equitable distribution of livelihood inputs and assets within the community.

6. CDD policy recognizes community-based organizations (CBOs) as the building blocks for constructing sustainable partnerships in development for the communities. CBOs are organizations of the community level. Their further aggregation takes the form of unions or federations where direct participatory democracy is no longer a practical option. At the higher level, the issue of which instruments must be used to ensure the unidirectional allegiance of the elected representatives of the CBOs to their basic constituency needs to be addressed.

7. CDD promotes the CBOs as partners in development. A CBO is, at the same time, a mobilizer of (internal and external resources) resources, and a user of resources. CBOs are the preferred channel for transferring external resources to the rural people. The CBOs are, also, the organizations that mobilize the community own resources that establish the partnership with the agents of external support (respective rights, contributions, and responsibilities of the partners), firm-up the members’ commitment, and secure the sustainability of the assets the CBOs contribute to create and must maintain over time.

8. CBOs can have many different forms, but generally fall in two broad categories: those that deal with the development problems of the entire community, and those that address the specific interests of a sub-set of the community. The former (the VDC) are responsible for eliciting community preferences, for negotiating consensus about the community plan and about the mobilization of the community resources needed to implement the plan and to secure its sustainability over time, and for advocating the community interests vis-à-vis the different levels of the local public administration. The latter (the CIG) join together people that use a facility (and/or manage an activity) the sustainability of which is secured by their contribution to covering the related operation and maintenance cost. Special types of CIGs are the UA, User Association (of a warehouse, an irrigation or water supply infrastructure, for example) and the Micro Finance Institutions (MFIs).

9. Emerging robust CBOs are critical factors of growth at community level. Their effectiveness depends on their leaders' initiative and capacity to establish linkages and networks well beyond the frontier of the community, these linkages and networks being the instruments that enable the communities to moderate the adverse effects of government and market failures on the livelihood of their members.

10. The above consideration leads to the CDD policy aimed at improving the institutional environment around the communities. This concerns the enabling instruments and mechanisms that encourage CBOs to emerge, operate, grow, and establish effective and sustainable linkages with the public administration, the civil society, and the private sector. In particular, the policy aims at clarifying the respective roles (authority, autonomy, responsibilities, accountability) of the CBOs (and of their higher level partnerships), and of the different levels of the public administration.

11. A key principle of the CDD policy is the separation of the channels of support and funding of initiatives that originate at the community level, from the channels that support and fund initiatives that originate at a higher level of public governance. In this respect, the CDD policy recognizes the respective domains of the community and of the higher level of local governance, based on the principles of subsidiarity and jurisdictional spill-over.

12. The principle of separate support and funding channels calls as well for the separation of the channels that transfer public grant resources for the construction of infrastructure of public utility (which must be maintained with resources raised by user associations), from the support and funding channels that transfer public grant resources, and/or non-grant public or private resources, to support and finance the development of income generating activities in the private sector, and the development of rural financial services through autonomous MFIs. The different channels would be designed in application of specialization principle.

13. The CDD policy envisages the changes in the institutional system around the communities that make possible for the CBOs to share a role in the different components of service provision: regulations, planning, production, delivery, and financing. A very important matter addressed by CDD under the first component is the key question of enabling vs. disabling processes and procedures applied in project implementation. Changing disabling procedures is essential to enable CBOs to play a role in the other components, which in turn is the condition of making them sustainable by acquiring the necessary capabilities and experience.

14. CDD policy concerns the development of public social services **as well as** the enhancement of opportunities for economic development at community level. IFAD poverty reduction objectives require that CDD projects achieve a good impact on the local economy, which in turns requires instruments to support the development of local private enterprises. However, the separation of the support and funding channels in accordance with the requirement of specialization raises the question of whether instruments and mechanism that provide support to

MFIs and to micro-enterprises should be funded under the same project, or through parallel projects focused on the same area.

15. As a result of the importance that local governance issues assume in the elaboration of a CDD project policy, the adoption of new tools is required to complement existing methodologies of project formulation, appraisal, implementation monitoring, and performance evaluation.

16. An important new tool is institutional analysis. Institutional analysis would greatly improve the understanding of the system within and around the communities, and would help to identify enabling and disabling agencies and actors, to properly map implementation arenas, and to streamline project organization and management arrangements, including the crucial area of implementation procedures.

17. At the level of the community, institutional analysis will help to: (i) understand the community institutions, the rules of the game accepted by everybody, and how these can be used to devise self-targeting instruments in favor of the poor, (ii) acquire insights on the factors of endogenous change and identify those that govern reactions to external stimuli, determine community preferences and effective demand, and (iii) monitor the reactions to project conditions of “inclusiveness”, and the impact of formal inclusiveness on the effective role of the poor and women in the management of the public affairs of the community.

18. At the level “around” the communities, institutional analysis will help to: (i) understand the institutional systems and how it really works, (ii) identify enabling and disabling agencies and actors that can or should work to improve the livelihood of the members of the rural communities, their roles, motivations, organizational culture and behavior, (iii) establish a dialogue with both, (iv) negotiate enabling instruments, including solutions to the key issues of inappropriate processes and disabling procedures, transparency and accountability mechanisms, (v) facilitate the role of enabling actors in the application of agreed enabling instruments.

19. The experience of CDD project implementation in WCA suggests that partnerships that join together CBOs, local government administrators, civil society organizations working for local development, and the private sector provide more effective mechanisms to unleash the development potential of the rural communities than mechanisms that operate exclusively through the government administration. CDD projects managed by associations established under private law establish centers of pluralistic governance, enlarge the opportunities of the CBOs to develop linkages with the outside world and to capture more opportunities for support than those that the public administration is able to provide, and make possible the introduction of community friendly procedures for the implementation of the community own initiatives and projects. The smooth application and the longer term sustainability of such solutions, however, require adequate instruments to transfer public resources to these organizations, and the resolution of their relationships with the local government administration.

20. The ultimate objective of CDD policy is to establish sustainable CBOs, and partnerships of and with the CBOs, within a framework of evolving institutions that empower rural communities to shape their own socio-economic development. Such key objectives must be reflected in indicators of project performance at the third level of results, which have not yet been the subject of much thinking about the methodology to be used to assess them in an adequate way.

21. Such indicators would assess results such as: the quality of the partnerships established (in terms of the relations between CBOs, the different layers of the public administration, the civil society, the private sector), the sustainability and growth potential of the CBOs, the equity achieved in the distribution of the benefits of project intervention within the communities, the quality and the role of the emerging CBO leaders (within their communities, and beyond the community: unions of CBOs, political arena, civil society organizations, etc), the influence of

the CBOs in the decision making of the public administration about provision of public services, and their role in the related accountability processes, as well as the achievements of CBOs and of unions of CBOs on reducing the impact of market failures.

22. Finally, it is suggested that projects may improve the chances of achieving the third level results by the following procedure in project formulation and appraisal:

- Start from the expected third level (governance) results
- Formulate corresponding project exit arrangements
- Identify the activities that lead to the exit arrangements
- Assess which rules of the game must change to facilitate the implementation of the activities
- Identify the partners that can support the changes
- Identifies forces that may act against
- Establish a dialogue to negotiate with both (at policy and operational level)

A. CDD – an empirical and operational concept

23. The expression “CDD” is widely adopted, and assumes different meaning and connotations depending on which development agency, or regional section of a development agency, has tried to apply it in practice in different countries. The idea evolved from an original general thrust towards “peoples’ participation” in development activities, through the design of mechanisms to respond to the “demand” of the “beneficiaries”, into dealing with more and more complex areas of public governance, responding to a view of the rural communities as development partners and centers of change in their own right.

24. The level of governance which CDD-labeled projects have addressed has often been quite different, depending on the international cooperation agencies and on the countries that have applied it, generating significant differences of approach in matters of important details. Often CDD “principles” embodied in projects design have been differently applied during project implementation. Some confusion has been generated in peoples’ mind as to the difference between community driven and community based projects, CDD vs. CBD, between CDD projects and social development funds (GDF). Conceptual overlapping, differing interpretations, and ambiguities, including about the very definition of “community”, do also happen.

25. The review of the WCA projects suggests that the CDD formula should be retained since it conveys a strong message regarding the role of the communities in shaping local economic and institutional development, which may be lost by changing a buzzword that is accepted widely in the profession. It also suggests that “community”, “CBD”, “CDD”, etc., are empirical concepts, attempts to arrive at theoretically valid definitions that would satisfy all situations and circumstances are of limited interest at this point in time. The concept that emerges from the practice of the projects reviewed is, however, sufficiently simple and clear: a community is a village (small, medium, relatively large, not a small town), and comprises a group of rural people resident in a territory they recognize as their own, such group recognizing as well some form of governance of their collective affairs. This empirical definition can be stretched as well to transhumant herders. In countries like Rwanda and Burundi, where human dwellings are scattered and there are few “villages”, a similar perception of community has built around the “hill”, a territorial and social aggregation unit with elements of self-governance recognized for a very long time before the colonial occupation. Associated with the idea of a group of people, a territory, and some common institution, is the idea of a community as a locus where direct **participatory** democracy (as distinct from “representative” democracy) is a practical option.

26. If CDD defines the extent to which communities can shape their own development, what emerges from the design efforts and implementation experience in WCA is that CDD cannot be intended as a rigid blueprint, but it is a matter of degrees. The CDD approach is certainly not limited to supporting the construction of public infrastructure, it is an approach that applies as well to supporting investment by private enterprise, and in particular to developing the rural financial sector. The projects designs, and the implementation experience, embody a clear dynamic interpretation, based on the belief that communities are subjects of change in their own right, and that CDD is a way to unleash the potential for socio-economic transformation dynamics in the communities.

27. The review proposes a set of criteria to determine the CDD “content” of projects. These include: (i) the role of the communities in setting the range of project funded common initiatives, (ii) the degree of capacity building envisaged at community level, (iii) the extent to which robust CBOs are a **core** objective of the project and their capacity to continue serving the community interests after project completion is part of the project exit arrangements, (iv) the extent to which arrangements are made to support the spontaneous aggregation of CBOs, as a means to fostering the power of the communities to influence decisions in matters of public

choice at all levels of the institutional system, and also as instruments to moderate the impact of market failures on the production potential of their members, and (v) the extent to which the provision of rural financial services is envisaged by a formal bank, external to the communities, or through a network of MFIs, made up of CIGs of community members capable of managing savings and loans associations on their own, and to become active business partners of the formal banking system.

A simple test of the CDD approach in the design of a project activity/component

Ask the question:

Is the activity/component helping to develop robust and sustainable CBOs,
or is it only improving the system that delivers services to the CBOs?

28. The following tables present a summary of the review of the five WCA projects from the point of view of three aggregates of CDD factors: (i) the scope for CBOs initiative, (ii) the targeting mechanisms envisaged, and (iii) the contribution envisaged to improving local governance.

Country	Ghana	Mauritania	Mali	Cape Verde	Senegal
Projects	VIP	ODP-2 Oases Development Project Phase 2	FODESA Fond de Développement Sahélien	PLPR Programa de Luta contra a Pobreza Rural	POGV-2 Project d'appui à l'organisation et gestion villageoises Phase 2
1. Scope for CBO initiative					
Menu of project support	Support to public goods and credit limited to production and transport infrastructure	Initially limited to irrigation, NRM, functional literacy, production credit. Expanded during implementation	Any CBO project not included in the negative list eligible. No linkage of loans to specific purposes by rural financial services	Any CBO project eligible. Association of CBO formulates own negative list. No rural financial services	Limited to NRM, functional literacy, production and marketing. No rural financial services
Measures to ration demand	Not clear from the documents	Share of ODA financial and labor contribution. MICOs funding: initial own Development Capital x 2.	Limit per village and Share of VDCs contribution. Micro finance operations yet to be defined.	Limit per type of potential activity, per HH member of the CIG, and Share of CIG contribution	Annual limit per village. Share of VDC contribution
CBOs implement own projects	no	ODAs responsible for all phases of implementation, except payment	VDCs should participate in all phases of implementation, except payment	CRPs responsible CIG participate in all phases of implementation	VDCs participate in all phases of implementation, except payment
CBOs manage micro-finance institutions	Credit component restructured on matching grant basis	MICOs are managed by own CIG	Implementation of micro-finance component still to be negotiated	Not relevant	Not relevant
CBOs participate in project management	District or Area Council administrations implement the community projects. CBOs not involved	The ODAs plan & implement projects at oasis level, participate in Regional ODC. ODAs are formal associations of oasis resident people	Provincial PCUs are delegated private associations. CBOs expected to be majority members in due course	The CRPs implement the project. CRPs are associations of CBOs, local government, and NGOs, with devolved authority.	CBOs do not participate in project management
Central (government) PCU approval of individual CBO projects	CBO projects approved ex ante by PCU and District Assemblies	ODA projects approved by Regional ODC and by central PCU	VDC projects approved by central PCU with provincial AWP&B	No ex ante approval of individual CRP projects. Ex post control by inspection	VDC projects approved by central PCU with AWP&B of regional PCUs

Projects	VIP	ODP-2	FODESA	PLPR	POGV-2
2. Targeting mechanisms					
Main target	The village	The oasis	The village	Willing CIGs	The village
Exclusion mechanisms	none	Oasis dominated by absentee landlords	Non-vulnerable villages (based on food security)	CIG members classify as poor under the government poverty reduction plan	Activities that benefit few HHs or can be privately funded Villages non performing under predecessor project
Specific measures to reach women and the poor	Issue not addressed at appraisal Proposed PRAs to help women and poor, & fund to guarantee loans made to women groups	ODAs and MCs required to have women members Functional literacy for women Fund of guarantee for MICO credit to women groups.	VDCs and MCs required to have women members. Village PRA moderators help women voice to be heard. Functional literacy for women.	CRP animators encourage women participation in CIGs, support voice of women and youth in planning CIG projects and at CRP level.	VDCs and MCs required to have women members. Village PRA moderators help women voice to be heard. Functional literacy for women.
Ex ante measures to prevent capture of benefits by local elites	No measure envisaged	Monitoring community decisions through PRAs	Monitoring community decisions through PRAs	Monitoring community decisions through PRAs	Monitoring community decisions through PRAs
Ex post measures to control capture of benefits by local elites	No measure envisaged	Not specifically in the agenda of auto-evaluation of ODAs with regional PCU	Not specifically in the agenda of auto-evaluation of VDCs with provincial associations	Beneficiary assessment by IFAD Desk	Not specifically in the agenda of auto-evaluation of VDCs with the regional PCU units

Projects	VIP	ODP-2	FODESA	PLPR	POGV-2
3. Contribution to improving the local system of governance					
Establishment of sustainable CBOs advocacy organizations and support to local professional organizations	Project initially limited to strengthening public administration reform at district level Decentralization to Area Councils improves contribution But CBOs not viewed as potential vehicle of pluralistic governance	Significant contribution of ODA concept and practice. Emerging trend for unions of ODAs to better manage common interests indicates path to stronger contribution to pluralistic governance system	Project management by private associations. Encouragement of local professional associations. Decentralization of provincial associations to district to improve effectiveness. VDC participation in the associations to be secured, measures devised for their long-term sustainability	Broad partnership structure of the CRPs establishes basis for sustainability and a key factors of pluralistic governance.	Strong VDCs provide foundation for further development, particularly supported in a wider range of collective choices. Unions of VDCs become effective advocacy organizations forcing transparency in decision about district plans.
Political acceptance and progress made to formalize innovative institutions	Lower-level, sub-district local government units (Area Councils and Unit Committees) are part of official Government policy; District Tender Board is only legally empowered level of procurement	Legal recognition of public utility of the ODAs enacted. Institutionalized Regional Oasis DC, and Federation of ODAs, would make further contribution. Respective role of ODAs and district government needs clarification.	Policy dialogue must clarify respective roles of associations and district government, safeguarding autonomy of the associations.	CRPs are legally recognized associations of public utility. Government enacted special instruments to transfer resources to such organizations. Relationship and respective roles of CRPs and municipal government need better definition	No policy dialogue envisaged on the subject. Emerging organizations of unions of VDCs needs support at policy dialogue level
Increased participation of "governed" in public governance	Capacity building of lower-level local government units increases active involvement of governed	General Assemblies of ODAs are open to all	In principle through the participation of the VDCs in the GA of the associations	Plans and specific projects of the CRPs are approved by GA open to all	
Increased transparency in public sector resource allocation	Capacity building of lower-level local government units increases transparency	ODAs and MICO regularly display posters of their activities	In principle through the participation of the VDCs in the GA of the associations	CRP animators report to GA open to all	

29. The following box summarizes the key points of this section.

<p>Box 1</p> <p>Key points of section A</p> <ul style="list-style-type: none"> ▪ Community, CDD, CBD are useful empirical and operational concepts ▪ A community is a group of people that recognizes a territory of residence as their own and some form of autonomous collective governance of their common affairs ▪ CDD is a useful buzzword that conveys a powerful message about the role of the communities ▪ CDD defines the extent to which communities are allowed to shape their own development ▪ CDD recognizes that communities are subject of change in their own right ▪ CDD is an instrument for unleashing the communities' potential for socio-economic transformation ▪ Presentation of the five WCA projects reviewed from the point of view of three key CDD factors: (i) role of community organizations, (ii) targeting mechanisms used, and (iii) contribution to improving local governance
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B. CDD – An instrument for putting IFAD Strategic Framework into practice

30. An important consideration for IFAD is the link between the Fund corporate objectives and the degree to which CDD principles are embodied in project design and respected during project implementation. IFAD corporate strategy states that the objective of the Fund interventions aimed at rural poverty alleviation is to improve the access of the rural poor to three key forms of capital assets; namely, (a) **physical capital** that enables poor communities to produce and consume public and private goods needed to reduce their vulnerability and improve their livelihood, (b) **human capital** that enables poor rural communities to plan and manage the physical assets they may acquire to improve their livelihood, and (c) **social capital** that provides bonds and bridges to individual members of communities through community organizations, and through networks of such organizations that provide linkages beyond the single community, thus enhancing opportunities beyond the frontier of the single community.

31. These are ambitious objectives with implications that go well beyond the establishment of more effective and efficient mechanisms to deliver goods and services to poor rural people, and of providing them with opportunities to get their “voice” heard where decisions are made about service provision. The evolution of the design and of the practical experience of the projects in West Africa shows that the implementation of IFAD strategy leads to addressing, explicitly or implicitly, the entire question of the local governance setting. This is perhaps a foregone conclusion, a point which is well known to IFAD portfolio managers, to other development agencies' staff engaged in field work, and to the local partners, all people who struggle every day with the practical problems of how to address the key issues of local governance (poverty reduction, efficiency, growth, stability) under the constraints imposed by the variety of complex socio-political and ideological circumstances of the countries in which they operate.

32. Since the mid-90s the WCA Region addressed the question of local governance from two different angles. One approach has been to join WB-initiated projects supporting governments' decentralization policy, which provided for significant shifts of authority, responsibility, and to some extent also resources, from the center to the district level of the

public administration. The other approach was based on the consideration that the district level is far too remote from the rural communities, that to the two levels (district vs. village) correspond different preoccupations and different priorities; and that decision makers at the two levels are confronted with different incentives systems and power configurations, which influence their motivations and behavior. The second approach concludes that these circumstances call for establishing separate mechanisms to address district and community problems.

33. Although the two approaches are not mutually exclusive and may complement one another, they do imply a different vision of “pluralistic” governance. One vision is centered on enhancing the decentralization of the provision of public services within a framework of relationships between the different levels that is governed by the principle of **hierarchy**, whereas the other vision builds on the principle of **partnership** among a variety of organizations, starting with the CBOs, and including NGOs, other development agents in the private sector, as well as the local governments. The partnership approach also emphasizes that the ultimate link to the citizen is of critical importance, which has important implications with respect to the instruments of transparency and accountability that need to be introduced or invariably enhanced in the local governance system.

34. A second consideration concerns the different type of services for which the two levels, district and village should be made responsible. In application of the principle of **subsidiarity** the district public administration should be essentially concerned with the supply of public goods (the rules of the game, plus: health, education, transport infrastructure), whereas toll and private goods produced at the level of a village or of a few neighboring villages (for example: water supply through open wells, improved springs, and boreholes, minor and micro irrigation, income generating activities, rural financial services) are community affairs to be dealt with at the level of one community, or of a consortium of a few neighboring communities.

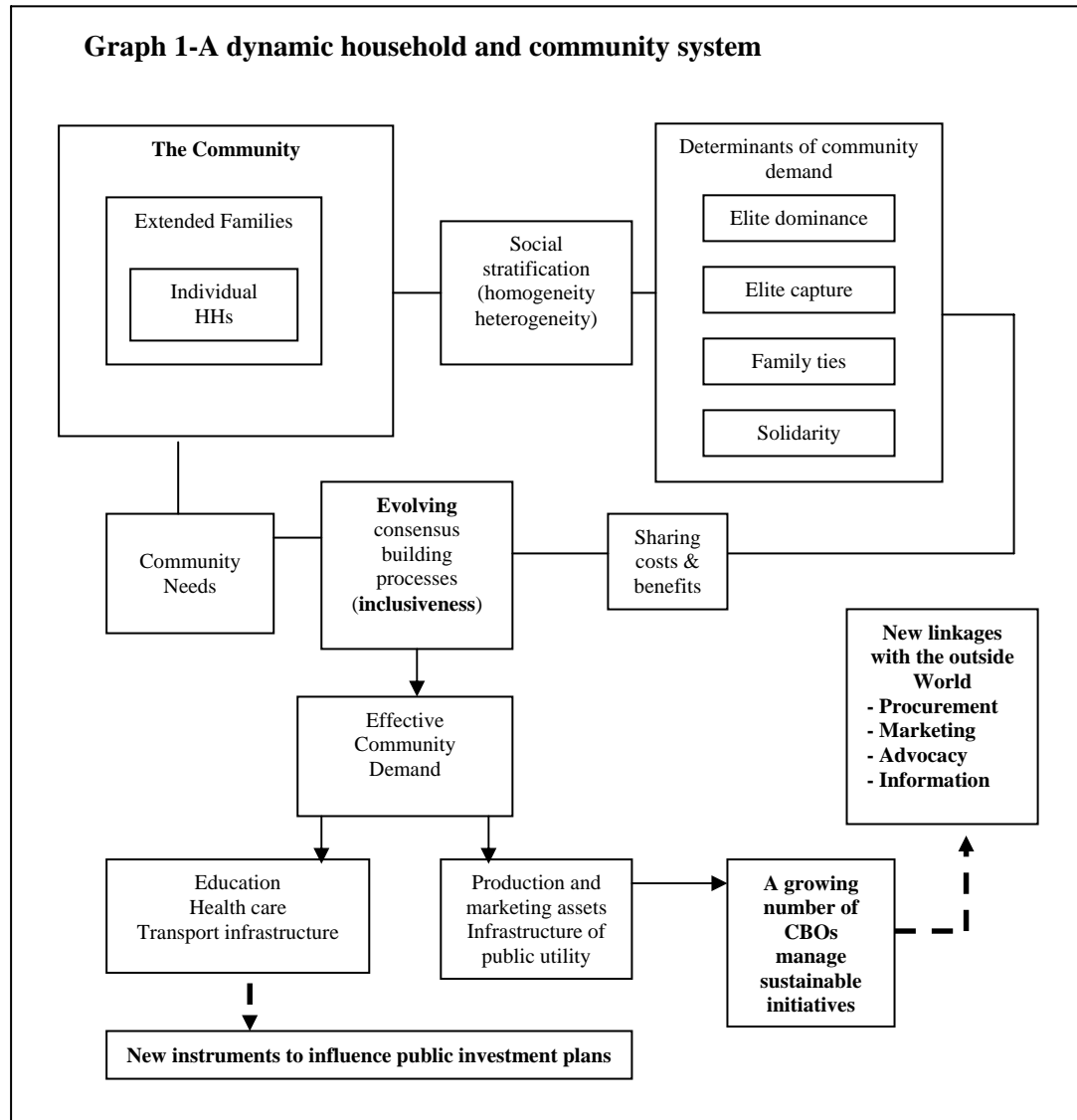
35. A third relevant consideration is the need to adapt processes and procedures to the level at which an agent intervenes. Dealing with very small community projects and initiatives requires totally different skills and procedures that dealing with larger operations such as those that are the prime concern of a district administration. In application of the **specialization** principle, this calls for separate instruments and mechanisms to deal with the community level.

36. The evolution of the first approach in Ghana led to restructuring the VIP project. In application of the principle of **subsidiarity**, the channel of IFAD support of the communities was shifted from the district to a sub-district level of the public administration, the Area Council. The second approach (Mali, Cape Verde, Mauritania) established organizations of the civil society to implement CDD projects, with such organizations expected to operate in a coordinated, but autonomous way with regard to the local public administration. This approach applied contextually the **subsidiarity** and the **specialization** principles, since the project implementation associations are exclusively dealing with community development initiatives, and community capacity building.

37. The Senegal project reviewed did not address openly the local governance issue. Work at community level is entrusted to a conventional type of PCU. Nevertheless, the impact of the project work on establishing viable CBOs has begun to spill over the border of the single community, with Unions of VDCs emerging spontaneously to establish linkages with the public administration and with the market.

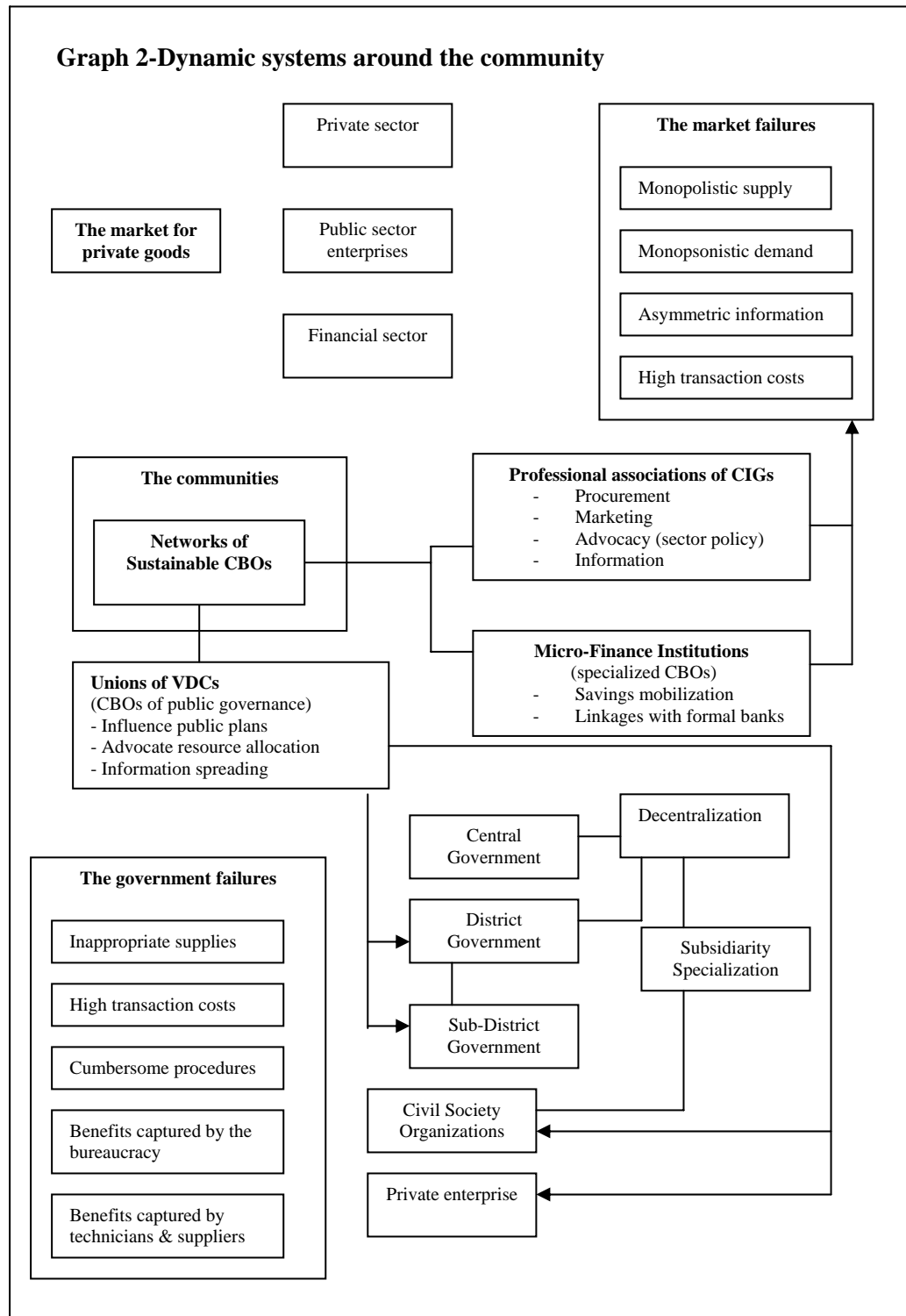
38. In all projects, and independently of the organization and management arrangements chosen, a common trend emerges that points to a dynamic vision of improved governance within and around the communities. This vision embodies the creation of robust dynamic

linkages within the communities (between individual HHs and the CBOs), and between the CBOs and the outside World that has an impact on the livelihood of the communities. The following two graphs attempt a representation of the expected impact of CDD projects on the system internal to the communities (graph 1), and on the systems around the communities (graph 2).

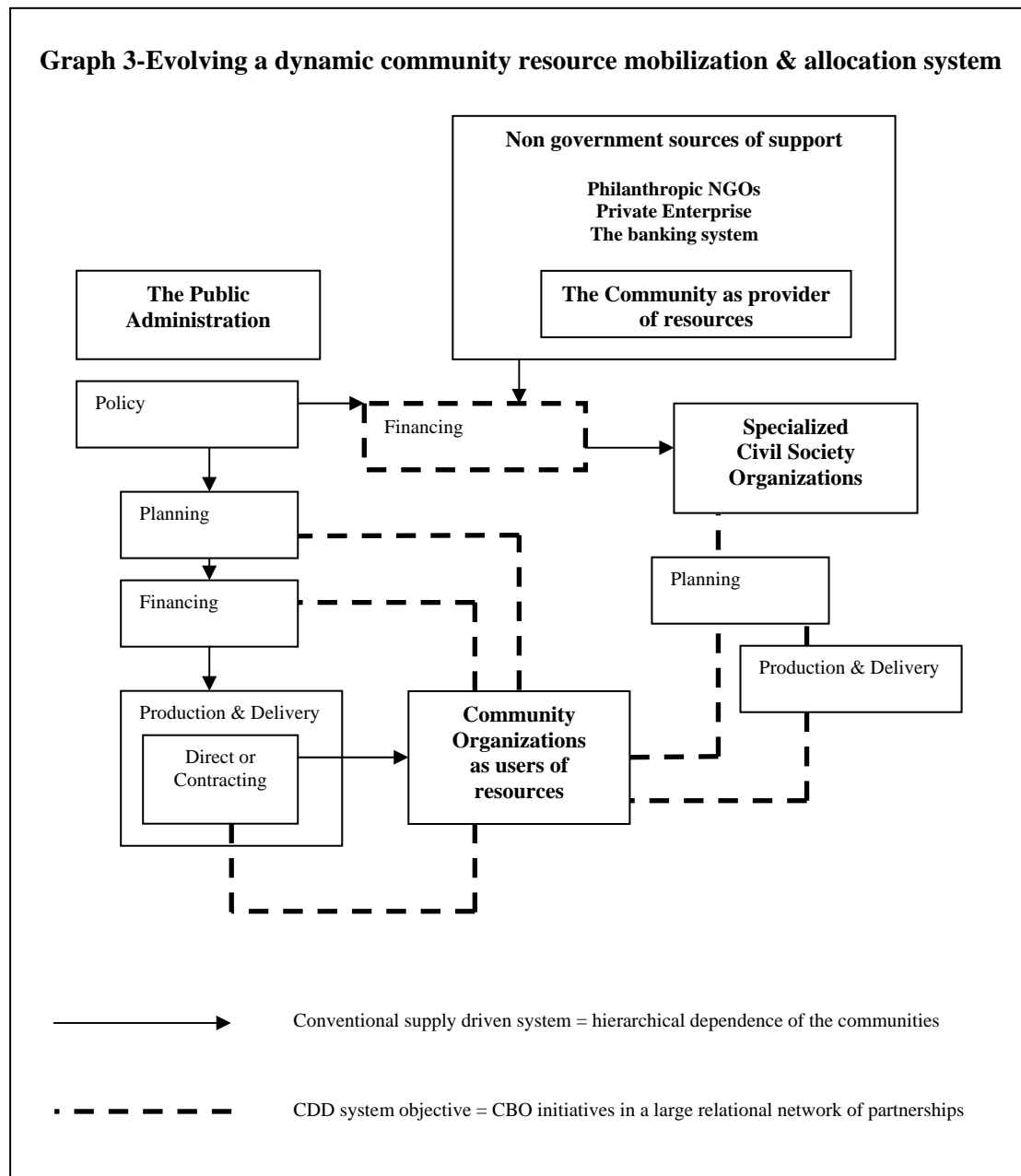


39. Graph 1 shows a schematic community structure (individual households, extended family systems) that determines the degree of homogeneity, and the factors of decision making (elite dominance, extended family ties, solidarity, risk of elite capture, etc.). CDD projects play on the evolution (through animation and training) of existing community decision making mechanisms in such a way as to enhance inclusiveness, on the one hand, and, on the other hand to convert “needs” into “effective demand”, the filter being consensus about sharing costs and benefits (which are the key factors of a partnership). The expected dynamic result is a growing participation of women and marginalized people in the processes, a growing number of CBOs capable to manage sustainable activities, and new linkages with the outside World (the market, the public administration, the civil society).

40. To the extent that resources are made available to satisfy the communities effective demand, community members improve their access to physical capital, increase their human capital (through training in the implementation and management of their micro-projects), and enlarge their social capital assets by establishing permanent linkages within the communities (the CBOs) and through the CBOs more and more effective linkages with the market and the public administrations.



41. In graph 2, the conventional uni-modal and unidirectional system that confronts the communities (the supply driven approach) is substituted for a more complex set of systems. What emerges from the design, and also to some extent from the experience, of the projects that have worked with the partnership concept more explicitly, is that the new setting is more than an improved delivery mechanism combined with some way to reflect community demand in the delivery agenda. Where it has been officially introduced (Cape Verde), the new setting has shown the capacity to provide for more, and more robust, opportunities for the communities to gather and absorb external support. In other cases, the impact of the project work at community level has begun to record signals the same direction (Ghana, Mauritania, Senegal). This may be represented in a schematic way as in the following graph 3.



42. Graph 3 suggests a situation which offers to the rural communities the opportunity to access a **larger pool of resources** for their development activities. We are moving away from a situation in which a single source of funding with its own objectives selects their clients to

fulfill those objectives, to encourage a situation in which it is the “clients” with their plans that search for resources to implement the plans. The new situation allows for a plurality of funding sources, multiplicity of objectives, specialization, and direct involvement of the community in resource mobilization and implementation of their plans.

43. Notice that the box at upper right hand side of the graph includes as well the community’s own resources. This raises the key issue of the financial sustainability of the institutional and economic transformation of the communities.

44. All projects reviewed establish at appraisal that the communities must commit to raise the resources necessary to cover the cost of operating and maintaining the facilities constructed with project funding. This invariably applies to: (i) facilities that produce private goods, which generate income, and are normally funded by credit, or with a mixture of credit and grants, (ii) facilities that produce toll goods, such as irrigation and water supply, which are maintained by the User Associations, and (iii) facilities that supply public goods, such as for example functional literacy, since the project pays for training the trainers at community level, but trainers, in turn, must be rewarded by the trainees. Whereas the principle of financial sustainability of community initiatives is very clearly established in all project documents, the implementation results are inadequately documented, which is only partly explained by the fact that most projects have not reached completion stage yet.

45. The question is of great importance, and points to the need for more work on issues of fiscal decentralization in CDD project design and implementation monitoring. The issues concern:

- i. the willingness and capacity of the central governments to transfer to local governments the resources necessary to operate and maintain the facility constructed for the production of public goods,
- ii. the capacity and willingness of the communities to mobilize the resources required to operate and maintain the facilities constructed to produce toll goods, and
- iii. the capacity of producers of private goods and services (particularly the MFIs) to operate in financially sound manner.

46. In the current very critical situation of most African countries the government revenue basis is, and so will be for many years to come, largely insufficient to meet the cost of delivering the public and toll goods that central governments commit themselves to provide. This excludes the possibility that government revenue may be used to subsidize recurrent costs that keep the supply of toll goods going. Resources for that must therefore come from the communities themselves

47. The following box summarizes the key points of this section.

Box 2**Key points of section B**

- CDD projects address key issues of local governance
- Two approaches experimented with in WCA to deal with local governance
- One consists in supporting government policy to decentralize the public administration at district level, jointly with the WB
- As the district level proved far too remote from the village, a lower layer of the local government was adopted as entry point (subsidiarity principle applied).
- This significantly improved the performance of the planning and delivery system,
- But it is not enough to unleash the communities potential for change and does not diversify their linkages with the outside World (communities still constrained by the principle of hierarchy that governs the public administration)
- The other approach is based on the combination of three principles: subsidiarity, specialization, and partnership. It proposed establishing autonomous civil society organizations with the CBOs as majority members, to deal with the communities.
- Experience so far is that projects based on the second approach perform better
- Improved governance at community level envisages a dynamic transformation within the communities, evolving decision making processes (inclusiveness), a growing and diversified set of sustainable CBOs, and new organized linkages with the external world.
- Improved governance systems around the communities envisages networks of professional CIGs and of MFIs capable of moderating the impact of market failures (procurement of information, private goods and services, marketing of products, financials services), and a network of VDCs with advocacy functions and capacity to influence decisions with respect to the providers of public services.
- Financial sustainability of community initiative requires effective mechanisms for the CBOs to raise the resources required for O&M. Need for learning more about projects experience in this critical field.

C. Impact of IFAD CDD projects on improving governance at community level

48. In this section, the main lessons learned on the project approach and results obtained on governance issues at community level are summarized with respect to three aspects of the stability and equity factors of good governance; namely, (a) shaping social organizations, (b) securing inclusiveness, and (c) impact on distribution of livelihood inputs and assets.

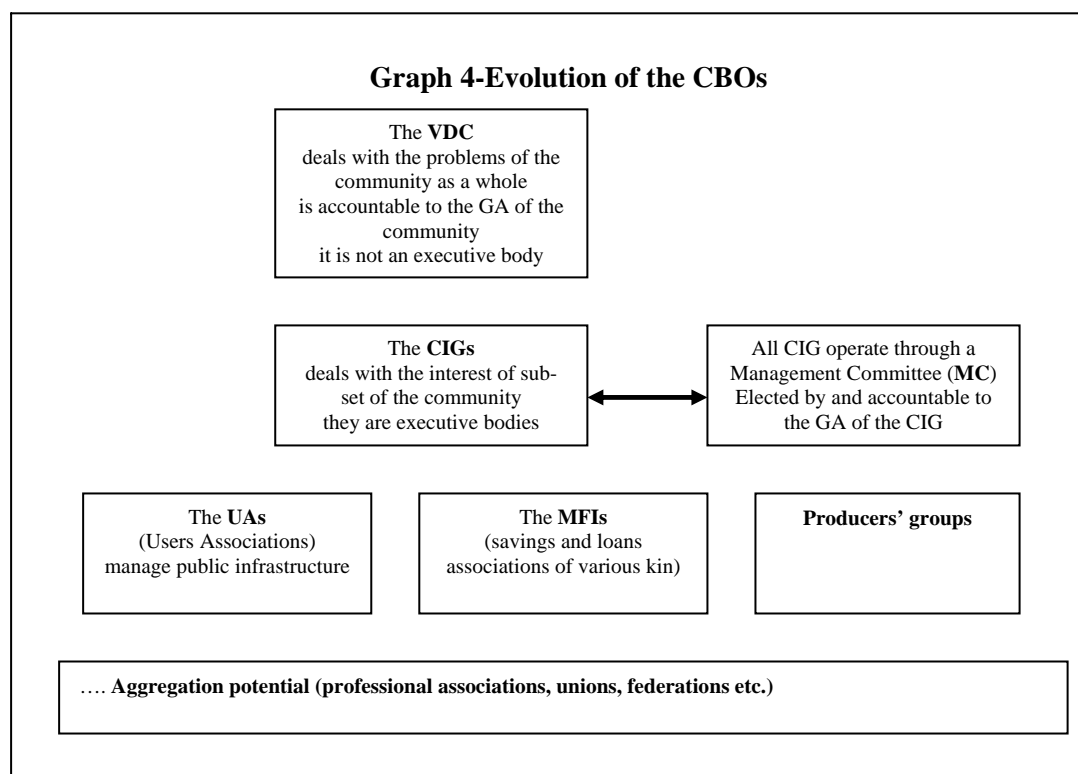
49. Shaping social organizations. A widespread result is the speedy and pro-active response of rural people to the projects animation work done to encourage the establishment of organizations of “beneficiaries” at village level. This is the record in Mali, Cape Verde, Senegal, and Mauritania. The Ghana record is different, as the project focused on strengthening the government organizations rather than the people’s.

50. Are these forms of social organization only a temporary event, prompted by an external condition of obtaining a specific support, or do they contribute to strengthening institutional stability and growth within the communities on a sustainable basis? This depends on the functions of the social aggregations, the extent to which they respond to felt needs of their members, their capacity to obtain the resources necessary to carry out their functions, and their initiative and capacity to mobilize resources from their members to undertake priority actions even in the absence of external assistance. Capacity building at community level is the key to project impact in this respect. Not all CBOs set up to respond to project incentives will perform well and manage to survive and grow over time. What is the death rate? The experience in Senegal is reasonably encouraging in this respect. At formulation of POGV 3 a survey was undertaken to assess the capacity of the villages, based on their performance

under the predecessor project. The result of the survey was that over two thirds of the CBOs supported by POGV-1 did qualify for support by POGV 2.

51. Naturally the impact of a project on the creation of robust and dynamic CBOs must be seen in the context of what is in practice a long term commitment of IFAD in the project areas, independently of the formal duration of the individual projects. The Mauritania ODP and Senegal POGV, for example, have reached their third replication phase, each phase involving a new project the design of which builds on the experience of the previous one. The Mali and Cape Verde projects are funded with FLM for 10 years, and may be replicated if reasonably successful. New projects in Ghana have been designed to include lessons learned from the VIP, particularly the lessons learned about the appropriate level of intervention.

52. Evolution of the CBOs. Initially the VDC tends to be the only organization of a local community that deals with its common development actions, assuming governance as well as operational responsibilities. In some instances this is explained as the result of the very limited number of people resident in the community who are capable of managing even the most elementary organization (a “capacity” problem). In other cases, it is interpreted as the expression of the dominance of a single family in a small community (a potential problem of elite capture). It is also often viewed as the result of traditional practices that translate consensus with the association of all the important members of a society to the management of an initiative taken with the agreement and in the interest of all the members of the society (an institutional development problem). All these aspects probably interface in most cases. PCUs have also not interfered much with this trend, since dealing with different types of CBOs complicates project implementation.



53. However, more sophisticated situations are also emerging, which do lead to a diversification of functions and of the forms of the CBOs, even in the case of isolated communities (Mauritania). The distinction begins to emerge between the VDC as an organ of public governance in development affairs and the CIGs as organizations that deal with the specific interest of a sub-set of the community membership, such as a user association, or a

savings and loan association. The distinction is important because to the different categories of CBOs correspond different functions within and beyond the boundaries of the community, access to different sources and different modalities of external support. The lesson is that the institutional diversification potential can and should be encouraged as an instrument of sustainability and of efficient use of resources, and that this requires attention to how that encouragement should be made effective in practice.

Box 3

Lessons learned on shaping social organizations

- Changing the institutional system takes time and is a gradual process
- Building resilience requires the right support, but also the right challenges
- Flexibility is a key feature of the CDD approach
- Learning by doing is essential
- Need to accompany the emerging trend for the specialization and diversification of functions of the CBOs

54. Inclusiveness. This concerns the opportunity given to women, poor households, and other marginalized people to participate in **informed** decision making about common interest activities. Communities in West Africa quickly adapt their traditional organizations to respond to conditions of project intervention such as the requirement that women be admitted to join VDCs, to form CIGs of their own or mixed with men, and to have a place in the Management Committees (MC) of common initiatives. Requirements concerned with the “constitution” of the CBOs (role and composition of the general assembly, election, functions and responsibilities of elected leaders) have been accepted without problem, since the principle applied generally fit in the traditional system of local governance in Sahelian Africa (Mauritania, Senegal, Mali), albeit in different forms. In areas where there has been little traditional community organization of the kind, such as Cape Verde, there has also been little difficulty in establishing an acceptable institutional pattern in this respect.

55. The actual application of free debate and majority rule to reach consensus in the communities’ General Assembly (GA) is not properly monitored, so that opinions vary regarding the way consensus is reached, whether through free debate of fully informed and differing views, or because of the influence of dominant community members. Prevailing methods of consensus building are probably complex and very contextual. The animation service of the Cape Verde PLPR has made a special effort in guiding community decisions processes during the first demonstration phase of the project, paying due attention to not interfering with the priorities, only to ensure that the interests of different stakeholders are actually debated in formulating action plans. This is an area where it would be useful to acquire more factual information, since opinions seem often influenced by assumptions about the heterogeneity of the communities and about the impact of heterogeneity on decision making, with little attention to mechanism that may exist in the community institutions that moderate such factors.

Box 4

Lessons learned on inclusiveness

- Communities have little problem with formally accept the constitutional features of the CBOs requested by the projects
- Participation of women and marginalized community members is accepted within the general framework of the traditional rules
- Animation and facilitation activities can achieve improvement and modification of traditional rules with a view to securing inclusiveness in participation
- But there is need to better understand the evolution of the real decision making processes

56. Improvement in the distribution of livelihood inputs and assets. Lessons on the impact of CDD projects on this objective concern two aspects: (a) how more equity has been achieved among different communities in a project area, and (b) whether more equity within the individual participant community has been achieved.

57. Selecting target communities. A first impact on the distribution of project benefits is obtained by discriminating communities (villages) on the basis of criteria such as: “objective” indicators of poverty (food insecurity in the case of FODESA for example), the exclusion of areas where land tenure is controlled by absentee landlords (Mauritania), the absence of other major donors, performance under a predecessor project (Senegal).

58. The FODESA experience in Mali is that the first criterion generates an initial volume of requests that far outweighs the capacity of the project to respond. This is a formidable problem for the project to deal with, but represents also a positive impact on the social dynamics of the project area, that meets with one of the objectives of CDD; namely, unleashing the potential of the rural communities to get organized so that their voice be heard by development planners. One should not be scared of raising expectations, they are the engine of change. Actually, the expected results of CDD projects go well beyond the delivery of the services that they have resources to provide, but include as well the catalytic role of the project in stimulating the capacity of the communities for taking initiatives and to look for support from other actors in development, such as NGOs, religious organizations, bilateral aid agencies, and also to mobilize their own resources if external assistance is not forthcoming. There is evidence that some of this is actually happening (in Ghana and Cape Verde, for example).

59. The problem of how to ration demand with respect to scarce resources is of course a very real one. One transparent and participatory way to handle it is to stick to the principle of effective demand, which is determined by the willingness of the communities to pay the required share of the cost, which is their **entrance fee** in the **partnership** with the project. This is a most critical point in establishing a partnership. It is at this point that the **cultural base** of the arrangement is set, through the negotiation of the respective duties and rights of the partners. The way this is done is very important. The partner group must be made to feel that it is them who demand the goods and services, not the project that wants to spend its resources at all costs. It must be made to feel that the payment of their entrance fee (i) is a means to acquire the right to use the good or service, in other words they are buying them, (ii) that to this right is attached the responsibility of adequate operation and maintenance of goods and services that have been acquired with their own hard spared resources, and (iii) that there are rights of their partner project as well, for example to inspect how they are using the goods or services co-financed with them. It will be clear why the expression “beneficiaries contribution”, so freely used in project documents, conveys none of those messages, and may be at the origin of serious misinterpretation of the CDD approach by project officers.

60. It is at this stage that projects (not only FODESA, also the PLPR, and there are other examples in other parts of Africa) meet with resistance, the communities trying to bargain for reducing or eliminating their required contribution on the ground that they do not have the resources, particularly cash. Perhaps under pressure from central government quarters, some projects give in on such requests, or on demands for increasing the standards of the services provided at no extra cost to the communities. It must be clear that, as long as the effective demand of eligible (i.e. more or less equally poor) communities ready to pay their share exceeds the project capacity to supply, this practice generates an inequitable use of project fund, on two grounds: (i) it creates unjustified privileged positions, and (ii) it reduces the resources available for serving the equally poor communities that show evidence of self resilience and of understanding of the very concept of partnership, which establishes that the partners' rights are based on sharing burdens and responsibilities. A strong IEC campaign is necessary to combat the legacy of years of free government 'handouts'. Giving in on agreed criteria in some cases sets precedents that make it very difficult to go back on the originally agreed policy and course of action.

61. A further test of the acceptance by the community of the principle of partnership is the use of indicators of the community capacity for absorbing project support, introduced in Senegal by the POGV 2. This criterion rejects demands from villages that have not performed well on a previous intervention (loan delinquencies, poor maintenance of infrastructure constructed with project funds, etc.). It represents an interesting mechanism for rationing demand and for enhancing, at the same time, the incentive to self-help and resilience of the communities.

Box 5

Lessons learned on selecting communities

- Selecting communities on objectively quantifiable indicators of poverty generates excess demand for project services
- This is not necessarily a bad thing, it actually fulfils the second level results of a CDD project: exercising a catalytic role in mobilizing community initiatives vis-à-vis other potential sources of support
- Nevertheless a real problem must be addressed of how to ration excess demand compared with available resources
- Communities that refuse to pay upfront their share of the cost of the project they have demanded or insist on increasing the standard of the delivery should be dropped from the list of eligible communities
- The share of the costs borne by a community represents their entrance fee in a partnership with the project: payment demonstrates understanding of the sharing of costs, responsibility, and benefits embodied in the concept of partnership. A key result of the animation work of the project is to get this message across
- Communities that have performed poorly under precedent interventions should likewise be excluded from the current list of eligible communities.

62. The distribution issue at community level. The impact of the CDD approach on the distribution of project benefits within a community is a key point with respect to the IFAD poverty alleviation objectives. The question is what mechanism, if any, have been in place to ensure that decisions taken at community level do not sideline the interests of the lowest social strata of the community, excluding them from a fair share of opportunities to access livelihood inputs and assets made available by project interventions. The CDD projects reviewed have not excluded members of a community that do not qualify as IFAD target group from participating, but relied on the community institutions to bring about a

distribution of project benefits that meets the equity objectives of the Fund. Did it work, and to which extent?

63. Non-exclusion has proven key to involving the traditional system of governance at village level, which explains the ease of mobilizing people, and the general absence of opposition of local elites to project intervention policies. What has been the impact of the local elite dominance on the distribution of project benefits within the community? Which lesson did we learn about how the risk of undue capture of project benefits by the local elite can be effectively moderated? What constitutes an “acceptable” level of elite dominance and/or elite capture, and under which conditions? Or, to put it in a way that may make it easier to respond: what would be signals of “unacceptable” levels of elite dominance and of undue capture of benefits?

64. So far, neither project design nor the related M&E systems have provided methodologies to assess whether benefits accruing to members of the dominant elites from the construction of water supply and irrigation infrastructure, for example, or from the operations of MFIs, are **disproportionate** with respect to the role the dominant elites play in facilitating the project intervention by mobilizing people and local resources, and generally managing the VDC. This type of information could be obtained through animation of the meetings of the General Assemblies of the CBOs, a practice that is not followed for lack of resources in the project budgets.

65. The self-evaluation methodology recommended by most M&E and implementation manuals may certainly become a venue to discuss and assess this aspect, if specifically included in the subjects that need monitoring. Unfortunately, there are few reports on it so far, and even little clarification of the matter that needs reporting about. This is **not** if the dominant elite has benefited of the project or otherwise, but if those benefits are perceived as **excessive** with respect to the services actually rendered to the community, i.e. if they are a “rent”, or a legitimate reward and incentive for work done for the benefit of all.

66. An insight on the situation can be obtained by looking at the pattern of the priority demand elicited from the communities by the projects that did not impose a pre-determined menu of interventions. The consensus emerging in many communities (Mali, Cape Verde, Mauritania) is that their first priority is drinking water, a good that is made available to all community members. Widespread preferences are also expressed for micro-projects that are of particular interest to women, ranging from water supply, to house improvement, to functional literacy, to basic health care. In Mauritania, the Oasis Development Associations (ODAs) got involved in trading of essential consumption goods with a view of supplying their members with cheaper products, breaking the monopolistic power of the traditional traders. These instances suggest that, at least initially, solidarity may be a stronger factor of community preferences than the influence of local dominant people who may be in a position to grab a disproportionate share of project benefits for themselves.

67. Self-targeting mechanisms have been successfully tested in Cape Verde, for example. These consist in setting two ceilings to the financial amount that the PLPR can make available to a single community project. One ceiling sets a limit to the total resource transfer allowed; the second ceiling sets a limit to the amount transferable per HH of local partner involved in the project. Ceilings to the maximum amount of loans that can be made to a single borrower are current practice in the MICO network in Mauritania.

68. With respect to access to assets, the capacity of some communities to come up with egalitarian solutions under pressure of lack of resources should not be underestimated. In the Gambia, the door was opened to the sharing of land developed for irrigation with IFAD funds by the project decision not to pay for the labor required to construct the infrastructure. This self-targeting mechanism was very effective, at no cost to the project. Attempts elsewhere to

get an equitable distribution of land through rules and bureaucratic enforcement, sometimes combined with term financing of investment costs, were easily offset by the ingenuity of the local dominant classes, and the project administration wasted the cost of attempting an impractical enforcement.

69. The success in the Gambia is rooted in the traditional rule – still widespread in rural WCA – that, if the labor employed to improve land is not remunerated, it acquires the right to a share of the land developed proportionate to the amount of work supplied. Unwilling, or unable, to pay for the labor, the local elite that controlled the land planned for development by the project accepted to share it. This example shows the importance of understanding which institutions govern community life, so that they can be used to achieve projects equity objectives.

70. Attention is drawn to evidence of inequitable outcome that may result from the introduction of rules designed by outside agents with no regard to the community institutions and to their impact on the lowest social strata in the communities. Experience from other projects and other regions suggests, for example, that government imposed privatization of common land with the objective of increasing sustainable production of the natural resource, the implementation of which is entrusted to the communities, resulted in exclusion of the very poor from the few benefits that open access had secured for them before privatization. Such instances show that decisions regarding critical issues in local governance, such as the enclosure of common resources, should not be taken without ensuring that the local institutions include mechanisms to moderate the exclusion of the poor. If this is not the case, implementation through CBOs very likely leads to inequity. Dominant old settlers would naturally exclude the poor, the recent settlers, and migrant households, finding no constraints in the local institutional system that does not envisage the new situation. This is increasingly happening, for example, in areas of high demographic pressure, where the emerging tendency is to marginalize transhumant pastoralists and farmers recently settled from elsewhere.

Box 6

Lessons learned on achieving an equitable distribution of project benefits within the communities

- Non exclusion helps mobilizing people, prevents opposition of dominant elites within a community, and facilitates the running of the CBOs
- However, non exclusion carries the risk of elite capture of project benefits
- Elite capture occurs when the share of benefits acquired by the dominant elite is out of proportion with the role it plays in facilitating project interventions
- The M&E systems do not report adequately on this
- In the case of projects that leave ample scope to the communities to determine the agenda of project intervention, the emerging pattern of demand suggests that solidarity plays a stronger role than the interest of the local dominant elite in determining the top priorities of the communities, at least in the initial stages of development
- Traditional rules in most WA societies determine egalitarian solution to assets distribution in case of land improvement works that require significant inputs of labor
- Traditional societies do have mechanisms that moderate the risk of local elite capture, ignoring them may be a serious source of inequitable solutions
- Major cases of elite capture and of discrimination against the poor seem to originate more when traditional institutions are upset by external interventions (projects supporting the privatization of common land, or introducing mechanization or payment for labor for the construction of irrigation or flood control facilities, for example).

D. Impact of IFAD CDD approach on improving local governance around the communities

71. Did the design of the projects reviewed comply with the scheme presented in graph 2 of section A? What was the performance? Which key lessons were learned?

72. Choice of implementation mechanisms. So far, projects implemented through organizations that established partnerships of CBOs, NGOs, and local government administrators (Mali, Cape Verde, Mauritania) performed better than projects aimed at reaching the rural communities by strengthening the decentralization of the public administration (Ghana). IFAD experience in WCA seems to confirm the view that the district level is far too remote from the village level to respond adequately to the expectations of poor rural communities. It also suggests that the decentralization process tends, in the absence of corrective measures, to replicate the problems of centralized governance at the lower level. The level of public administration immediately below the district proved to be much more effective for activating delivery mechanisms on behalf of the communities (Ghana, after MTR), but by itself has not been sufficient to enhance the potential for change of the rural communities themselves. However, results may be different over the longer term in this respect.

Box 7

Lessons learned on the choice of the implementation mechanisms for a CDD approach

- CDD project implementation based on wide partnership arrangements and private sector institutions have performed better than projects that try to reach the community level through the local government administration
- The district is not the right level to run an efficient delivery system for the communities
- But the level immediately below the district, mobilized in application of the subsidiarity principle, turned out to be effective to improve the delivery system
- However, the impact of that level on unleashing the potential for growth of the CBOs is constrained by its hierarchical dependence on the higher level of the public administration
- Project based on developing partnership arrangements with the CBO apply contextually the subsidiarity and specialization principle

73. Importance of policy dialogue. Even when formally accepted by the central government, innovations in institution building are not easily internalized by civil servants and local politicians, and are often opposed in practice. This opposition may take visible and invisible forms, and exercises pressure on the staff of project coordination units that are often themselves confused about how to implement the CDD approach in practice. The lesson learned is that, without a strong steering intervention, the implementation of innovative CDD projects tends to slide back into the pattern of conventional top-down centrally run rural development projects, with community participation and empowerment sidelined. This is not surprising as centralization cultures are hard to die, and administrators do not want to lose control over “their” communities.

74. IFAD interventions, however, can be effective (Mauritania, Senegal, Ghana). The case of Cape Verde shows the importance of policy dialogue before loan negotiations, an example which suggests that rushing the approval of projects that embody innovative institutional features may be unwise. Unlike in Mauritania, the GoCV only accepted to negotiate the IFAD loan when it was ready to enact the legal instruments for the implementation of the CDD approach embodied in the PLPR. It provides a clear example of effective stakeholder’s

commitment, which paved the way to the smooth implementation of the project that actually followed, despite a change in government. In Mauritania, the project was “retro-fitted” with the required CBO legislation.

75. The challenge that IFAD CDD projects have faced was the absence, in the framework of the existing constitutional settings, of clearly defined policies and rules concerning the respective role of the decentralized administration, of community organizations, and of the organizations of the civil society, with respect to the five components of service provision: regulation, planning, financing, production, and delivery. IFAD projects have actually been instrumental, in Cape Verde and Mauritania, for activating a dynamic process of clarification, aimed at building an enabling environment for the institutional and economic development of the rural communities.

76. The policy dialogue with the Governments of Mauritania and Cape Verde resulted in the formal recognition of the public utility of associations established under private law, to undertake poverty alleviation (Cape Verde) or more generally community development activities (Mauritania). For the implementation of the IFAD CDD projects, the membership of such association envisages a substantial (majority) CBOs participation. Both countries enacted legislation that makes such recognition possible. Cape Verde went further, enacting also legislation that clearly establishes the conditions and the modalities for transferring public resources to those associations, through the mechanisms of the *convencao-cuadro* (that embody the principle of **indicative medium-term planning** as the basis to obtain commitment to support with public funds), and the *contrato-programa* (which embodies the principle of **ex-post control** over the specific use of public funds drawn under an approved annual budget in line with the indicative plans of the *convencao*). These are very innovative mechanisms that greatly simplify the procedures for the transfer of resources, and the modalities to account and report on the use of the resources in a rigorous but contextually flexible way.

77. The lesson from Mali is different. The GOM accepted the principle of entrusting project management to an association established under private Law. This was at a time when the broad details of the decentralization reform were still been debated. The model used was the AGETYPE, a WB sponsored association of government and private interests, established under private law, to design contract and implement public infrastructure projects. The AGETYPE formula has proven successful (and not only in Mali) in handling large public utility projects in urban areas. The IFAD project design envisaged the establishment of similar associations at the regional level, the inclusion of the VDCs in the membership. In addition, the appraisal imposed a ceiling to the cost of the associations to 10% of the overall project cost.

78. During implementation, the membership of the VDCs proved impractical, due to the large number of VDCs each regional association had to deal with. The internal rules adopted by the associations replicated most procedures applied by the AGETYPE to large urban projects, which was hardly appropriate in the case of the micro-projects undertaken at village level. The participatory implementation of the large number of micro-projects eligible for funding also proved difficult. It imposed a burden on the project administration far in excess of the available budget, because of the large number of contracts to be negotiated, and supervised, and of the time required to associate the CBOs to the procedures. FODESA decided to keep their administration cost within available resources by pooling similar projects under few single contracts implemented by large contractors of urban origin. This excluded local artisans from bidding and the CBOs from acquiring the capacity expected from their close association to the implementation of their micro-projects.

79. Relationship with the local government at district level. In Cape Verde, the matter of the relationships between the CRPs and the Municipalities has not been formalized,

cooperation arrangements differ from one to the other of the Municipalities of the project area. In Mauritania, the relationships between the Oasis Development Associations (ODAs) and the Communes are regulated by the participation of the ODAs in the Provincial Planning Committees, a participation that does not imply a provincial (or communal) power of decision over the initiatives of the ODAs. The guidelines that apply as to the respective mandate of the public administration and of the ODAs are: (i) the Communes have an exclusive domain in matters of “public goods”, the term interpreted to mean: education, transport infrastructure, and health care; the ODAs do not get involved in these fields, except by delegation of the Commune; (b) the ODAs have the right of initiative in matters related to water supply and irrigation, which are funded with a mixture of public grants and locally raised resources; the ODAs must inform the Commune and Provincial planning units of their initiatives in these fields with a view to coordinating the plans and to ensure consistency with security and resource conservation standards, but this does not mean a right of rejection of the ODA plans by the local administration, and (c) the ODAs have full autonomy for initiatives that concern the production and trading of private goods, which are funded through credit, managed by the project supported MFIs (MICOs); the ODA are not required to report to the local government on the MICO activities, except on request for statistical purposes.

80. An interesting solution to the problem of the relationships with the district level has been successfully experimented by the WB in the Borgu Province of Benin. The VDC are encouraged to produce a 2-year plan, which will include projects that the village community is prepared to co-finance to the extent of a minimum of 20% of the total investment cost, plus undertaking the full responsibility for O&M. An indicative plan is submitted to the district planning authority, which has 30 days to reject it with a considered argumentation for rejection. No rejection in due time is considered approval. The VDC then prepares a simple feasibility study of the micro-projects included in first year of the plan, which are submitted to the district, following the same 30 days rejection/approval procedures. The approved projects must be within the ceiling of USD 20,000, the village contributing USD 5,000. Contribution must be in cash, deposited in a bank account in the name of the village committee, to trigger project funding. Like in the case of the CRPs, disbursement is by installments, and procurement follows a special fiduciary procedure which greatly facilitates contracting local suppliers of goods and services.

81. The above considerations raise three different issues: (a) the right venue of the policy dialogue, and (b) the size of the project area that can be reasonably dealt with by a partnership with the CBOs and (c) the cost of CBO capacity building implied in the CDD approach.

82. A right venue of policy dialogue. Agreement on project policy at the time of loan negotiations does not mean compliance by all levels of project management for the long duration of a project life. Policy dialogue is not a single shot operation, it should be informed by lessons learned as implementation unfolds. Stakeholders’ commitment needs to be continuously checked and reinforced. The conventional forum for such dialogue in the context of a single project is the Project Policy Steering Committee. Do these Committees actually perform the functions they are in principle supposed to perform? To which extent different perceptions of the content of those functions develop over time that in practice determine significant deviations from the project objectives?

83. Because of the far-reaching implications of the IFAD CDD approach, the Project Policy Steering Committee may not secure an adequate audience and a real impact of the policy dialogue. The establishment of a national forum for debating policies concerned with local governance issues would better indicate a government commitment to changing rules and attitudes. The objective of the forum would be to exchange information and to reach consensus on coordination of different approaches, with a view to avoiding that actors misunderstand each other’s objectives, interests and motivations, and donors play one against the other in matters of critical details.

Box 8**Lessons learned on policy dialogue**

- Innovation in the institutional setting are not easily accepted
- Even when formally approved by the central government
- Strong steering interventions from IFAD are required and have proven effective
- Implementing CDD principles requires continuous policy dialogue
- PPSCs have not proven adequate venues to influence policy making in matters of local governance
- Should a national forum be established to debate such matters?
- How can IFAD promote them and ensure that the voice of the communities is heard, along with that of other stakeholders?

84. Size of the area of project intervention served by a civil society association in which the CBOs are majority members. The problem is not encountered in Cape Verde due to the limited number of rural communities in each of the islands where the PLPR has established the CPRs. In Mauritania, the MTR of ODP 2 cut the number of targeted oases (and villages) from 400 envisaged at appraisal to 200, the operations developing smoothly thereafter. The review of FODESA concluded that the regional level was much too large for the project implementation associations to be effective, as it covered thousands of villages. It also noted that the regional associations operated in isolation from the new local government setting. It recommended to decentralize the associations to district level, and to establish a more proactive relationship of the decentralized associations with the public administration, more in line with the responsibilities that the administration reform has meanwhile entrusted to the districts. The way this will be done, and the impact that it may have on the empowerment of the CBOs in decisions concerned with local public choice, and on the development of the political and psychological conditions for the self-resilience and for the long-term sustainability of the CBOs remains to be seen.

Box 9**Lessons learned on the size of the area that can be covered by an association of the civil society with majority CBO membership**

- The Mali design set it at the level of the Region: it does not work
- FODESA MTR review proposed to decentralize the associations to district level
- The Mauritania experience shows that 400 communities are too many, half of that number is workable

85. Cost of capacity building at CBO level. A clear lesson of the experience in WCA is that building capabilities at the CBO level is costly in the short and medium term. It will pay handsome dividends if effectively done, but only in the longer run. If the CBOs are to participate in design, contracting, construction supervision, clearance of contractors' payment, etc.; if time has to be devoted to on-the-job training of the MCs appointed by the community to become familiar with all these steps of project implementation; if appropriate procedures are to be followed that encourage bidding from local artisans and suppliers, if all that is respected, the same delivery costs more compared with supplying the CBOs with a turn-key job, often of a standard type.

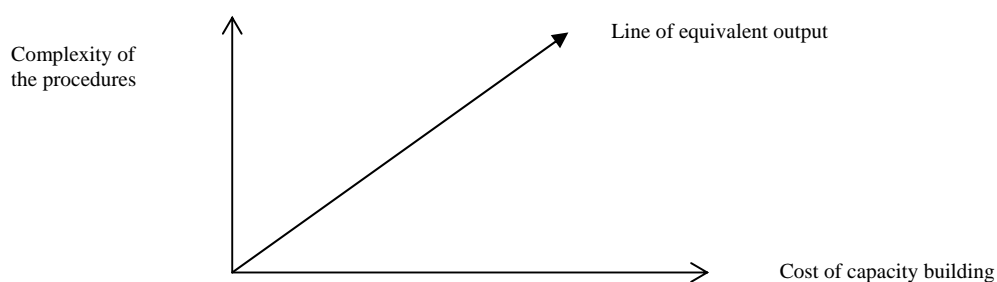
86. To which extent is it justified to incur the higher costs? The judgment on the trade-off naturally depends on whether capacity building of the CBOs is the prime objective of the operation (and the delivery is a means to improve capacity more –or at least no less– than an end in itself), or whether the delivery itself is the prime objective of the operation. The review

of the appraisal documents suggest that this matter has not been explicitly addressed, when the adequacy of the allocation envisaged for the administration cost of the project was assessed, in the light of its consistency with the project objectives. The implicit attitudes of the appraisal may appear from the significant differences of resource allocation to project management and training, as indicated in the following table.

	Cost of service delivery estimated at appraisal		
	Per cent of total project cost		
	PCU	Training and TA	Total
VIP			
ODP-2	24%	19%	43%
FODESA	14%	6%	20%
PLPR	15%	12%	27%
POGV-2	10%	16%	26%

87. A simple glance at the table is enough to see that the allocations budgeted for FODESA were surely insufficient particularly on the training but also on the management side. The full experience of the PLPR and POGV-2 will tell if a ration about 30% for project management, training, and TA is adequate when most training costs go into building the capacity of the CBOs. The higher ratios of the ODP-2 reflect the conditions of the oases of Mauritania. The association of the high share of total project cost invested in training and management in Mauritania with the considerable success of the project, cannot go unnoticed.

88. The relationship that exists between the cost of capacity building and the complexity of the procedures required to participate in project implementation is a key subject that emerges only implicitly from the review of the design and implementation experience of the projects. The separation of the design phase from that of producing the implementation manual for the project, and the absence of users' (clients', partners') participation in the drafting of the manual, are at the origin of the inadequate treatment of the issue. Yet the matter is well known, even obvious, to most practitioners, but seldom something is or can be done to remedy the situation. It is useful to recall a simple geometric representation of the problem as set out in the following graph.



Box 10.1**Lessons learned on the cost of capacity building**

- Building capacity at community level is costly in the short and medium term
- Inadequate project resources to cover the cost of administering a delivery system that involves the CBOs directly, generate diversion from the ultimate project objectives of establishing robust CBOs
- Question: are deliveries an end in themselves, or tools to generate the capacity of the user of the delivery so that he/she fly on their own?

Need to consider two trade offs:

- the trade off between short term efficiency in producing project output and long term sustainability of project outcomes
- the trade off between the complexity of the procedures and the cost of training people to use them , and the high probability of discovering win/win solutions in this respect

89. Capture of benefits by elites external to the communities. A perverse effect of inadequate procedures and insufficient resources for the administration of a CDD project is the capture of project benefits by actors outside the communities. This is well documented by the FODESA experience mentioned before. Insufficient administration resources to deal with a great number of micro-projects, and procedures clearly inappropriate for the type of operations envisaged, combined with emphasis on the cost-efficiency of delivery mechanisms and on meeting quantitative objectives and disbursement targets, rather than on capacity building at CBO level, deprive the CBOs of real opportunities for learning the trade, for acquiring a basis for sustainable growth, and reduce the project impact on fostering the local economy, and on strengthening the civil society.

90. Attention is drawn to this issue, which highlights the close relationship that exists between the “rules of the game” on the one hand, and, on the other hand, the cost of producing an output and the probability of achieving a target outcome. In the literature, the issue of elite capture is invariably discussed in terms of the impact of a local dominant elite. This aspect has perhaps been sometimes overemphasized. Less attention is paid to diversion of benefits and failure to achieve desired outcomes, due to the procedures applied to implement a project, which inflate transaction costs (shifting benefits from the local partners to the administrators), encourage technical solutions or impose pre-qualification criteria that cannot be responded to by community based contactors (shifting benefits to suppliers that are external to the communities).

Box 10.2**Implementation procedures and elite capture of project benefits**

- A perverse impact of inappropriate procedures is the capture of project benefits by elites foreign to the partner communities
- Benefits that could accrue at community level are captured by the administration, the technical advisors, and large contractors of urban origin
- This type of project induced elite capture may often be more relevant than the capture of benefits by dominant elites within the communities.

91. Building a pluralistic governance setting. Under the Cape Verde, Mauritania, and Mali models the role envisaged for the communities in the institutional system and in the delivery mechanisms is the direct participation of the CBOs in the project management organizations. This has been achieved in Cape Verde and Mauritania, so far much less in Mali.

92. The other prong of the partnership strategy is to encourage the formation of professional associations of CIGs and of unions of VDCs. In Senegal, the spontaneous emergence of unions of IFAD supported VDCs is a notable positive impact of the POGVs. These unions have begun to play a role in advocating the interest of the communities vis-à-vis the government administration at district and provincial level, improving the transparency of the public resource allocation system. They also facilitate the exchange of information with the private sector and the civil society. In Mauritania, unions of ODAs begin to emerge with similar functions. The private nature of such unions is emphasized, as it guarantees the independence of their leaders from government, and the leaders' single line of allegiance to the VDCs that have elected them. The development of professional associations of CIGs seems less evident so far, which is perhaps due to the overriding role of the VDC in the initial stages of community development, as discussed in section B. Diversification and specialization of functions is therefore a recommended thrust of the capacity building efforts, but with due attention to not forcing the pace by creating artificial unions or federations that do not respond to felt needs. Key to respect the condition: if union leaders must be remunerated, it should be done by the communities, never by the projects. Same principle to apply to all CBOs, including the MFIs.

93. Pluralistic governance is enhanced also by the new political leadership that begins to emerge from the CBOs. A very interesting (and unplanned for) impact of the capacity building efforts of the IFAD project is the contribution to making people's voice heard in the local political arena. In the IFAD project area of Senegal a growing number of leaders of IFAD supported VDCs have been elected to the district assemblies. A similar development has been noticed in Cape Verde. In Ghana, members of the sub-district local government units trained by the project often take a lead role in facilitating planning at the district assembly level. The emergence of a local leadership – including women – from spontaneous community organizations, rather than being appointed by the central committee of established political parties, has far reaching implications for the dynamics of the institutional system and the socio-political transformation of the local setting. It suggests that the public system of governance is capable of evolving under the pressure of organized community voice. This in itself is no small result of the CDD approach, insufficiently documented, not adequately made known, and so far poorly appreciated by the bureaucrats of the donors' community.

Box 11

Lessons learned on the impact of CDD projects on building a pluralistic governance setting

- Organizations such as the CRPs in Cape Verde and the ODAs in Mauritania strengthen pluralistic governance directly
- Unions of VDCs and professional associations of CIGs begin to emerge in Senegal, Mauritania, and Mali
- These unions (second level of CBOs) begin to exercise influence and to establish workable relationships (linkages) with the public administration, the private sector, and the civil society
- A growing number of the IFAD trained leaders of VDCs and CIGs are elected to District Assemblies
- All these contribute to developing a pluralistic governance system, showing that the local government setting can evolve under the pressure of organized community voice

94. Improving enabling instruments. Among the conclusions of the review is that there is scope for considerably improving the instruments that can facilitate the design and the implementation of the CDD approach. Two sets of instruments are highlighted: (a) improved

tools to assess situations, and (b) better adapted mechanisms to implement strategies, policies and approaches.

95. With regard to the former, an issue common to all projects reviewed is the inadequate understanding of the institutional system as it affects the internal setting within the communities, and the linkages of the communities with the outside world, government, market, civil society. Likewise, the M&E systems put in place so far do not appear to be able to seize the impact of the projects on the expected third level results, which are essentially governance results, of the implementation of the CDD approach.

96. Institutional assessment. The Division is working on a new tool that will significantly improve the capacity to assess properly the institutional environment, to identify enabling and disabling actors, to adequately design organization and management structures for project implementation (streamlining tasks and decision making points, avoiding duplications and superimposition of responsibilities), and to help monitoring the different aspects of performance during implementation, i.e. the policy dialogue, the way processes are carried out, the effectiveness of service delivery, the working of the accountability system. Institutional analysis will help as well to better design M&E systems so as to make possible the assessment of the impact of the CDD approach. The basic ideas are there, but a lot of work is required to fine tune them and to test their effectiveness and adjust the modules in practice.

97. Monitoring and evaluation impact. An M&E system capable of focusing on key project objectives in terms of third level results may well require important changes in the current design, and above all in the system of incentives that confronts M&E officers, project coordinators, and their supervisors. Third level (impact) results of CDD projects can be synthetically assessed by the quality of the partnership the project has established for the CBOs. Partnerships can be formally established, but in practice (management style, organization culture, role of minority or non-dominant members, etc.) some partnerships may not behave as a partnership at all.

98. Whereas project M&E units are reasonably good at reporting project output, they are much less successful in reporting outcomes. In the case of the projects reviewed, the M&E systems have so far been also rather unclear about how outcomes should be monitored/evaluated. There is a good deal of difference between evaluating the performance of a delivery mechanism, and monitoring the quality of a partnership. It seems to be scope for improving the methodology used to assess indicators of performance such as the quality of the partnerships established with project support, the institutional development achieved by the communities, the role and attitudes of the emergent community leaders, their expectations and motivations, changes in the culture of the communities that enhance dynamism and self-help attitudes, the impact of the CBOs on improving the local governance system, the role of women and of other non-dominant members of the communities, along with indicators such as the distribution of project benefits, and its impact on the social stratification within the communities. Information on these aspects are key to the final design of project exit arrangements and for the design and the institutional replicability of the project. They do not lend themselves easily to systematic collection of quantitative data. Project progress monitoring in these matters requires *ad hoc* mostly qualitative investigations, based on intelligent use of RRA methods, performed by skilful and experience professionals.

99. Upstream of methodology problems, though, there is the key question of whether the system of incentives now built-in the project appraisal, supervision, monitoring, and evaluation process is conducive to actually shift the focus from output to outcomes.

100. Implementation mechanisms. Key mechanisms of project implementation concern the enabling instruments required to define and secure the role of the CBOs within the

partnership system, and the processes and procedures that apply to the support of the CBOs and in particular to the transfer of funds required to implement their priority projects. For example, what legislative mechanisms are in place, or can be put in place, for recognizing the public utility function of associations such as the CRP in Cape Verde, and the ODAs in Mauritania? What instruments can be designed for channeling public funds to such associations, in such a way as to safeguard the autonomy of decision making of the CBOs, and contextually develop the sustainability of the process, through a combination of fiscal decentralization measures and measures that encourage forms of non-government funding?

101. The experience so far suggests that there is a close link between achieving objectives of CBOs participation (and empowerment) and the complexity of the procedures adopted by project management organizations. The contrasting experience of FODESA in Mali and of the PLPR in Cape Verde is very relevant in this respect. In either case, a private organization was to set the procedures for funding CBO projects. FODESA organizations, though private in nature, are dominated by central government representatives, and the procedures adopted were inappropriate, not dissimilar to the government procedures applied by conventional PCUs in other projects. In Cape Verde, the internal procedures of the CRPs were elaborated with the participation of the local partners at community level, within the framework of well established government guidelines, set to respond to a policy determined to make the CRPs work.

102. Innovative planning, budgeting, procurement, and funding procedures. A very important innovation in procedures introduced in the Cape Verde PLPR, is the principles of **indicative** planning of community projects and **ex post** control on the use of public funds for funding such projects. The procedure does not envisage the approval of the specific investments of the CRP by the PCU on an *ex ante* basis, the government is satisfied to know that they reflect the areas of intervention approved under the *convencao quadro*, and that the total commitment of public funds for the year does not exceed the amount envisaged in the *convencao*. Financial ceilings are imposed on the public share of funding allowed to individual CBOs projects, the ceiling applying to both the total cost of the micro-project and the amount funded per head of local partner households involved. The respect by the CRP of these conditions, the specific micro-projects implemented, and the respect of generally agreed procurement and payment procedures are controlled after expenditure in the fiscal year has begun: if a CBO project does not respect the conditions, disbursement to the CRP is suspended until remedial action is taken.

103. As against the above example, the review of the other WCA project identified a minimum of as many as 18 different steps (25 in the case of FODESA) to get a micro-project approved for funding and money disbursed against the approved project, all steps involving staff of the PCU. The comparison with the PLPR suggests that there is ample scope for considerably increasing the productivity of the project staff by streamlining and simplifying the procedures, greatly reducing the cost per unit of administration output produced.

Box 12**Need for more enabling instruments**

- Improved tools to understand situations
- Institutional assessment
- M&E systems focused on governance results
- Organizations such as the CRPs in Cape Verde and the ODAs in Mali strengthen pluralistic governance directly
- More flexible planning methods
- Highly simplified procedures to approve CBOs projects, release funds, procure goods and services, and exercise control over the use of funds
- Are the PLPR procedures approved by the government of Cape Verde, including ex post control on the use of public funds, replicable?
- Streamlined and simplified procedures in a decentralized system with ample devolution of power and responsibility offer great scope for reducing the cost of project administration
- Thus freeing resources to foster the capacity building component of the CDD approach

E. The CDD approach and the projects impact on increasing agricultural production, on NRM, and on fostering the local economy

104. CDD projects, with their emphasis on designing “processes rather than blueprints”, on community capacity building rather than on mobilizing people about solving pre-determined specific problems of production/marketing/environment, tend to generate little or (late) returns in terms of impact on agricultural production, on activating the local economy, and on improving NRM. This outcome is all the more likely, the more is the scope left to the communities to set the agenda of project interventions. Are these contentions born out by facts, and if so, what are the reasons behind the facts?

105. Quantitative information on the impact of the five CDD projects reviewed on the local economy, and in particular on agricultural production, is not sufficient to draw definite lessons from the experience. At the time of the review, only one project (ODP-2) had been completed, the final evaluation reporting significant increases in agricultural production. This however may be due to the focus of the project on improving the water networks of the oasis which provides both drinking and irrigation water, and on the very low base line productivity of the irrigation works. The other projects were in different stages of implementation, some advanced, other less advanced, and not much data were available, or at least made available to the reviewer. Even projects that have formally adopted a fairly sophisticated M&E system (FODESA, for example) had managed to collect little factual evidence by the time of the review of the first phase of the FLM.

106. If it is premature to discuss “objectively verifiable” indicators of the impact of the CDD approach on agricultural production, NRM, and more generally on the local economy, an insight can be acquired on the likely impact of the scope for community decision making, by looking at the emerging pattern of demand for the services provided by the projects reviewed.

107. Three of the projects reviewed (PIV, ODP-2, POGV-2) offer to the communities a restricted menu focused on NRM, agricultural production, and improvement of transport and marketing infrastructure. The other two projects (FODESA and PLPR) give communities a very broad choice, with no restriction other than a short negative list. In the first three projects, the emerging pattern of **effective** community demand, that is demand backed up by upfront payment of community “contributions”, is heavily skewed in favor of agricultural

production, particularly irrigation, and of marketing infrastructure, followed by training, functional literacy and rural financial services. Project implementation signals the pressure of the communities to include in the list of eligible activities certain basic social services, such as wells for drinking water and health posts/dispensaries, which was actually allowed in Mauritania, and later on also in Ghana. Effective demand for funding environment conservation activities seems lukewarm. On the other hand, functional literacy training can significantly contribute to improving the livelihood of people, especially of women, as shown by the experience in Mauritania, where women play an ever more prominent role in “oasis affairs”, managing the budgets of the oasis associations, managing the MFIs, contributing to public debate. Their functional literacy and numeracy status enables them to effectively run the most successful project-initiated activities, such as the boutiques, bakeries, butcher shops, etc.

108. The pattern of demand that emerges from FODESA and the PLPR is heavily focused on projects of public utility, essentially drinking water supply and functional literacy, and includes micro-irrigation schemes in Mali. In Cape Verde, demand is strong also for help to improve the housing conditions of very poor households. There has been little demand for production infrastructure in the first phase, although there are signals of a significant interest in income generating activities in the 3-year plans formulated by the CRPs for the second phase of the project.

109. The experience suggests that the emerging pattern of demand responds reasonably well to the real priorities of the communities, and to the system of incentives that they face. Demand for support to increase production is stronger when opportunities (markets, technology, and natural resources) are more. The poor demand for environment conservation reflects low priority due to poor current incentives, unfavorable land tenure regimes, and to some extent also to skepticism about the effectiveness of remedial action proposed by technicians, rather than to inadequate understanding of the threat to the long term sustainability of production. The review suggests that not much impact on environment conservation can be expected from the CDD approach until much stronger incentives with short term effects are in place.

110. The lesson is that, when confronted with a system that forces them to translate a list of needs (to be satisfied almost entirely with external resources) into a schedule of effective demand (rationed by the willingness to pay their entrance fee in the partnership with the project), the rural communities respond with a rational schedule of priorities. These generally place very basic social needs at the top of the schedule, income generation activities (production and marketing) initiatives going to the top when the basic social needs are satisfied, whereas activities with risky long-term benefits, or perceived of doubtful viability, are at the bottom of the schedule.

Box 13

A rational schedule of effective demand emerges from the communities that are allowed to freely determine their development agenda

- Urgent social needs are top priority for people
- Support for income generation activities follows, when the first priorities are satisfied
- Initiative involving high costs, risky, doubtful, or very long-term benefits receive little attention
- CDD may not be the right approach to improve NRM

111. Supporters of the CDD approach would question the legitimacy of interfering with the priority schedule of the communities. Supporters of a more directive approach would argue

that, if the free choice of the communities is limited by a menu that includes only initiatives in the field of agricultural production and marketing or NRM, for example, the schedule would automatically adjust to what is permitted by the system of incentives, and this will have a faster impact of increasing production and improving resource management. An example of this approach is provided by POGV2 in Senegal, which imposes, as a condition of project intervention in village, that the VDC prepares a *plan d'aménagement du terroir*.

112. Taking the second view entails the risk of fast sliding into the old fashion top-down supply-driven way of designing and implementing rural development projects. These have never resolved the problem of how to persuade farmers to produce or market more of their products, except in cases when technical and economic incentives strongly induce them to invest in changing crop mixes and/or farming systems. It is reasonable to expect that under those circumstances there would be a very strong demand under the CDD approach as well, at least as soon as the most basic "social needs" are satisfied.

113. A CDD project would not limit the local partners' opportunities, but try to influence the shape of the demand curve with measures aimed at changing the system of sustainable incentives that face the decision makers within the communities. This approach leads to investigating two aspects in project design: the attention to the technical and economic constraints facing the rural communities, and the related instruments envisaged to overcome those constraints.

114. With respect to the first aspect, a set of questions concerns whether IFAD projects do enough to identify viable technical responses to farmers' most felt production and marketing problems, and to activate mechanisms that provide for a dynamic participatory identification of such problems on a sustainable basis. To start with, are such problems properly assessed at project formulation/appraisal? Are available solutions realistic? If that is the judgment, are the reasons why farmers do not spontaneously adopt the "assumed" best practices adequately investigated, jointly with them? The emphasis on institutional development and capacity building has it not diluted the attention required to technical and economic aspects in project design? The limited scope for multidisciplinary team work (sociologist and agriculturalist) in the PRAs has it not worked in the same direction? Are market failures sufficiently investigated, jointly with the local partners, so that potential solutions can be included in the menu that the project partners are asked to choose from?

115. In the longer term, the emerging associations of community producers and traders and their federations will provide part of the answers, to the extent that they are capable of moderating the impact of market failures on their own. In the shorter run, however, they must be helped to work in that direction.

116. The second aspect concerns the articulation of the project support between public and private investment, and specifically the support to private investment at community level. This involves addressing the funding mechanism problem, and the problem of technical and marketing support for the potential micro-entrepreneurs.

117. The CDD projects experience so far shows very clearly that funding public and private investment must be through separate channels, mixing the two has caused serious problems (Ghana). The recently elaborated WCA Division policy paper on micro-finance embodies the CDD approach in advocating IFAD support for MFIs, intended as community level CIGs that operate a local savings and loans association. WCA policy aimed at establishing networks of sustainable MFIs at local level includes the employment of specialized agents to support guide and audit the MFIs.

118. The CDD projects reviewed have not been very successful in developing networks of MFIs, the Mauritania MICOs being the notable exception, and not without problems. The

micro-credit window of the VIP never took off, despite restructuring efforts. FODESA did not manage to contract for the implementation of the sub-component after 3 years. The PLPR did not include a rural financial services component. Nor did POGV 2, on the ground that the Senegal financial system can take care of all the demand for credit that originates in the communities, and, presumably, of savings mobilization as well.

119. From the point of view of CDD, the cut-off point in rural financial services is whether the communities are viewed as centers of autonomous initiatives and decisions in dealing with their own resources, or just passive receivers or a service brought to them from outside. Accordingly, a network of MFIs is not just a way to provide services that may not be available otherwise. It is a way to enhancing a dynamic socio-economic transformation of the local society. In Mauritania the MICO scheme has clearly attained this objective.

120. Notice that correct interpretation of the CDD approach entails that the support to MIFI is NOT made conditional to purposeful lending. People must be free to borrow for whatever purpose they want to pursue with a loan, on the specific and rigorously respected condition that a loan is paid back with interest and in due time. Initially, not all loans may be for income generation purposes. Nevertheless, chances are that, in the course of time, loans extended to finance production and commercial initiatives would become an increasing share of the portfolio of an effective network of MFIs established at community level. The speed of this development, however, depends on the rate of growth of local economic opportunities, not on the aspirations and policy directives of a financial intermediary.

121. The differing design approach and implementation experience of the WCA CDD projects reviewed raises the question of whether the support to micro-finance institutions should be included in projects with very broad scope in the institutional setting and complex component structure, or if the matter should rather be the subject of a separate, but contextual and complementary intervention. The establishment of networks of MFIs is part and parcel of the local institutional system, which makes a strong case for having a micro-finance window in CDD projects. On the other hand, the highly specialized nature of rural finance operations suggests that such component may well be given inadequate, and perhaps inappropriate, attention, when it is one of several tasks of project management.

122. A similar issue concerns the instruments required to provide technical and marketing support for potential micro-enterprises. These are also specialized interventions, which must be the **core task** of specialized agents. The question then is: given the need for providing the service, should CDD projects have a micro-enterprise development component, or be complemented by a parallel project with that single objective?

Box 14**Issues to address the emerging pattern of demand**

- Influence the demand curve, do not limit the range of choice of the local partners
- Improve identification of constraints in a participatory way
- Technical constraints
- Financial constraints
- Market failures
- Design better instruments to overcome those constraints
- Funding the private sector, provide technical and marketing support to micro-enterprises
- MFIs & support to micro-enterprises: project components or parallel complementary projects?

123. A final consideration concerns the impact of CDD projects on fostering the local economy, which is a broader objective that increasing agricultural production or promoting micro-enterprises. Assessing this impact by means of reliable quantitative information may be a very demanding task. However, projects can certainly try to collect data on the direct impact of project expenditure, for example (a) on the activation of local enterprises by the contracts awarded to community based suppliers/contractors, compared with contracts awarded to external suppliers/contractors (b) the incremental employment generated at community level, and (c) the expansion of the demand for credit to support new business within the recipient communities. Other indicators may be designed, with due attention to the probability that the relevant information will be actually collected.

Box 15**Project impact on fostering the rural economy**

- A comprehensive assessment is very complex and difficult to gather adequate information about
- However the impact of the project expenditure can be seized by collecting at least the following information:
 - Value and number of contracts awarded to community based suppliers/contractors
 - Number of work days generated (paid and unpaid) during construction of infrastructure
 - Employment generated on sustainable basis
 - Expansion of the demand for credit to support new business established within the partner communities