

Chapter IV

Practice Pointers in Enabling the Poor to Participate



Photo by Asem Ansari

Why devote a chapter of the *Sourcebook* to participation by just one group of stakeholders—the poor? The reason is a practical one. Participatory methods that have been used successfully to involve government officials and other relatively powerful stakeholders in development initiatives may be inappropriate or inadequate for reaching the poor.

Many cultural, economic, and political barriers effectively prevent the poor from having any real stake in development activities. Without special efforts by the designers and sponsors of projects and without appropriate policies to address and overcome these obstacles, the voices of the poor will not be heard and their participation will at best be token. Reaching the poor, therefore, requires working with them to learn about their needs, understanding how development decisions are made in their communities, and identifying institutions and mechanisms that can get opportunities and resources into their hands.

Involving the poor in decisionmaking and getting resources to them requires strengthening their ability to act for themselves. This occurs through investments in human capital such as education and health, investments in social capital such as local-level institutions and participatory processes, and support for community-based development efforts planned and implemented from the bottom up. These efforts require responsive institutions and legal and regulatory policies that enable, not hinder, local participation. We recognize, however, that crafting responsive institutions and cre-

ating an enabling environment facilitates the participation of all stakeholders, not just poor people.

This chapter shares the experiences of Bank Task Managers in this respect, highlighting some of the ways in which they have worked with in-country counterparts to increase the poor's ability to participate in development activities.

Learning From the Poor

The first step in any effort to enable the poor to participate involves learning from them firsthand about the problems they face, how they have tackled them, and their proposals for gaining more control and influence over development initiatives. Task Managers gain an understanding of these issues in a variety of ways, including rapid participatory needs assessments as part of project design, broadly based participatory poverty assessments (PPAs) in the context of country economic and sector work (ESW), or more formal, large-scale, census-type surveys. Here we focus on some of the participatory methods that have proved useful in poverty assessments and ESW and that could be equally applicable during project preparation.

Learning What Poverty Means to the Poor

Several methods are available to explore how the poor perceive poverty. These techniques should be used by local people (or by a team of researchers that includes local men and women) who know appropriate ways to approach the topic. They should be used after researchers have spent some time in the local communities, clarifying the reason for their interest in learning about poverty there.

Defining Poverty The Bank's **Zambia PPA** used wealth-ranking techniques to learn how local people characterize poverty. Villagers were asked to sort a stack of cards, each labeled with the name of a head of household, into piles according to the relative wealth of the households, using any criteria of wealth they wished. Wealthy households were identified as those, for example, with the biggest fields or enough money to dress well and give to the poor. Those identified as poorest were commonly female-headed households or people living by themselves, dependent on relatives or neighbors for their daily needs. Ranking exercises such as these can lead to frank group discussions on poverty—often a sensitive and difficult topic.

In the **Burkina Faso PPA** simple “point-and-shoot” cameras were lent to various members of three representative communities, who were then asked to take pictures of what they thought constituted poverty in their communities. The cameras were handed out to men, women, and children, none of whom had ever used a camera before. The films were then developed locally and the prints shown and distributed for discussion by the community. They were subsequently shared with some of the country's senior policymakers.

Learning about the Poor's Priorities The design of community-level, poverty-focused initiatives always requires some kind of direct consultation with the poor to learn about what they consider to be the development priorities in their communities. Care needs to be taken when asking about their priority needs, because people's expectations may be raised even though the project may not be able to fulfill them. Researchers need to be honest about the likelihood that the communities consulted will benefit from the upcoming project and about the start-up time required before they will see any results.

Box 4.1. Organizing a Participatory Poverty Assessment

Task Managers who have been responsible for organizing complete PPAs highlight the following steps in the process:

- *Selecting technical support.* In practice, most Task Managers in charge of PPAs have started by locating a senior social scientist either in the Bank or outside to take responsibility for carrying the exercise through to completion.
- *Identifying objectives, methodology, and a research agenda.* The PPAs conducted so far have varied a great deal in the methodologies used, the scope of the research, and the duration of the fieldwork, which has taken from days to months.
- *Identifying in-country institutions and researchers.* Some combination of academic researchers, nongovernmental organization (NGO) staff, and government agency staff has been involved in most PPAs. An experienced local social scientist is generally needed to oversee the exercise and make a substantial input to synthesizing the conclusions. A competent local institution is also needed to deal with the logistics of mounting a large-scale field research exercise.
- *Identifying sources of funding.* Many PPAs have been funded from trust funds such as those provided by the Overseas Development Administration, the Dutch Poverty Trust Fund, the Swedish International Development Authority, the German Gesellschaft für Technische Zusammenarbeit, the United Nations Children's Fund, and the Canadian International Development Agency.
- *Designing a training input.* A significant training input may be necessary to familiarize the researchers with the participatory methods and systematic recording and reporting of fieldwork results.
- *Support to implementation.* No matter how well designed the research activities may be, a certain amount of support and supervision is usually needed while the teams are in the field.
- *Analysis and formulation of policy recommendations.* Task Managers stress that fieldwork results must be well documented and a certain amount of analysis must be done while still in the field—something the researchers may not be used to doing. Task Managers also recommend finding social scientists experienced in policy formulation in development agencies, such as the Bank, to assist the local researchers in their analyses.

Source: Andrew Norton and Tom Stephens. 1995. *Participation in Poverty Assessments*. Participation Series, Environment Department Paper, World Bank, Washington, D.C.

Formal beneficiary assessments can offer insights into what poverty means for the poor and their priorities. A beneficiary assessment (see Appendix I) is a tool to gather information to assess the value of an activity as it is perceived by its principal users, the beneficiaries or clients. Formal beneficiary assessments with systematically selected populations can take four to six months, so early preparation is needed and can cost \$30,000–\$50,000.

In some of the communities visited in the **Zambia PPA**, focus group discussions were held with men and women to investigate what people saw as the main issues facing their community and potential ways of resolving them. Focus groups ranked problems in order of severity and identified potential solutions actionable at the level of individuals or households, the community, and outside agencies.

Providing Incentives for the Poor to Participate

People will not participate unless they believe it is in their interest to do so. All too often participation is seen as a way of getting poor people to carry out activities or share in their costs, when the benefits are not clear to those expected to participate. When these projects fail, it is often the participatory approach that is blamed. Some forestry projects, for example, have expected forest dwellers to plant and maintain community wood lots or engage in forest regeneration even though participants cannot be certain who will get the benefits when the trees mature. It is no surprise that poor people only support these projects as long as they are paid. Successful participatory projects, on the other hand, illustrate many incentives identified through participatory processes that support and encourage participation at the local level. A few examples of appropriate incentives follow:

Clear Benefits A key factor in the success of the **Fundasal Low-Income Housing** project was the incentive to own a home. This was so attractive to the beneficiaries that they were highly motivated to participate. No other incentives were required.

In the **India Forestry** example, forest protection committee members (who were local people) reached an agreement with the West Bengal Forestry Department that entitled them to a share of intermediate forest products plus 25 percent of the revenues from the sale of final harvest poles. This served as an incentive for them to cooperate with the government in protecting and regenerating the forests.

The legislation being presented to indigenous communities in the **Philippines Integrated Protected Areas** example restricted resource use and public access to forests. Designers restructured the project to fund alternative livelihood opportunities that would be proposed and implemented by indigenous communities themselves with assistance from local nongovernmental organizations (NGOs). It is expected that including funds for alternative livelihoods will provide an incentive for residents to stop logging. Indigenous communities also insisted on recognition of their ancestral domain rights and legitimization of land claims as preconditions of participation.

In the **Tamil Nadu Integrated Nutrition** project, women's working groups were developed to support community nutrition workers. An important factor in explaining the existence and strength of women's working groups in a given community was how the villagers' perceived the value of the services offered by the community nutrition workers. When a village did not consider the worker's services to be a priority, they were not inclined to form a support group around her; therefore, the provision of quality services meeting the needs of the beneficiaries was the first step in creating an environment conducive to community participation.

Prompt Action and Visible Results In the **Brazil Municipalities** example, the process of selecting contractors motivated the local community of Morro to organize and collaborate with the water company. They realized that this was not just another election-year promise and their election-year skepticism was dissolved by prompt and visible action.

In the **Rajasthan Watershed Development** project, encouraging field results generated considerable enthusiasm among staff and local residents. Village common and private lands experienced up to tenfold increases in fodder yields in almost all locations. These early, visible results demonstrated that the new program was producing significant gains and motivated people to participate more fully.

Facilitating Women's Participation

Among the poor, women are overrepresented; therefore, in our efforts to reach and engage the poor, we must recognize that some issues and constraints related to participation are *gender-specific* and stem from the fact that men and women play different *roles*, have different *needs*, and face different *constraints* on a number of different levels.

Because of such differences, we cannot assume that women will automatically benefit from efforts to involve poor people in project design and implementation. On the contrary, experience has made clear that, unless specific steps are taken to ensure that women participate and benefit, they usually do not. A World Bank evaluation of 121 rural water supply projects found that even in a sector in which women carried the greater share of responsibility, they benefited primarily from the 17 percent of water projects that had been specifically designed to involve them.



Photo by Deepa Narayan

Barriers to Women's Participation

Systemic gender biases may exist in the form of (a) customs, beliefs, and attitudes that confine women mostly to the domestic sphere, (b) women's economic and domestic workloads that impose severe time burdens on them, and (c) laws and customs that impede women's access to credit, productive inputs, employment, education, information, or medical care. These differences affect men's and women's ability and incentives to participate in economic and social development activities.

Sociocultural Constraints

In seeking the participation of women in development activities, sensitivity is needed on the social and cultural barriers that may inhibit women's participation. In the Balochistan Province of Pakistan, the acute shortage of female teachers has been due, in part, to cultural constraints against girls going away to attend residential teacher training colleges. The lack of female teachers is, in turn, an important factor in the low enrollment (15 percent) of girls in primary schools. Most parents find it culturally unacceptable to send their daughters to boys' schools or to have them taught by male teachers brought in from the city and unknown to the community.

By adapting to these constraints, the new **Balochistan Primary Education Program** has succeeded both in increasing the supply of female teachers and in raising girls' enrollment rates to 80–100 percent in villages with new schools. Under the this program, potential teachers are recruited from *within* the village by parents on the newly formed village education committees; the program also provides mobile teacher training *in* the girl's village. After graduating, the teacher becomes a government employee, assigned to teach in the school established by her sponsoring village education committee.

Time and Mobility Constraints

In addition to cultural constraints, women's work often denies them the time to participate in meetings. As women's domestic responsibilities often require them to stay close to the home, lack of mobility may also be a constraint. Various practical measures—from providing child-care facilities to installing standpipes that reduce time spent fetching water—can make it easier for women to attend meetings or training sessions. In particular, the choice of time and

place for meetings must take account of women's schedules and the availability of safe transport.

In the **Nigeria Women in Agriculture** example, specific steps were taken to reduce the conflicts in women's schedules and guarantee regular attendance: each group meets on the same day at the same time and place; reminders about the meetings are posted at highly visible and accessible locations; and, if the scheduled day conflicts with a market day, the women are consulted in advance and an alternative time found. Consequently, women rarely face the problem of not knowing where and when the meetings are held.

Legal Regulatory Constraints

Legal restrictions in some countries prevent women from participating in formal labor markets or holding certain occupations. They may also prohibit women from entering into contracts under their own name, inheriting property, or holding legal title to land.

The **Honduras Agricultural Sector Adjustment Credit** includes support for implementing changes in the law to allow women to have title to land. Before the new law, land tenure rules and regulations made land adjudication and titling cumbersome. The law also specifically forbade women from holding title to agricultural land unless they were widowed with dependent children under 16 years of age. Women relinquished even this limited title when their eldest son reached 16 years. This and other provisions not only excluded women from independent agricultural production but also prevented them from holding the collateral necessary to obtain credit for agricultural or other productive ventures. In 1992 the law on land tenure was modified to provide women with equal rights of access to land. Tranche-release conditions under the Agriculture Sector Adjustment Credit include satisfactory implementation of the new Land Tenure Action Plan.

In some cases, conditions are such that special legal or regulatory provisions may be needed to permit the equal participation of both men and women. In Pakistan, for example, several reforms were undertaken to facilitate girls' participation in the **Balochistan Primary Education Program**. Changes in the regulations governing recruitment, training, and support of *female* teachers were made so that women could be recruited to teach in their own village. This included lowering the minimum age to 14 years and raising the maximum age to 40 years; lowering the minimum qualification for matriculation; legalizing a mobile teacher-training program for women; and officially sanctioning new community-sponsored village schools and teacher posts. Without such changes, the demand for community-managed girls' schools would have far outstripped the number of qualified, available women teachers.

Seeking Women's Views

Using Appropriate Methodologies

Often the first step toward determining appropriate measures for supporting women's participation is to obtain good information—about gender roles, needs, activities, access to and control over resources, existing institutions, and the constraints operating against women's participation. This can be done through gender analysis, which, if effective, elicits the views of women and often involves gender awareness training for facilitators or interviewers.

Gender analysis leads to the formulation of a gender strategy that addresses *practical* gender needs (roles and responsibilities) and *strategic* gender needs (systemic issues of equity and empowerment). Effective gender strategies pay particular attention to resource allocation at both household and community levels.

Because gender planning is part of the overall planning process, it is critical that the integration of gender concerns occurs early in policy formulation, analytical work, and project preparation.

Gender-Responsive Poverty Assessments

Some recent poverty assessments have been designed explicitly to solicit women's views on a wide range of questions. In the **Cameroon PPA**, 50 percent of the interviewers and 50 percent of those interviewed were women. The resulting information on gender issues was fully integrated in the subsequent analysis and recommendations with strong policy implications. For example, women in Cameroon were found to be shouldering most of the burden of producing and marketing food. Their average labor hours per week were estimated to be more than double those of men. As a result, urgent action was recommended to give women access to time- and labor-saving transport and technology to allow them the opportunity to develop their own skills and participate in community projects.

Involving Women in Policy Work

In the **Morocco Women in Development** example, poor rural and urban women were given the opportunity to articulate their needs and priorities through a participatory rural appraisal process (see Appendix I) that provoked discussion among community members about development and gender issues and sought women's views in formulating national policy objectives. It was discovered that women's concerns and priorities differed from those of the men and other stakeholder groups. The findings of this qualitative exercise were used effectively to complement conventional survey methods, and the new perspectives gained were applied in defining the recommended program of action.

Working with Women's Groups

Making an effort to engage and involve women can bring significant returns. Over and over in our examples, we find that women's groups have proved to be one of the most effective entry points for initiating activities and reaching poor households.

In the **Brazil Municipalities** example, women's clubs proved to be the most effective instruments for working with the community. Within the *favelas*, the women themselves turned out to be the key to getting the subprojects under way. The designers met with the women first when they came into a community and worked with them on a daily basis in designing and implementing the water and sanitation subprojects.

In the **Nigeria Women in Agriculture** example, government field staff, recognizing that more than one-third of Nigerian women belong to cooperative societies and other locally organized formal and informal associations, built on these indigenous women's groups to expand the newly established state Women in Agriculture (WIA) programs. The WIA program used NGOs to help identify women beneficiary groups and then WIA field staff targeted them to initiate and execute project activities.

Under the **Gambia Women in Development** program, women's groups or *kafos* are the entry point for the skills development component of the project. *Kafos*, usually with about 100 voluntary members, traditionally provide mutual member support, sharing labor and making loans to those in need. More recently their roles have expanded to include income generation and basic education. Members of *kafos* have access to skill training provided by community development workers in business management and productivity enhancement. Some *kafo* members are being trained by community development workers to tutor in basic literacy and arithmetic.

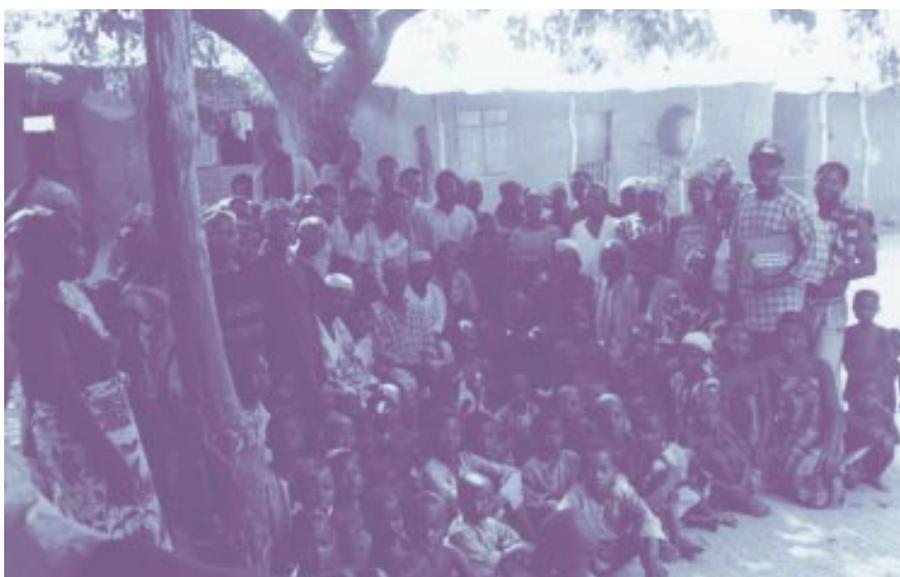


Photo by Kurrine Saito

Building Community Capacity

When designing poverty-focused initiatives, Task Managers have found it necessary to learn about the characteristics of poor *communities* and the local organizational structure within which decisions are taken. As the examples from the previous section suggest, women’s groups are often found to be among the most effective local-level institutions. Many other structures, however, exist at the local level that represent valuable organizational resources and provide potential ability for undertaking development activities.

Understanding Community Organizations

Seeing Invisible Groups

In a typical poor community, a whole range of organizations are operating: formal or informal, traditional or modern, indigenous or externally established. All these have different functions, be they productive, social, religious, or otherwise. It is often through these organizations that demand is expressed, participatory processes organized, and development services delivered.

Some of the most active community organizations are informal. They are not listed in any documents, and they may be unknown even to people familiar with the communities (extension agents, local development agency staff, and so forth). Learning about these groups entails visiting the communities and talking with inhabitants about the decisionmaking units present.

A simple “institutional mapping” exercise has been used successfully in several PPAs. Local people were asked to identify the community groups by drawing circles of differing sizes—the bigger the circle the more important and influential the institution it represents. The extent of shared decisionmaking among groups can be represented by how circles are placed in relation to one another: the closer together and the more overlapping, the greater the degree of interaction between the represented groups. These graphics, sometimes called “*chapati* diagrams,” have proved effective in identifying informal groupings that are important “safety nets” for the poorer members of the community and revealing that some of the more obvious organizations are actually quite weak.

Building on Traditional Structures

Many of the projects described in Chapter II worked through *existing* community organizations and are built on the already established, collaborative experience of these groups.

The **Nicaragua Municipal Development** project, not described in this report, used existing local grassroots organizations—the Sandinista Defense Committees—formed during the Nicaragua Revolution. Because of their structure, motivation, and the cohesion of their members, they proved an extremely effective instrument for reaching and involving the local population. Their participation in civil works construction improved the rate of return, increased the quality of construction, and enhanced efficiency. The planned five-year project was completed in three and a half years.

Even where *new* institutions are formed, they may be most successful if based on pre-existing relationships:

In the **Senegal Small Rural Operations** project, groups of farmers organized around a shared economic interest registered as a *groupement d'intérêt économique* (GIE) to identify and prepare subprojects, open accounts in the local banking system, and contribute funds for renewal of equipment and infrastructure. A mid-term review of the project found that the most functional GIEs generally evolved out of old informal groups characterized by social cohesion, mutual trust, and a history of joint action. Newly created GIEs that had been mobilized around a temporary, shared economic activity were the least efficient and most fragile.

The **Egypt Resource Management** example built on a traditional Bedouin lineage structure, the *bayt*, to create community groups that became involved in preparing community action plans and implementing and monitoring subprojects.

Catalyst Organizers Establishing new groups and building on existing structures requires a good deal of groundwork to increase community awareness about the benefits of organizing to participate in project design and implementation. This preparation is often done by providing facilitators or “catalyst-organizers.” These facilitators may be from the implementing agency or from an intermediary organization such as an NGO.

In the **Balochistan Primary Education Program**, collective action was induced with the formation of village education committees. Community workers went door-to-door to organize parents’ groups, encouraging all parents to form an association. No parental involvement existed in schools at all, in fact many parents were not even aware that their children had a right to public education. Parents joined village education committees, which had clear mandates to perform specific tasks, such as identifying teachers and monitoring teacher and student attendance.

In the **Nepal Irrigation Sector** program, an association officer was sent out to each district to meet with farmers, inform them about the objectives of the project, and encourage them to organize themselves into an irrigation association (IA). In many villages, unofficial farmers’ organizations were already functioning around the irrigation system. Association officers encouraged irrigation associations to form around pre-existing village societal organization, and villagers were asked to elect an executive committee for the IA through their own selection process.

Federated Structures Effective community action is rooted in local-level systems and is relatively small in scale, often averaging some fifteen to thirty households that are engaged in collective action. To keep authority and responsibility anchored at the local level while providing integration and learning among similar groups, a pattern of “bottom-up” integration emerges in many of the examples we reviewed.

In **Colombia's Community Child Care and Nutrition** project, home-based institutes are administered through a three-tiered community structure. First, parents of children enrolled in ten to fifteen centers form a parents' association. Second, parents at each center elect three representatives to join a local assembly with thirty to forty-five members. Third, the assembly elects five parent representatives to serve as its board of directors. The parents' associations, through the board, manage the project funds and the local contributions from parents.

Deep tube wells provide large areas with irrigation water under **Nepal's Bhairawa Lumbini Groundwater II** project. About 150 farm families are served by each tube well, but such a size proved too large for members to work together effectively. To remedy this, tube well users' groups have been subdivided into units of approximately thirty families each. Seven or so of these units are confederated into a water user group; four to five such groups form a water user association, which has an elected chairman. The subunits and water user groups control water distribution at the local level, whereas the water user association has decisionmaking authority over issues that affect the system as a whole.

Potential Pitfalls A common failure in working with local groups is to create the institutional structure without paying adequate attention to the capability, knowledge, and technical skills the groups will require. Newly established groups have failed because too much was expected of them too soon. Likewise, attempts to modify the form or function of existing groups to serve project needs does not always work.

Building the Capacity of Community Organizations

Community groups, in addition to lacking sufficient funds to begin their own development efforts, frequently lack adequate organizational, administrative, and technical skills to design and implement such activities. Task Managers and their government counterparts have sought to assess and build this capability within Bank-financed projects. Most of the examples come from social funds, because these operations are currently at the forefront of the Bank's capacity-building efforts.

Assessing Capacity Several social funds have included institutional assessments of community organizations during subproject appraisal or even earlier to determine the degree to which these organizations are operating in a participatory manner.

In the **Peru National Fund for Social Compensation and Development (FONCODES)**, community organizations are assessed during subproject appraisal through a beneficiary assessment (see Appendix I). At the time of appraisal, FONCODES staff talk with villagers during site visits to verify that general assemblies were held in which members of the subproject management committee were selected by the community.

Indicators of Capacity The **Social Investment Fund in Ecuador** used a set of indicators to determine the institutional strength of community organizations, including:

- Internal process and regular leadership renewal
- Degree to which members control and audit the use of funds
- Degree of physical participation of members in the communal activity
- Degree to which members participate in organizational decisions

- Administrative capabilities of the organization
- Technical capacity of the organization (education level, special courses, and training of leadership and members)
- Degree to which members are able to handle required technology by themselves.

Providing Training Training community organizations can empower them to better identify and prioritize their needs and develop strategies to meet them, begin microprojects, and sustain their development efforts once outside assistance is withdrawn. Training can be provided by project staff or subcontracted to NGOs or other local firms experienced in community-level programs.

The **Ethiopian Social and Rehabilitation Development Fund** project includes plans for an extensive training program for local community leaders and subproject management committee leaders, with special emphasis on the participation of women. Training is to be provided in local planning, needs prioritization, subproject preparation and supervision, and management of microproject funds and accounting. Local government officials and local NGO staff are in turn being trained to help communities prepare and implement subprojects.

Community participation training has been built into the **Benin Health** example. Each year at their annual training session, all members of Benin's health care profession receive specific training on how to work with and in local communities. They learn skills in listening, facilitation, and satisfying the needs of local communities. Through this kind of training, government employees are taught customer service and the value of being responsive to clients.

Branching Out Once groups have become skilled in tasks required for their participation in the project activities, they can go on to undertake other development activities on their own.

Many of the women's working groups that sprang up during the course of the **Tamil Nadu Integrated Nutrition** project to promote better health and nutrition practices in the villages later began food processing to supply the feeding supplement under the project. This had the advantage of contributing to income and employment opportunities. Women's groups that first mobilized around health, were the predecessors of the women's cooperatives and societies that later formed around larger-scale and diverse activities. Apparently their organizational capacities were strengthened to the point that they could begin activities outside the project.

Once local farmer irrigation associations in the **Philippines Irrigation** example had learned to work together in designing and improving irrigation systems, the more successful irrigation associations used this experience to collectively invest in threshing floors, undertake bulk procurement, manage storage facilities, and provide credit to other groups of farmers. This stimulated the less successful irrigation associations to do the same. IAs also collaborated with National Irrigation Administration in preparing agricultural development plans, which cover cropping patterns, water distribution, reforestation, soil and water conservation, farmer training, extension, demonstration programs for crop production methodologies, pest management and mechanization, as well as cooperatives and other credit and marketing schemes.

Intermediary NGOs

We have presented Bank experience in working with *community-based organizations* to reach the poor and facilitate their participation. We now look at the

Box 4.2. What Makes Community Organizations Work?

Task Managers may find the following list of five common characteristics of well-functioning community groups useful whether they are planning to work with existing groups or establish new organizations.

- *The group addresses a felt need and a common interest.* When people share a *common* problem that can be addressed by *group* action (such as a lack of water supply, a security problem, or a degraded natural resource), they are more likely to mobilize themselves and work with support agencies to change the situation than if the problem applies to only a few members. Social cohesion tends to break down as groups grow or spread over large areas and monitoring the behavior of individuals becomes more difficult. For this reason, as groups expand, they either create subgroups or formalize regulations and delegate decisionmaking to smaller working groups.
- *The benefits of working together outweigh the costs.* Benefits may be economic (cash savings, increased production, income, and time savings), social capital formation (increased ability to collectively solve problems), increased individual capacity (knowledge and skills), psychological (sense of belonging and confidence), or political (greater access to authority, greater authority, and reduced conflict).
- *The group is embedded in the local social organization.* Community organizations are most successful when based on existing relationships and groupings or when members share a common identity such as kinship, gender, age, caste, or livelihood.
- *The group has the capability, leadership, knowledge, and skills to manage the tasks.* As noted above, special attention needs to be given to ensuring groups have the necessary capacities for the tasks at hand. Those in leadership positions need to be respected and honest in their dealings. In some cases, safeguards may need to be put in place to ensure that these leaders are accountable to the group’s members.
- *The group owns and enforces its rules and regulations.* All successful groups and associations are characterized by internalized rules and regulations that are known by its members. Group members should be able to participate in determining the rules and the enforcement mechanisms.

Source: Deepa Narayan. 1995. *Designing Community-Based Development*. Participation Series, Environment Department Paper No. 7, World Bank, Washington, D.C.

bridging institutions that can provide links among the poor (and their community organizations), their governments, and the World Bank. We focus here on one particular sort of intermediary institution—nationally or internationally based NGOs—although we recognize that this intermediation role may also be filled by different institutions, such as line agencies, local government units, or private firms.

NGOs as Intermediaries

Strengths Many national and international NGOs serve an intermediary function whether it be channeling development resources to community-based organizations, providing them with services or technical assistance, or helping to strengthen their capacity. Although NGOs vary in their ability and commitment to work with the poor, in many cases they have advantages as intermediaries in reaching people—including women, ethnic minorities, and the very poor—who are not represented equitably by formal institutions. For example, NGOs may have more field presence in a given area and employ local people familiar with local conditions. They may have better rapport with the poor and a clearer understanding of poor people’s survival strategies and perceived needs than other kinds of intermediaries. They may be familiar with low-cost techniques and innovations relevant to poverty alleviation. They also usually have greater flexibility than the staff of official agencies. Many intermediary NGOs have experience in participatory project design and skills in participatory research, community mobilization, facilitation techniques, and group dynamics.

Limitations Several limitations of NGOs as intermediaries have also been identified, although it is difficult to generalize about the sector as a whole. Some NGOs

have limited financial and management expertise and institutional capacity. Others work in isolation, communicating or coordinating little with other organizations (including government agencies). Many may be confined to small-scale interventions. They may also not fully understand the broader social and economic context in which they are working. Not all kinds of activities, therefore, are suited to the operational systems of NGOs, nor do NGOs always reach the poorest of the poor.

Intermediary Roles

The following are some examples of intermediary roles that NGOs have played in Bank-supported projects:

Identifying Community Needs

The **Mali National Environment Action Plan** is giving communities an opportunity to identify and explore environmental problems and solutions. Because of their history of working in communities, NGOs in Mali are in a strong position to carry out assessments of environmental conditions in target communities. For this reason, the government engaged a Malian consortium of NGOs to identify, screen, subcontract, train, and supervise its member NGOs in carrying out the assessments.

Giving Voice to the Poor

In the **Philippines Integrated Protected Areas** example, the objective of the joint Bank-government appraisal mission was to consult the indigenous cultural communities about the policy framework that would help preserve stretches of forest in which they live and ask them if they were willing to join the proposed protected parks system. Because of its close links to local communities, PANLIPI, a national legal services NGO, was contracted to identify the relevant tribal groups and organize consultative meetings between them and the joint appraisal mission. PANLIPI was also hired to conduct follow-up consultations with the indigenous cultural communities. The NGO discovered that the sessions were being dominated by local authorities and local NGOs at the expense of indigenous communities. To let the voice of tribal people be heard, PANLIPI decided to hold exclusive consultations for the tribal groups and admit other parties as “observers” only.

Organizing Community Groups

In the **Shrimp Culture Project in Bangladesh**, NGO personnel and the government implementation agency’s extension staff each perform their essential missions in cooperation with one another. The extension service has good technical skills, whereas the NGO personnel concentrate on mobilizing, organizing, and motivating farmers. Each group is performing those tasks for which they have a comparative advantage, and the two are coordinating their activities to good effect.

Channeling Resources

During the **Guatemala Earthquake Reconstruction** project, FENACOAC, an NGO federation of sixty-nine rural savings and loan cooperatives, channeled more than \$3.7 million to villagers in the form of microenterprise loans. Because of its extensive network of rural members, FENACOAC was able to reach large numbers of dispersed communities much more effectively than government or private sector banks. The federation took responsibility for informing beneficiaries (in this case cooperatives) of the microenterprise component of the project, identifying cooperatives that were eligible to receive funds, assisting them in preparing proposals, and disbursing the funds accord-

ingly. The recovery rate from the entrepreneur participants has been almost 100 percent.

Understanding the NGO Sector

The term “NGO” encompasses a broad array of different organizations, varying enormously according to their purpose, philosophy, sectoral expertise, and scope of activities. In the development field, NGOs range from the large charities based in developed countries to community-based self-help groups in developing countries; they also include research institutes, churches, professional associations, and lobby groups. Task Managers need to understand this diversity to identify which organizations have the appropriate abilities, skills, and orientation to fill a particular intermediary role.

Community-based NGOs provide the institutional framework for beneficiary participation and are more likely to receive project goods and services than intermediaries. Among the *intermediary NGOs* with whom the Bank collaborates, the following distinctions are important:

Geographical Base *National organizations* operate in individual countries, whereas *international NGOs* are typically headquartered in industrial countries and carry out operations in more than one developing country. Working through locally based NGOs has the important advantage of contributing to the development of the local NGO sector and is usually more cost effective. When local NGO capacity is weak, however, international NGOs can be good intermediaries, particularly when working in partnership with national NGOs.

In the **Benin Food Security** project, partnerships were encouraged between stronger, larger NGOs and weaker, newer NGOs to stimulate the transfer of methodologies and technology. This project began as a pilot that involved international NGOs and a few Beninese NGOs. After two years of the pilot experience, NGOs were brought together with government and donors at a workshop to design a new project based on the pilot phase. One of the findings at the workshop was that geographic concentration in the capital isolated many large NGOs from target communities. International NGOs had the human and financial resources to submit competitive proposals to include in project activities. They often, however, had the least recent or direct experience with potential client communities. When local NGOs lacked transport to access project areas, international NGOs had the necessary equipment and staff but lacked the local contacts. At the workshop, agreement was reached to modify the project in several ways, including creating incentives for NGOs to establish field offices in the project area, giving regional offices the authority to approve microprojects and disburse funds, and requiring international NGOs to partner with local NGOs to facilitate technology transfer and information sharing.

Primary Activities *Operational NGOs* are engaged primarily in designing and implementing projects, whereas the main purpose of *advocacy NGOs* is to defend or promote a specific cause. Some NGOs engage in both sorts of activities. Advocacy NGOs, such as those defending the rights of indigenous peoples, may perform an important intermediary role in supplying information and facilitating communication and consultation.

PANLIPI, a legal rights NGO, helped gain the trust of indigenous communities at the appraisal stage of the **Philippines Integrated Protected Areas** example. PANLIPI’s involvement also resulted in several changes in the

project, including increased attention to indigenous land tenure, resource access, and livelihood issues and to greater participation by indigenous communities in managing protected areas. Generally, however, Bank-NGO collaboration on specific projects is more likely to involve operational intermediaries.

Orientation and Area of Competence

Not all NGOs are effective in ensuring beneficiary participation within their own programs. At one extreme are NGOs whose orientation and competence are similar to the private sector firms with whom they compete for contracts in project implementation or service delivery. Such NGOs may be efficient (and in strong demand) as *service deliverers* but are oriented to meeting the requirements of bureaucratic funding agencies; they may be less likely to use participatory processes. At the other extreme are participatory NGOs that see themselves exclusively as *enablers and capacity builders* and refuse to compromise their objectives or independence by collaborating in official programs.

A small number of exceptionally effective NGOs combine a high level of competence in service delivery and in community capacity building. The **Aga Khan Rural Development Program** in Pakistan provides an example of what can be achieved by such organizations, committed to “bottom-up” planning and combining strong technical expertise with effective institution building at the village level. Using infrastructure projects as the catalyst for institution building, this program reached 38,000 households and created 110 women’s groups within four years.

Accountability

An organization serves the interests of those to whom it is accountable. In this respect, national- or regional-level *membership* NGOs, including federations of grassroots organizations or cooperatives, trade unions, peasant unions, or ethnic groups can be valuable partners in projects requiring broad participation (although women and marginalized groups are not always well represented). One difficulty, however, can be that they are often more politically embroiled and subject to state regulation.

The Indigenous People’s Component of the **Eastern Lowlands Natural Resource Management and Agricultural Development Project in Bolivia** was prepared in a participatory manner by a regional Indian federation in collaboration with a technical assistance NGO. Following a major political confrontation, however, between the federation and the regional development corporation over control of the component, the component was redesigned, greatly reducing the power of the federation in project implementation.

Among NGOs that are not membership based, accountability to *client communities*, for example, through community contributions of cash, labor, materials, or facilities, is an important indicator of an NGO’s participatory effectiveness. Nonparticipatory NGOs may regard community members purely as beneficiaries and the *funding agencies* as their clients.

Identifying Appropriate NGOs

Specific criteria—in terms of technical and operational capacity, outreach potential, skills in community capacity building, and knowledge of conditions in target communities—need to be matched to the specific task at hand. In general, the most effective NGOs are those that have already established participatory processes with their clients. The following list of indicators has been drawn up to guide Task Managers and their in-country counterparts to those NGOs that are likely to employ participatory practices effectively. Assessments should be based on the track record of the NGO rather than on its stated objectives.

Source of Information A useful starting point for Task Managers unfamiliar with the NGO sector is the data base maintained by the Bank’s NGO group in the Poverty and Social Policy Unit, which contains information on more than 8,000 NGOs worldwide. The NGO group also maintains a library of NGO directories and sector studies from a large number of developing countries. Within borrowing countries, information is frequently available from NGO umbrella organizations, local offices of donors (for example, the United Nations Children’s Fund, United Nations Development Programme, and Ford Foundation), or from the government ministry responsible for NGO liaison. Some resident missions also keep NGO directories on file.

If an NGO is needed simply to provide informal advice on Bank-supported operations, sufficient information may be obtainable from local contacts, such as resident donor representatives or leaders of NGO consortia. If the goal is to identify an NGO for partnership in project design and implementation, a more active search is required, including field visits by consultants and interviews with a sample of community leaders and members in the areas of the NGO’s activities. When NGOs are themselves to screen other NGOs in operations—as is often the case with social funds—formal eligibility criteria and case-by-case institutional appraisal methods are called for.

Selection Criteria The **Bangladesh Second Road Rehabilitation and Maintenance** project sought an NGO to share information with affected groups, represent their interests, and consult with them to formulate a resettlement action plan. The selection process set out in the staff appraisal report considered three criteria. First, appropriate NGOs had to have a track record showing experience and ability to mediate and work with people at the grassroots level. Second, the skill mix, field experience, availability, and mobility of staff of each NGO was factored into the selection process. Third, the selection process focused on the proposed work plan and approach put forth by each NGO for this particular project.

NGO Assessments When NGOs will be involved in a wide variety of activities or when little or no information is available, it may be helpful to conduct an NGO assessment. The Bank has undertaken NGO assessments on a national basis (in Uganda), in a specific sector (**India Health and Family Welfare Sector Study**) and in connection with specific projects (the **Nepal Rural Water Supply and Sanitation** project). Drawing from this experience, box 4.4 represents the factors that have proved useful in NGO assessments, par-

Box 4.3. Indicators of Participatory Effectiveness in Intermediary NGOs

- A flat management structure with decentralized authority
- Organizational structures at the community level to which funding and/or other decisions are delegated
- Use of iterative planning, involving consultation with local communities
- Contributions of cash, labor, raw materials, or local facilities by community members and organizations, making them clients rather than beneficiaries of the NGO
- Staff recruitment criteria, incentives, and training that support participation
- Strong field presence outside metropolitan areas with a high proportion of staff of local origin
- Community leaders and members have a positive perception of the NGO.
- Turnover of client groups as they “graduate” over time and intensive field attention is transferred to new groups.

Source: Thomas Carroll, Mary Schmidt, and Tony Bebbington. *Intermediary NGOs and Participation*. Participation Series, Environment Department Paper (forthcoming), World Bank, Washington, D.C.

Box 4.4. Tips for NGO Assessments

- The most useful NGO assessments are done on a sectoral or subsectoral basis. This allows the NGO universe to be divided functionally and geographically and permits systematic interviews and sample surveys.
- When evaluating newly formed NGOs or other NGOs that are new to a specific region or sector and therefore lack a track record, focus on the individuals who lead the NGO and what they have done in the past.
- Select an assessor who has a previous working relationship with government as well as NGOs to build trust.
- Build participatory elements into all NGO assessments on a systematic basis. Both terms of reference and survey methodologies should include indicators of NGO quality in community development as well as technical and managerial dimensions.
- An NGO assessment should include information about the technologies used by NGOs to communicate with members and to network with each other. Also, the analysis should cover the constraints limiting communication in remote areas.
- Whenever NGO consortia or apex organizations exist they should be given a role in NGO assessments. Nonmembers of consortia, however, should be informed of the federation's role.
- Bank resident mission staff should be involved in NGO assessments and, wherever sufficient capacity exists, resident staff members should be responsible for supervising and updating NGO assessments.

Source: Thomas Carroll, Mary Schmidt, and Tony Bebbington. *Intermediary NGOs and Participation*. Participation Series, Environment Department Paper (forthcoming), World Bank, Washington, D.C.

ticularly in NGO assessments that identify the participatory qualities of NGOs.

Obtaining Referrals In some cases, Bank Task Managers have approached a consortium of NGOs for referrals on partners in project design or implementation. Such federations can direct Task Managers to member NGOs and in some cases select and supervise them. A limitation of this approach is that not all NGOs are represented by such an apex body. This can create rivalry and isolate potentially suitable NGOs.

Soliciting Proposals When many NGOs are interested and qualified, Task Managers and their government counterparts may choose to select NGOs as they would consultants by soliciting proposals and selecting the best of these. A danger exists, however, that this could rule out qualified organizations that have strong expertise in community development but do not have skills in preparing proposals.

Bridging the Gap**Supporting Participatory Processes**

A paradox confronting the Task Manager is that the qualities that make NGOs participatory—and therefore attractive as intermediaries—may be inconsistent with many government, donor, and Bank requirements. One of the major constraints to group formation and capacity building is donor or government pressure to disburse and deliver services quickly. Unless procedures are made more flexible and both the Bank and the government are committed to supporting participatory processes, the NGO may be pressed into a service-delivery rather than capacity-building role.

This has happened in a number of Bank-funded projects, including **Liberia's Second Education** project. Under this project, schools were constructed rapidly and at low cost. No attention was given, however, to supporting the intermediary NGO in building community ownership of schools and planning for maintenance. As a result, many schools deteriorated or went un-

used. Similarly, in the **Zambia Squatter Upgrading** project, it was agreed in principle to pursue long-term community development goals by promoting active beneficiary participation. A stipulation was included, however, in the final agreement that, if the collective self-help approach used by the two intermediary NGOs interfered with the predetermined project schedule, contractors would be employed to carry out the work.

Ensuring Flexibility Task Managers have found ways to ensure that they support rather than undermine the participatory strengths of NGO partners by introducing mechanisms that permit revisions in project priorities, greater flexibility in the timing and scale of implementation, and alternative procurement procedures. Sometimes, introducing mechanisms that allow NGOs to design and implement their own programs can also be effective.

Encouraging Partnership in Project Design Collaborative decisionmaking from the outset concerning development objectives can help resolve the tension between the short-term project objective of the Bank or government and the long-term community development goals of NGOs. The most successful cases of Bank-NGO collaboration have involved mutual transparency and shared decisionmaking from early in the project cycle. If NGOs are to participate in a Bank-financed project in a significant way, it is important that they have a say as early as possible in the design of the project and in defining the terms of their involvement.

In examples such as the **Philippines Health Development** project, which aimed to reach the poorest members of society by building partnerships among the many health-oriented NGOs, local governments, and the Department of Health, involvement in project design was considered essential in defining effective operational partnerships, contributing to “quality at entry” and achieving successful implementation. Many of the NGOs were initially skeptical of involvement with the government. Giving them a stake in the decisionmaking process—in creating the terms of the partnerships—made it possible for NGOs to be the lead agencies at the local level and helped to overcome their skepticism.

NGO Liaison Units A number of Bank-supported projects have created NGO liaison units. Under the **West Bengal Fourth Population** project, the government of West Bengal created a voluntary agency cell (headed by the additional director of health services), which is responsible for facilitating, supporting, and coordinating voluntary agency activities in the state. With the establishment of this cell, it is expected that the role and scope of NGOs in West Bengal family welfare programs will be substantially increased.

Information Sharing The Bank can also promote government-NGO relations by sponsoring meetings for dialogue and information sharing. In the **Sri Lanka Health and Family Planning** project, for example, joint training was provided for NGO and government staff in Information-Education-Communication techniques. In addition, a series of annual workshops was organized to bring government and NGO personnel together to discuss ongoing strategies and implementation plans.

Scaling Up and Scaling Down Highly participatory NGOs tend to work on a small scale; experience suggests that some of their programs depend on staying small and resource intensive. But in some cases NGOs have established participatory processes that they have themselves extended to large programs or that have proved replicable by other organizations or by government agencies on a large scale. Various ap-

proaches have been taken to enable successful NGO programs to be scaled up and “mainstreamed,” where possible, without losing their essential participatory qualities and without individual NGOs having to grow to the point that they become hierarchical and bureaucratized. This may involve strengthening the capacity of NGOs, both through training and promoting NGO partnerships.

Scaling up may also involve training government staff in participatory methods and relaxing some government regulations. When working with governments to encourage NGO linkages, it is useful to consider that government agencies as well as the Bank may have to scale down in the sense of decentralizing and building flexibility and microvariability into their operations. This not only pushes decisionmaking down closer to the populations most affected (and in this sense is itself more participatory) but also makes it easier to work with regional and local NGOs.

The community support process in the **Balochistan Primary Education Program** is establishing new community schools for girls in remote rural villages. The process began in 1992 with a pilot project by a small national NGO whose community workers went door to door, urging parents to form village education committees, identify a potential female teacher, and select a site for a school. The success of the pilot led to full acceptance and ownership of the program by the government, which is now funding the program on a province-wide basis using International Development Association credit. Already, the NGO has succeeded in mobilizing community members to establish as many as 200 schools. Replicating the process on this scale and incorporating the schools and their teachers into the government system once the school has proved viable has depended on the willingness of the Ministry of Education to relax a number of its regulations, so that girls with as little as eighth grade education can qualify as teachers and receive training at home from mobile training teams.

Encouraging NGO Partnership

Strengthening NGO Capacity

For the Bank-financed **Improved Environmental Management and Advocacy** project in Indonesia, an international NGO teamed up with twelve Indonesian NGOs to strengthen the ability of local intermediaries to address the environmental consequences of pesticides. The international NGO assists local counterparts in developing primary learning approaches to educate local people about environmental problems and solutions. This collaborative NGO effort is a broad initiative to develop education and training programs for farmers, consumers, and province-level regulatory officials and also serves to transfer skills and knowledge among NGOs.

The goal of the **Uttar Pradesh Sodic Land Reclamation** project is to reclaim salt-affected lands using participatory management techniques that could serve as a model for replication more broadly in the future. Farmers’ water management groups will be organized and community volunteers will be trained in technology transfer by small local NGOs. The staff of these grassroots NGOs will be trained in turn by larger intermediary NGOs with previous experience in participatory management.

Other projects, such as the **Bangladesh Participatory Forest Development** project, are using a similar structure in which advisory NGOs coordinate the implementation activities of small locally based NGOs. These projects are coordinated at the national level by a single organization that works directly with the government to ensure compatibility with national goals and policies.

Providing Training The Task Manager of the **Bangladesh Second Road Rehabilitation and Maintenance** project felt that for an NGO to act adequately as an intermediary between beneficiaries and government agencies, its staff should be trained specifically in the use of the Bank's resettlement guidelines and generally in land valuation and compensation.

Usually, training that builds NGO capacity is provided by a component for technical assistance within a large project or through a separate project. The **Ethiopian Social and Rehabilitation Development Fund** project treats proposals for training as it does proposals for other microproject components. Any community group or NGO that has an identified need for training is invited to submit a proposal. This fund has designed community development and microproject development training programs and has appointed a training and promotion officer.



Photo by Curt Carmemark

Financial Intermediation

This section looks at three methods that have been used in Bank-financed operations to give the poor a more active role in managing the resources intended to improve their economic security and well-being. The first involves fiscal decentralization to give municipalities and local governments more control over development funds and enable them in turn to support community-level development. The second involves social funds, which are an alternative mechanism for providing financial assistance for locally led initiatives. These approaches provide new ways to bring resources and control over them closer to the level at which they are being used. The third approach involves two-way reciprocal contracts, which form the basis for sustainable financial service systems.

Fiscal Decentralization

One of the most common ways to get resources to the local level is through municipal funds, matching grants, and community development funds that decentralize functions and money to existing line agencies and local governments. Under such arrangements, central governments allocate resources to municipalities or other institutions, which in turn fund many smaller projects. These subprojects are often prepared and controlled by communities, which contribute to cost-sharing through

the donation of their labor and materials. Simple procurement procedures along with democratic and transparent project selection at the neighborhood and municipal levels contribute to the success of these types of funding arrangements. Through their ability to reach the neighborhood level and mobilize local resources, they remove a critical constraint to community action, the lack of financial resources.

The Bank's **Mexico Decentralization and Regional Development** project gives municipalities control over funding many local projects by providing them with annual block grants. Such grants are made through municipal solidarity funds, which are accounts created at the municipal and community levels to finance small community projects. They are intended to channel resources to the most deprived communities by democratizing project planning as well as decentralizing project financing. This signals a change in the destination of the resources from the line agencies to the municipalities and involved elected municipal officials jointly with the communities in project selection.

Numerous examples exist of fiscal decentralization. Not all involve local participation in decisionmaking, but most help to provide an enabling environment in which such participation becomes possible.

Social Funds

Social funds can provide funding to local organizations such as community-based groups, NGOs, and local governments in a more flexible, transparent, and rapid manner than line ministries. They are "demand-driven funding mechanisms." They do not identify projects in advance but instead respond to requests generated by local organizations. Social funds do not implement projects. They promote specific activities, appraise projects or subprojects for funding using strict selection criteria, supervise implementation, and monitor project effectiveness. Social funds have spread rapidly in developing countries since the **Bolivia Emergency Social Fund** was started in 1986; in 1994 the World Bank was supporting about thirty social funds.

Autonomy Typically, social funds are set up as autonomous institutions that are transparent and have flexible funding, procurement, and disbursement procedures. Because they are autonomous, they are able to avoid political interference and respond directly to local needs. In some cases, a social fund is an autonomous governmental structure reporting directly to the president or prime minister. In other cases, such as the Agence D'Execution des Travaux d'Infrastructures Publiques (AGETIP) in Senegal, it is a private association contracted by the government.

The **Nepal Rural Water Supply and Sanitation (RWSS)** project uses an autonomous fund (RWSS-FUND) to support demand-driven, community-based water and sanitation initiatives. This fund is designed to be managed by a board with representatives from both the government and the private sector (NGOs). The board is autonomous and fully responsible for the fund's management. Money is provided by the Ministry of Finance through a simplified, block-grant release process.

In the **Albania Rural Poverty Alleviation** example, the Rural Development Fund was created by government decree as an autonomous agency because the existing government structure lacked the ability to work at the community level in a participatory manner. To fulfill its responsibilities for implementing both the pilot and full-scale Bank-assisted project, this fund was given administrative, financial, and technical autonomy as well as the authority to enter into contracts. One of the principal functions of the fund is to support

Box 4.5. Designing a Social Fund

The following tips may be helpful to Task Managers responsible for designing a social fund.

- *Be clear about the objectives of a social fund* and the centrality of participation in realizing objectives. Designers must weigh the trade-offs between rapid disbursement and capacity building in beneficiary and intermediary organizations.
- *Refuse to fund nonparticipatory microprojects, and prioritize selection of microprojects according to the intensity of participation.* Ask how much local participation there has been in the processes of microproject identification, design, and planning and if the community is involved in implementation.
- *Encourage or mandate establishment of microproject management committees.* It may be necessary to require representation of women and other marginalized groups in the management committees.
- *Apply participatory data collection methods, such as participatory rural appraisal and beneficiary assessment (see Appendix I for descriptions), to monitor subprojects regularly.* Assessing 10 percent of subprojects a year may be a good target.
- *Provide for capacity building of intermediary and community organizations as early as possible.*
- *Develop a piloting phase* in which participatory mechanisms can be tested, the concept of participation introduced, and actors given time to learn.
- *Design flexible and transparent procurement and disbursement procedures.*
- *Deliver what has been promised.* Avoid delays in processing proposals and delivering services. Critically monitor the performance of the social fund.

Source: Alexandre Marc and Mary Schmidt. 1995. *Participation and Social Funds*. Participation Series, Environment Department Paper No. 4, World Bank, Washington, D.C.

work undertaken by village communities on the subproject for demand-responsive, rural infrastructure rehabilitation. The Rural Development Fund is governed by a Board of Trustees composed of the ministers of the relevant ministries such as agriculture, labor, and finance. It is chaired by the deputy prime minister of Albania.

Decentralized Operations

To operationalize the **Zambia Social Recovery Fund** to finance microprojects for rehabilitation of social service infrastructure, an office called the Microprojects Unit was set up within the Zambian presidency through which funds were channeled to local community organizations and NGOs. The special status of the Microprojects Unit allows it to hire personnel from outside the civil service and bypass the government bureaucracy.

This enables procedures to move quickly and allows the unit to deal directly with beneficiary communities. Communities prepare proposals for social service microprojects for which they contribute to total costs. On approval, the implementing organization sets up a bank account to receive direct, incremental dispersals from the Microprojects Unit, thereby cutting through typical bureaucratic delays and red tape. This has proved a quick and effective way of getting resources down to the local level and responding to varying demands and priorities among local communities. The channeling of funds to NGOs and local organizations has also increased the institutional ability of these organizations to undertake development activities and serve as instruments of participation.

In the **Albania Rural Poverty Alleviation** example, a social fund mechanism was used to provide funding for rural infrastructure rehabilitation. Infrastructure officers from the coordinating institution, the Rural Development Fund, are assigned to each district. They, along with engineers from the fund, work with local villages and assist them in preparing proposals for the one infrastructure rehabilitation project that represents their highest priority. Once a project is

approved by the fund, the contractual partner for implementing the project becomes the commune (that is the corresponding local government unit). To fulfill the employment generation objective of this component, the commune, in turn, hires local villagers to work on the project. This approach has proved successful in delivering priority infrastructure to rural communities.

Sustainable Financial Systems

The preceding section examined ways to improve the effectiveness and impact of resources flowing from the government to the poor. In this section, we turn from *one-way grant* resource flows, which characterize most of the decentralization projects and social funds, to *two-way reciprocal contracts*, which are the basis for sustainable financial service systems.

Task Managers might want to know more about how to build sustainable financial service systems for poor men and women for two reasons. First, from the point of view of *financial sector development*, people who have not been integrated into the formal financial sector because of low income, gender, ethnic identity, or remote location often represent a large and potentially profitable market for institutions that can develop ways to reduce the costs and risks of serving them.

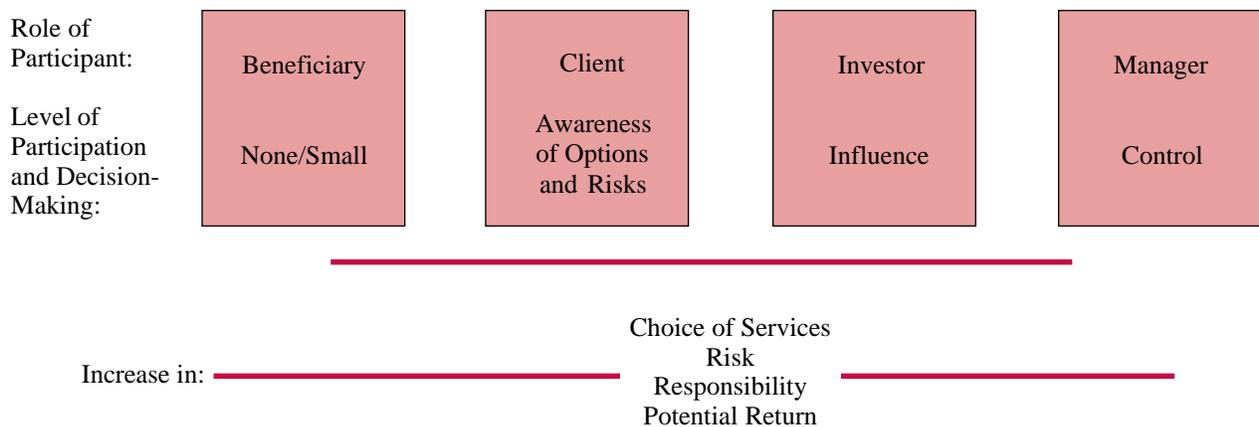
From the perspective of *poverty reduction*, the case is even more compelling. For the most vulnerable of the working poor, who may not be ready to take on debt, accessible savings can help maintain consumption over crisis periods and greatly improve economic security. Then, once some degree of economic security is attained, access to credit can help them move out of poverty by improving the productivity of their enterprises or creating new sources of livelihood.

Participation Continuum

Participation occurs along a continuum. On one end are “beneficiaries,” who are the recipients of services and resources. More and more successful projects, however, define participants as “clients” and invest in setting up timely feedback mechanisms to ensure they stay in touch with what their clients want. In these projects, “clients” are perceived as those who buy something (for example, financial services) and must agree to pay more than a symbolic fee for it. They also ensure that a clear contract exists with clients, which lets them know what

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Figure 4.1. The Participation Continuum



Source: Lynn Bennett, Mike Goldberg, and Pam Hunte. *Group-Based Financial Systems: Exploring the Links between Performance and Participation*. Participation Series, Environment Department Paper (forthcoming), World Bank, Washington, D.C.

they must do to keep the services coming. The challenge is to devolve the decisionmaking power and control over resources to participants as “investors” or even “managers” who make strategic and operational decisions about how services are designed and delivered. But it is important to remember that many people are not willing or able to take on the additional risks and increased responsibilities associated with higher levels of self-management.

Overcoming Barriers

Building an appropriate system of financial intermediation that is accessible to poor people and yet sustainable for the lending institution can be a challenge. Overcoming the vulnerability imposed by continual reliance on subsidies (finance as charity) by establishing a market-based system (finance as business) that can operate on its own is not easy. In most cases, it is not something that can be fully achieved within the time frame of one or sometimes even a series of Bank lending operations. In some borrowing countries where barriers are created by remoteness, poor infrastructure, a stagnant or primarily subsistence economy, illiteracy, or social factors such as caste and gender, self-sustainable financial services may not be attainable for a long time.

Need for Intermediation

What is needed to build and support sustainable financial systems with the poor is a combination of financial and social intermediation. Mechanisms must be created to bridge the gaps created by poverty, illiteracy, gender, and remoteness. Local institutions must be built and nurtured, and skills and confidence of new low-income clients developed. This costs money and requires the help of intermediaries at local levels.

Group-Based Approaches

One of the most promising routes to sustainable financial intermediation is the use of local self-help groups. Although many local variations exist, the approach essentially involves identification and organization of local voluntary associations or self-help groups among disadvantaged populations. These groups are then *linked* with formal financial institutions or assisted in developing their own *parallel*, semiformal systems for financial intermediation.



Photo by Curt Carnemark

Solidarity Groups One of the most successful—and certainly the best known—group-based financial service system for the poor is the **Grameen Bank** in Bangladesh. Grameen was established as a financial institution in 1983 to provide financial services to low-income rural households that had no access to formal sector programs. By 1993 Grameen Bank had served almost half of the villages in Bangladesh, lending \$311 million and mobilizing \$218 million in savings and deposits. Its total membership is more than 1.8 million, of whom 94 percent are women.

Grameen supports the formation of self-selecting “solidarity” groups of five people. Members receive small working capital loans backed only by the joint liability of other members. This means that even though the loans are given individually, default by any member blocks access to further credit for others in the group until they either prevail on the defaulter to pay or cover the debt themselves out of joint savings or a pooled contribution.

The loans are for twelve months with weekly installments, which makes accounting and repayment simple and easy for group members to understand. Members are also required to contribute to group savings and emergency funds on a regular basis. Many borrowers use the loans for petty trade, traditional agricultural processing, animal husbandry, and activities that borrowers know well. Reflecting its responsiveness to the vulnerability of its members to seasonal and other shocks, Grameen also lends for “consumption” purposes, such as medical care and food. Repayment for the program as a whole in 1993 was 96 percent.

Village Credit Committees In the **Albania Rural Poverty Alleviation** example, the dire economic situation made it imperative to inject cash into impoverished areas as quickly as possible by developing a credit delivery mechanism suitable to poor farmers. But the project designers did not stop with simply delivering the credit. They sought to *build a sustainable financial services system*. The villagers rejected the solidarity group approach (based on Grameen Bank) and chose to create a village credit fund in which the whole village is collectively responsible for repayment of individual loans. Each community elects a three-person village credit committee, which is responsible for selecting borrowers and ensuring that loans are repaid. Decisionmaking rests entirely at the local level and the village credit committee holds open meetings to evaluate community member loan applications. Expansion has been rapid with fifty-nine such committees established, more than 2,750 subloans made during the first two years of the project, and nearly 100 percent repayment.

Advantages of Group-Based Services Group-based approaches have several advantages to the financial intermediary: group liability is an effective collateral substitute, self-policing mechanisms can increase repayment rates and reduce lender risk, savings mobilization is often impressive and has proved an inexpensive source of loan capital, and administration and enforcement costs can be reduced. Group-based financial systems can in many situations effectively shift some of the costs and risks from the lending institution to the group.

From the client’s perspective, groups may offer the only affordable way of gaining access to financial services. For landless men and women, group liability substitutes for physical or financial collateral; without it they could not obtain formal credit. The savings mobilized by groups are often re-lent to their members for emergencies, consumption, and similar purposes for which formal institutions are reluctant to lend. With regard to capacity building, group-

based approaches can build solidarity, confidence, and financial management skills among members.

Advantages for Women For women, one of the most important aspects of a group is that it provides a legitimate “social space” beyond the home and fosters a sense of solidarity that allows them to deal more freely with unfamiliar formal institutions and processes. Some evidence from Bank and other projects shows that women’s groups perform better than men’s groups in terms of repayment and longevity. One reason may be that in many societies women have few other financial opportunities and value them highly. Group membership may also have a personal and social value beyond its economic utility.

Characteristics of Successful Groups Characteristics of strong groups include self-selection of members, literacy of at least a few group members, and membership of only one gender. Group enforcement of sanctions is strongest when a system for calling on outside assistance (usually from the NGO) is readily available to resolve serious conflicts. Most successful systems appear to be ones in which a large proportion of the lending capital is raised from group members’ savings. Elements of groups that, contrary to general belief, do *not* appear to affect group performance include group size, leadership rotation, and the kind or frequency of group meetings.

Pitfalls of Groups Groups are not a guarantee of success. Despite potential advantages, groups may face serious managerial problems. They may be costly to set up; corruption or control by powerful groups is a possibility; and minority groups or the most disadvantaged are often excluded. Nevertheless, the resiliency and popularity of many locally based, financial service organizations indicates that locally managed groups can improve their financial management practices and move toward sustainability through self-help efforts.

Building Capacity of Groups

It is critical to build up the human resources and local institutions needed to prepare groups to manage their own institutions or to enter into responsible business relationships with formal financial institutions. Ultimately, it is the cohesiveness and self-management capacity of the groups that enables them to bring down the costs of financial intermediation by reducing default through peer pressure and lowering the transaction costs banks incur in dealing with many small borrowers and savers.

To achieve this eventual efficiency gain and develop sustainable financial services for the poor, however, substantial up-front investments are needed to build the skills and systems that permit the group to take over most of the management of their own financial transactions eventually. Time-bound “infant industry” subsidies, such as building self-reliant groups through training group members in accounting skills, management skills, and use of management information systems, are also justified. Where government subsidies are *not* justified, however, is in supporting the price of financial services with artificially low interest rates for the end users.

Crafting Responsive Institutions

Putting people first also requires changing the very ways in which government bureaucracies are accustomed to functioning. It requires different plan-

ning procedures, institutional arrangements, and measures for resource allocation. To put people's needs first, institutions must redefine responsibilities, reallocate staff resources, offer different incentives to staff, build in new mechanisms for learning and experimentation, and build outreach capacity by hiring new staff and retraining old.

Characteristics of Responsive Institutions

Delegating Authority In the **Benin Health** example, the Ministry of Health gave the local health management committees decisionmaking power and control over resources. Each local health center (typically serving three to six villages) has its own management committee of six to eight people. Committee members are elected democratically; anyone may serve, provided that at least one member is a woman. The committee is directly involved in preparing the health center's annual budget for submission to the ministry. It is responsible for collecting and accounting for funds paid to the health center for services and drugs and also manages the procurement and inventory of drugs. Representatives of local committees serve on the board of the government's new drug procurement agency and on the government's central Health Sector Coordinating Committee, giving them a voice in national policy.

The success of **El Salvador's Community-Managed School Program (EDUCO)** depends on community involvement in public education. Each community is required to provide a building as a school for its children. Parents elect school board members for three-year terms. School board members, who are legally authorized to manage the schools, work with the Ministry of Education to establish annual budgets for the schools. Once the ministry transfers the agreed-on amount of money to the boards' bank accounts, the boards recruit, select, hire, pay, and manage the teachers and curricula. The boards and the teachers jointly allocate funds for teaching materials. Each local board monitors teacher performance and, if necessary, takes the necessary steps to fire teachers for whom poor performance or absenteeism is a problem. About 25 percent of schools in El Salvador now have such arrangements in their schools.

Flexibility In the **Philippines Irrigation** example, it proved unrealistic to try to predict the amount of time needed to create local irrigation associations and ensure their full participation. It was found that preset targets tended to undermine the farmers' authority over the systems and, with it, their commitment. In view of this, the National Irrigation Administration persuaded the Bank to avoid setting specific, long-term targets for construction. Flexibility was achieved by developing work programs one year at a time, depending on the progress of the preceding year rather than rigidly scheduling work for the entire loan period. This flexibility allowed the National Irrigation Administration to spend more time building on existing irrigation associations instead of pressing to meet arbitrary targets for the creation of new ones.

Experimenting and Learning In the **Rajasthan Watershed Development** project, the new challenge of implementing small, integrated watershed development forced staff from different disciplines to work together; the lack of prior experience even among senior officials created a general willingness to experiment with innovative approaches. Government field staff were told to "start with what you know, what you have resources for, and what people want." Staff were given the freedom to do small experiments and try whatever they thought might work. An enabling policy was

that no penalties should be given for failed experiments and successful innovation would be rewarded. In this way, significant progress was made in developing area-specific technologies. Much of this progress came from interacting with local people and seeking out and using their indigenous practices.

In the **Cameroon Rural Community Microprojects**, the Ministry of Agriculture took a “learning” approach, allowing local committees in charge of approving loans to go slowly and learn from their mistakes in funding microprojects. The objective of the project was just as much on capacity building as it was on lending for microprojects. This flexibility and less structured pace allowed disbursements to be made slowly and allowed local people to learn valuable lessons and make adjustments to lending criteria as they went along. A marked improvement in the quality of microprojects and repayment rate after the first year demonstrated that local people had indeed improved their skills through the process of trial and error.

Accountability An important factor in the success of the **Benin Health** example was the creation of a new governmental drug procurement agency, which exists as an autonomous agency responsible for procuring all drugs used in the country. As this was done poorly and corruptly in the past, the new agency is kept responsive and accountable to local communities through village representatives that sit on its board.

In the **Mexico Hydroelectric** example, accountability mechanisms were put into place during a reorganization of the national power company, CFE. A new, high-level Social Development Office was created that reported directly to the company management. In addition, each state government formed an independent *comité de concertación* headed by the governor and consisting of different line agencies to review and assist with the resettlement plans. The National Indian Institute was asked to provide independent field monitoring of the project, and a senior, independent resettlement adviser was appointed to the office of the company president to conduct field reviews of the project. These mechanisms served two purposes: to channel information from the field directly to CFE’s management and to keep CFE accountable and responsive through a public monitoring and review process.

In the **Nepal Irrigation Sector** program, farmer involvement in the selection of contractors provided a much-needed element of transparency in the mobilization and use of the Irrigation Department’s financial resources. Farmer Irrigation Association oversight and ownership improved the quality of construction.

Multidisciplinary Approaches To undertake participatory activities in Mexico’s **Programa Integral para el Desarrollo Rural**, several local multidisciplinary teams consisting of sociologists, economists, planners, and various technical experts were put together to undertake collaborative planning with beneficiaries. This approach emphasized the linkage between the sociological and technical sides of the planning process.

In the **Mexico Hydroelectric** example, a new social development unit was created at the project level to introduce participatory approaches into project planning and decisionmaking. This institutional innovation brings together a four-celled resettlement team (planners, regional development workers, environmental specialists, and community organizers) with the head engineer in charge of construction. This multifunctional team creates a critical bridge between the technical and social sides of the project.

Strengthening the Capacity of Government Institutions

Training As part of several forestry projects in **Nepal**, training programs are being conducted for forestry officials to facilitate greater communication and cooperation with rural forest users. Local officials have also been trained to watch for attempts by the wealthy to take control of forests from broadly based user groups and to focus on genuinely elected leaders of such groups.

In the **India Forestry** example, Forestry Department staff received training in participatory rural appraisal (see Appendix I) and other participatory approaches to prepare them to work in a collaborative manner with the village-based forest protection committees.

Providing Appropriate Incentives In the **Nigeria Women in Agriculture** example, to attract women agents into the extension service and increase their time spent interacting with women farmers in the field, the Women in Agriculture program offered incentives in the form of improved mobility, transportation, travel allowances, and higher salaries.

In the **Philippines Irrigation** example, National Irrigation Administration (NIA) employees receive bonuses when their decentralized cost centers break even or better. This means they must treat the farmers as valued customers whose payments for services are indispensable to NIA's existence. Such a system enables NIA agents to be responsive to the needs of their local clients. In addition, NIA's budget was linked to farmer contributions (that is irrigation service fees), whereas government subsidies were phased out. This structural change in the implementing agency helped to mainstream participation by helping to develop a strong service orientation, instilling client responsiveness and forcing agency employees to place a high value on farmer participation.

Developing Outreach Capacity In the **Nigeria Women in Agriculture** example, the Women in Agriculture program was set up within the existing state agricultural development projects, which was a very decentralized system. Each state agricultural development project has field offices staffed by local extension agents and has control over its budget and activities. The Federal Agricultural Coordinating Unit plays a coordinating role from the capital. To better respond to the needs of women farmers and increase the number of women extension agents in the field, the Ministry of Agriculture began a large-scale administrative "switch-over" during which a large cadre of existing home economic agents were redirected into the agricultural wing of the agricultural development projects to become Women in Agriculture field agents. Building on this existing human capital allowed a significant increase of field-level staff in the agricultural department with no net addition to the ranks of civil service.

In the **Tamil Nadu Integrated Nutrition** project, a cadre of community nutrition workers was created within the health outreach services of the Department of Social Welfare to disseminate information, raise awareness of better nutrition practices, and encourage the formation of women's groups to begin community-level action around health and other issues. The focal point of project activities was 9,000 community nutrition centers, each staffed by a local woman. Staffing criteria for this position required women who (a) were from the village, (b) were poorer than average but had well-nourished children, and (c) had an interest in health. Selected community nutrition workers were highly motivated and had good access to mothers. In choosing outreach staff for the community nutrition worker cadre, these qualities were given greater weight than education levels and qualifications.

In the **Mexico Hydroelectric** example, the national power company, CFE, did not initially possess the skills or experience to manage a participatory resettlement program. To acquire this ability, they created new social and environmental units and recruited skilled personnel to run them. They also hired teams of young professionals with backgrounds in the social sciences, social work, and NGO activities and sent them out into the villages for three weeks out of every month to consult with villagers, answer questions, and record the concerns and priorities of communities on behalf of the company.

The Enabling Environment: Legal Issues

Laws and policies can create an enabling environment that facilitates—or at least does not impede—peoples’ participation. Although individuals, groups, and agencies play key roles in initiating a process of “bottom-up” development, change can be facilitated if rules and regulations at both the national level and project level provide the freedom and incentives for people to participate in the design and implementation of development projects.

To ensure effective stakeholder participation in Bank-financed projects, sponsors and designers must examine the legal framework within which affected beneficiaries and communities operate to identify and address any constraints posed by the law. Three sorts of legal issues are important: (a) the right to information, (b) the right to organize and enter into contractual agreements, and (c) the impact of the borrower’s financial and other regulations on communities.

Right to Information

Participation is a function of information through which people come to share a development vision, make choices, and manage activities. To achieve this, information must flow from governments and external supporters in ways that genuinely support people’s informed participation. The objective of information sharing, therefore, is to ensure that all affected individuals or communities receive adequate information in a timely and meaningful manner. To attain this, the following questions are relevant:

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| <p>Obligation to Disclose</p> | <ul style="list-style-type: none"> • Is there an obligation on the part of the implementing unit to ensure that stakeholders are provided with adequate and relevant information? • Is such information to be provided in a meaningful manner, that is, in a form that can be readily understood by relevant stakeholder groups? |
| <p>Access to Information and Legal Remedy</p> | <ul style="list-style-type: none"> • Is the mechanism for providing or requesting information accessible to all stakeholders? Is it a simple mechanism that can be used by all? For example, are stakeholders required to fill in complicated forms? • Are there time and financial constraints that may discourage people from seeking information? Is there a significant delay between the request for information and the provision of information? • Are there any cultural or social constraints for accessing this information? Do barriers exist that may inhibit women or other vulnerable segments of society? Are special measures required to reach potential participants who are poorly educated or illiterate? Is the information available in local languages and dialects? • Do stakeholders have any legal remedy when their right to information is infringed? |

Disseminating Information Bank experience suggests that centralized offices may have problems disseminating information. In the **Sardar Sarovar** project, for example, information was available in an office near the dam site. But affected communities found this ineffective. It was costly, time consuming, and difficult to access the information. In addition, women who faced mobility problems or cultural constraints to travel were virtually cut off from information.

Information can be successfully disseminated to stakeholders in a number of ways. In the **Gambia Public Works and Employment** project, a community participation program is being developed that uses newspapers, radio, talk shows, leaflets, posters, and stickers to disseminate information. The Gambia experience reveals that taking into account literacy, language, scope, timing, and selection of themes sensitive to gender, age, and ethnicity is critical to channeling information flows to target audiences.

But sometimes newspapers, radio, television, and other forms of mass communication are not the most effective means of reaching the general public. Information can flow vigorously through local communication systems. This includes traditional entertainment such as song, dance, and community theater. The exchange of information can also be facilitated at traditional gathering places, such as village markets, religious meeting places, police stations, or marriage celebrations. If, on the other hand, these modes are ignored, such indigenous communication systems can transmit messages that oppose and undermine development efforts. In South Asia, such communication channels have in the past frequently carried negative rumors about the side effects of family planning methods, sometimes leading to the outright rejection of the contraceptives being introduced.

In the **Ethiopian Social and Rehabilitation Development Fund** project, a number of village-level workshops were held. Additionally, a number of NGOs and community facilitators who are respected by target communities were appointed and trained to disseminate information among communities. An effort is being made to recruit female promoters to improve the access of women's groups. In the expanded phase, it is expected that with the use of a mobile van, more effective dissemination of information can be achieved even in remote areas. In the **Guatemala Social Investment Fund**, field staff were recruited who spoke the local dialect and had a cultural background necessary to interact with the communities. Materials are also printed in the local languages.

Legal Literacy The right to information is connected with the following issues of legal literacy:

- Are communities legally literate and aware of their rights?
- Is there a need to educate them?
- What institutional arrangements are necessary?

In the **Mexico Decentralization and Regional Development** project, illustrated brochures in Spanish were designed to communicate in a simple manner the economic opportunities afforded by the project as well as inform potential participants about their rights and obligations.

Right to Organize

The second issue relates to the legal status of communities and groups and their internal organization. The objectives are to (a) design effective mechanisms for

group participation, (b) ensure that legal standing of these groups is appropriate and enables them to interact effectively with external parties as required, and (c) ensure equitable relationships among group members and transparent processes for internal decisionmaking. Important questions include the following:

- Formalizing Groups**
- What are the available processes for formalizing groups so that they can participate in project-related activities?
 - Are such processes complex or time consuming and beyond the scope of small community groups?
 - Is such formalization necessary to receive public funds or enter into valid contracts?
 - If there is no formal legislation or regulation, can project-specific arrangements be developed to achieve the same objectives?

Bank experience in this area is varied. In some cases NGOs and other groups may be reluctant or incapable of entering into a standard contractual agreement. In such cases, a memorandum of understanding or convention signed with the government or executing agency may be more appropriate. In the **India National Cataract Blindness Control** project, a participating NGO that was reluctant to take on the risk of contractual liability signed a memorandum of understanding defining it as an equal partner with the executing agency. According to specified terms, the NGO was under no formal obligation and would be paid for its services on verification of performance.

In the **Philippines Irrigation** example, the National Irrigation Administration persuaded the legislature to give legal recognition to the irrigation associations that provided them with authority over the operation and maintenance of the communal systems, legal water rights, and standing as corporate bodies with the Philippine Securities and Exchange Commission—which meant they could own property, make contracts, collect fees, and impose sanctions.

- Ability to Receive Public Funds**
- A number of factors affect whether groups can engage in financial transactions. Important questions in this area include the following:

- Can the community group receive public funds?
- What are the requirements? Are such requirements complex, time consuming, or beyond the scope of small community groups?
- Does the community group have a separate legal identity?
- Can it enter into a valid contract on behalf of the members at large?

The **Uttar Pradesh Education** project permits informal groups to receive public funds upon compliance with certain specified conditions, including the collection of community contributions and the appointment of a headmaster. In the **Zambia Social Recovery Project**, however, the opening of a bank account and deposit of the community contribution is considered a satisfactory requirement to receive public funds.

In the **Mexico Municipal Funds** program, a component of the **Mexico Decentralization and Regional Development** project, government regulation permits groups to register as “solidarity committees” with the municipality, thereby giving them the right to receive public funds.

In the **Burundi Social Action** project, an intermediary with legal status, selected and approved by the community, is brought in to sign the contract on behalf of the community group.

Internal Regulations Where formal groups have legal standing, it may be important to examine their internal regulations or by-laws. The by-laws or internal regulations of the community group or entity should be developed by the group and are crucial in addressing some of these issues. Where community groups do not have the skills to identify issues and address them in the by-laws, assistance should be incorporated into project design. Appropriate questions include the following:

- Are the responsibilities and obligations of the members clearly defined?
- Do the internal regulations ensure that sharing of resources/profits is undertaken in an efficient and equitable fashion?
- If the project involves financial contributions by communities, is there a mechanism for ensuring that such contributions are provided in an equitable fashion? What constitutes community contribution? Can they contribute cash instead of labor?
- How are internal regulations drafted? How can they be amended?
- Is it possible to provide sample by-laws for different categories of project-related activities?
- Are records kept of such contributions to ensure that contributions are made by all beneficiaries in an equitable fashion?
- Are there any justifications for excusing specific households or individuals?

Representative and Accountable Groups Different kinds of questions relate to whether the groups so constituted are representative and accountable. To determine this, Task Managers may want to ask the following questions:

- Is there any restriction on membership to the group?
- Where the regulations are neutral, do they unintentionally have the effect of excluding women or other vulnerable sections of society?
- Can such unintended impacts be mitigated through the use of internal regulations or by-laws?
- Who makes the decisions? Is there provision for participatory decisionmaking processes?
- Are the leaders accountable to the larger group of members?
- Is there a possibility of introducing some form of mutual monitoring or peer pressure?

Impact of Borrower's Financial and Other Regulations

The third issue relates to the impact of the borrower's financial and other regulations on the ability of communities and groups to participate effectively in the project. The objective is to ensure that any potential bottlenecks created by the borrower's regulations are addressed well in advance and that NGOs, in particular, are not adversely constrained by government regulations. Because many of these restrictions are vested in law, the ability to modify them through project design may be limited. Some legal restrictions, however, can be interpreted in a flexible manner. Some potential issues follow:

Requirements for Competitive Bidding In many countries, national procurement regulations are not suitable for communities and NGOs involved in participatory projects. Borrowers' reluctance to decentralize fiscal control may also affect community-related procurement and disbursement. Often thresholds for competitive bidding, that is, the value of contracts that must be procured under competitive procedures) are set so

low that even small contracts require bids that impose time-consuming and bureaucratic procedures on communities.

Some potential questions related to competitive bidding are:

- What are the mandatory processes for competitive bidding?
- Do they impede efforts by community groups to use competitive bidding?
- Are the threshold levels appropriate? Do they permit noncompetitive procedures when necessary?

In the **Uganda Alleviation of Poverty and Social Costs of Adjustment** project, any item more than \$1,000 required approval by the Central Tender Board for Procurement and Disbursement. This tedious process caused serious delays and limited community involvement. In the **Guyana Health, Nutrition, Water, and Sanitation** project, community groups were allowed to procure their own goods through “local shopping” procedures, which required quotations from at least three qualified suppliers. This was found to be a burdensome requirement, because it was difficult to find even a single qualified supplier in some rural areas.

The traditional concept of competitive bidding may be not appropriate in cases in which community groups are contracted to undertake their own works. Often community groups invest in goods to be used by their own members; experience shows that, in such cases, there are built-in incentives for community groups to use their allotted resources efficiently. The experience with the **Mexico Municipal Funds** program, a component of the Mexico Decentralization and Regional Development project, for instance, has been that works implemented by the communities cost one-third to one-half less than works by traditional municipal administrators or contractors.

Prior Review of Contracts The issue of prior review of publicly funded contracts—imposed by national legislation or sometimes by the Bank’s procedures—has caused, in some instances, substantial delays and frustration during project implementation. To suit the needs for community-related procurement, requirements for prior review of contracts have been adapted in some projects.

The **Mexico Municipal Funds** program does not mandate prior review of contracts with communities; instead, a sample of projects are reviewed during or after implementation. Replacing prior reviews with strict ex-post reviews is done under the assumption that no disbursement will be made on contracts that violate principles set forth in the implementation guidelines. In the **Cameroon Food Security**, project contracts for goods and services above \$50,000 require prior review. Because the majority of the community-related procurement subprojects are below \$25,000, such a threshold level avoids the need for prior review in all cases.

Accounting and Auditing Requirements Sometimes, participating groups, fearing that their autonomy is being threatened, may not want to reveal their accounts to the government. On the other hand, accounting transparency helps to reduce abuses and the government as well as the Bank have a right to insist on transparency of accounts in a Bank-financed project. The degree of information revealed by the participating group should meet the requirement of public scrutiny without compromising the independence of the group. A practice that has worked well in this context is that the government and the Bank are allowed to examine the accounts for that

particular project but not all the NGO's accounts. In any case, the details of this should be agreed on to the mutual satisfaction of the government, NGO, and Bank at the outset of the project.

Key questions in this context include the following:

- Do the regulations require that the use of funds must be accounted for? If so, how, in what manner, and to whom?
- Do the regulations require that use of public funds be independently audited? If so, who is responsible?
- If the Auditor General's Office is responsible, can this task be delegated to a private entity?

In Zambia, for example, the auditor general is required to audit the use of public funds. This would require the NGO or community group receiving public funds to be audited by the auditor general's office. In some cases, however, it has been possible for the auditor general to delegate his powers to a private accounting firm to audit groups involved in project-related activities.

Processes for Disbursements

Sometimes government procedures and processes for disbursement can create delays. Experience has shown that delays in disbursement can significantly dampen community enthusiasm. In the **Colombia Integrated Rural Development** project, government procedures typically took 103 days to process disbursement requests. To overcome these problems, in some projects, especially those set up as social funds, the decree establishing the fund exempts its operations from the procurement and disbursement regulations in the country; thus, in the **Ethiopian Social and Rehabilitation Development Fund** project, the fund operates under its special procurement and disbursement guidelines specifically described in its operational manual. Appropriate questions in this context include the following:

- Are disbursement procedures for access to and utilizing funds transparent, efficient, and objective?
- Can steps be taken to keep government agencies out of the day-to-day affairs of community groups and NGOs?

Dispute Settlement Mechanisms

Dispute settlement is an important element for effective participation. A forum for presentation of grievances and the mechanisms for third-party settlement procedures are imperative for sustained development. A cursory examination of the formal dispute resolution systems in most countries reveals that access to remedies through the formal process is generally constrained. A large proportion of poor and disadvantaged people are legally illiterate; they have inadequate access to legal aid and do not have the economic resources to resort to the normally complex and sophisticated legal processes to seek remedies.

Many societies, however, have traditional methods of dispute resolution that are based on principles of mediation and conciliation. Project designers have attempted to make use of such indigenous methods of dispute resolution. In the **India Upper Krishna Irrigation II** and **Andhra Pradesh Irrigation II** projects, *lok adalats* or people's courts have been established to settle grievances of community groups that have been adversely affected by project activities. In the **Egypt Resource Management** example, such indigenous methods of dispute resolution have also been employed.

The following questions are relevant to problems related to dispute settlement.

- Are existing formal dispute resolution mechanisms accessible, or are they lengthy and costly?
- Are there any customary dispute resolution mechanisms that communities can resort to?