

Report No. 32709-GLB

Exploring Partnerships between
Communities and Local Governments in
Community Driven Development: A Framework



**Environmentally and Socially Sustainable Development Network
Social Development Department
Community Driven Development Team**

June 29, 2005

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Washington, D.C., 20433, USA

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First Printing May 2005

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ACRONYMS AND ABBREVIATIONS

APL	Adaptable Program Loan
CBO	Community-Based Organization
CDD	Community Driven Development
CFAD	Community Funds for Agricultural Development
CIAC	Community Investment Advisory Committee
CSC	Community Supervision Committee
ESW	Economic and Sector Work
FISE	Nicaragua Emergency Social Investment Fund
FONDEM	Municipal Development Fund
IA	Intercommunity Assembly
INIFOM	Nicaraguan Institute for Municipal Development
KALAHI-CIDSS	Kapitbisig Laban Sa Kahirapan-Comprehensive and Integrated Delivery of Social Services
LG	Local Government
LG	Local Government Unit
LMU	Local Monitoring Unit
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MIP	Municipal Investment Plan
MIVF	Municipal Inter-Village Forum
MPS	Municipal Planning System
MRDP	Mindanao Rural Development Program
MTU	Municipal Technical Units
NGO	Non-Governmental Organizations
O&M	Operation and Maintenance
PAD	Project Appraisal Document
SRP	Social Recovery Projects
TA	Technical Assistance
TASAF	Tanzania Social Action Fund
WDR	World Development Report
ZAMSIF	Zambia Social Investment

Vice President	Ian Johnson
Sector Director	Steen Lau Jorgensen
Sector Manager	Caroline M. Kende-Robb
Task Team Leader	Keith McLean

ACKNOWLEDGEMENTS

This report contributes to the on-going process of strengthening the inter-linkages between CDD and Decentralization. It represents an additional effort to strengthen the knowledge base and tools on how to maximize the community interface with local governments within the context of local development. It builds on past or ongoing work: by many regions on the challenges of scaling up CDD; on partnerships between community based organizations (CBOs) and local governments (LG) based on synergies; participation, civic engagement and social accountability; the local governance and empowerment agendas. It presents an analytical framework for assessing entry points, opportunities and constraints to strengthening LG-CBO partnerships around co-production and accountability. Examples are drawn from case materials in four countries--Zambia (Zambia Social Investment Fund--ZAMSIF), Tanzania (Tanzania Social Action Fund--TASAF I and II), The Philippines (Mindanao Rural Development Project (MRDP) and Kalahi-CIDSS Project--Kalahi), Nicaragua (Nicaragua Emergency Social Investment Fund--FISE I-IV, and Rural Municipalities Project--PROTIERRA I and II).

This report was prepared by a team comprising Keith McLean (SDV, Task Team Leader), Rodrigo Serrano (HDNSP), Louis Helling (consultant), and Jana Orac (consultant). The authors would like to thank all Bank staff, country project managers, and other national stakeholders who took the time to share their insights and experiences with us. This contributed significantly to the quality of the final output. All remaining errors are ours. Finally we would like to acknowledge excellent inputs provided by Danielle Christophe, Amer Hasan, Reiner Forster, Jeffrey Ramin, Andre Herzogg, Daniel Owen, Susanna Shapiro, and other colleagues in SDV.

Social Development Economist, Community Driven Development
Social Development Department, ESSD
The World Bank
1818 H St, NW, Washington DC 20433
Phone (202) 473-5656, Fax (202) 522-3247

EXECUTIVE SUMMARY

This report presents an analytical framework to analyze institutional options for partnering community based organizations (CBOs) with local governments (LGs) in community driven development (CDD). The framework is illustrated through 4 country cases—Zambia, Tanzania, Nicaragua, and The Philippines. The report also addresses operational implications, a research agenda, and next steps.

In recent years, CDD interventions have increasingly sought to integrate local governments more extensively into the basic design. CDD is an approach that supports collective action, community empowerment, and demand-driven local service delivery. It empowers the poor and vulnerable by placing them in the driver's seat with respect to decisions on a range of development interventions intended to improve their economic and social conditions. Importantly, the approach continues to evolve and mature, and efforts have now turned to addressing fundamental questions of fiscal and institutional sustainability, and scaling up. Lessons from internal and external review of scaling-up have underscored the newly emergent consensus that integrating rather than by-passing local governments is important for long term sustainability and the ability to scale-up CDD. This new awareness has important implications for the evolution of CDD, and is how it is designed in different decentralization contexts.

Study Objectives

This report is targeted at task and country teams, other donors, and especially external clients (governments and project managers) with responsibility for designing CDD programs, reforms of intergovernmental systems and decentralization, local government support operations, social accountability, and empowerment programs. It emerged as a result of on-going dialogue between country clients and donor staff working on related types of operations on how best to move forward on a common agenda. It is also motivated by increasing client country requests to support their efforts to incorporate local governments (LG) more systematically into national CDD strategies. This report helps readers to understand local government structures and incentives, and to identify key local government reforms that are needed in order to strengthen co-production¹ and accountability² partnerships with community based organizations (CBOs). The report suggests ways to adequately diagnose the scope for partnerships (the opportunity space³), and draws lessons from 4 country cases⁴—Zambia, Tanzania, Nicaragua, and The Philippines—on how the scope can be assessed in different contexts.

Methodology

A three-phase approach is adopted to assess the enabling environment, opportunities and constraints to deepening LG-CBO partnerships in CDD:

1. A framework is presented that characterize the enabling environment for LGs and CBOs.
2. The framework is applied to 4 country cases where there was at least one CDD operation attempting LG-CBO partnerships. It is used to characterize the country environment and assess: (i) opportunities for local partnerships; and, (ii) the types of accountability and co-production relationships that would be feasible.

¹ “Coproduction” refers to shared responsibility among multiple stakeholders for delivery of certain goods and services. It usually involves both joint financing and implementation.

² “Accountability” exists when an agent can be made to answer for a set of deliverables by the intended beneficiaries

³ “Opportunity space” refers to the range of possibilities offered by the enabling environment, without altering the fundamental institutional structures that are observed in a given context.

⁴ These cases were chosen because of ongoing client efforts to strengthen such partnerships

3. Finally, the report draws lessons, identifies research gaps, operational implications, and suggests next steps.

The Analytical Framework

The analytical framework designed to assess institutional options and opportunities to link CBOs and LGs is summarized below, outline the three steps. Lessons from the four country cases are also summarized.

Characterize the Enabling Environment for LGs and CBOs

Are local governments and CBOs enabled or constrained? In a given country context, this assessment reviews the enabling environment for CBOs and LGs across each of the three dimensions—political, fiscal, and administrative—reviews the legal and regulatory context, and attempts to provide an overall picture of initial conditions. Enabled or constrained refers to the extent to which local institutions can exercise their envisaged roles as citizens groups and governments without substantial constraints on their basic functioning.

Identify the Opportunity Space

What is the initial scope for partnering LGs and CBOs? The assessment of the enabling environment for LGs and CBOs characterizes the “opportunity space”. In other words, by looking at the degree to which the institutional environment is enabling or constraining along the administrative, political, and fiscal dimensions, it is possible to identify the, strengths, weaknesses, and the comparative advantage of LGs and CBOs in a specific context. On this basis, institutional arrangements for effective local partnerships can be identified.

Evaluate the Scope for Co-production and Accountability

What does the opportunity space assessment imply about co-production and accountability? The enabling environment for CDD maps to a set of implications for co-production and accountability arrangements. Here the relative strengths and weaknesses of CBOs and LGs along the three dimensions become quite important. For example strongly democratic and participatory local governments operating in highly decentralized fiscal systems may be well positioned both to articulate and respond to citizen demands. In the context of well institutionalized community empowerment schemes, CBOs may similarly possess both supply and demand side capacity. However, in many countries the constraints are more pronounced as are the potential advantages of LG-CBO partnerships.

Lessons From Four Countries

The Opportunity Space and Operational Responses Varied Across the Four Country Contexts

Even within the same country contexts, projects responded differently to the opportunity space. This has yielded both inconsistencies in the approach and lessons for other contexts.

- The Zambia Social Investment Fund (ZAMSIF) tried to exceed the limits of the opportunity space with its District Investment Fund (DIF). However, this component ran into substantial implementation difficulties due to lack of sustained country decentralization dialogue to support decentralization reform agenda that was needed to strengthen the capacities of district governments.
- Nicaragua succeeded by recognizing and addressing LG strengthening issues at the macro level, and piloting sequenced innovations within two types of projects—a social fund (Fund for Emergency Social Investment—FISE) and an demand driven rural investment fund (Rural

Municipalities Project--PROTIERRA). These two project types evolved and adapted over time in response to a changing enabling environment and opportunity space.

- In the Philippines which has a good local government structure, the opportunity space was largely exploited by the Mindanao Rural Development Project—but with inadequate emphasis on the community driven aspects; the second project reviewed Kalahi-CIDSS largely under-exploited the scope for co-production synergies with local governments but substantially strengthened the citizen interface with LGs through social accountability mechanisms.
- In Tanzania, a Local Government Support project (to strengthen district LGs) is being implemented in parallel with the second Tanzania Social Action Fund (TASAF II) in ways that are complimentary but somewhat incomplete. The country dialogue is underdeveloped with respect to rationalizing the structure of fiscal transfers from districts to villages. Important reforms are needed that that could substantially strengthen the scope for co-production.

Conclusions

The opportunity space provides a useful concept for exploring the potential scope for LG-CBO partnerships. Applying the framework and the concept of opportunity space is a useful way to assess the enabling environment for the kinds of LG-CBO partnerships with which this study is concerned. Application of the concept does however need to be flexible as countries don't always fit neatly into enabled or constrained categories, and sometimes fall into the grey area in between.

The opportunity space should be used as the starting point but can be dynamic and can expand with the right mix of macro and micro interventions. Similarly it can contract or constrain. The Nicaragua and Zambia cases are clear examples of each—dynamic expansion and enduring constraint. Detailed analysis of the macro constraints for local governments, an active dialogue among key stakeholders, competition, and opportunities to tackle the structural constraints seem to matter most.

Co-production and accountability reinforce each other. In the examples cited there are both co-production and accountability relationships which seem to be well linked. In fact, it appears that the stronger the co-production linkages the more involved are the accountability relationships specified under the partnership arrangements.

The weaker the decentralization framework especially fiscal decentralization, the weaker the partnership possibilities. This was clearly demonstrated across the four cases, and it was striking that in the Zambia and Tanzania cases where the decentralization frameworks are weak, the co-production and accountability relationships tended to be weaker than in The Philippines and Nicaragua.

Embedding the partnership approach into a decentralization dialogue is critical. The four cases show that whenever the decentralization framework is weak or non-existent, attempts to partner LGs and CBOs in effective co-production relationships that go beyond the natural (and limited) opportunity space need to be supported by an overall dialogue on decentralization in order to open-up the enabling environment.

Learning not yet complete. CDD operations increasingly try to build strong relationships between communities and local governments. While we have a framework for understanding the main considerations and opportunities for linking, more lessons will evolve as a greater number of operations (CDD and LG support) attempt to explore and exploit interface opportunities in earnest.

Operational Implications

Integration at the local level requires technical integration within client and donor teams. Whether the community level or LG is a black box depends on the perspective of the practitioner. To most CDD

practitioners, the LG is an unaccountable, elite captured black box. To most public sector management experts and decentralization practitioners the community is a fuzzy, amorphous concept which does not really address the fundamentals of how governments and service delivery work. The reality is that for local governance and improved local services, partnerships are needed which require that perspectives coalesce in order to support and inform each other and engage the private sector and other local actors.

Country clients should coordinate donor to avoid duplication and contradictions. Lessons from lack of donor coordination suggest that donors often put in place procedures that complicate, contradict, and duplicate each other. This can be very confusing and costly to local communities and LGs whose capacities are already limited. However, given the weak track record on such coordination, countries may need to take the lead, wherever they have a coherent vision of how best to organize local development partnerships.

LG-CBO partnerships should not be designed without detailed analysis of the decentralization framework, including the intergovernmental fiscal system, and LG capacities and constraints. This requires that the relevant decentralization expertise be marshaled to support the preparation of CDD operations and offer suggestion on scope for linkages.

Local Government Support Operations need to strengthen social accountability relationships to help realize allocative efficiency. Harmonizing the Community-LG interface in client countries' and donor' portfolios provide some scope for harmonizing participatory methodologies for accountability arrangements. Social accountability tools such as citizens report cards and participatory planning and budgeting help to complement formal public consultations (e.g. public meetings) and deepen the quality of local decision-making. This helps to better match citizens' preferences with budget allocations.

Social Accountability should be mainstreamed where local governments have discretion and adequate resources to be responsive to local communities. Stakeholder Consultations and Participatory Planning Methodologies should in principle be built into all local development operations and also be consistent in type across a country portfolio of CDD operations. However, if local governments are legally and fiscally constrained, and therefore unable to respond to citizen demands, standardized social accountability is likely to induce more frustration than accountability.

Cost-sharing arrangements between various stakeholders should be consistent within a country. Again, except for pilots, it is not clear why moving forward, communities and local governments should be subjected to an array of co-financing arrangements, depending on the project. If there is any variability, it could be done on the basis of financial capacity/level of poverty of communities and local governments where certain poorer target groups could face a lower financing burden, based on sub-project type or sector.

Careful and dispassionate monitoring and evaluation and impact assessments could help reconcile approaches. Projects tend to make competing claims about their overall impact and effectiveness both in terms of benefits accruing to communities and integration with local governments. Where there are multiple projects in the portfolio, and harmonization is an issue, M&E could be treated as a public good, and coordinated by the quality assurance team or the CMU. This would achieve the additional benefit of ensuring a set of common benchmarks against which learning and effectiveness of different operational modalities could be evaluated. Task teams would help define the monitoring indicators, based on the stated development objectives and agree to these with the concerned monitoring teams.

The Research Agenda

Three questions emerged as some of the possible future research questions that could help to strengthen the overall agenda:

- Under what conditions can CDD operations catalyze fundamental changes in decentralization policy—significantly strengthen the enabling environment for local governments?
- Where the government remains highly centralized, are there a series of do-no-harm incremental steps that could be incorporated into the CDD approach that would be consistent with strengthen local partnerships?
- Should Governments and the Bank tackle structural and capacity flaws upfront in advance of project preparation or as part of it, or proceed in parallel with complimentary dialogue—sequencing?

Next Steps: The Road Ahead

Learn by Doing through Country Pilots. Country pilots are envisaged in Zambia, Angola, and the Philippines, building on this report, to support both clients and country teams and the further refine the overall analytical framework.

Translate the Framework into an Assessment Tool. To be used by clients as the basis for conducting the analysis of institutional options, this work is planned for FY06 and will overlap with the country piloting in order to build on the lessons from the detailed country level assessments.

Follow-up ESW and Other Research. Additional analytical work is planned for FY06, aimed at addressing issues of convergence between CDD and LG support operations. This work will also support the process of portfolio harmonization which has emerged as an active challenge for many clients.

Maintain a Multi-Disciplinary, Cross-Sectoral Approach and Dialogue. This report was motivated by the interests of country clients, donors, and staff working on social funds, CDD, and decentralization, social accountability, and empowerment. These represent a range of different skills and perspectives and it is important to maintain the dialogue among these varied specializations in order to sustain momentum and expand the possibilities for more learning and stronger integration of decentralization and community driven development.

I. BACKGROUND

*In recent years, community driven development (CDD) has increasingly sought to integrate local governments more extensively into the basic design of the interventions.*⁵ CDD is an approach that supports collective action, community empowerment, and demand-driven local service delivery. It empowers the poor and vulnerable by placing them in the driver's seat with respect to decisions on a range of development interventions intended to improve their economic and social conditions. At approximately \$2 billion in annual lending (FY2000-2005) to operations using the CDD approach (henceforth CDD operations); CDD represents an important line of business that has been mainstreamed across a range of single and multi-sector interventions. Importantly, the approach continues to evolve and mature, and efforts have now turned to addressing fundamental questions of fiscal and institutional sustainability, and scaling up. Lessons from internal and external review of scaling-up have underscored the newly emergent consensus that integrating rather than by-passing local governments is important for the long term sustainability and ability to scale-up CDD.⁶ This new awareness has important implications for how CDD evolves and is designed in different decentralization contexts.

This report aims to contribute to the body of knowledge available to clients by introducing a framework for assessing the kinds of co-production and accountability partnerships that are possible between local governments and communities. It is flexible enough to incorporate different decentralization frameworks as well as enabling environments for CBOs. The framework is applied to four country contexts to illustrate how it could be used by clients seeking to build sustainable local partnerships for service delivery between citizens groups and local governments.

Understanding the Decentralization Context

Not all decentralization contexts offer easy opportunities to work with local governments. In fact, in many client countries, there is little to no decentralization of government, beyond the traditional deconcentrated⁷ units of central government. The variety of contexts ranging from deconcentration and weak civil society/CBOs to strong decentralization (substantial devolution) and strong civil society/CBOs creates a number of important strategic challenges for CDD practitioners and governments seeking to deepen links with local governments (LGs). Issues of sequencing emerge, where trade-offs usually include whether to: (i) strengthen communities first, then local governments; (ii) strengthen communities to create bottom-up pressure on local governments; (iii) empower citizens who would then create the bottom-up demand for greater democratization of subnational decision making (decentralization); (iv) create strong accountable local governments which could sustain a participatory culture and strong citizen engagement beyond the life of a specific project(s); and (v) strengthen community support and local governments simultaneously in ways that are mutually reinforcing and emphasize complementarities.

LG design matters greatly in terms of results. Not all local governments are created equal, and often this is by design. The structure of the local government particularly the administrative, fiscal, and political dimensions of decentralization, combine to determine the LG scope for action, level of responsiveness, participation and democratic decision-making, and capacity to deliver services and meet citizen

⁵ Local governments (LGs) refer only to elected local governments, statutorily or constitutional defined, and corresponding to formal levels of subnational administration—it does not refer to deconcentrated units of central or provincial government.

⁶ See Gillespie, S. 2003. "Scaling Up Community Driven Development: A Synthesis of Experience", IFPRI, WDC; Binswanger, H. and Swaminathan S. Aiyar. 2003. Scaling up Community Driven Development: Theoretical Underpinnings and Program Design Implications" mimeo. World Bank, WDC; Binswanger, H. and Tuu-Van Nyugen. 2005. "Scaling Up Community Driven Development for Dummies" mimeo. World Bank, WDC.

⁷ Local offices of central or provincial governments

expectations. Some of these issues can be supported by a CDD operation—participatory planning and social accountability for example—but much of it requires macro engagement with respect to the overall design of the decentralization framework. The resultant reforms can in turn support and deepen linkages and further the CDD agenda.

Integrated CDD and decentralization analysis is required to evaluate the best options for LG-CBO partnerships, and to be strategic. Such analysis should include: (a) the types, roles, rights, and capacities of local institutions; and (b) the intergovernmental framework for decentralization, quality of decentralization, roles, powers, and capacities of local governments. To achieve such analytical synergy, two important sets of perspectives and skills need to converge: (i) the CDD practitioner – who understands the local institutions, civil society organizations, and collective action; and (ii) the Decentralization/Local Government practitioner – who understands the intergovernmental fiscal framework, local government structures, capacities and incentives, and how LGs are linked to the macro public sector. If either of these perspectives is missing strategic decision making on the scope for meaningful local partnerships is likely to be biased in ways that ultimately miss important opportunities and constraints. Such errors of omission would undermine the likelihood that the design choices maximize the opportunity space for scaling-up, deepening, and making CDD more sustainable.

The State of the Art

*About one-third of CDD operations report that they involve participatory local governments in some way.*⁸ In addition, about 60% of CDD operations report efforts to address policy and institutional reforms oriented towards CDD—including decentralization.⁹ Five broad tendencies seem to have emerged with respect to how LGs are involved in CDD operations:

- Local government is involved in decision making, but not in direct management of resources; communities and project management units continue to manage most of the resources;
- LG role is somewhat ceremonial, acts as a clearing house to vet community proposals, endorse and then send them to higher levels of the formal project management structure for approval;
- Local government co-finances subprojects mainly by matching contributions from the LG budget to community and project funds; sometimes contributes on behalf of the community—provides all or part of the community contribution.
- CDD operations attempt to introduce LGs to participatory planning (and budgeting) methodologies directly, or through inclusion of some elected local representatives in participatory local multi-stakeholder committees.
- Enabling environment changes, policy and institutional reforms, are being tackled mainly through dialogue with respect to demonstration effects of good practices from CDD operations. There is often neither a dialogue on structural issues nor investments in the types of technical assistance (TA) that are standard with policy changes promoted under adjustment and sector operations.

There is relatively little emphasis on community driven processes and LG-CBO partnerships in local government support projects. However there is often some emphasis on formal mechanisms for bottom-up accountability—public meetings and consultations, extension of freedom of information acts (FOIA)

⁸ Provisional figures from the Bankwide CDD portfolio monitoring database

⁹ However, data on percentage of total lending was not available.

to LGs.¹⁰ In practice, these measures have often proven to be inadequate to engage citizens, especially where LG has little flexibility or autonomy within the overall decentralization framework.

Dialogue between CDD and decentralization practitioners and social accountability specialists has begun in earnest, and a number of joint training activities have been held which help to integrate CDD approaches with decentralization and social accountability.

Getting Past the Hesitation

Some CDD practitioners remain unsure about whether and how best to integrate local governments into CDD. The local government is often viewed as a black box, non-transparent, and unaccountable. The common view among CDD practitioners is that “local governments are often susceptible to elite capture, with the result that public decision-making reflects disproportionate influence by well-off and well-connected groups...standard mechanisms for accountability such as elections, audits, or performance benchmarking, often do not work well in environments where information is scarce, open elections are unfamiliar or rare, and there is lack of clarity about expected performance standards.”¹¹ However when:

- Elite capture
- Opaque decision making
- Citizen marginalization
- Inadequate performance benchmarks and monitoring

Are observed in local governments, it tends to reflect broader societal patterns that permeate all levels of the society from community to central government, but may be crudely expressed within the local area. Given the strategic importance of LGs to CDD and service delivery, these lacunae (where they exist) should not be the basis for by-passing local governments.

Reluctance retards progress on effective interface. Skepticism about LGs, often corroborated by partial attempts to link communities to local governments, militates against exploiting real opportunities that may exist to strengthen the citizen-LG interface. CDD practitioners often use the skepticism about LG functioning as a justification to perpetuate pure direct support to communities through parallel structures. Yet, there are several actions which can set local governments on an appropriate path, and create an appropriate platform for CDD and broader civic engagement interventions:

- Strengthen electoral systems, especially local electoral systems, and ensure regular elections
- Improve access to information through formal and informal mechanisms
- Clarify functional assignments of local governments
- Match financing with functions and ensure adequate local fiscal discretion combined with fiduciary oversight and good practices
- Develop performance standards and outcomes with adequate monitoring systems

However, tackling such issues requires macro policy dialogue to strengthen the decentralization framework. A CDD operation is not an appropriate instrument to address such mostly structural policy issues. Rather, CDD operations need to coordinate with macro decentralization policy reform processes in order to strengthen the structural incentives which affect local government performance and accountability. While seeking to partner CBOs with LGs it is important to understand the fundamentals

10 A notable exception is the increasing focus on participatory municipal planning for slum upgrading in the urban context.

11 Wong and Guggenheim. 2004. “Community Driven Development and Decentralization in the East Asia Region” in East Asia Decentralization Flagship Study.

of a supportive decentralization framework, and how to sequence possible decentralization reforms with the preparation or redesign of CDD which builds the citizen interface and strengthens social accountability—towards local governance.

II. OBJECTIVES OF THE REPORT

Introduce a framework for exploring LG-CBO in partnerships in different country contexts. The main objective of this report is to provide policymakers and program managers of client governments, practitioners of CDD, social accountability, and country teams with a framework for analyzing institutional choices and entry points for designing CDD in different decentralized and quasi-decentralized contexts. This will permit understanding local government structures and incentives, and identifying key local government reforms that are needed in order to strengthen co-production partnerships and social accountability with community groups. The report suggests ways to adequately diagnose the actual scope for LG-CBO partnerships and accountability relationships, and draws lessons from 4 country cases chosen because of ongoing efforts to strengthen such partnerships—Zambia, Tanzania, Nicaragua, and The Philippines.

- Build on decentralization reforms;
- Create additional space for partnerships within the existing intergovernmental arrangements and local government capacities;
- Exploit the existing opportunity space to integrate LG-CBO partnerships into program design.

Strengthen the diagnostics around LG-CBO interface options. This ESW report does not tell a client or country team whether or not to integrate local governments into CDD, rather where the decision has been made, it provides a framework to more closely analyze the potential entry points for doing so. The approach used suggests the need to combine technical expertise with respect to decentralization and local government strengthening at the onset to help frame the initial discussions.

Focus on one important pillar of the local development interface. LG-CBO partnerships are a subset of the local interactions that need to be strengthened, sustained, or expanded to facilitate holistic local development. Other actors include links to the private sector, NGOs, indigenous organizations and deconcentrated units of higher level governments (sector ministries). The decision to focus on the particular subset is strategic, to keep the scope manageable, and also to complement on-going work to operationalize the local development framework on local governance, empowerment, and social accountability.¹²

Finally, the cases that are presented in the annexes (and partially summarized in the text) represent an illustration of the approach. Two of the four country cases will be subjected to detailed analysis in the context of pilot activities planned for FY06-07 (The Philippines and Zambia). This detailed analysis will be done in close collaboration with concerned clients, and will offer a good opportunity to combine and reconcile decentralization and community perspectives in support of CDD.

¹² Work on local governance is also being undertaken within the context of the empowerment agenda (PRMPR), as well as social accountability and participation (SDV). Such initiatives are also linked to country programs and client support.

III. METHODOLOGY

A three-phased approach has been adopted to assess the enabling environment, opportunities and constraints to deepening LG-CBO partnerships in CDD.

Phase I: A preliminary indicator-based framework was developed to characterize the enabling environment for LGs and CBOs with respect to co-production and accountability based partnerships, including the opportunity space within which a CDD operation could work to develop such partnerships.¹³

Phase II: The framework was applied to 4 country cases where there was at least one CDD operation attempting LG-CBO partnerships. It was used to broadly characterize: (i) the country decentralization frameworks and try to assess where each country would likely fall in terms of opportunity space for local partnerships; and, (ii) predict the types of accountability and co-production relationships that would be possible (a priori). The study then reviewed the existing LG-CBO partnerships in CDD operations in these 4 countries to map the nature and structure of partnerships to different levels of opportunity afforded by the enabling environment.

Phase III: The third step was to analyze the experience of the 4 cases and draw lessons about the usefulness of the framework, identify critical steps to fill knowledge gaps, including an operational and research agenda.

IV. SOME KEY CONCEPTS

This section tries to clarify the working definitions of some of the main concepts which are presented in this paper and used for the analysis:

- Decentralization
 - political decentralization
 - administrative decentralization
 - fiscal decentralization
- local government
- community based organization
- co-production
- accountability
- opportunity space

¹³ The preliminary framework is detailed in the Framework Annex and explained below.

Box 1: What is decentralization?

Decentralization is a process through which authority and responsibilities for some substantial government functions are transferred from central government to intermediate and local governments, and often also to communities and the private sector. In this study decentralization is investigated along three dimensions: political, administrative and fiscal.

Political Decentralization transfers policy and legislative powers from central governments to autonomous, lower level assemblies and local councils that have been democratically elected by their constituencies.

Administrative Decentralization places planning and implementation responsibilities in the hands of locally situated civil servants and these local civil servants under the jurisdiction of elected local governments.

Fiscal Decentralization accords substantial revenue and expenditure authority to intermediate and local governments.

Devolution. A broader concept of devolution encompasses all three of these dimensions, not just the administrative, and also embodies the concept of empowerment. Where functions, responsibilities, and means are devolved, local governments are empowered to make administrative, political, and fiscal decisions with respect to their assigned functions.

Self Government exists when a level of government has dominion over substantial, clearly defined functions, and can pass/enact laws with regard to these functions within its area of jurisdiction—state, district, village, etc. For self-government to exist there must be unambiguous political, fiscal, and administrative devolution of assigned subjects.

Source: Mclean, Keith. 1998. "Characterizing Decentralization in 19 Countries." Rural Development Department, Washington DC: World Bank. Mimeo.

Local Government

Local government refers to an elected subnational government below the central or intermediate level, which has been enshrined in the constitution and/ or provided for by high order statutory law, to govern and serve a specific territorial jurisdiction within specified parameters. In practice, a local government can be an incorporated or unincorporated jurisdiction below the state or provincial level of government including cities, municipalities, towns, townships, boroughs, districts, special purpose districts, authorities, counties or similar local government entities.

Within these "local units" there are generally staff of all levels of government, and in less decentralized contexts, most of these local units are populated with civil servant and other staff of the central (or provincial) state, appointed to implement and govern programs and services on behalf of the state. The definition of local government precludes such staff and related institutions, which often co-exist with elected local representatives within the same space. Partnerships referred to in this study focus on those between citizens and their elected representatives. Private sector partnerships are also not excluded.

Community Based Organization

Box 2: Community Based Organizations

What is a CBO? Throughout history, communities have organized themselves to address collective and individual needs. CBOs are normally membership organizations made up of a group of individuals in a self-defined community who have joined together to further common interests. They often consist of people living near one another, in a given urban neighborhood or rural village. They can also be groups of people who are united by a common interest but who do not live in the same geographic community. The common interest might be related to production, consumption, the use of common pool resources, or the delivery of services. Examples include women's groups, credit circles, youth clubs, cooperatives and farmer associations, irrigation associations, forest and watershed management groups, artisan groups, fishery associations, and parent associations. CBOs can be stand-alone groups, or they can be linked to federations of groups at the regional, national, or international level. CBOs can be informal or formal. Informal organizations, such as women's and men's clubs and neighborhood groups, pursue joint interests and often appear more accessible to the poor than formal organizations, which have legal status, formally stated rights and responsibilities, and a legally binding governance structure for recruiting members, selecting leaders, and conducting affairs.

How do CBOs, NGOs, and elected local governments differ? In this chapter, we consider a CBO to be a membership organization aimed at furthering the interests of its own members and an NGO, or nongovernmental organization, to have a broader scope of activities that might assist CBOs and pursue commitments that do not directly benefit NGO members. CBOs differ from elected local governments in that they are voluntary and choose their own objectives. In contrast, local governments are mandated to be responsible for revenue collection and for the delivery of a variety of infrastructure and services. CBOs may interact closely with local government, with other levels of government such as local representatives of central ministries, with the private sector, and with NGOs.

Making CBOs pro-poor CBOs do not always represent the interests of poor people. To ensure that CDD has an impact on poverty reduction, CBOs need to include poor people as members and represent their needs and interests. That does not mean that CBO membership should always be limited to poor men and women, but it does mean that the functioning and leadership, of the CBO should clearly represent the interests of poor people along with those of the less poor.

Deciding whether to work with new or existing CBOs It is frequently advisable to work through existing organizations. But when there is no good match between the project and an existing organization (for example, if a local organization has very limited membership but the project requires the involvement of several villages or an entirely different group of people), the existing organization may be too limited. Also, when the social organization of a community is highly inequitable, new groups may need to be created to achieve program objectives or to promote the participation of disadvantaged people. Both new and special-purpose organizations are more effective when they build on positive organizational traditions of a community. This is the case for the Moldova Social Investment Fund, in which traditional decision making mechanisms are used to establish community priorities, and for the Zambia Social Recovery Project, in which project committees formed around school investments draw on the strong tradition of parent-teacher associations.

Source: Dongier, Philip, et al. "Community Driven Development." In World Bank, PRSP Sourcebook. Vol. 1. Washington, D.C.

In theory, this notion of community could be disaggregated into citizens, service users, and CBOs, where the CBO provides the interface between citizens or service users and a project, program, or government entity, or a private or public service provider. In practice, most sectors in which CDD operates (even micro credit¹⁴); collective action is used as the organizing principle, with the CBO structure as the locus of citizen/user representation and participation. The extent to which CBOs are internally democratic, participatory and accountable plays an important role in determining transparency, deepening overall local governance, reducing elite capture, and enhancing allocative efficiency throughout the range of related local services.

¹⁴ Through the use of group credit and joint liability contracts.

Co-production

The formal definition of co-production is a process by which goods and services are produced with the assistance of individuals who are not formally part of the producing organization. Goods such as health, education, infrastructure, and other items traditionally produced by the state can potentially be facilitated by inputs provided by the beneficiaries or end users.¹⁵ Co-production is found to develop new production functions, alter the availability of information and the nature of incentives, and create social capital among citizens through collective efforts.

In CDD common patterns of co-production are built around service delivery. Service users/ intended beneficiaries (target groups) contribute inputs—time and effort, money and/or materials—as direct contributions to the production of collective/public goods and services. These create partnerships between service beneficiaries and providers in which each contributes to producing a commonly agreed set of outputs. Income from local taxes would not normally be considered as co-production. However, “fees for service” or “cost recovery” arrangements and levels which are jointly defined by CBOs, LGs, and service providers, in the context of designing long-term operation and maintenance (O&M), and that affect the technical choices for development interventions, could be considered as part of co-production.

Co-production in CDD emphasizes collective action. Partnerships are normally between public sector/private service providers and organized communities rather than individuals or households. Community co-production arrangements usually rely on CBOs to effectively engage on behalf of communities. These CBOs must therefore be enabled by adequate legal status, internal governance arrangements, and resources, administrative and technical capacity. Such capacities often need to be built in the context of project preparation or execution, through facilitated community support. Examples of CDD co-production arrangements include: community built and maintained schools staffed by public sector teachers, publicly supported infrastructure improvement projects which rely on community contributions of cash, materials, and/or labor; urban sanitation systems linking municipal solid waste removal with community-based waste collection, and rural forest management arrangements that link government-issued licenses with community monitoring of resource use.

In more decentralized contexts, co-production relationships are set up between LGs and community groups, and seem to involve communities through collective action or as contractors for public sector functions that are devolved to local governments:¹⁶

Table 1: Co-Production Between LGs and CBOs with Respect to Devolved Functions

	<i>Stretching Role</i>	<i>Deepening Role</i>
<i>Nature of Tasks</i>	Performing a service for a fee.	Organizing citizens, mobilizing resources, often on a voluntary basis.
<i>Length of Involvement</i>	Usually short term	Usually long term
<i>Critical CBO Capacity</i>	Technical	“Mobilizational”
<i>Type of CBO</i>	Well qualified technically, even if	Preferably long-standing; technical strengths are

15 Ostrom, E. 1996. “Crossing the Great Divide: Coproduction, Synergy, and Development”. World Development, Vol 24, No. 6, pp 1073-87.

16 Krishna, A. 2004. “Partnerships between Elected Local Governments and Community-Based Organizations: Exploring the Scope for Synergy”. Social Development Papers. No. 52. World Bank. pp. 6-9

Table 1: Co-Production Between LGs and CBOs with Respect to Devolved Functions

	<i>Stretching Role</i>	<i>Deepening Role</i>
	relatively new.	secondary.
Task Assignment	Contractual, considerably well defined in advance.	Flexible and based on mutuality and consultation.

This pattern, derived from an analysis of partnerships experiences in 11 cases¹⁷, shows that even in developed countries that have substantial decentralization, applying the subsidiarity principle to local development may still yield LG-CBO partnerships, depending on the local context, culture, and history.

Accountability

Generally, the concept of accountability refers to a proactive process by which public officials inform about and justify their plans of action, their behavior and results and are sanctioned accordingly.¹⁸ As shown in the WDR 2004, “Making Services Work for the Poor”, accountability relationships can be extended to the private service providers. The WDR 2004 defines four broad sets of accountability relationships and roles for service delivery:

- citizens/clients who exercise voice over politicians;
- policymakers who enter into compacts with organizational providers;
- organizations who manage frontline providers; and
- clients who exercise power over frontline providers.

In CDD, CBOs leadership usually intermediates between the citizen/client and the frontline service provider(s). This study emphasizes accountability relationships in which the frontline provision is (or by subsidiarity should be) local and production is jointly shared between CBOs, local governments, and to some extent local deconcentrated units of higher level governments. Accountability relationships are examined in the context of co-production relationships, to assess the extent to which citizens are able to hold service providers to account for the quality of services (or lack thereof), hold local governments and local bureaucrats accountable for the types of services which are provided, and influence the local priorities articulated in the planning and execution of annual budgets.

Collective action is a main source of client power. The emphasis on CBOs in the CDD approach reflects an understanding of a deep constraint to individual voice flagged by WDR 2004: “even when there is an opportunity to redress complaints, monitoring and follow-through are public goods—the benefits accrue to the entire group while the costs are borne by a few. This is true for communities as well as individuals, but groups of people generally find it easier to elicit support from members than from individuals going it alone. So client power expressed outside market transactions will almost always be expressed through collective action.”¹⁹

¹⁷ The cases (World Bank): Northeast Brazil Rural Poverty Alleviation and Rural Poverty Reduction Projects (NRDP); Ghana Community Water Supply and Sanitation; Nicaragua Rural Municipalities Program (PROTIERRA); Zambia Social Investment Fund (ZAMSIF); Karalla Rural Water Supply and Sanitation. Other cases: Wellington New Zealand: Partnership between City Council, its Contractors and Community Organizations; Chicago Alternative Policing Strategy; Porto Alegre and the Participatory Budget; Denmark: Local Governments and Community-Based Organizations; Norway: Models of Local Government and Community Involvement; West Virginia Water Supply.

¹⁸ Ackerman, J. 2005. “Social Accountability in the Public Sector: A Conceptual Discussion”. Social Development Papers in Participation and Civic Engagement. Paper No. 82.

¹⁹ WDR 2004. Making Services Work for the Poor. Pg 71.

Accountability should be multi-directional. This study also acknowledges that over time, accountability deficits may emerge within CBOs as well, where community leaders become complacent or corrupt, and lose sight of their primary role as agents and intermediaries of broader citizen preferences and priorities. In some cases CBO executives become too close to contractors and other private providers, or become dominated by extended families. Three-way accountability in the context of LG-CBO partnerships give citizens an avenue for redress of grievances, as they are able to use the local government as a referee or accountability check on CBO executives and to catalyze elections of new CBO leaders as needed. Thus, strengthening the accountability interface between these two actors can ensure the proper checks and balances over time; CBO leaders monitor LG actions, decisions and performance, and vice versa.

Social accountability strengthens the demand side of governance. Social accountability mechanisms refer to a broad range of actions (beyond voting) that citizens, communities and civil society organizations can use to hold government officials and bureaucrats accountable. These include citizen participation in public policy making, participatory budgeting, public expenditure tracking, citizen monitoring of public service delivery, citizen advisory boards, lobbying and advocacy campaigns.

The Opportunity Space

The opportunity space refers to the maximum achievable outcomes given the initial conditions. It refers to the range of possibilities offered by the enabling environment, without efforts to alter the fundamental structures of a society or relevant institutions. In the context of this study, opportunity space refers to the most extensive co-production and accountability partnerships between LGs and CBOs that are feasible within the existing enabling environment—decentralization framework, local government structure, and enabling environment for community-based organizations.

The opportunity space can be dynamic and change over time. This usually requires a set of structural changes which alter the enabling environment—initial conditions. For example a radical new law (e.g. Bolivia’s Law on Popular Participation—see Box 3), a new fiscal devolution (e.g. Government of Kerala’s decision to devolve 30% of the capital budget to LG)²⁰, or the Nicaragua’s Municipal Transfers Law (Box 6) can significantly widen the scope for local development partnerships and service delivery.

Box 3: Bolivia’s Law of Popular Participation

The Law of Popular Participation(1994) aimed to decentralize political, fiscal, and administrative responsibilities and resources to municipal governments. This law introduced three innovations: (a) municipal governments’ share of the national budget increased from 10 to 20 percent, (b) territorially structured community organizations became legally able and required to elaborate local development plans that became the ingredients of a municipal plan, and (c) members of these community organizations driving the oversight committees were given the power to monitor, audit, and veto municipal budgets.

Source: Dongier et al. 2001. “Community Driven Development.” In World Bank, PRSP Sourcebook. Vol. 1. Washington, D.C.

20 Govt of Kerala (India) was one of the few to take actions fully consistent with the spirit of the 73rd and 74th Amendments to the Constitution of India (1993/94) which formally provided for three tiers of local self government.

V. STRENGTHENING ACCOUNTABILITY AND CO-PRODUCTION RELATIONSHIPS IN DIFFERENT LOCAL GOVERNMENT CONTEXTS

Implications of Co-production for LG-CBO partnerships

Co-production arrangements nearly always include mutual accountability mechanisms. This is natural. It would be unreasonable to require communities and citizens to cofinance services over which they have no influence. In fact, the principle rationales for community contribution are ownership (reflecting genuine demand) and to empower CBOs to hold other stakeholders accountable. As a rule, CBOs should be involved in the planning and monitoring of services to which they contribute. Without a fairly deep level of community participation, potential co-production is normally reduced to beneficiary mobilization—communities contribute labor, materials or money without any say regarding the uses for which these resources are employed.

Local governments are public governance bodies and service providers with a defined territory, legally specified powers, resource bases, and functional responsibilities. Thus LGs are a special case of public organizations which can engage in the sorts of co-production and accountability relations described above. Because of their relatively small scale, their physical and social proximity to the communities which comprise their constituencies, and their statutory or constitutional standing—LGs are particularly amenable to such local partnerships.

Co-production by LG is important to ensure its ownership and stake in CDD. Community contribution is typically required in CDD even from the poorest communities, usually upwards of 5% of subproject costs in cash and/or kind. CDD good practice usually requires that a community-owned operation and maintenance plan be put in place to ensure the sustainability of new physical assets and benefit streams. Increasingly, with more serious efforts to integrate local governments through partnerships, local governments are being asked to provide counterpart contribution as well. On the community side, such counterpart contributions have long been recognized as both empowering and creating a sense of ownership. CBOs are much more likely to take participatory decision-making seriously, to challenge providers and policymakers, and hold them accountable for decisions where community contributions are part of the financing equation. It has also allowed Bank/donor resources to reach a greater number of potential beneficiaries, because 10% community contribution, frees up 10% of donor funds to support other communities who would otherwise be left out. So counterpart contributions facilitate ownership, empowerment, and scale. Yet, this principle is often overlooked when partnerships are forged with LGs, and it is a significant missed opportunity. A local government which participates in a community prioritization process and endorses individual and collective plans from CBOs within its jurisdiction is not likely to attach much importance to the process unless it has a financial stake. As WDR 2004 points out, in order to be a stakeholder, one does need to have a clear stake.

Treating counterpart contributions as fungible can blur lines of co-production and accountability. In practice, many projects commingle counterpart contributions from various local stakeholders. In the Northeast Rural Development Project, counterpart contributions from the state and municipal governments tend to be treated flexibly, and this varies across states. In the Romania Rural Development Project, a 10% contribution is expected from the commune government and communities combined, of which at least 2.5 % has to be in cash. Such flexibility is often needed to ensure that the local co-financing is achieved, and if managed well, can maintain the critical accountability links. However, if one entity such as the LG or any other co-producer finances the entire local contribution on behalf of all “co-producers”, then it is likely to try to assert itself over time and communities more likely to be willing to permit this. Without a financial stake—however small—partners are likely to take the participatory processes less seriously and be more relaxed about weakening accountability over time.

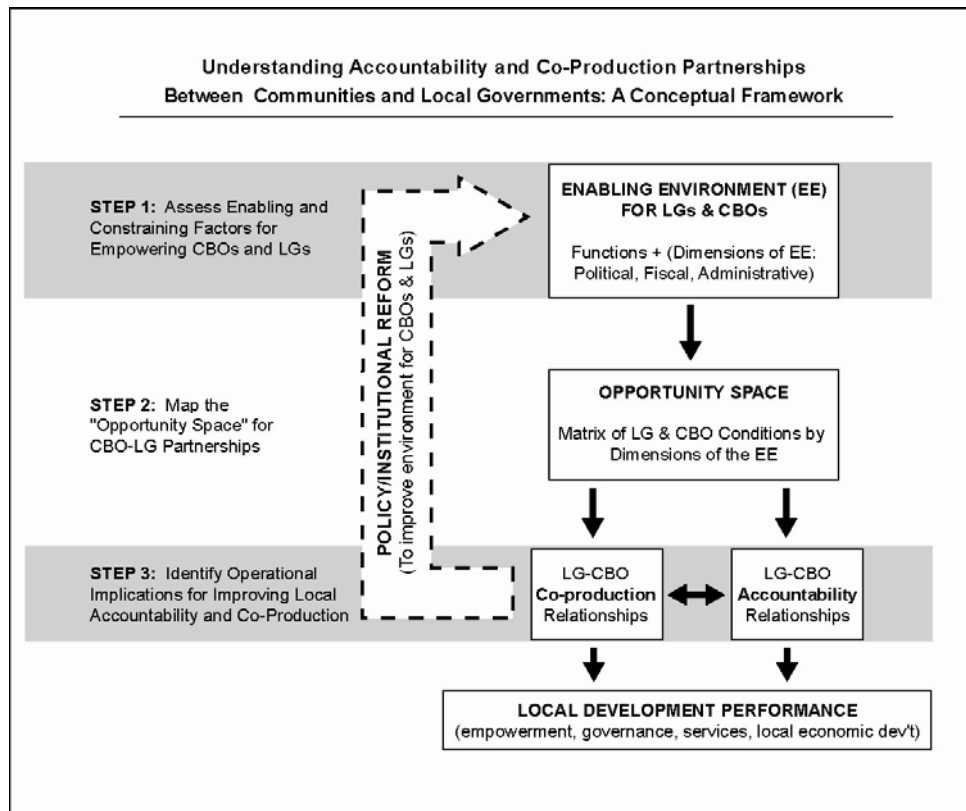
Ideally, co-production should be an entry point for citizens to influence the overall practices of local governments and other service delivery actors, through a general opening up of decision making processes. Far too often however, accountability remains restricted to the specific subset of activities being jointly produced, which is treated as distinct from the overall budget.

VI. THE ANALYTICAL FRAMEWORK

An intuitive analytical framework has been designed for thinking through institutional options and opportunities to link CBOs and LGs. The framework follows four main stages:

- Characterize the enabling environment for local governments and CBOs using indicators of 3 dimensions—political, fiscal, and administrative. The functions and legal/regulatory framework is also reviewed.
- Assess the overall opportunity space from LG-CBO partnerships, given their initial conditions along the dimensions.
- Map the diagnosed opportunity space to a set of corresponding co-production and accountability relationships which would seem possible, if no significant policy reforms were undertaken in conjunction with program preparation; and review project/program/ or country system interventions to see the extent to which they exploit or transcend available opportunities.

Below, some of the main considerations in applying the analytical model are discussed: characterizing the enabling environment; identifying the opportunity space; and evaluating the scope for co-production and accountability.



Characterize the Enabling Environment for LGs and CBOs

Are local governments and CBOs enabled or constrained? In a given country context, this assessment reviews the enabling environment for CBOs and LGs across each of the three dimensions—political, fiscal/financial, and administrative/ capacity—reviews the legal and regulatory context, and attempts to provide an overall picture of initial conditions.

Table 2, below, provides a summary of the structure of the enabling environment characterization. The assessment made in terms of both the de jure (by law) and de facto (in reality) situation along the three dimensions. The framework annex, Step 1 provides a more detailed list of the main indicators that can be used to help characterize each dimension.

TABLE 2 : Characterizing the Enabling Environment

	LG Environment De Jure and De Facto	CBO Environment De Jure and De Facto
LEGAL FRAMEWORK FUNCTIONAL AND REGULATORY CONTEXT (INDICATORS)		
Political Dimension	Political Indicators	Political Indicators
Fiscal/Financial Dimension	Fiscal Indicators	Fiscal Indicators
Administrative/ Capacity Dimension	Administrative Factors	Administrative Factors

By comparing the environment along each dimension for CBOs and for LGs, one can characterize the extent to which in a given country context conditions are relatively more or less favorable for CBOs or LGs to demonstrate initiative and proactively enter into local partnerships.

For example, in a given country, one might find that local governments are functionally and administratively enabled by a public administration law or policy but their political and fiscal base is extremely weak due to the absence of fiscal or political devolution. Simultaneously, local environment in the country might also have community organizations that are politically very engaged, considered participatory, yet financially very dependent on NGOs and project financing. By looking jointly at these factors conditioning LG and CBO activity, one can assess the extent to which they are likely to be capable of entering into effective collaborative relationships, and the types of interfaces that a CDD approach could offer/introduce to strengthen the roles of each in local service delivery.

Identify the Opportunity Space

What is the initial scope for co-production and accountability relationships? The assessment of the enabling environment for LGs and CBOs characterizes the “opportunity space”. In other words, by looking at the degree to which the institutional environment is enabling or constraining along the three dimensions, it is possible to identify likely mutual strengths and weaknesses, and the comparative advantages of LGs and CBOs in a specific context. On this basis, strategies for developing effective co-production and accountability relations between LGs and CBOs—strategies which take into account the implications of the institutional environment which enables or constrains these relationships—can be identified.

A schematic approach to characterizing the “opportunity space” for LG-CBO partnerships is summarized in Table 3.²¹

²¹ A more complete version is available in Annex 1.

Table 3: Opportunity Space (by dimension)

	A	B	C	D
	LGs and CBOs Constrained	LGs Constrained, CBOs Enabled	LGs Enabled, CBOs Constrained	LGs Enabled, CBOs Enabled
Legal, Functional, Regulatory Context	LGs and CBOs have few significant functions and domains	LGs with few significant responsibilities. CBOs permitted can implement in many sectors.	LGs functions significant, well defined. CBOs can operate in few domains	LGs have significant, well defined functions. CBOs can act in many sectors
Political Dimension	LGs and CBOs lack popular legitimacy and credibility	LGs lack popular legitimacy& credibility; CBOs representative, credible and accountable	LGs credible and legitimate. CBOs lack popular legitimacy and credibility	LGs and CBOs credible, legitimate, independent.
Fiscal Dimension	LGs and CBOs with few and tightly constrained resources	LGs with few and tightly constrained resources; CBOs well resourced and with discretion to deploy them to local priorities	LG well resourced fiscally autonomous for local services; CBOs financially constrained	LG well resourced, fiscally autonomous; CBOs financially well resourced
Administrative / Capacity Dimension	LGs lack staff (or skilled), weak organizational, implementation capacity; CBOs implementation experience small	LGs lack staff (or skilled), weak organizational, implementation capacity; CBOs skilled, experience w/ collective action.	LG adequately skilled and staffed; CBOs have little implementation and collective action experience	LG adequately skilled and staffed; CBOs skilled and experienced w/ collective action

The ease and range of linkage options varies with the opportunity space. The most favorable institutional environment for developing LG-CBO partnerships is represented by column D; both LGs and CBOs are enabled along each of the three dimensions of the institutional environment, and a project planner would have maximum flexibility to link these two sets of local institutions according to the nature of the highest priority local development issues. The CDD planner would be unencumbered by restrictions in terms of LG functional, fiscal, political and administrative autonomy, as the local government would in all likelihood have a high degree of capacity and discretion. And with active CBOs and civil society which has a track record of activism and results, this enabled-enabled scenario would be optimal and allow the program designer to focus co-production relationships according to the subsidiarity principle and deepening vs. stretching rationale.

Client contexts commonly exhibit constraints for CBOs and LGs along one or more dimensions, and display a mix of features in columns B and C. In such situations it is advisable to forge partnerships which benefit from the comparative advantages and mitigate relative weakness. For example, in a context where local governments are adequately funded but are unaccountable or there is no history of participation, a useful approach could be to engage CBOs as key institutions for representation and accountability and link them to the LG budget process in order to maximize allocative efficiency of LG expenditures.²²

²² Lack of participatory culture is typically a feature of Eastern European countries, even where local governments are reasonably well articulated—with good frameworks. This participatory link has been emphasized in the Romania Rural Development Project, with the aim of making rural infrastructure provision more community driven.

Several client countries display disabling environments as in category A, unfavorable both to CBOs and LGs. Such contexts are characterized by high degrees of centralization and weak civil society. Such challenging contexts represent real obstacles to effective LG-CBO partnerships of any sort. Yet there is still a strategic choice to be made. Generally, CDD practitioners opt for programs of direct support to communities and the capacity support usually places emphasis on social mobilization, building social capital, and CBO formation. In the same context, a local government/decentralization planner would opt for decentralization reform with local government strengthening, technical capacity building in administration, resource mobilization, budgeting etc., even performance-based management. S/he would generally pay little attention to the community interface. Proponents of each perspective would therefore take the view that the issues associated with strengthening the other side of the accountability and governance equation are too complex and intractable. Yet, to a neutral observer, it may not be obvious why a local development strategy would not be built that at the onset tries to strengthen both communities and local governments to play complementary and mutually reinforcing roles.²³

The opportunity space can be dynamic, expand over time through policy reforms and pilots that tackle critical constraints. Development programs can then invest their efforts, through policy analysis and dialogue or through piloting and demonstration, to promote a more conducive enabling environment and thereby expand the boundaries of the “opportunity space” along specific dimensions judged to represent critical constraints. Therefore, the enabling environment diagnostic identifies a current equilibrium which can be changed over time to be more conducive to local governance and local development.

Both de facto and de jure constraints offer opportunities for forward movement. A de facto constraint implies that legal provisions and rules are in place but not being implemented. In such a context the project could exploit existing legislation and focus on implementation, and compliance. Where the constraint is de jure, it means that practice has sidestepped law, and an argument could be made to align the law with practice.

Evaluate the Scope for Accountability and Co-production

The enabling environment for CDD implies a set of possible co-production and accountability arrangements. In assessing these, the relative strengths and weaknesses of CBOs and LGs along the three dimensions become important. For example strongly democratic and participatory local governments operating in highly decentralized fiscal systems may be well positioned both to articulate and respond to citizen demands. In the context of well institutionalized community empowerment schemes, CBOs may similarly possess both supply and demand side capacity. However, in many countries the constraints are more pronounced as are the potential advantages of LG-CBO partnerships.

In countries where CBOs are relatively enabled along the three dimensions but LGs are neither demand responsive nor democratic and participatory institutions, CBOs may provide an accessible avenue for strengthening LG accountability. In these cases, the relatively enabled political legitimacy of CBOs may favor them as venues for demand articulation and accountability in order to strengthen the responsiveness of LG planning, management and service provision.

²³ LICUS contexts present different considerations. It is hard to strengthen local governance where central government is weak to non-existent. However in some cases local governance is the only entry point for peace-building and national reconstruction.

Table 4: Accountability Relationships				
	A	B	C	D
	<i>Constrained LGs, Constrained CBOs</i>	<i>Constrained LGs, Enabled CBOs</i>	<i>Enabled LGs, Constrained CBOs</i>	<i>Enabled LGs, Enabled CBOs</i>
Legal Functional Regulatory Framework	Both CBOs and LGs likely to focus accountability upward, at best pressuring deconcentrated state services	LGs play a minor role in service provision, CBOs likely to focus their advocacy on pressuring the deconcentrated state rather than LGs	LGs can play a major role as service providers while CBOs play a limited role,; CBOs may focus their efforts on pressuring LGs to improve services	Both CBOs and LGs can provide services (individually or co-produce); each can provide a venue for citizen influence over service providers
Political Dimension	CBOs and LGs cant legitimately represent citizen priorities/interests vis-à-vis service providers, result in limited downward accountability	CBOs legitimately represent citizen interests and priorities; LGs less legitimate or responsive to community advocacy	Empowered and responsive LGs provide a venue for aggregating citizen priorities; CBOs unlikely to be credible channel for transmitting citizen concerns	Both CBOs and LGs legitimately reflect citizen priorities, electoral and other representative mechanisms for CBO & LG levels improve responsiveness
Fiscal Dimension	Both CBO and LG have few resources, at best they may advocate to state bodies re: budget allocations and monitor state expenditures at local level	LGs allocate or manage few resources and so are not likely to face accountability pressure; CBOs can be held accountable by citizens for resources they manage	LGs allocate and manage significant resources, a principle venue for social accountability via participatory planning and budgeting, and expenditure monitoring; resource-poor CBOs probably marginal	Both CBOs and LGs can allocate and manage resources, participatory planning and budgeting, and expenditure monitoring may increase the responsiveness and efficiency
Administrative Dimension	CBOs and LGs have limited capacity to collect, analyze or transmit information, likely to be limited accountability for governance and service provision	LGs have limited capacity to collect, analyze or transmit information to citizens, CBOs may play a significant role in informing citizens and transmitting their views to local state bodies	LGs can implement local decisions and provide detailed information to citizens on resource use and services, likely to be a greater focus for accountability than generally weak CBOs	Both CBOs and LGs capable of implementing local decisions and providing information to citizens regarding resource use and services, creating channels of local accountability

In other countries, LGs may be constrained in their ability to respond to local demand for particular services due to administrative capacity constraints. For example, where the physical distance between LG offices and communities is relatively great and communication relatively difficult, LGs may not effectively deliver services through administrative channels even if they are endowed with adequate financial resources. This is a common situation in rural areas throughout the developing world: public agencies, including LGs, are often logistically unable to reach their clientele with the required frequency and intensity. In such cases, CBO co-production arrangements can complement LGs' capacities by providing them with community-level partnership through which services can be delivered more effectively (stretching function).²⁴

²⁴ See Annex 1, Step 3 for possible accountability and coproduction arrangements.

Table 5: Co-production Relationships

	A Constrained LGs, Constrained CBOs	B Constrained LGs, Enabled CBOs	C Enabled LGs, Constrained CBOs	D Enabled LGs, Enabled CBOs
Legal Framework Functional Regulatory	Limited opportunity for co-production of services by LGs and/or CBOs	LGs only authorized/able in a few sectors to effectively enter into service delivery partnerships even when CBOs take the initiative	LGs have significant responsibility but unlikely to engage CBOs partnerships for service provision	Both CBOs and LGs have authorized roles in service provision, defining complementary roles and appropriate linkages can produce effective partnerships
Political Dimension	Limited ability for CBOs and LGs to legitimately influence service mix and quality	CBOs can represent citizen interests and priorities but likely to focus their efforts on partnerships with local state bodies or NGOs that provide services, LGs have few incentives to respond to citizen/CBO initiatives	LGs able to legitimately aggregate citizen interests and priorities, CBOs are less representative and legitimate, service regime likely to be dominated by LG plans, budgets, and management	Both CBOs and LGs able to legitimately represent popular interests, mechanisms for coordination and negotiation of multiple CBO priorities at LG level may produce citizen responsive co-production
Fiscal Dimension	Limited opportunity for allocation of local resources (LG or CBO) to finance services	CBOs able to contribute to achievement of their priorities but LGs likely to be weak since they have few discretionary resources, both may need to rely on local state bodies to finance partnerships	LGs have discretionary resources for priority services but CBOs unable to contribute to services, thus LGs likely to act as suppliers and CBOs at best may represent service consumers (not co-producers)	Both CBOs and LGs have discretionary resources available for services, systems which integrate and account for their contributions can promote effective co-production
Administrative Dimension	Limited organizational basis and capacity for CBOs or LGs to enter into partnerships	CBOs can develop capacity to pursue their priorities but LG implementation capacity is often dependent on the central state, often capacity enhancement is supply driven and not matched to local needs	LGs may become capable of entering into partnerships to deliver services but CBOs rarely capable of effectively fulfilling their potential role in service co-production	Both CBOs and LGs have capacity to contribute to production of services, definition of roles and relationships can be based on comparative advantage of each

Electoral Systems Matter for Citizen Engagement and Social Accountability. The four main options for electoral systems are:

- 1st past the post—constituency (ward)-based elections
- Proportional representation—party list
- Mix (combines both elements—some proportional some directly elected)
- Single non-transferable

In practice, local elections tend to be either party list or ward-based. General experience shows that 1st past the post is preferred. The party list variants obscure accountability and encourage urban bias, as most of those elected tend to come from the urban core of the concerned area (including the main village).²⁵ In more progressive localities, the winning party (or the local political culture) ex-post may decide to assign councilors to represent different sections of the locality. But there is usually no requirement that they come from or reside in that section of the locality. Thus they are responsible for but not necessarily accountable to those citizens.

Where the party list electoral system is in place, it is important that the CDD or LG Support intervention introduce participatory planning and implementation methodologies to strengthen the accountability link between citizens and local governments with respect to resource allocation and local development decisions.

Fiscal Autonomy affects Accountability and Joint Production Possibilities. This is another relationship that is often overlooked or misunderstood in assessing the behavior and co-production possibilities of local governments. The more fiscally constrained an LG, the less willing and able it is to enter into co-production relationships with citizens groups (or be accountable downwards).

The more dependent a local government is on transfers from the center, the more likely it is to focus its accountability upwards, and tries to satisfy transfer criteria. This is especially the case where transfers are ad-hoc, rather than formula based with a mix of general purpose and specific purpose as would be recommended by specialists. Ad-hoc transfers are by nature opaque, and often respond more to political considerations than local need.

While very few LGs finance all expenditure needs from own revenues, the higher this percentage in total local revenues the more willing the LG to enter into local compacts with citizens. And it is a virtuous circle in which, in exchange for specific commitments with respect to service levels, citizens become more willing to increase tax compliance, and overall revenues increase. In some cases, citizens agree to an increase in local taxes tied to a specific service, such as rehabilitation of the local schools, or to a specific fee for service regimes beyond general taxes.

²⁵ This is confirmed by global experience. Specific examples include local governments in Nicaragua and Romania where the bias is observed, tied to the party list system.

Box 5: Co-production and Accountability in the Romania Rural Development Project

The Romania Rural Development Project is a two-phase US\$100 million APL currently under implementation of phase 1 (\$40million). The project aims to strengthen local governance and the capacity of commune governments and community groups to undertake socially, economically, and technically viable roads and water supply investments. It combines CDD and local government strengthening in its approach by strengthening the interface between citizens and their lowest tier local government by adopting a community driven and participatory approach to these two devolved but almost completely unfunded functions.

Community Investment Advisory Committees (CIACs) are constituted in all 100 pilot communes, through a facilitated process, and comprised members of the community and local councilors. The CIAC receives a series of technical training and capacity building modules ranging from community consultation to financial and economic aspects of project preparation (by a three person multi-disciplinary team). The CIAC identifies the subproject priorities and technical specifications and for articulating the project proposal and submitting the application to the project management units. Pilot communes receive two cycles of project totally up to \$300,000 of project funds, with a maximum of \$200,000 in any one subproject. They also receive two cycles of training, the second cycle is supplementary and is locally tailored based on CIAC feedback—commune level development planning/budgeting and local public finance was the most requested new module.

Co-Production: A 10% community contribution towards capital cost is required of which up to 3% can be kind. In practice, the local council has tended to provide some of the 7% cash contribution from its own resources, and has mobilized the required community contribution. The CIAC is required to develop the O&M plan as evidence of sustainability, and together with the local administration assign or hire the appropriate expertise to maintain the infrastructure. The financial application and contract execution is done by the Mayor/Vice Mayor or someone designated on behalf of the council.

Accountability: The CIAC supports the commune government in supervision of the subproject works. There is also a local monitoring unit (LMU) comprised of 3 persons selected from among stakeholders. It is responsible for monitoring implementation and the work of contractors, and is empowered to report any poor practices to the project management. (The LMU receives capacity building training with the CIAC). In practice Mayors report that most citizens have been keeping an eye on implementation, as they feel a sense of ownership of the process.

Source: WB. 2002. Romania Rural Development Project, PAD.

VII. SYNTHESIS OF CASE STUDY LESSONS

This section provides lessons derived from applying the framework to Zambia, Philippines, Tanzania and Nicaragua country contexts. Each case review follows the general approach described below:

- Examines the country's formal de jure legal, functional and regulatory context for LGs and CBOs as well as real world (de facto) practices.
- Assesses the opportunity space for each country context along the three dimensions (administrative, political, and fiscal)
- Assesses the implications of the opportunity space for co-production and accountability relationships
- Reviews an actual CDD operation(s), to understand roles assigned to LGs and CBOs in project design and, actual implementation experiences. It then compares how the framework's assessments mesh with emerging realities, and highlights questions about the extent to which the potential opportunity space has been utilized. It also explores possible reasons for any divergence between the anticipated opportunity space and the reality of the cases.²⁶

²⁶ Case write-ups are presented in the case annexes 1-4.

The rest of this section reviews lessons on the enabling environment and opportunity space in the four country contexts, then reviews co-production and accountability partnerships in the Philippines, Zambia, and Tanzania. Finally, the dynamic interplay of these elements is discussed in the context of Nicaragua.

These case illustrations rely primarily on document reviews supplemented by interviews with project staff and other experts. They show how the framework can be used to identify questions and issues for in-depth exploration in the context of country pilots and detailed field research.

The Opportunity Space Varied across the Four Country Contexts

Tanzania and Zambia were characterized by constrained LGs and largely constrained CBOs, while Nicaragua had constrained LGs but largely enabled CBOs. In the Philippines, despite some problems in the LG framework, it represents a largely enabled LG-CBO context.

The Opportunity Space and Operational Responses Varied Across the Four Country Contexts

Even within the same country contexts, projects responded differently to the opportunity space. This has yielded both inconsistencies in the approach and lessons for other contexts.

- The Zambia Social Investment Fund (ZAMSIF) tried to exceed the limits of the opportunity space with its District Investment Fund (DIF). However, this component ran into substantial implementation difficulties due to lack of sustained country decentralization dialogue to support decentralization reform agenda that was needed to strengthen the capacities of district governments.
- Nicaragua succeeded by recognizing and addressing LG strengthening issues at the macro level, and piloting sequenced innovations within two types of projects—a social fund (Fund for Emergency Social Investment—FISE) and an demand driven rural investment fund (Rural Municipalities Project--PROTIERRA). These two project types evolved and adapted over time in response to a changing enabling environment and opportunity space.
- In the Philippines which has a good local government structure, the opportunity space was largely exploited by the Mindanao Rural Development Project—but with inadequate emphasis on the community driven aspects; the second project reviewed Kalahi-CIDSS largely under-exploited the scope for co-production synergies with local governments but substantially strengthened the citizen interface with LGs through social accountability mechanisms.
- In Tanzania, a Local Government Support project (to strengthen district LGs) is being implemented in parallel with the second Tanzania Social Action Fund (TASAF II) in ways that are complimentary but somewhat incomplete. The country dialogue is underdeveloped with respect to rationalizing the structure of fiscal transfers from districts to villages. Important reforms are needed that that could substantially strengthen the scope for co-production. (The two teams held extensive discussions on harmonization through the preparation of the projects in order to synchronize their approaches).

Mixed Results with Altering the Enabling Environment Through CDD

In Nicaragua CDD operations have helped to improve the opportunity space over time. Four social funds (FISE I-IV) and two demand driven rural investment funds (INIFOM I-II— PROTIERRA) were involved in this gradual evolution. The first two FISE project did not actively seek partnership with the municipalities. PROTIERRA I was the first of the CDD projects to directly engage with and support the municipalities. It also tried to broaden participation by working with and strengthening indigenous community consultative mechanisms—the InterCarmacas Assemblies. This created some competition among the approaches, and FISE III then started to work more with municipalities. However all of this

really took place within the existing intergovernmental framework. PROTIERRA II went a major step forward. In the context of project preparation, the team commissioned detailed assessments of the decentralization framework and the intergovernmental fiscal system. This led to a substantial push under for the government to expand the fiscal resource base of municipalities. The project piloted an increased fiscal transfer. This innovation, created momentum which led to the enactment of a new Fiscal Transfer Law that increases transfers gradually from 1% to at least 10% in 2010. The new law had a major impact because it expanded the opportunity space for LG-CBO partnerships in Nicaragua. Now there are substantial resources to underpin participatory local development.

In Zambia, efforts to push the boundaries of the opportunity space were undermined by lack of macro decentralization progress. Despite a highly constrained decentralization context and LGs, the ZAMSIF team took a bold step and calculated risk to attempt formal integration of LGs into the project via a District Investment Fund (DIF) component. This was done through a special component which sought to build capacities of LGs to assume increasing responsibilities under the project, and included 5 graduation phases, with the fifth being the most qualified/prepared. However, the major assumption was that the decentralization policy of the government would be implemented. This assumption proved wrong, and since decentralization was not a high enough priority issue within the context of the Bank-Government macro dialogue, there was inadequate pressure on the system to reform the decentralization framework. Ultimately the DIF component suffered significantly from the lack of a supportive environment and was scaled back at midterm. Yet, it is not clear that the new decentralization policy would have sufficiently strengthened LGs to perform their envisioned roles.

The characterization of LGs in Nicaragua from period one (1990-95) to period three (2001-2005) also demonstrates both the shifts and dynamism of the opportunity space:

Table 6: Characterizing The Opportunity Space For Local Governments In Nicaragua	
<i>Period One (1990-1995) constrained with potential</i>	<i>Period Three (2001-2005) Enabled with limitations</i>
<ul style="list-style-type: none"> - political: there were elected local governments but no direct election and urban bias - functional: some functions assigned but very few and not clearly allocated - fiscal: authority to levy taxes and fees, but no fiscal transfers to compensate vertically and horizontally - administrative: very low capacities 	<ul style="list-style-type: none"> political: improvements include direct election of mayors as well as extensive experience with participatory municipal planning, limitation is that it's project-based - functional: expanded responsibilities, but still problem of ambiguity. this is not solved during this period - fiscal: constitutional reform mandates fiscal transfers, but these are done ad-hoc and still insufficient to cover gaps. - administrative: still limited but positive experiences with delegation of responsibilities set stage for expansion

In Zambia, a constrained LG environment was observed across the board, but CBOs were assessed as partly enabled (fiscally constrained). In Tanzania, LGs and CBOs were assessed as fiscally constrained, local governments were also administratively constrained. However the other dimensions for LGs and CBOs were assessed as partially enabled.

Co-production and Accountability relationships in Practice: Examples from the Philippines, Zambia, and Tanzania

The Philippines

The Philippines Opportunity Space		
<i>Dimension</i>	LGs	CBOs
Political	Partly enabled	Enabled
Functional	Partly enabled	Enabled
Fiscal	Partly enabled	Partly enabled
Administrative	Partly enabled	Partly enabled

In the Philippines, Kalahi-CIDSS and the Mindanao Rural Development Project engage similar sets of stakeholders but do so differently. The enabling environment assessment suggests that LGs in the Philippines are of entering into partnerships involving staff, money or in kind resources and technical support to communities. MRDP's mid-term turnaround experience appears to indicate that, in the Philippines, municipal LGs do already have the space to be reasonable development partners in all four dimensions. At village LG (barangay) level, Kalahi-CIDSS has given new life to legally mandated governance structures by giving them responsibilities for sub-projects. Of course, support and guidance have played a critical role in these positive developments. Among the factors that appear important in building and maintaining LGs' partnership potential are: (i) providing real opportunities and incentives to LGs to perform (including access to funds); (ii) creating oversight mechanisms and checks to keep them on track; and (iii) various other forms of support ranging from capacity building to guidance from the sectoral body and other institutional partners.

Mindanao Rural Development Project

MRDP is an APL, which became effective in March 2000, with four phases expected to span some 15 years. The project aims to reduce poverty of poor and indigenous peoples by improving incomes and food security through "implementation of better targeted agricultural and fisheries-related rural development and biological diversity conservation programs, and improved LG institutional, management and financial systems."²⁷

Its four components are: (1) rural infrastructure -- roads, community irrigation, rural water supply and capacity building in infrastructure management; (2) community fund for agricultural development (CFAD) – a municipal-level fund financing diverse, community-driven sub-projects; (3) rural development planning and resource allocation, and agriculture and fisheries productivity enhancement – which, among other things, supports improved LG capacities for development planning, resource allocation, financial management and monitoring & evaluation²⁸; and (4) coastal/marine biodiversity conservation.

Co-production:

- Both LGs and communities contribute in cash and in kind to CFAD²⁹

²⁷ MRDP PAD p. 2

²⁸ LG institutional capacities are deemed a major bottleneck in rural development. MRDP PAD, p. 13.

²⁹ Municipal LGs contribute 25% of the initial overall fund and communities contribute a minimum of 10% in kind, depending on sub-project type.

- Together with LGs, and NGOs, CBO members are trained in sustainable marine and fisheries management, so that they can educate residents and community leaders, thereby enhancing community participation in identification, planning, establishment and operation of protected coastal areas.
- CBOs participate in operations and maintenance of water supply projects, with Rural Waterworks and Sanitation Associations and Village Waterworks and Sanitation Associations levying water charges for operation and maintenance of LG-constructed projects such as rehabilitation and construction of point-sources and communal faucets. For communal irrigation, both LGs and Irrigators' Associations contribute toward operations and maintenance³⁰. LG staff receives training in communal irrigation management so that they can better support Irrigator's Associations.

Accountability:

- The Municipal-level Multisectoral Committee brings together municipalities, representatives from rural communities, NGOs and private sector representatives to manage the sub-project selection process in CFAD, and to prioritize municipal roads. Communities are involved in selecting types of interventions and locations under CFAD, as well as, under the rural infrastructure, in selection of rural roads and water supply sub-projects.
- Farmers are involved in preparing proposals for rehabilitation of community owned run-of-river communal irrigation schemes
- Municipalities prepare monthly balance statements and progress reports on CFAD, which they provide to the barangay and CBOs. Village working groups in turn post sub-project information in public places.
- Moving up through the LG tiers, provincial and municipal Agricultural Development Plans must reflect consultations with communities (as well as technical agencies)

Kalahi-CIDSS

Kalahi-CIDSS objectives are to “to strengthen community participation in local governance, and develop local capacity to design, implement and manage development activities.”³¹ Three components support these objectives: (1) community grants, largely supporting simple community infrastructure such as access roads, clean water, schools and health facilities (2) implementation support to formal and informal local institutions, (3) monitoring and evaluation. The government counterpart is the Department of Social Welfare and Development (DSWD). The project became effective in December 2002, and expects a six year implementation period.

The project places a strong emphasis on involving communities (in their entirety, rather than targeting sub-groups) in bottom-up local development, and facilitating implementation of the decentralization framework. By design, it did not create any parallel structure but rather has taken steps to bring to life village-level entities that while mandated under the Local Government Code, in practice have often not been formed or have been ineffective. Important among these are the village assembly (which often is not convened or is poorly attended) and the village council, the lowest unit of local government. While the village council is best connected to community wants and needs, its bare bones core structure (a handful of elected councilors and one or two staff) means that its operational capacities are quite limited without a

³⁰ They are expected to contribute larger shares over time, reflecting increased income to communities from higher agricultural production, and increased LG revenues from levies on agricultural products.

³¹ Philippines: Kapitbisig Laban Sa Kahirapan (Kalahi) Project, Bhuvan Bhatnagar and Clifford Burkley. 2004. Paper prepared for the Shanghai conference.

set of local government code-mandated committees (composed of villagers and councilors) that, in Kalahi-CIDSS communities, have been revitalized through their role in the project.

Co-production:

- Both communities and LGs must contribute to sub-project costs.³²
- Sub-project preparation involves cooperation between project preparation teams, Village Representative Teams, a Municipal Inter-Agency Council, and municipal technical staff, as well as NGOs.³³
- Implementation is handled by village teams, who can receive assistance from municipal and barangay staff, project staff or hire expertise if needed. This cooperation is facilitated by training to both CBOs and LG staff on technical aspects of implementation (construction, reporting, procurement, financial management, operations and maintenance)
- CBOs are responsible for operations and maintenance (funded from fees collected by user associations) with municipal staff and Area Coordination Teams monitoring progress and helping as needed.
- A memorandum of understanding identifies the permanent LG staff that are to work on the project. In at least once case, a municipality has hired (and pays) engineers, facilitators, and financial analysts to take on project-related work.³⁴

Accountability:

- The mayor chairs (but does not vote in) the Municipal inter-village forum (MIVF) which selects proposals according to rules and criteria agreed by elected Village Representation Teams and makes indicative fund allocations.³⁵ Prior to and following these meetings, barangay assemblies meet several times to discuss, approve progress, approve the results of the MIVF, elect a village sub-project management committee, and validate detailed proposals.³⁶
- The mayor also chairs the Municipal Inter-Agency Committee that brings together LG department heads, deconcentrated national agencies, and NGOs, to ensure that Kalahi infrastructure projects that involve multiple departments or are in sectors that are not yet devolved receive the necessary operating supplies (for example, textbooks, medicines, education and health staff)
- Kalahi sub-projects are included into municipal development plans, to ensure sustainability. The project also helps municipal LGs prepare a plan for incorporating Kalahi-style participatory processes for planning and resource allocation, to spread the institutional benefits to non-project activities.

³² Though no minimum is set, the size of counterpart contributions is a criterion in project selection, and in practice LG and community cost-sharing has added up to an average 40%. Village contributions include cash and in-kind as, apparently, do LG contributions (staff time and land are both counted).

³³ The Municipal Inter-Agency Council is a coordinating body of sectoral representatives. Depending on the sector, they may be deconcentrated central agency staff or municipal employees.

³⁴ *Philippines: Kapitbisig Laban Sa Kahirapan (Kalahi) Project*, Bhuvan Bhatnagar and Clifford Burkley. 2004.

³⁵ In two rounds, first reviewing initial proposals and subsequently detailed versions.

³⁶ Village assemblies are mandated under the local government code, but often not called or do not reach the required 50% + 1 majority. Village assemblies under Kalahi appear to have no problem meeting and exceeding the attendance requirement.

ZAMBIA—Zambia Social Investment Fund (ZAMSIF)

Zambia Opportunity Space		
<i>Dimension</i>	LGs	CBOs
Political	Constrained	Partly enabled
Functional	Constrained	Partly enabled
Fiscal	Constrained	Constrained
Administrative	Constrained	Partly enabled

ZAMSIF was conceived as a ten year adaptable program loan, with a first phase running from 2000 to end 2005. It followed on two Social Recover Projects (SRP I and II) which, designed in the late 1980s as the country was emerging from one-party rule, worked directly with communities (and deconcentrated technical staff of central ministries) to deliver quick impacts and mitigate the social dimensions of future macro adjustment reforms.

Ten years later, one of the challenges of preparing ZAMSIF was how to strengthen local governments in the continued absence of a robust decentralization framework – thereby foster more sustainable impact and creating an exit strategy for the project, which would leave capable local councils in charge. Indeed, the design team hoped that the project might spark bottom-up demand for decentralization.

Co-production

- Communities are required to contribute 15% towards sub-project implementation; for some particularly poor communities, this has proved too high a hurdle.
- While the PAD does not cite a specific co-financing requirement for local governments, other project elements – such as the requirement that LGs have filled the District Planning Officer’s position – do engage LGs in co-production. A field study found that LGs were generally willing to contribute to ZAMSIF costs with staff time and material support (e.g. vehicles, when available);³⁷ in practice, local governments often lack adequate operating budgets — e.g. to pay for fuel for staff visits to communities.
- CBOs are involved in operations and maintenance. For example, Parent Teacher Associations raise funds for operations and maintenance costs of school projects. In the case of a health centre, the community forms a committee to ensure that (central) government provided supplies as promised, and sets up user fee arrangements and income-generating activities.³⁸ However, poverty levels and the vulnerability of certain beneficiary groups strains community abilities to contribute to operations and maintenance.
- During desk appraisal, sector ministries (e.g. health and education) committed to paying for recurrent costs. In practice, however, actual disbursements have been lower than budgeted amounts.

Accountability

- District council bodies – including the District Development Co-coordinating Committee and its District Planning Sub-committee, the full Council and its Plans, Works and Development Sub-committee play various roles in ZAMSIF, including appraising projects, providing technical inputs to sub-project budgets, and approving recommended sub-projects.

³⁷ Beneficiary Assessment, 2003.

³⁸ Mid Term Review Issues Paper, 14 March 2003. Annex III: Review of MTR Questions and Issues.

- Communities organize committees in order to advance their interests, participate in planning for sub-projects, and manage sub-project finances and operational needs. As noted in the mid-term review, committee links to district and ward development planning bodies were still fragile.³⁹

TAZANIA: The Second Tanzania Social Action Fund (TASAF II)

Tanzania Opportunity Space		
<i>Dimension</i>	LGs	CBOs
Political	Partly enabled	Partly enabled
Functional	Partly constrained	Enabled
Fiscal	Constrained	Constrained
Administrative & capacity	Constrained	Partly enabled

Building upon the experiences of the first TASAF, TASAF II became effective in May 2005 and is expected to run until 2009. Since the project is in its very early days, this examination highlights LG-CBO roles and partnerships in the design of TASAF II, and lessons from the first TASAF.

TASAF II focuses on enabling communities to “request, implement and monitor sub-projects that contribute to improved livelihoods linked to Millennium Development Goal (MDG) indicator targets in the Tanzania Poverty Reduction Strategy.”⁴⁰ The range of sub-projects thus spans several sectors (among them health, education, infrastructure, agriculture) and may include items such as construction of bridges and community roads, school construction and equipment, food production projects, vocational training for vulnerable populations and improved maternity care.

Co-production

- Communities make a minimum co-funding contribution in cash or in kind; local governments are not required to contribute funds, but the project considers the cost of their staff time to be an indirect cost contribution.⁴¹
- CBOs (as well as NGOs and private contractors) are eligible to be “local service providers,” and are named explicitly for sub-projects dedicated to improving income opportunities of vulnerable persons. They enter into a contract with the LG for this purpose, with responsibilities that include sub-project implementation and technical supervision of implementation.
- Relevant CBOs are trained to work on reducing maternal mortality, one of the Millennium Development Goals that is targeted under TASAF II.

³⁹ Aide-memoire, MTR mission – Phase II, August 25-September 2, 2003.

⁴⁰ TASAF II PAD

⁴¹ In the case of the “safety-nets for able-bodied poor” sub-project type, which pays sub-market wages, the difference between wage levels and market rates is also considered a contribution. While the PAD does not explicitly mention a CBO role in generating these contributions, it is plausible that CBOs might be involved, particularly given that TASAF II spans a number of sectors and issues –health, HIV-AIDS, education and water supply among them -- in which CBOs operate. The project considers cost of staff time of LG technical staff who work on appraisal, approval and supervisions tasks in the sub-project planning cycle and on the Technical Planning Committees as an indirect cost contribution.

- Co-production by elected committees includes the Community Management Committee which, as its name suggests, is responsible for acting as the administrative arm of the village council in managing the sub-project. Its tasks include managing the sub-project bank account (i.e. receiving disbursements of TASAF II funds), bookkeeping, handling procurement and other ongoing implementation tasks for all types of sub-projects.

Accountability

- LG staff are involved in activities prior to the start of the sub-project cycle, to help ensure that community-managed sub-projects are integrated into the district planning cycle.
- LG staff are involved early on in the process of extended Participatory Rural Appraisals that verify relevance of existing analyses of community needs and priorities. This exercise, which builds relationships and also helps LGs understand community-level dynamics, might presumably involve discussions with CBOs.⁴²
- District Council finance committees approve sub-projects, with input from other government and civil society entities.
- Most of the other accountability arrangements involve project-specific elected committees (rather than organic CBOs,) such as the Community Management Committee. This committee regularly reports on use of resources to the LG (village and district), whose approval is required at various points.

In general, TASAF II intends to provide a greater role for both local governments and CBOs than did the first TASAF. Under TASAF I, communities were generally able to identify, prioritize and implement sub-projects, provided that guidelines (on access to funds) and support were available. However, without management above the community level, opportunities for successful mainstreaming of CDD approaches appeared limited. TASAF II thus transferred some project management responsibilities from the project management unit to village and district local governments, to better align with the existing decentralization framework and give these bodies a practical opportunity to develop better working relationships and apply their skills. The specification of a clear role for village councils is also expected to alleviate conflicts between sub-project management committees and district LGs that surfaced under TASAF I. TASAF I's troubles with a separate public works program component for which district LGs handled both implementation and funds resulted in public works being folded into the National Village Fund component, with implementation to be handled by the community management committee.⁴³

Importantly, TASAF II implementation coincides with a complementary project, the Local Government Support Project (LGSP) which supports the Local Government Reform Program by helping “strengthen fiscal decentralization, improve accountability in the use of local government resources, and improve management of intergovernmental transfers.”⁴⁴ TASAF II thus focuses predominantly on the space between local governments and communities, while LGSP addresses relevant institutional and fiscal decentralization issues in the space from central government through to local government levels. This complementarity explains why TASAF II, while addressing local government performance and involvement in community development, places the bulk of its emphasis on communities and the most “local” of local governments, the village council.

⁴² As previously identified in broad-ranging Open-ended Participatory Rural Appraisals

⁴³ Problems included inadequate procurement and accountability, delays in paying wages, and tendency of local authorities to focus on meeting their own priority public works rather than beneficiaries' needs. *Who has the yam, and who has the knife?* N. Mungai Lenneiye, December 2004.

⁴⁴ LGSP news release, 30 November 2004.

Nicaragua: Interplay of Shifting Opportunity Space and New Partnership Opportunities

The Nicaragua country case is characterized by 3 periods summarized below, that are detailed in the case annex 3. It provides an interesting example of how projects tried to influence and adjust to new opportunities. The lessons from the final two periods are discussed below:

- 1990-1995—this is a period of missed opportunities. Even with shortcomings, the country's decentralization framework offered opportunities for building local partnerships. FISE 1 and FISE 2⁴⁵, focused on short term gains, did not seize them.
- 1996-2000—this is a period of piloting innovations in local partnerships. The constitutional reform and a new decentralization law improve a bit the enabling environment. INIFOM 1 introduces a number of pilots for addressing the shortcomings of the enabling environment and to promote accountability and co-production partnerships. FISE 3, confronted by the shortcomings of its previous strategy and stimulated by the example of INIFOM 1, begins a set of pilots in a similar direction.
- 2001-2005—this is a period of scaling up and policy reform. Operating in a similar environment to the previous period the new operations (FISE 4 and INIFOM 2) go into institutionalizing the pilots and promoting policy reforms. To a large extent they succeed resulting in a significantly more enabling environment for local partnerships (e.g., Municipal Planning System, and Fiscal Transfers Law), even though new challenges arise.

Nicaragua: INIFOM 1 and FISE 3

There are two operations that the Bank supported during this period. INIFOM 1 in 1996 and FISE 3 in 1999 took advantage of the opportunity space and designed innovative pilots aimed at improving the policy environment and the practice of local partnerships. Both operations tried to improve the fiscal and capacity dimensions of the enabling environment and also promoted local partnerships to deepen co-production and accountability between LG and CBOs.

INIFOM 1 -- Rural Municipalities Development Project (PROTIERRA)

The PROTIERRA approach evolved significantly between its identification in mid-1994 and its approval in September 1996.⁴⁶ Its initial rationale was to assist the Government of Nicaragua (GON) in implementing the actions recommended in a 1993 National Environmental Action Plan (completed with World Bank assistance) and a National Forestry Action Plan. Detailed analyses completed at the time suggested that sound natural resources management could help create employment, and that natural resources management through a demand-driven and participatory development approach was the most sustainable means of doing so. The focus was later shifted more broadly to local development.

The GON and the World Bank agreed that IDA financing under this project would support a broader range of municipal activities (other than strictly natural resources management) as part of a more general poverty reduction effort. The municipal development component was implemented in 32 of the 150 municipalities, had a budget of US\$ 35 million and four subcomponents:

- Development of municipalities as decentralized service planners and providers, and promotion of a more open and participatory model of governance (US\$5.8 million).

⁴⁵ While these are not the real names of the loans, they are used for simplicity of presentation purposes. The real names are for FISE: Social Investment Fund I, III, III, and Poverty Reduction and Local Development Project. For INIFOM: Rural Municipalities Project (aka PROTIERRA), and Second Rural Municipalities Project.

⁴⁶ ICR 2002.

- Support for improving the institutional capacity of INIFOM and its various organizational units, strengthening the legal and financial framework for decentralization of government functions to communities, and establishing a specialized unit to implement the component (US\$3.3 million).
- Specific support for informing, training, and encouraging communities and civil society to participate in local service provision and to recognize and exercise their right to local control, transparency, and accountability (US\$2.8 million).
- Provision of small grants for eligible subprojects proposed by individuals, communities, or municipalities that conform to a municipal investment plan and can be financed within a municipal financial ceiling (US\$23.4 million).

Compensating Shortcomings of the Enabling Environment

To empower local governments to engage in partnerships with communities, INIFOM 1 addressed some of the weaknesses in the enabling environment, particularly the fiscal and the capacity dimensions.

Fiscal dimension. The 32 targeted municipal governments received a yearly allocation of program funds, based on needs indicators such as population and poverty, and they had wide freedom in deciding how to employ these funds.⁴⁷ Most of the assistance was for direct capital investments (community subprojects), but a small part was also available for financing recurring costs, including salary and other costs of the MTU. Community subprojects were usually small (\$50,000 was the maximum project size allowed, average project size was \$20,000), and they were targeted to benefit rural poor communities. They were identified on the basis of a local planning process involving all community stakeholders (see below).

Capacity dimension. In order to enhance municipalities' technical capacity for undertaking this effort, program funds were made available to them for creating *Municipal Technical Units (MTUs)*. Each Municipal Technical Unit reported to the Mayor and it was composed of three people: a local project coordinator, a participation specialist, and one accountant responsible for maintaining project accounts. MTUs liaised with INIFOM and other central agencies, prepared annual municipal plans, appraised community sub-projects, supervised implementation, and helped prepare long-term plans for the local area.

Accountability

The Intercommunity Assembly (or IA) is a permanent assembly constituted at the municipal level by representatives of all community associations located within that municipal area to establish long-term priorities, approve overall plans, and provide oversight to municipal government staffs. IAs have three principal responsibilities: (i) accommodate and prioritize the needs of different community groups, and help resolve conflicts among communities; (ii) be responsible for develop an overall strategy for rural development with the active participation of community associations; (iii) provide oversight and supervision, making sure that community associations as well the municipal government implement plans faithfully and well. IAs function, thus, as representative and watchdog bodies.

Each IA is assisted by a Community Supervision Committee (CSC), a small subcommittee elected by IA members from among themselves. Members of the CSC are expected to play a key communication role between communities and the municipal government. They supervise project and subproject execution and they keep the Intercommunity Assembly informed of project execution at the community level. Simultaneously, they keep

⁴⁷ The project has been extended to cover additional municipalities, and the formula for resource sharing has been revised and made more complex. We need not go into these complexities here. It is important to note, however, that resource transfer is formula based in this case. It is not ad-hoc, nor does it depend upon the number of subprojects submitted.

communities informed about municipal plans and subprojects, and they ensure that municipal council decisions are fully disseminated among community members.

The MTU integrates the priorities of all communities within each municipality into a municipal investment plan (MIP), which is then submitted to the Intercommunity Assembly for discussion and prioritization of investments among communities. By law, some of the municipal council meetings, and in particular those involving key budgetary decisions, are open to all the inhabitants of the municipality. However, the final decision regarding approving the MIP and incorporating it within the Municipal Budget rests with the Municipal Council.

Projects submitted by community associations are appraised by staff of the MTU, and the municipal council accords final approval. Municipal councils have the authority to accept or reject communities' subproject proposals, but they have to abide by both the local priorities set by their counterpart Intercommunity Assembly and also by the overall guidelines established for the country by INIFOM. Central, local as well as community concerns need to be brought together and balanced in this process of decision making.

Co-production

All subprojects (with the exception of capacity building subprojects) require *matching funds* of two types: (i) from communities (in kind or labor) and/or (ii) from municipal governments. The table below shows the extent of co-financing that is required in different cases.

Subproject Category	Maximum matching grant (%)	
	Type A and B Community	Type C Community
Environment	75	90
Municipal Infrastructure	60	75
Community Infrastructure	75	75
Community Productive	75	75
Tech. Assistance	100	100

Note: Type A: Revenue per capita greater than US\$15 per year, Type B: between \$3 and \$15 per year, Type C: between \$0 and \$3 per year

FISE 3—Third Social Investment Fund Project

Seeing that INIFOM had moved forward in terms of local partnerships, and the shortcoming (particularly in terms of sustainability) of its initial centralist strategy, FISE 3 was designed along similar lines: (i) providing essential small-scale infrastructure, mainly in education, health, and water supply and sanitation (in close coordination with the responsible agencies), (ii) focusing on the poorest communities, and (iii) *strengthening, on a pilot basis, municipal management which, in turn, should lead to more sustainable subprojects at the local level.*" (World Bank 1998: 1). Later on it is said more explicitly that the credit would support FISE's "new focus on [...] municipal/ community involvement" (World Bank 1998: 2).

Addressing Shortcomings of the Enabling Environment

FISE's program of strengthening municipal governments also involved components that compensated for the fiscal and capacity weaknesses of local governments. FISE began a pilot with nine municipalities to which it delegated the management of investments up to \$100,000. It also established Municipal Technical Units which were responsible for carrying out the full subproject cycle, with the exception of the ex ante evaluation. FISE Managua still had to approve the project before the municipality can contract it to a firm and FISE to check whether sector approval had been obtained.

In terms of financing the main difference with INIFOM is that FISE's transfer of resources were tied to certain sectors that were a priority of central government. In that way it complements nicely the approach taken by INIFOM. While INIFOM simulates an unconditional fiscal transfer, FISE 3 followed the principal-agent model where local governments act as an agent of the central government for the delivery of certain goods and services.

Accountability

FISE introduced two main innovations in terms of accountability partnerships:

- Participatory Municipal Planning pilot in 60 municipalities. This methodology was the same as INIFOM's.
- In the nine municipalities where FISE had delegated the project cycle, FISE encouraged Beneficiary Committees to participate in local government's bidding process, encouraging that they controlled the way in which the contracting process was performed.

Co-production

Preventive Maintenance Fund. To address the challenge of low sustainability of local investments (FISE 1 and FISE 2), FISE 3 created the Preventive Maintenance Fund (FMP) which is basically a partnership between the central government, municipal governments, and community organizations geared to ensure investment sustainability. Through the FMP, the national government provides funding to municipalities for preventive maintenance of primary schools and health centers. This cofinancing is progressive: extremely poor municipalities receive a higher percentage than others. The FMP functions as a conditional intergovernmental transfer according to transparent rules which stipulate:

- local Education or Health Maintenance Committees comprised of community representatives and local government officials must devise a maintenance plan and budget for each facility;
- each municipality must present an Annual Maintenance Plan aggregating facility plans and budgets, including community and municipal government contributions;
- local counterpart resources must be provided by municipal governments and community committees and deposited in specified bank accounts.

Once these conditions are met, FISE disburses budgeted funds in tranches to municipal governments, which in turn distribute them among the selected facilities. Community maintenance committees supported by local government officials manage the work. These committees have a strong incentive to perform well since they can receive funds each year only if they complete agreed maintenance the year before.

INIFOM 2 and FISE 4

The Operational Response: INIFOM 2 and FISE 4

These two operations were highly coordinated and so will be discussed together.

Coalescing Lessons Learnt with respect to the Enabling Environment

In terms of the fiscal dimension, INIFOM 2 tried to improve the fiscal transfer system by demonstrating the virtues of a new transfer system. To do this it created the Municipal Development Fund (FONDEM). The constitution (Art. 177) emphasized the rationale of transfers as instruments of fiscal equalization. Nicaragua's transfers were allocated mainly in proportion to population, a criterion which does not contribute to closing horizontal imbalances and thus did not advance the principle of fiscal equalization.

Designed as a "general-purpose grant" mechanism, the FONDEM aimed to complement existing municipal own-source revenue and various ongoing programs with negotiated, purpose-specific transfers.

To this effect the project assisted INIFOM in: the revision of the legal framework of local government finances and the drafting of appropriate policy, legal and regulatory texts; and the development and extension to all municipalities participating in the project of: (i) improved systems and manuals of local fiscal administration, (ii) standards and procedures for financially sustainable delivery of municipal services, and (iii) the system for land and property registration/Cadastral (*Sistema de Cadastro*, SISCAT)

The design and implementation of FONDEM strongly influenced the national debate on fiscal transfers and the development of a related legal framework. This ended up in changing the enabling environment: in July 2003, the GON approved the *Municipal Transfers Law* which substantially increases the funds available to municipalities from about 1 percent of tax revenues to at least 10 percent in 2010.

Lessons from FONDEM. Both the World Bank and INIFOM have found it difficult to overcome the "project" logic of INIFOM 2 and the implementation of FONDEM clearly suffered from this:

- On the Bank side, the integrity of the FONDEM concept would have been better served through some form of "budget support" rather than an "investment loan."
- INIFOM was also substantially resistant to abandoning the role of "Fund Manager".

Previous INIFOM and FISE had developed separate systems for managing investment projects, adding to the systems required by other donor or government programs, and causing confusion and waste in capacity building efforts. To solve this problem, INIFOM 2 and FISE4 divided the capacity building component into different modules and each agency developed, in consultation with municipalities, generic modules that would not be project specific but applicable to all municipal clients. Based on comparative strengths, FISE and INIFOM developed modules for investment projects and financial management respectively.

Accountability

The planning and accountability structures and processes set up by INIFOM 1 and FISE 3 were project specific, and there was as sustainability risk associated with the end of the projects. One of the most significant impacts of the operations with INIFOM and FISE was that the pilots that each did with regards to Participatory Municipal Planning ended up being institutionalized as the *Municipal Planning System (MPS)*, and adopted as the statute for local planning rather than as a project specific methodology [see annex diagrams]. This MPS built upon the momentum and lessons provided by the previous pilots. The Territorial Committee, for instance, plays a similar role to the Intercommunity Assembly.

Co-production

Teaching Local Governments How to Finance Community Managed Investments. While FISE and INIFOM showed that local governments could manage successfully local funds and investments, one of the remaining challenges was teaching local governments how to empower community associations to implement their own subprojects and manage subproject funds. To address this, FISE began a pilot call "Proyectos Guiados por la Comunidad."⁴⁸ FISE transfers resources to local government which in turn transfers it to CBOs for projects that were identified in the Local Municipal Plan and that are particularly suitable for community implementation. Projects are cofinanced by local governments and community associations and both are responsible for the projects sustainability.

⁴⁸ See Operational Manual: <http://www.fise.gob.ni/pgc>

VIII. CONCLUSIONS

The opportunity space provides a useful concept for exploring the potential scope for LG-CBO partnerships. Applying the framework and the concept of opportunity space is a useful way to assess the enabling environment for the kinds of LG-CBO partnerships with which this study is concerned. Application of the concept does however need to be flexible as countries don't always fit neatly into enabled or constrained categories, and sometimes fall into the grey area in between.

The opportunity space is an important starting point, that can be dynamic and can expand with the right mix of macro and micro intervention, or it can become an increased constraint. The Nicaragua and Zambia cases are clear examples of each—dynamic expansion and enduring constraint. Detailed analysis of the macro constraints for local governments, an active dialogue among key stakeholders, competition, and opportunities to tackle the structural constraints seem to matter most. A CDD project is not likely to be able to strengthen the local government incentive structure in isolation.

Evaluate the opportunity space periodically to capture potential shifts and identify new opportunities and constraints. This is very important given the possible shifts discussed above. Most CDD projects which foster partnerships also try to influence local governance more broadly. In order to understand whether these outcomes are being achieved, the opportunity space should be reviewed periodically, for example as an input into the mid-term review.

Co-production and accountability reinforce each other. In all the examples cited there are both co-production and accountability relationships which seem to be well linked. In fact, it appears that the stronger the co-production linkages the more involved are the accountability relationships specified under the partnership arrangements. This is consistent with the prediction of the framework that the stronger the collective stake (investment of resources and time), the greater the sense of empowerment and greater the community's sense of being entitled to results.

The weaker the decentralization framework especially fiscal decentralization, the weaker the partnership possibilities. This was clearly demonstrated across the four cases, and it was striking that in the Zambia and Tanzania cases where the decentralization frameworks are weak, the co-production and accountability relationships tended to be weaker than in The Philippines and Nicaragua.

Embedding the partnership approach into a decentralization dialogue is critical. The four cases show that whenever the decentralization framework is weak or non-existent, attempts to partner LGs and CBOs in effective co-production relationships that go beyond the natural (and limited) opportunity space need to be supported by an overall dialogue on decentralization in order to open-up the enabling environment.

Learning not yet complete. CDD operations increasingly try to build strong relationships between communities and local governments. While we have a framework for understanding the main considerations and opportunities for linking, more lessons will evolve as a greater number of operations (CDD and LG support) attempt to explore and exploit interface opportunities. Additional research on how and when the two approaches converge within countries would also help to strengthen learning for local governance and local development.

Box 6: Inclusive Decision-Making to Improve Local Governance in Macedonia

By promoting collaboration between municipalities and local communities in planning and management, the Macedonia Community Development Project (MCDP) has increased the transparency and dynamism of local development. Prior to MCDP's intervention, community development committees had no clear channel to constructively propose specific actions to their Municipal Councils, resulting in frustration with and widespread disenchantment with local authorities. To create a venue for communication and deliberation linking municipalities and their citizens, MCDP supported the creation of innovative *Community Implementation Committees* (CICs) at the municipal level—including both public sector and civil society members—in order to complement the role of the more formal and political Municipal Councils. These CICs assumed responsibility for outreach and promotion of local development at the community level and were given the decision making authority over financing for community micro-projects through a participatory planning process.

The CICs are comprised of community representatives including both local notables and members of vulnerable groups; municipal representatives including elected councilors, mayors and key officials; local representatives of central government agencies; and locally prominent NGOs and civil society organizations. CIC meetings employ a consensus-building process consisting of (a) the presentation of social needs by each community representative, (b) a discussion of ideas aimed to mitigate community problems, (c) prioritization of problems and proposals by vote of all CIC members and, (d) allocation of MCDP grant funds to finance priority community micro-projects.

The model of inclusive problem identification and deliberation joining community, municipal and local state representatives has proved an effective means of building partnerships which transcend formal organizational relations. Collective decision-making process enables stakeholders to hear each other's concerns: local government representatives better understand community priorities and communities better understand that resources are limited and setting priorities is a difficult but essential aspect of public management. The advantages of expanding decision-making beyond the municipal council without undermining its formal role are expressed by the mayor of Orizari, "ever since the creation of the CIC, I am more relaxed performing my functions as mayor because the community understands the constraints and there is satisfaction of people in the community"¹.

The CIC model of inclusive governance as introduced by the MCDP has been influential: national training programs for municipal officials have incorporated the multi-stakeholder approach to decision-making as well as the principle of local government-community partnerships to support implementation of national decentralization policy. As a result, more inclusive local governance has become a key institutional foundation for more effective local development in Macedonia.

Source: World Bank. 2005. Linking Community Empowerment, Decentralized Governance, and Public Service Provision Through a Local Development Framework. Washington, DC. Processed.

IX. OPERATIONAL IMPLICATIONS

Integration at the local level requires technical integration within client and donor teams. Whether the community level or LG is a black box depends on the perspective of the practitioner. To most CDD practitioners, the LG is an unaccountable, elite captured black box. To most public sector management experts and decentralization practitioners the community is a fuzzy, amorphous concept which doesn't really address the fundamentals of how governments and service delivery work. The reality is that for local governance and improved local services, partnerships are needed which require that perspectives coalesce in order to support and inform each other and engage the private sector and other local actors.

Country clients should coordinate donor to avoid duplication and contradictions. Lessons from lack of donor coordination suggest that donors often put in place procedures that complicate, contradict, and duplicate each other. This can be very confusing and costly to local communities and LGs whose capacities are already limited. However, given the weak track record on such coordination, countries may

need to take the lead, wherever they have a coherent vision of how best to organize local development partnerships.

LG-CBO partnerships should not be designed without detailed analysis of the decentralization framework, including the intergovernmental fiscal system, and LG capacities and constraints. This requires that the relevant decentralization expertise be marshaled to support the preparation of CDD operations and offer suggestion on scope for linkages.

Local Government Support Operations need to strengthen social accountability relationships to help realize allocative efficiency. Harmonizing the Community-LG interface in client countries' and donor' portfolios provides some scope for harmonizing participatory methodologies for accountability arrangements. Social accountability tools such as citizens report cards and participatory planning and budgeting help to complement formal public consultations (e.g. public meetings) and deepen the quality of local decision-making. This helps to better match citizens' preferences with budget allocations.

Social Accountability should be mainstreamed where local governments have discretion and adequate resources to be responsive to local communities. Stakeholder Consultations and Participatory Planning Methodologies should in principle be built into all local development operations and also be consistent in type across a country portfolio of CDD operations. However, if local governments are legally and fiscally constrained, and therefore unable to respond to citizen demands, standardized social accountability is likely to induce more frustration than accountability.

Cost-sharing arrangements between various stakeholders should be consistent within a country. Again, except for pilots, it is not clear why moving forward, communities and local governments should be subjected to an array of co-financing arrangements, depending on the project. If there is any variability, it could be done on the basis of financial capacity/level of poverty of communities and local governments where certain poorer target groups could face a lower financing burden, based on sub-project type or sector.⁴⁹ However, co-financing projects with overlapping objectives should not require significantly different community contribution percentages, without a clear logic.

Careful and dispassionate monitoring and evaluation and impact assessments could help reconcile approaches. Projects tend to make competing claims about their overall impact and effectiveness both in terms of benefits accruing to communities and integration with local governments. Where there are multiple projects in the portfolio, and harmonization is an issue, M&E could be treated as a public good, and coordinated by the quality assurance team or the CMU. This would achieve the additional benefit of ensuring a set of common benchmarks against which learning and effectiveness of different operational modalities could be evaluated. Task teams would help define the monitoring indicators, based on the stated development objectives and agree to these with the concerned monitoring teams.⁵⁰

X. THE RESEARCH AGENDA

This report has tried to explain the inter-relatedness of the enabling environment for CBOs and LGs in the context of designing effective LG-CBO partnerships for local development. It has explored how initial

⁴⁹ Another possibility could be same percentage counterpart contribution at reduced sub-project size.

⁵⁰ Since projects do have internal monitoring needs, perhaps the government and Bank could agree on a common core set of indicators, allowing additional indicators to be monitored as per the needs of various stakeholders.

conditions—local governance structures, the decentralization framework, and to some extent the collective action coalesce to sustain and deepen CDD. Yet, several questions remain unanswered. Some are detailed below as future research questions that could help to strengthen the overall agenda.

Under what conditions can CDD operations catalyze fundamental changes in decentralization policy—significantly strengthen the enabling environment for local governments? The emerging lesson seems to be that it is difficult to expect a CDD operation to handle fundamental changes in decentralization policy. Yet, in the context of Nicaragua some important changes were promoted which strengthened the overall framework. In Zambia, efforts were far less successful. Efforts in Tanzania have been mixed while in the Philippines one of the projects has tried to facilitate greater sector decentralization. More research is needed to analyze just how far a CDD operation can push on structural changes, and under what conditions are good results likely to obtain. How do these affect the overall capacity of local governments to deliver on citizen expectations?

Where the government remains highly centralized, are there a series of do-no-harm incremental steps that could be incorporated into the CDD approach that would be consistent with strengthen local partnerships? There is need for a more extensive review of approaches to local partnerships which have been undertaken in the context of weak decentralization frameworks (e.g. conflict affected contexts). It is difficult to tell on the basis of a few cases whether there are useful and possibly less ambitious, steps that can be taken to strengthen the overall scope for LG-CBO partnerships. An important related issue is whether to strengthen the interface between CBOs and deconcentrated units of the center-state in the interim, until LGs are strengthened, or whether this in fact helps to delay fundamental subnational democratization. In such contexts would a clear demonstration of government commitment to decentralizing be important—and what would constitute adequate evidence of genuine commitment.

Should Governments and the Bank tackle structural and capacity flaws upfront in advance of project preparation or as part of it, or proceed in parallel with complimentary dialogue—sequencing? Sequencing of reforms, policy and project interventions is always a challenge even within decentralization reform itself. How best to proceed with implementing CDD, based on partnerships, and sequence the approach across the range of contexts and types of opportunity spaces identified above is major challenge that warrants further research.

XI. NEXT STEPS: THE ROAD AHEAD

Learn by Doing through Country Pilots

Three country pilots are planned which will build on this ESW and support both clients and country teams and the further refinement of the overall analytical framework. The participating countries are Zambia, Angola, and the Philippines.

The main objective of these pilots will be build local governance platforms⁵¹ by strengthening learning, capacity, and mechanisms to integrate the CDD approach with local governments (LG), and social accountability. Subsidiary objectives are to:

- Work with 3 country clients and Bank teams to develop a framework for making institutional choices that simultaneously support CDD and local governments and decentralization reforms (Zambia, Angola, and the Philippines⁵²).

⁵¹ Local governance platforms integrate decentralization to elected local governments, with CDD approaches and social accountability tools to strengthen good governance at the local level, and increase citizen voice, including the poor and vulnerable, with respect to local service delivery and decision-making transparency.

- Introduce a more effective methodology for analyzing institutional options, capacities, macro and micro constraints within different decentralization contexts that affect partnerships between communities and local governments.
- Adapt social accountability (SAc)⁵³ tools to contexts where LG are central to local governance platforms; use SAc as the foundation for citizen monitoring and feedback of project impacts and service quality, and as a tool to help empower citizens to demand improved local services and transparent decision-making

Translate the Framework into an Assessment Tool. An important follow-up activity is to translate the analytical framework into an assessment tool that can you used by clients as the basis for conducting the analysis of institutional options. This follow-up work is planned for FY06 and will overlap with the country piloting in order to build on the lessons from the detailed country level assessments.

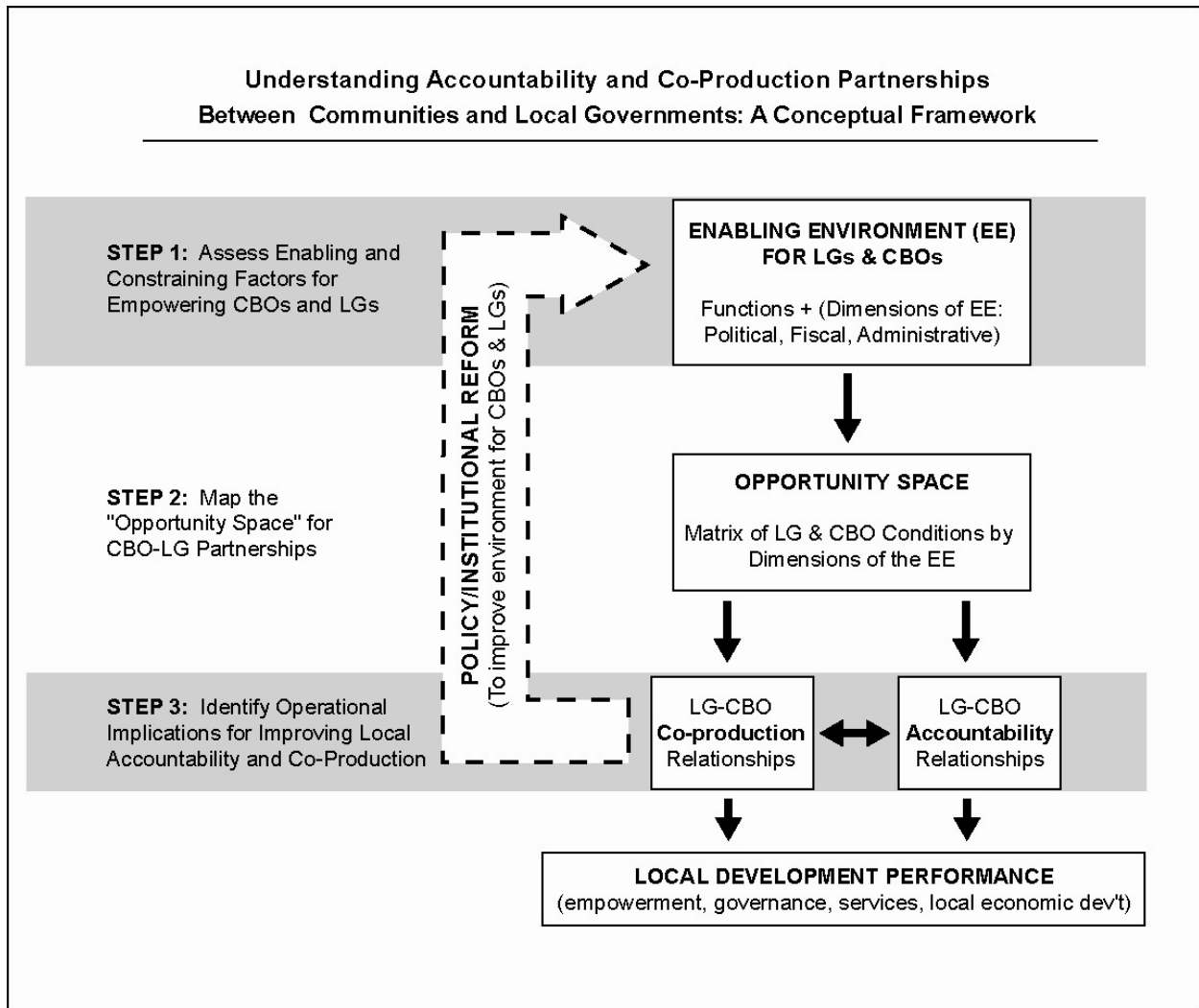
Conduct Follow-up Research. Additional analytical work is planned for FY06, aimed at addressing issues of convergence between CDD and LG support operations. This work will also support the process of portfolio harmonization which has emerged as an active challenge for many clients (for more information see research agenda above). As the pilots, and regional analytical work, and programmatic experiences evolve in client countries, additional important empirical and analytical questions are likely to surface.

Maintain a Multi-Disciplinary, Cross-Sectoral Approach and Dialogue. This report was motivated by the interests of country clients and staff working on social funds, CDD, and decentralization, social accountability, and empowerment. These represent a range of different skills and perspectives and it is important to maintain the dialogue among these varied specializations in order to sustain momentum and expand the possibilities for more learning and stronger integration of decentralization and community driven development. Therefore design teams from donors and government should reflect the multi-disciplinary approach.

⁵² In addition to MRDP and Kalahi, the ARMM Social Fund will be included to harmonize approaches.

⁵³ Social Accountability (SAc) is defined as an approach toward building accountability that relies on civic engagement, i.e., in which it is ordinary citizens and/or civil society organizations participate directly or indirectly in extracting accountability. In a public sector context, SAc refers to a broad range of actions and mechanisms that citizens, communities, independent media and civil society organizations can use to hold public officials and public services accountable.

XII. FRAMEWORK ANNEXES



Step 1: Assessment of Enabling and Constraining Factors for Empowering CBOs and LGs

[Maintain focus on: relevance to co-production and accountability relationships between LGs and CBOs]

	LG de Jure	Environment de Facto	CBO de Jure	Environment de Facto
Legal Framework Functional and Regulatory	<p>What service delivery functions is the LG responsible for? [List relevant laws / footnote.] [JO Watch for consistency between LG law and sector policy]</p> <p>Do laws specify how LG does this, i.e. direct provision, contract in, and contract out, community role? Does policy/practice define this? [Provision vs. production]]</p>		<p>In sectors and in what services do CBOs have a service delivery role?</p> <p>For which sectors/services are they direct producers? co-producers?</p> <p>For which of these services are they linked to LGs?</p>	
Political Factors	<p>Is legal status of LGs defined? How and where? Can they hold money [bank account], enter into legal agreements?</p> <p>Does LG have power to legislate (by-laws etc)? What legislative powers do they have WRT the assigned functions?</p> <p>Which LG officials are elected (e.g. mayor & other executive elected directly, indirectly?)</p> <p>What is the electoral system/how are they elected – party list, ETC [KM will provide possible types]</p> <p>What are the specific powers of the mayor, and those of the council?</p> <p>What additional LG accountability mechanisms [to citizens] exist? (e.g. only consultative, or participatory)</p> <p>Who participates? Any special reservations to ensure participation of minority/disadvantaged (women etc)? [Cite where this is stipulated – nation-wide law, only project-specific intervention? Unimplemented project provision?!?!] [Footnote cases where s/th is in project docs but isn't happening de facto either]</p>		<p>Is the legal status of CBOs defined? How and where? [e.g. under NGO law, association law, company act...?] Can they hold money [bank account], enter into legal agreements?</p> <p>How/through what process are CBOs created? [Check relevance of NGO law, association law to CBOs, additional project-specific law. May differ by type of CBO/sector]</p> <p>How is executive selected, and to whom are they accountable? [In many cases, actual membership is not clearly defined e.g. “all water users”, only executive and/or board identities are clear. Communities of interest; spatial communities, incl. those with traditional leaders.]</p> <p>Do CBOs have a formal role in local governance? [Usually expect “no”]</p>	

	LG	Environment	CBO	Environment
	de Jure	de Facto	de Jure	de Facto
Fiscal Factors [qualitative overview of where resources come from, what discretion LG has to allocate resources]	<p>What is total LG expenditure as % of public expenditure?</p> <p>Of this, what % is own source revenues, what % is transfers?</p> <p>Of own source revenues, what portion is taxes vs. fees (cost recovery)</p> <p>What is the nature of transfers (general purpose vs. specific purpose, formula vs. discretionary/ad hoc, and any assessment of LG performance factored into size of transfer?</p> <p>Are transfers predictable: Is size of transfer reasonably stable from year to year? Are transfers made on time (de facto) / stipulated to be made at reasonable point in FY (de jure)?</p> <p>Expenditure autonomy: Does LG have flexibility to allocate/reallocate between recurrent and capital expenditures? What is share of capital vs. recurrent in overall budget? [If there's no discretion, and recurrent expenditures consume all funds, then have no scope for partnership]</p> <p>Clarity of expenditure assignments and correspondence w/ functional assignments</p> <p>Clarity and openness of LG planning/budget process (formulation & execution)</p>		<p>CBO resource base</p> <p>Sources of CBO funding</p> <p>Flow of funds – directly from state bodies vs. via LGs</p> <p>Ability of CBO to mobilize resources (obligatory “taxes” & fess vs. voluntary)</p> <p>LG-CBO and CBO-sector resource flows</p> <p>Correspondence of CBO resource base w/ CBO functional roles</p> <p>Clarity and openness of CBO planning/budget process (formulation & execution)</p>	
Administrative/ Capacity Factors	<p>Political executive vs. professional administrative roles</p> <p>LG human resource base and system—staffing structure, managerial autonomy, staff capacity, career mobility, staff development, etc</p> <p>Flexibility to contract-in, contract-out, or joint contract w/ other LGs or CBOs</p> <p>Flexibility to alter LG organization to meet local priorities</p> <p>Nature, relevance and timeliness of TA provided by the state to LGs</p>		<p>Authorization for CBOs to manage funds and sign contracts</p> <p>Specialization/"professionalization" of CBO administrative functions</p> <p>Governance vs. executive roles relation to CBO structure</p> <p>Flexibility to contract-in, contract-out, or joint contract w/ LGs or other CBOs</p> <p>Nature, relevance and timeliness of TA provided by the state and/or LGs to CBOs</p> <p>Performance-focus in CBO service delivery systems</p>	

	LG de Jure	Environment de Facto	CBO de Jure	Environment de Facto
	Performance-focus in LG service delivery systems			

Step 2: Map the “Opportunity Space” for LG-CBO Accountability and Co-Production Arrangements

Characterizing the Opportunity Space (by dimension)				
	A	B	C	D
	LGs and CBOs Constrained	LGs Constrained, CBOs Enabled	LGs Enabled, CBOs Constrained	LGs Enabled, CBOs Enabled
Legal, Functional, Regulatory Context	LGs and CBOs have few significant functions and domains	LGs with few significant responsibilities. CBOs permitted can implement in many sectors.	LGs functions significant, well defined. CBOs can operate in few domains	LGs have significant, well defined functions. CBOs can act in many sectors
Political Dimension	LGs and CBOs lack popular legitimacy and credibility	LGs lack popular legitimacy & credibility; CBOs representative, credible and accountable	LGs credible and legitimate. CBOs lack popular legitimacy and credibility	LGs and CBOs credible, legitimate, independent.
Fiscal Dimension	LGs and CBOs with few and tightly constrained resources	LGs with few and tightly constrained resources; CBOs well resourced and with discretion to deploy them to local priorities	LG well resourced fiscally autonomous for local services; CBOs financially constrained	LG well resourced, fiscally autonomous; CBOs financially well resourced
Administrative Dimension	LGs lack staff (or skilled), weak organizational, implementation capacity; CBOs implementation experience small	LGs lack staff (or skilled), weak organizational, implementation capacity; CBOs skilled, experience w/ collective action.	LG adequately skilled and staffed; CBOs have little implementation and collective action experience	LG adequately skilled and staffed; CBOs skilled and experienced w/ collective action

Step 3: Identify Operational Implications of the “Opportunity Space” for Improving Local Accountability and Co-Production via CBOs and LGs

Co-production Relationships (by dimension)				
	A Constrained LGs, Con-strained CBOs	B Constrained LGs, Enabled CBOs	C Enabled LGs, Constrained CBOs	D Enabled LGs, Enabled CBOs
1 Legal Framework Functional Regulatory	Limited opportunity for co-production of services by LGs and/or CBOs	LGs only authorized/able in a few sectors to effectively enter into service delivery partnerships even when CBOs take the initiative	LGs have significant responsibility but unlikely to engage CBOs partnerships for service provision	Both CBOs and LGs have authorized roles in service provision, defining complementary roles and appropriate linkages can produce effective partnerships
2 Political Dimension	Limited ability for CBOs and LGs to legitimately influence service mix and quality	CBOs can represent citizen interests and priorities but likely to focus their efforts on partnerships with local state bodies or NGOs that provide services, LGs have few incentives to respond to citizen/CBO initiatives	LGs able to legitimately aggregate citizen interests and priorities, CBOs are less representative and legitimate, service regime likely to be dominated by LG plans, budgets, and management	Both CBOs and LGs able to legitimately represent popular interests, mechanisms for coordination and negotiation of multiple CBO priorities at LG level may produce citizen responsive co-production
3 Fiscal Dimension	Limited opportunity for allocation of local resources (LG or CBO) to finance services	CBOs able to contribute to achievement of their priorities but LGs likely to be weak since they have few discretionary resources, both may need to rely on local state bodies to finance partnerships	LGs have discretionary resources for priority services but CBOs unable to contribute to services, thus LGs likely to act as suppliers and CBOs at best may represent service consumers (not co-producers)	Both CBOs and LGs have discretionary resources available for services, systems which integrate and account for their contributions can promote effective co-production
4 Administrative Dimension	Limited organizational basis and capacity for CBOs or LGs to enter into partnerships	CBOs can develop capacity to pursue their priorities but LG implementation capacity is often dependent on the central state, often capacity enhancement is supply driven and not matched to local needs	LGs may become capable of entering into partnerships to deliver services but CBOs rarely capable of effectively fulfilling their potential role in service co-production	Both CBOs and LGs have capacity to contribute to production of services, definition of roles and relationships can be based on comparative advantage of each

Accountability Relationships (by Dimension)

	A Constrained LGs, Constrained CBOs	B Constrained LGs, Enabled CBOs	C Enabled LGs, Constrained CBOs	D Enabled LGs, Enabled CBOs
1 Legal Framework Functional Regulatory	Both CBOs and LGs likely to focus accountability upward, at best pressuring deconcentrated state service providers	LGs play a minor role in service provision, CBOs likely to focus their advocacy on pressuring deconcentrated state service providers rather than LGs	LGs can play a major role as service providers while CBOs play a limited role, thus CBOs may focus their efforts on pressuring LGs to improve services	Both CBOs and LGs can provide services (individually and jointly via co-production) thus each can provide a venue for citizen influence over service providers
2 Political Dimension	Limited ability for CBOs and LGs to legitimately represent citizen priorities and interests vis-à-vis service providers, likely to result in limited downward accountability	CBOs can legitimately represent citizen interests and priorities while LGs are often less legitimate and less responsive to community advocacy	Empowered and responsive LGs can provide a venue for aggregating citizen priorities but CBOs unlikely to provide a legitimate channel for transmitting citizen concerns	Both CBOs and LGs can legitimately reflect citizen priorities, electoral and other representative mechanisms at both CBO and LG levels may improve responsiveness
3 Fiscal Dimension	Both CBO and LG have few resources, at best they may advocate to state bodies re: budget allocations and monitor state expenditures at local level	LGs allocate or manage few resources and so are not likely to be the focus of accountability, CBOs can be held accountable by citizens for resources they allocate or manage	LGs allocate and manage significant resources, providing a principle venue for social accountability via participatory planning and budgeting, and expenditure monitoring; resource-poor CBOs probably marginal	Both CBOs and LGs can allocate and manage resources, so participatory planning and budgeting, and expenditure monitoring may increase the responsiveness and efficiency of resource use at both levels
4 Administrative Dimension	CBOs and LGs have limited capacity to collect, analyze or transmit information, result likely to be limited accountability of governance and service provision	LGs may have limited capacity to collect, analyze or transmit information to citizens, CBOs may play a significant role in informing citizens and transmitting their views to local state bodies	LGs may be capable of implementing local decisions and providing information to citizens regarding resource use and services delivered, thus likely to be a greater focus for accountability than generally weak CBOs	Both CBOs and LGs may be capable of implementing local decisions and providing information to citizens regarding resource use and services delivered, thus creating potential venues for accountability at both levels

XIII. CASE STUDY ANNEXES

ANNEX 1: THE PHILIPPINES: THE CHALLENGES OF IMPLEMENTING DEVOLUTION⁵⁴

The Philippines has put into place a laudable decentralization policy and accompanying legislation, built around devolution of responsibilities and finances, that are widely hailed as being at the forefront in the region and among developing countries. At the same time, more than a decade after passage of the landmark Local Government Code, implementation of decentralization policy remains a struggle, with national government continuing to dominate or work in parallel to the local government structure in many sectors and activities.

The increasing importance of CDD operations in the Bank's Philippines portfolio makes it worthwhile to explore how operational approaches fit with the decentralization framework (and indeed with each other.) An initial look at the design of two projects – the Mindanao Rural Development Project (MRDP) and the Kalahi-Comprehensive Integrated Delivery of Social Services (CIDSS) project – shows somewhat different choices regarding the role of local governments.

With a government counterpart that expressed a strong commitment to implementation of devolution, MRDP has plunged into the challenge of forging transition mechanisms. It emphasized participatory mechanisms and complementary roles for local governments and CBOs, and channeled about 80% of project funds through local governments from the start of operations in support of devolution. Kalahi-CIDSS has focused above all on community empowerment and participation, channels funds directly to community-held sub-project accounts while involving municipal and village local governments in decision-making, implementation and monitoring.

Local government context in the Philippines

Political Dimension

The Philippines have three levels of Local Government Units (LGs): province, city and municipality, and village (barangay.) The 1987 Constitution specifies that local government shall enjoy local autonomy, revenue raising authority, entitlement to transfers from taxes and 'national wealth', a 3 year term of office of all elected officials⁵⁵, and notes the existence of legislative bodies. The President has general supervisory authority which is delegated to the Department of Interior and Local Government (DILG).

The fundamental piece of legislation is the 1991 Local Government Code which has been praised as being highly advanced. Among other things, it: provides for the creation of "local special bodies" (such as local health and school boards, and the local development council) that are to provide policy recommendations and participate in plan development; requires consultations and public hearings for planning and implementation of projects and in key LG decisions; and calls upon LGs to promote partnerships with people's organizations (the Philippines' term for CBOs), NGOs and the private sector.

54 Sources for this case study include Project Appraisal Documents for MRDP and Kalahi-CIDSS, the Philippines Public Expenditure Review (2003), an untitled draft decentralization report by Julie Slok, interviews with project staff (Carolina Figueroa-Geron, MRDP TTL, Andrew Parker, Kalahi-CIDSS TTL, Bhuvan Bhatnagar, former Kalahi-CIDSS TTL), Mr. Magistrado Mendoza, Director, Kaisahan, and Ms. Lorena Navallasca of Process Foundation-Panay, on the status of CBOs.

⁵⁵ From 1982 to 2002, the term of office for village officials was changed several times, finally returning to 3 years.

After almost a decade and a half, implementation of the local government code remains a challenge. Actual devolution lags far behind the policy vision and, looking specifically at LG-CBO interaction, a number of measures are not implemented adequately or at all. For example, the effectiveness of the Local Special Bodies – including the local development council – has been criticized as weak, and that of the mandated public consultations (which often do not materialize) is likewise questioned. On the positive side, the elections process has become established and while political elites continue to dominate, there is also evidence of real electoral contests.

Functional Assignments

The local government code appears to give LGs clear authority over certain functions but at the same time, both LGs and national government have authority to launch activities in those areas⁵⁶. Since national bodies are often still accountable for outcomes, they reportedly try to control LG actions.

Section 17 of the code sets out devolution of health, social welfare, agriculture, environmental protection, and local public works and highways to LGs, with responsibilities varying by level of LG. However, some of these functions have not been devolved at all, and in other cases, difficulties with devolution attempts (notably in health); have seen the central authorities take back power (and staff).

Fiscal Dimension

Most LG revenues (approximately 70-80%) are from central transfers. Opinions differ as to whether transfers adequately cover the cost of devolved functions and staff, and in practice transfers can be delayed or reduced in amount, reflecting national-level fiscal problems⁵⁷. The most important transfer, the Internal Revenue Allotment (IRA)⁵⁸ is largely untied except for a requirement that 20% be spent on development activities, but in practice much of it is consumed by large LG wage bills, which tend to crowd out other spending.⁵⁹

Own revenue sources, which account for the other 20-30% of LG revenues, include a large number of taxes, fees and charges. Assessment and actual collection are reported to be weak due to pitfalls including poor data, complex design, non-compliance by payers and staffing weaknesses.

Analyses have noted weaknesses in financial management capacities which, as might be expected, appear to be more pronounced in lower tier LGs. Problems include lack of compliance with regulations as well as shortages of qualified staff.

In spite of the weaknesses and fiscal difficulties, LGs do have at least some funds to spend on development activities, though these decisions may be imperfect and not necessarily reflect community preferences.⁶⁰

⁵⁶ Concurrent functions (creates significant overlap and ambiguity)

⁵⁷ Can adversely affect resource predictability and hence undermine local planning.

⁵⁸ IRA is assigned by a formula based on LG land area, population, and equalization.

⁵⁹ The lingering central government influence on salaries of devolved staff set off demands for pay increases by other LG staff, with resulting wage bill growth. LGs also hire temporary or contract staff to circumvent government influence, and reportedly engage in some non-transparent salary practices. The full extent of personnel costs may be hidden, since some are classified under other budget line items.

- ⁶⁰ For example, provincial LGs appear to prefer funding construction of concrete roads (less so maintenance, or construction of gravel farm-to-market roads and their maintenance) and rural water supply systems, but little or nothing to communal irrigation. MRDP PAD, p. 82.

Administrative and Capacity Dimension

The devolution of staff has added to LGs' pool of technical staff, which include engineers, planners, accountants, procurement staff, social welfare officers and sectoral specialists (such as agricultural and fisheries technicians.)⁶¹ Since local governments are perceived as offering poor career prospects, some devolved staff have sought to leave, and recruiting qualified new staff can be difficult.

In an environment where patronage and elite capture are deemed to be high, the 3-year term of office has been criticized as yet another factor that encourages short-term, visible infrastructure projects over more substantive medium-term policies with less immediate or less visible payoffs.

The local government code allows for joint ventures and other cooperative arrangements with CBOs (referred to as people's organizations), NGOs and the private sector for service delivery, capacity-building and livelihood projects.

The code calls for a planning body – the Local Development Council -- at each level of LG, to be chaired by the LG chief executive. However, only half or fewer of LGs have created councils, and of these only about a third have involvement of NGOs or CBOs. Village level planning is usually the weakest, with development plans tending to be a list of projects rather than a strategic document. By default, higher level LGs tend to develop plans based on their assumptions of what lower levels need.

CBO context in the Philippines⁶²

Political Dimension

The Philippines has, in general, a dynamic civil society. Together with NGOs, CBOs have been active in pursuing taking advantage of the Local Government Code's provisions to become involved in development issues, e.g. via the local special bodies and local councils. Over the past 15 years, CBOs have become increasingly vocal, and confident enough to approach government agencies themselves (whereas in the early days they may have required NGO support.)

There are at least three options for registering (there may be sector-specific options as well): with the Securities and Exchange Commission, the Department of Labor and Employment, and the Cooperative Development Authority. CBOs may hold a bank account, as long as they have established themselves as legal entities via registration.

Functional Assignments

There are no external prohibitions on CBO involvement in functions or sectors, and in practice CBOs provide services in practically all areas of community life. Examples of issues around which CBOs organize include environmental protection and management, reproductive rights, maternal health, farming and fishing, governance and citizenship, and access to justice. Cooperatives also are involved in credit, enterprises, and training. CBOs are direct producers of services and area also allowed by law to partner with local governments, whether with or without a contract.

Fiscal Dimension

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- 61 Some 70,000 staff had been devolved by 1997. The local chief executive has the power to set the staffing pattern and organizational chart, subject to approval by the Sangguniang (local council.) The chief executive also appoints the municipal administrator, whose term of office is co-terminus with chief executive's. Other LG staff are career professionals who have passed the civil service exam.
 - 62 The information in this section is based on an interview with Ms. Lorena Navallasca of Process Foundation-Panay and e-mail communication from Mr. Magistrado Mendoza of KAISAHAN.

CBOs generally have a very small resource base. Major sources of funding include foreign organizations (for example, UNDP has a small grants program), and other, private organizations, service contracts, members' contributions, and fund-raising events. Some limited funds may be available from government bodies (e.g. under contracts, or from the village council's IRA transfer). In general, CBOs adopt participatory processes for planning, budgeting, implementation, project monitoring and their other activities.

Administrative and Capacity Dimension

Because of the dynamism of the NGO sector, CBOs have access to training and assistance in areas like community organizing, leadership, how to identify, prioritize and plan for community concerns.

CBOs might be expected to have at least 25 members, and a leadership selected in accordance with their articles of incorporation, constitution and by-laws (generally elected.). (In some instances, NGOs help organize CBOs and facilitate discussions, prior to elections, on questions such as the characteristics of a good leader, the meaning of leadership, etc.) In rural areas, educational attainment is fairly low (elementary school, possibly some illiterate members in mountainous areas.) People are, however, well aware of their rights in each sector and appeal to the government on this basis.

Mapping the Opportunity Space

Considering the above, the opportunity space for LG-CBO accountability and co-production arrangements appears to be the following:

The Philippines Opportunity Space		
<i>Dimension</i>	<i>Dimension</i>	<i>Dimension</i>
Political	Political	Political
Functional	Functional	Functional
Fiscal	Fiscal	Fiscal

For the above opportunity space, one would expect that wide range of co-production and accountability partnerships – covering provision of a variety of services, financing, and implementation -- between local governments and CBOs would generally be possible, albeit requiring adequate support and monitoring, including by the main project counterpart and donor.

CDD projects and LG-CBO partnerships

The two CDD operations reviewed in this case study, while emphasizing participatory approaches and integrating co-production and accountability relationships between local governments and CBOs (as well as other partners) into project design, nevertheless differ in emphasis (one leaning more toward local governments, the other toward communities and CBOs,) as is further explained below.

Mindanao Rural Development Project (MRDP)

Project Overview:

MRDP is an APL approved in late 1999, and became effective in March 2000, with four phases expected to span some 15 years. The project aims to reduce poverty of poor and indigenous peoples by improving incomes and food security through “implementation of better targeted agricultural and fisheries-related rural development and biological diversity conservation programs, and improved LG institutional, management and financial systems.”⁶³

63 MRDP PAD p. 2

Its four components are: (1) rural infrastructure -- roads, community irrigation, rural water supply and capacity building in infrastructure management; (2) community fund for agricultural development (CFAD) – a municipal-level fund financing diverse, community-driven sub-projects; (3) rural development planning and resource allocation, and agriculture and fisheries productivity enhancement – which, among other things, supports improved LG capacities for development planning, resource allocation, financial management and monitoring & evaluation⁶⁴; and (4) coastal/marine biodiversity conservation.

The government counterpart -- the Department of Agriculture (DA) -- stands out for its strong desire to devolve responsibilities so that LGs rather than the DA handle front-line service delivery, and to ensure sustainability and mainstreaming of institutional reform achievements under MRDP.⁶⁵

MRDP's design fits tightly with this objective and aims to create a model transition mechanism that DA will apply elsewhere in the Philippines. The project works directly with all three tiers of LGs and from its very beginning has channeled funds for the rural infrastructure and CFAD components via LGs. Initially, (year 1) funds flowed to provinces with adequate financial management systems, thereafter shifting to individual municipalities as their financial management rose to acceptable standards, with monitoring by provincial LGs and the DA's Project Coordination Office.⁶⁶ (Many municipalities had adequate capacity at the onset of MRDP1).

In addition to providing learning-by-doing and other support to develop abilities at all LG tiers, by facilitating DA's transition from implementer to facilitator of local-level planning and management of development, MRDP is also creating the necessary space above LGs to increase the chances that their new skills can be applied in a functioning devolved framework, and thus make them better partners for communities (e.g. by encouraging a more robust bottom-up planning process.)

Co-Production and Accountability Relationships

While a detailed analysis of LG-CBO partnerships is beyond the scope of this case study, a review of project design shows co-production and accountability arrangements throughout the sub-project cycle, from identification (and earlier) through operations and maintenance. The following are illustrative.

Co-production:

- Both LGs and communities contribute in cash and in kind to CFAD⁶⁷
- Together with LGs, and NGOs, CBO members are trained in sustainable marine and fisheries management, so that they can educate residents and community leaders, thereby enhancing community participation in identification, planning, establishment and operation of protected coastal areas.
- CBOs participate in operations and maintenance of water supply projects, with Rural Waterworks and Sanitation Associations and Village Waterworks and Sanitation Associations levying water charges for operation and maintenance of LG-constructed projects such as rehabilitation and construction of point-sources and communal faucets. For communal irrigation, both LGs and Irrigators' Associations contribute toward operations and maintenance⁶⁸, with LG staff receiving training in communal

64 LG institutional capacities are deemed a major bottleneck in rural development. MRDP PAD, p. 13.

65 Consistent with this, the DA created a Project Coordinating Office staffed by its own employees, and staff from participating LGs, rather than a consultant-staffed Project Management Unit.

66 The potential risks of channeling CFAD funds via municipalities are balanced by the relatively small sums involved as well as the benefits from enhanced municipal capacity through learning-by-doing..

67 Municipal LGs contribute 25% of the initial overall fund and communities contribute a minimum of 10% in kind, depending on sub-project type.

68 They are expected to contribute larger shares over time, reflecting increased income to communities from higher agricultural production, and increased LG revenues from levies on agricultural products.

irrigation management (previously handled by a central agency) so that they can better support Irrigator's Associations.

Accountability:

- The Municipal-level Multisectoral Committee brings together municipalities, representatives from rural communities, NGOs and private sector representatives to manage the sub-project selection process in CFAD, and also to prioritize municipal roads. Communities are involved in selecting types of interventions and locations under CFAD, as well as, under the rural infrastructure, in selection of rural roads and water supply sub-projects.
- Farmers are involved in preparing proposals for rehabilitation of community owned run-of-river communal irrigation schemes Municipalities prepare monthly balance statements and progress reports on CFAD, which they provide to the village LG and CBOs. Village working groups in turn post sub-project information in public places.
- Moving up through the LG tiers, provincial and municipal Agricultural Development Plans must reflect consultations with communities (as well as technical agencies)

From Design to Real Life: Experience of Phase 1

Bringing about institutional change and skill enhancements in LGs and communities has not been easy – but it has proved possible. The mid-term review, while confirming that MRDP's concept and design were valid, rated the project unsatisfactory for reasons that included: LGs not following-up to make sure that activities are done on time and to project standards; LGs being overly involved in procurement and management of CFAD sub-projects, contrary to guidelines that put beneficiaries in the lead; difficulties integrating community priorities into development plans of municipal and provincial LGs and DA's regional branch; weaknesses in organizing beneficiary groups and coordinating with support groups at municipal and provincial levels; and low disbursement.

Yet within 18 months the project had achieved a strong turnaround, and when phase 1 closed at end 2004, it was rated satisfactory. Building on the fundamental commitment of all parties (and the reinforcing involvement of oversight bodies - departments of Finance, Budget, and National Planning) and recognition of the need to do better led to improvements including: all LG tiers increasingly incorporating community priorities into their development plans and investment programs, and are doing a better job of prioritizing their resources around community needs; the project coordinating office recruiting staff with skills that had been lacking (e.g. financial management); new systems to track LG compliance in submitting audit reports and financial statements; additional community organizers going to the field to help CBOs better organize their communities; better appreciation by LGs of participatory processes, which they started to apply in their non-MRDP activities; and stronger relationships between CBOs and LGs. Numerous institutional challenges remained for subsequent project phases, but substantial progress appeared to have been achieved.

Kalahi-Community Integrated Delivery of Social Services (CIDSS)

Project overview

Kalahi-CIDSS objectives are to “to strengthen community participation in local governance, and develop local capacity to design, implement and manage development activities.”⁶⁹ Three components support these objectives: (1) community grants, largely supporting simple community infrastructure such as access roads, clean water, schools and health facilities (2) implementation support to formal and informal local institutions, (3) monitoring

69 Philippines: Kapitbisig Laban Sa Kahirapan (Kalahi) Project, Bhuvan Bhatnagar and Clifford Burkley. 2004. Paper prepared for the Shanghai conference.

and evaluation. The government counterpart is the Department of Social Welfare and Development (DSWD). The project became effective in December 2002, and expects a six year implementation period.

The project places a strong emphasis on involving communities (in their entirety, rather than targeting sub-groups) in bottom-up local development, and facilitating implementation of the decentralization framework. By design, it did not create any parallel structure but rather has taken steps to bring to life village-level entities that while mandated under the Local Government Code, in practice have often not been formed or have been ineffective. Important among these are the village assembly (which often is not convened or is poorly attended) and the village council, the lowest unit of local government. While the village council is best connected to community wants and needs, its bare bones core structure (a handful of elected councilors and one or two staff) means that its operational capacities are quite limited without a set of local government code-mandated committees (composed of villagers and councilors) that, in Kalahi-CIDSS communities, have been revitalized through their role in the project.

As part of strengthening community participation in local development, and because of issues of capture and collusion at municipal LGs through which funds to villages usually flow, Kalahi-CIDSS transfers money directly to village-level sub-project accounts that are jointly managed by the community and village LG.⁷⁰ LGs (principally municipal and village tiers) are involved, throughout project phases and sub-project activities, and also receive training. In this manner the project hopes to improve LG capacities, encourage LGs to adopt Kalahi-type processes in their non-Kalahi activities, and prepare them to take over Kalahi programs in their territory when the project ends its involvement (after three annual funding cycles in each participating municipality.)⁷¹

The fact that some sub-projects identified but not funded under Kalahi have subsequently been funded by LGs appears to indicate some success in integrating community preferences into regular LG operations.⁷²

Co-production and accountability relationships

The project's emphasis is on working with entire communities (rather than sub-groups), and on revitalizing communities, means that its design builds collaboration between CBOs, village committees attached to the village council, and LGs into the sub-project cycle. The following are illustrative.

Co-production:

- Both communities and LGs must contribute to sub-project costs.⁷³
- Sub-project preparation involves cooperation between project preparation teams, Village Representative Teams, a Municipal Inter-Agency Council, and municipal technical staff, as well as NGOs.⁷⁴
- Implementation is handled by village teams, who can receive assistance from municipal and village LG staff, project staff or hire expertise if needed. This cooperation is facilitated by training to both CBOs and LG staff on technical aspects of implementation (construction, reporting, procurement, financial management, operations and maintenance)

70 The three signatories to the account are the village treasurer (who is legally responsible for the funds), a Kalahi staff member, and a villager (who may often be the village council head.) The option of transferring some funds to villages LGs as a block grant, rather than for specific sub-projects, has also been discussed for the future, though no decision has been taken.

71 Philippines: Kapitbisig Laban Sa Kahirapan (Kalahi) Project, Bhuvan Bhatnagar and Clifford Burkley. 2004.

72 Ibid.

73 Though no minimum is set, the size of counterpart contributions is a criterion in project selection, and in practice LG and community cost-sharing has added up to an average 40%. Village contributions include cash and in-kind as, apparently, do LG contributions (staff time and land are both counted).

74 The Municipal Inter-Agency Council is a coordinating body of sectoral representatives. Depending on the sector, they may be deconcentrated central agency staff or municipal employees.

- CBOs are responsible for operations and maintenance (funded from fees collected by user associations) with municipal staff and Area Coordination Teams monitoring progress and helping as needed.
- A memorandum of understanding identifies the permanent LG staff that are to work on the project. In at least once case, a municipality has hired (and pays) engineers, facilitators, and financial analysts to take on project-related work.⁷⁵

Accountability:

- The mayor chairs (but does not vote in) the Municipal inter-village forum (MIVF) which selects proposals according to rules and criteria agreed by elected Village Representation Teams and makes indicative fund allocations.⁷⁶ Prior to and following these meetings, village assemblies meet several times to discuss, approve progress, approve the results of the MIVF, elect a village sub-project management committee, and validate detailed proposals.⁷⁷
- The mayor also chairs the Municipal Inter-Agency Committee that brings together LG department heads, deconcentrated national agencies, and NGOs, to ensure that Kalahi infrastructure projects that involve multiple departments or are in sectors that are not yet devolved receive the necessary operating supplies (for example, textbooks, medicines, education and health staff)
- Kalahi sub-projects are included into municipal development plans, to ensure sustainability. The project also helps municipal LGs prepare a plan for incorporating Kalahi-style participatory processes for planning and resource allocation, to spread the institutional benefits to non-project activities.

The project has now completed two annual cycles in a number of communities. There are some anecdotal indications of successes in effecting behavioral changes, notably the adoption by some LGs of Kalahi-CIDSS approaches for their general, non-project operations; impressions from municipal elections in 2004 suggest that many mayors supportive of Kalahi did better than others.

Filling the Opportunity Space

What, then, do these two projects indicate about where LGs and CBOs end up, in the real world? Are their actual partnerships consistent with the predictions that arise from assessments of their contexts as being constrained or enabled?

First, it must be acknowledged that various forms of capacity building help local governments and CBOs improve their technical and administrative skills; problems are identified and tackled early on. These advantages mean that participating CBOs, in particular, enjoy a relatively more enabling environment than do CBOs who have to go it alone. Local governments also benefit, of course, but being more complex and, embedded as they are in the intergovernmental system, subject to more *de jure* and *de facto* regulation than CBOs, might be expected to have a harder time rising above constraints. On the other hand, the greater absolute value of their resources – staff and budget – also suggests that, if there is political will, a well-tuned system to guide LGs in the right dimension can spark significant benefits.

75 Philippines: Kapitbisig Laban Sa Kahirapan (Kalahi) Project, Bhuvan Bhatnagar and Clifford Burkley. 2004.

76 In two rounds, first reviewing initial proposals and subsequently detailed versions.

77 Village assemblies are mandated under the local government code, but often not called or do not reach the required 50% + 1 majority. Village assemblies under Kalahi appear to have no problem meeting and exceeding the attendance requirement.

LGs seem to be capable in both projects of entering into partnerships involving staff, money or in kind resources, and technical support to communities. MRDP's mid-term turnaround experience appears to indicate that, in the Philippines, municipal LGs do already have the space to be reasonable development partners in all four dimensions. At village LG level, Kalahi-CIDSS has given new life to legally mandated governance structures by giving them responsibilities for sub-projects. Of course, support and guidance have played a critical role in these positive developments. Among the factors that appear important in building and maintaining LGs' partnership potential are: providing real opportunities and incentives to LGs to perform (including access to funds); creating oversight mechanisms and checks within existing institutional structures, to keep them on track; and various other forms of support ranging from capacity building to guidance from the sector ministries and other partners.

ANNEX 2: ZAMBIA: PUSHING FOR CHANGE UNDER A STALLED DECENTRALIZATION FRAMEWORK⁷⁸

Zambia exhibits a weak decentralization setting, with long-standing discussion and debate that for many years yielded little real progress and raised serious doubts about the extent to which the government was sincerely interested in decentralization. A decentralization policy (with devolution as the ultimate objective) was finally approved in late 2002 but launched only in August 2004. In addition to the fact that implementation is in its early days, it is not clear that the real implications of what devolution really means – in terms of giving up power as well as the practical processes and actions it requires – are well understood.

Not surprisingly, Zambia's central government (including its deconcentrated arms) has continued to dominate over local governments whose real authority, technical capability to deliver services, fiscal standing and administrative capabilities appear to be highly constrained. CBOs, though facing a tough environment marked by widespread poverty and lack of resources, nevertheless seem to manage to function reasonably well, when given appropriate support.

Faced with a complex setting with little progress on decentralization, the Zambia Social Investment Fund (ZAMSIF) took a calculated risk to shift from predecessor projects' approach of working with communities and deconcentrated government, toward providing a greater role for local governments. Among other considerations, there was hope that this might contribute to bottom-up demand for decentralization. While this strategy has seen some advances in terms of developing local government capabilities, reality has lagged initial expectations.

Local government context

Political Dimension

Local governments' authority under law is subject to significant central government control. The constitution calls for a local government system to be prescribed by parliament, with councils to be democratically elected. The 1991 Local Government Act enables councils to "establish by-laws, hire and fire their own employees, raise revenues, borrow, dispose of, or acquire assets."⁷⁹ The Minister of Local Government and Housing must approve LG actions in most of these areas (such as by-laws and budgets) and also has the authority to revoke by-laws, suspend councilors and staff or appoint an administrator for the councils when he deems it necessary.⁸⁰ The act is now under review as a step towards aligning it with the recently-launched decentralization policy

Each council is divided into wards, each electing one councilor for a 5 year term based on a first-past-the-post electoral system. Mayors/chairs are elected by the councilors, though the recent decentralization policy calls for direct election by citizens. While transition to democracy take time and are imperfect, the advent of the multi-party system in Zambia is apparently being felt in contested elections and in citizens demanding that councilors respond to their needs.

78 Sources for this case study include: ZAMSIF PAD; ZAMSIF Mid-Term Review Issues Paper, 14 March 2003; ZAMSIF Mid-Term Review Issues Paper II, 24 August 2003; Draft Report on Decentralization & Local Government, December 2002, Ministry of Local Government & Housing; ZAMSIF Beneficiary Assessment report, 2003; The Local Government System in Zambia, Commonwealth Local Government Forum, 2005, posted at www.clgf.org.uk; and interviews with individuals with in-depth knowledge of ZAMSIF: Wim Alberts (current task manager), Laura Frigenti (former task manager), Steen Jorgensen (task manager of predecessor projects SRP I and II, involved in ZAMSIF design), Helen Mbao, (Social Development Officer, Zambia country office) and Ed Mwale (Operations Coordinator, ZAMSIF Management Unit.)

79 ZAMSIF PAD

80 ZAMSIF PAD, Annex 11 Structure of Local Governments

Functional Assignments

The 1991 Local Government Act is broad-ranging and largely vague regarding responsibilities for functions. It assigns city, municipal, and district (rural) councils 63 different functions in nine basic areas: administration, advertisements, agriculture, community development, public amenities, education, public health, public order and sanitation and drainage.⁸¹ However, the Act does not clearly state which functions are the sole responsibility of either local authorities or the central government, or are to be shared. This can result in a large number of parties being involved in service delivery, with high potential for confusion; for example, eleven different parties are involved in development and maintenance of water supply systems.⁸² All councils (city, municipal and district) are assigned the same responsibilities, with a few additional tasks for city and municipal councils.⁸³ Councils are able to contract in, contract out or enter into agreement with other organizations in order to carry out their work.

In practice, councils fulfill only a small number of the formal responsibilities under the Act; most have remained in the hands of central ministries or have been returned to them allegedly because of poor performance on the part of councils. In particular, health, education and agriculture services remain the domain of deconcentrated government. Councils appear to deliver only “traditional local service such as markets bus stops, street lighting, grass cutting and road maintenance, construction permits, water, sanitation and drainage, some public health (abattoirs, inspection, pest control, refuse removal, etc.) and some low cost housing.”⁸⁴

Fiscal Dimension

While the Local Government Act requires central government to make grants to LGs for services⁸⁵, in practice grants have been decided on an ad hoc basis, passed via the Ministry of Local Government as funds are available rather than on a set schedule. The transfer amounts have also been criticized as inadequate, and indeed have been declining over time. For smaller councils, they may represent 30% of total revenues, whereas for larger councils zero or negligible amounts. In 2005, the Ministry of Local Government and Housing adopted, for use in its own transfers, the formula that ZAMSIF had developed for allocating project funds (the “indicative planning figure”) to individual local governments.⁸⁶

LG fiscal autonomy to levy fees and charges and to decide on expenditure allocation is constrained by the Minister of Local Government and Housing’s approval authority over most revenue-raising decisions as well as budgets. The central government has also taken away some levies, leaving LGs to search for other sources of funds. Own revenue generation is low, reflecting small revenue bases as well as collection and management difficulties. These include poor monitoring of services for which fees are charged,

81 More specifically, these include “Maintenance of law and order; control of the movement of livestock, slaughtering of animals, and sale of meat; storage, market and preservation of agricultural produce, conservation of natural resources and prevention of soil erosion; provision of and maintenance of clean water; construction and maintenance of public roads; refuse removal and establishment and maintenance of sanitation systems; registration of births, deaths, marriages, clubs, and enumeration of persons or property connected with the administration of council areas; community development; street lighting; firefighting; public amenities such as parks, zoos, gardens; establishment and maintenance of cemeteries; establishment and maintenance of colleges, schools and day nurseries; establishment and maintenance of hospitals, clinics, and environmental health centers.” Draft Report on Decentralization & Local Government, December 2002, Ministry of Local Government & Housing.

82 Draft Report on Decentralization & Local Government, December 2002, Ministry of Local Government & Housing.

83 City and municipal councils also are responsible for maintaining trunk roads, and serve as planning authorities under the Town and Country Planning Act and the Lands Act.

84 ZAMSIF PAD

85 Specifically, for health, fire, roads, police, primary education and agriculture, though in practice health, education and agriculture remain centrally-controlled.

86 E-mail communication from Ed Mwale, 2 June 2005.

reluctance to increase tariffs for political reasons, weak planning and budgeting and a lack of expenditure discipline.⁸⁷

Administrative Dimension

Councils are fully responsible for their wage bill, and have the power to hire and fire staff though there is some central influence (for example, the Local Government Act specifies educational qualifications for managerial posts.)

Past analyses have pointed to significant overstaffing (probably more so in larger urban councils than in rural ones) which likely crowds out other spending. Overall, some 53% of expenditures are for personnel costs; for individual councils this can be as high as 60%.⁸⁸ A large proportion of council staff consists of low-skilled laborers, the legacy of past policies aimed at providing employment and income. Even when a council wishes to trim its staff, retrenchment has been difficult due to high severance payments. Nevertheless, many councils have reportedly started gradually reducing staff numbers by not filling vacancies or by paying severance when their budget allows, and in 2005 the central government allocated funds to finance severance payments, in hopes of enabling councils to reduce payrolls.

Recruitment of appropriately qualified staff appears to pose a problem, particularly in rural areas which are seen as too remote and low in prestige. In addition, many months of salary arrears or non-payment reduce the overall appeal of council positions, and certainly affect the willingness and enthusiasm of council staff to undertake challenging, time-intensive work on donor-supported projects like ZAMSIF. District Planning Officers – whose involvement is important to the planning process generally and to the LG's role in ZAMSIF – have been cited among those professional positions where rapid turnover is harmful.

Much of the technical expertise for local development remains lodged within deconcentrated central ministries at district level (e.g. education officers, buildings supervisors from Ministry of Works and Supply, agriculture, forestry officer from Forestry dept, social welfare officers), which communities of necessity look to for cooperation and assistance. Deconcentrated district staff appear to advise project committees on procurement matters

CBO context

Since little analysis of the situation of CBOs was available, the following is based upon interviews and project literature.⁸⁹

Political Dimension

There is no overall legal framework per se for NGOs or for CBOs. While such entities are able to register in the Register of Societies, because the process is lengthy and cumbersome, many if not most CBOs do not do so. Even un-registered, CBOs can open a bank account in the CBO's name and they can enter into contracts.

CBO operation is regulated by accepted local practice. Discipline is imposed by peer pressure, risk of lawsuits for abuse of public funds and, under ZAMSIF, monitoring by line departments and councils. CBOs are more evident and active in urban areas, much less so in rural areas though they do form around particular interests when needed.

87 Draft Report on Decentralization & Local Government, December 2002, Ministry of Local Government & Housing

88 Figures cited in The Local Government System in Zambia, Commonwealth Local Government Forum, 2005, posted at www.clgf.org.uk and the ZAMSIF PAD, respectively.

89 Interviews with Helen Mbaio, Social Development Officer, World Bank country office, and Ed Mwale, Operations Coordinator, ZAMSIF MU.

Functional Assignments

In the absence of a legal framework, there are, correspondingly, no restrictions on the spheres of CBO involvement. Education is the one sector where there is an explicit formal basis for CBO involvement, via school-based PTAs whose creation is encouraged by the government. In practice, CBOs are active in a large number of sectors. To illustrate, ZAMSIF works with CBOs in health, education, environment, HIV/AIDS, community roads, gender, water and sanitation, and initiatives for vulnerable groups.

Fiscal Dimension

Given poverty levels, raising money from sources other than donors is difficult. CBOs might be able to gather enough money to send a community leader to the district to lobby or lodge a complaint, but normally operate with in-kind contributions (e.g. materials, labor, foodstuffs or meals during activities.) Some communities were found to be too poor even to contribute materials to ZAMSIF projects.

ZAMSIF has seen some success in encouraging CBOs to approach funders beyond the project, make independent proposals to other donors and otherwise advance their cause though such active approaches are relatively new and unusual.

Administrative Dimension

Some CBOs (notably in the education and health sectors) are particularly well-organized with literate and active leadership; in practice, this may skew community-sub-projects towards these sectors, since they have the most capable advocates.

CBOs provide materials and direct labor as well as procuring some materials and services, and do costing and budgeting themselves.

Mapping the Opportunity Space

In summary, the opportunity space for LG-CBO accountability and co-production arrangements appears to be the following:

Zambia Opportunity Space		
<i>Dimension</i>	LGs	CBOs
Political	Constrained	Partly enabled
Functional	Constrained	Partly enabled
Fiscal	Constrained	Constrained
Administrative	Constrained	Partly enabled

For the above opportunity space, one would expect councils to have difficulty entering into robust service delivery partnerships, and both councils and CBOs to have difficulty providing funds for projects. Likewise, CBOs and communities would presumably seek accountability not so much from councils as from the deconcentrated departments that have the technical expertise and resources to assist them.

CDD and LG-CBO partnerships: The Zambia Social Investment Fund (ZAMSIF)

Project overview:

ZAMSIF was conceived as a ten year adaptable program loan, with a first phase running from 2000 to end 2005. It followed on two Social Recover Projects (SRP I and II) which, designed in the late 1980s as the country was emerging from repressive one-party rule, worked directly with communities (and deconcentrated technical staff of central ministries) in hopes of delivering quick impacts and opening up space for the tough macro-level reforms that would be coming down the line.

Some ten years later, one of the challenges of preparing ZAMSIF was how to build up local governments – thereby fostering more sustainable impact and creating an exit strategy for the project, which would leave capable local councils in charge -- in the continued absence of a robust decentralization framework. Indeed, the hope was that the project might spark bottom-up demand for decentralization. The bank’s preparation team drew upon decentralization expertise, local knowledge, and the positive experience of SRP, under which deconcentrated officials had been able to work effectively with communities. The project directly supported one of three key strategic priorities in the Country Assistance Strategy, that of fostering local government and decentralization.⁹⁰ Also, at the same time the Bank was preparing a Public Service Capacity Building Project that included, among the five components for its first phase, supporting the preparation of an implementation strategy for government’s (as yet unadopted) decentralization policy. These factors seemed to bode well for an emphasis on local government-community partnership.

To support local government performance, the project devised a process of graduation through five levels that would align a local government’s demonstrated capabilities with its responsibilities in each of two ZAMSIF components: a community investment fund (CIF) financing sub-projects in individual communities, and a Direct Investment Fund (DIF) financing capacity-building as well as providing funds for district-level sub-project serving multiple communities, to be managed by local governments. As expected, at project launch the majority of local governments were in the lowest levels (1 and 2), and had little real power. Meanwhile, with decentralization efforts stagnating, sectoral technical expertise remained largely in deconcentrated units of central government bodies, reporting to Lusaka (as is the case to this day) rather than to elected local councils. Since the government had recently mandated the creation of District Development Coordinating Committees to serve as advisory forums through which deconcentrated departments, local governments, donors and NGOs could coordinate development activities, ZAMSIF design specifically required, as a means of creating an incentive for deconcentrated staff to cooperate with local governments, that DDCCs work with local governments (district councils) to get a flexible block grant. District councils are also required to have a District Planning Officer on staff in order to be eligible for project support.

In practice, ZAMSIF came up against a number of stumbling blocks. While decentralization continued to be the subject of much discussion, real advances were slow (a policy was finally adopted in 2002 but launched only in 2004); technical expertise and authority remained with central ministries and their deconcentrated staff. Capacity-building aimed at district councils produced only modest gains, and by mid-2003 no councils had moved beyond the two lowest levels in the five-tier graduation ladder. With lackluster performance on community-sub-projects and on DIF projects, and lagging disbursements and commitments, the project was declared unsatisfactory at its mid-term review in 2003.

A restructuring ensued. This included pooling uncommitted CIF funds and making them available on a first-come-first served basis (rather than having separate budgets per LG); the presumed bias toward better-performing districts was mitigated by earmarking a portion of the total for particularly weak communities and districts. In addition, some DIF component funding (and staff) were shifted to the CIF, and capacity-building assistance to local governments in the lower levels of the graduation scale was reoriented toward more basic hand-holding and implementation-oriented support, rather than the more abstract learning activities for more developed local governments. The project’s development objective was modified to stress a more gradual transition towards accountability relations between local governments and communities.

⁹⁰ It is the impression of some observers, however, that country management put more priority on the other two CAS pillars: improving transparency and accountability, and strengthening public sector efficiency and capacity.

ZAMSIF subsequently regained a satisfactory rating, with commitments and disbursements increasing. The emphasis on working more with better-performing governments yielded results in project implementation. By mid-2005 a handful of district councils had reached level 5, with a slightly larger number (six) in level 4, with almost all of them carrying out their responsibilities with relatively little trouble. From the perspective of improving capacities of local governments more broadly, and the initial project exit strategy of leaving behind capable district councils, however, it appeared that practical difficulties – the state of decentralization among them -- had necessitated a rethinking of the initial high expectations.

Co-Production and Accountability Relationships:

The following are examples of ZAMSIF co-production and accountability relationships involving CBOs and local governments – and central government, where local governments are not empowered.

Co-production

- Communities are required to contribute 15% towards sub-project implementation; for some particularly poor communities, this has proved too high a hurdle.
- While the PAD does not cite a specific co-financing requirement for local governments, other project elements – such as the requirement that LGs have filled the District Planning Officer's position – do engage LGs in co-production. A field study found that LGs were generally willing to contribute to ZAMSIF costs with staff time and material support (e.g. vehicles, when available);⁹¹ in practice, though local governments can find themselves without adequate operating budgets to, for instance, pay for fuel for staff visits to communities.
- CBOs are involved in operations and maintenance. For example, Parent Teacher Associations raise funds for operations and maintenance costs of school projects. In the case of a health centre, the community formed a committee to ensure that (central) government provided supplies as promised, and set up user fees and income-generating activities.⁹² However, poverty levels and the vulnerability of certain beneficiary groups strains community abilities to contribute to operations and maintenance.
- At desk appraisal, sector ministries (e.g. health and education) commit to paying for recurrent costs. In practice, however, actual disbursements have been lower than budgeted amounts.

Accountability

- District council bodies – including the District Development Co-coordinating Committee and its District Planning Sub-committee, the full Council and its Plans, Works and Development Sub-committee play various roles in ZAMSIF, including appraising projects, providing technical inputs to sub-project budgets, and approving recommended sub-projects.
- Communities organize committees in order to advance their interests, participate in planning for sub-projects, and manage sub-project finances and operational needs. As noted in the mid-term review, committee links to district and ward development planning bodies were still fragile.⁹³

91 Beneficiary Assessment, 2003.

92 Mid Term Review Issues Paper, 14 March 2003. Annex III: Review of MTR Questions and Issues.

93 Aide-memoire, MTR mission – Phase II, August 25-September 2, 2003.

Filling the Opportunity Space

Project experience appears to have borne out what one would expect from the review of the extent to which local governments and CBOs are enabled or constrained: while good will may be in place, practical constraints such as staff capacities and budgets, as well as the constrained role for local governments in a very weak decentralization context, appear to have inhibited their involvement with CBOs and communities. With key sectoral ministries retaining control over service delivery, CBOs are better served by seeking technical and other support from deconcentrated bodies that can help them in the day-to-day implementation process, and control the funds needed to operate and maintain sub-projects once they are completed.

ANNEX 3: NICARAGUA: EXPANDING THE OPPORTUNITY SPACE FOR LOCAL PARTNERSHIPS THROUGH CDD OPERATIONS

Introduction

Over the last 15 years, Nicaragua has gone through a gradual process of decentralization. During this period, the Bank supported six CDD operations with two agencies that played a critical role in the country's decentralization policy. It supported four operations with FISE, the Nicaraguan Social Fund, and two operations with INIFOM, the agency responsible for municipal strengthening.

These operations illustrate (i) contrasting proposals for exploiting a specific decentralization environment to promote local partnerships, as well as (ii) the potential and limitations that CDD operations can have in reforming the environment in which they function. Furthermore, it shows how “healthy competition” between Bank operations also influences task team's perceptions about the opportunity space for promoting local partnerships.

The discussion is organized around three chronological periods, characterized by the type of operational response that Bank operations gave to the country's decentralization environment. In a nutshell they are:

- 1990-1995—this is a period of missed opportunities. Even with shortcomings, the country's decentralization framework offered opportunities for building local partnerships. FISE 1 and FISE 2⁹⁴, focused on short term gains, did not seize them.
- 1996-2000—this is a period of piloting innovations in local partnerships. The constitutional reform and a new decentralization law improve a bit the enabling environment. INIFOM 1 introduces a number of pilots for addressing the shortcomings of the enabling environment and to promote accountability and co-production partnerships. FISE 3, confronted by the shortcomings of its previous strategy and stimulated by the example of INIFOM 1, begins a set of pilots in a similar direction than INIFOM 1.
- 2001-2005—this is a period of scaling up and policy reform. Operating in a similar environment to the previous period the new operations (FISE 4 and INIFOM 2) go into institutionalizing the pilots and promoting policy reforms. To a large extent they succeed resulting in a significantly more enabling environment for local partnerships (e.g., Municipal Planning System, and Fiscal Transfers Law), even though new challenges arise.

⁹⁴ While these are not the real names of the loans, they are used for simplicity of presentation purposes. The real names are for FISE: Social Investment Fund I, III, III, and Poverty Reduction and Local Development Project. For INIFOM: Rural Municipalities Project (aka PROTIERRA), and Second Rural Municipalities Project.

1. Missed Opportunities (1990-1994)

1.1. The Environment

The foundation for local government during this period was the Municipal Law of 1988 (*Ley de Municipios - Ley No. 40*). During the first four years of the Chamorro administration (1990-96) the main advances in decentralization were the creation of INIFOM (Instituto para el Fomento a las Municipalidades) in 1990 and the establishment of 143 municipalities in 1991 (a number that over the years would grow to the current 152 municipalities). The role of INIFOM was to promote the institutional development and strengthening of municipal governments in Nicaragua.

Political dimension

During this period all important decisions were made by the Municipal Council, which had ultimate authority. *Municipal councilors were elected* by the local population and then the Municipal council elected the mayor. There were two major accountability problems:

- First, without *direct election of mayors*, the possibilities for citizens to hold the executive to account are constrained.
- Second, the *electoral system had a strong urban bias*. Councilors are elected proportionally from political party lists (which tend to head the lists with candidates from urban areas) with the result that a disproportionate number of councilors are urban residents while rural and urban residents vote in similar proportions. Roughly it was calculated that on average only 13% of councilors reside in rural areas while rural populations contributed roughly 50% of all votes. Hence Municipal Councils do not internalize as well the concerns of rural communities as they do of urban ones and are not well positioned to initiate activities directed at sustainable rural development, rural poverty the environment, and natural resource management.

Legal, Functional, and Regulatory Context

The 1988 law authorized local government to provide services and exercise administrative authority over: (1) environmental protection; (2) regulation of urban development and land use; (3) solid waste management; (4) reforestation; (5) oversight of natural resource use and protection; and (6) creation of mechanisms for popular participation in local decision-making.

While the number of functions that were assigned to municipal governments was very limited, there was much scope in terms of delegating certain functions through principal agent arrangements. This explains the multiple decentralization pilots in health and education⁹⁵ that the Chamorro administration began during this period, and which showed that there was a certain space for promoting local partnerships between CBOs and local governments:

- *Local Systems for Comprehensive Health Assistance (SILAIS- Sistemas Locales de Asistencia Integral de Salud)*. This was an effort to deconcentrate the health system to the regional level. One of the more promising innovations was the involvement of local governments and citizens through the creation of Local Health Councils. These councils were formed by the mayors of the municipalities in that region, community organizations, doctors and health workers. The expectation was that these Councils will have planning and budget execution responsibilities. While this was piloted in some municipalities, like Matagalpa, the change of government in 1997 discontinued this initiative.
- *School Autonomy and Delegated Administration of Education*. Since 1992, the Ministry of Education (MED) began two pilots to bring the administration of

⁹⁵ Ortega Egg (1997)

education closer to citizens. One pilot was about delegation of school management responsibilities to Municipal Governments. The other one was about delegating operational autonomy to a School Council formed by parents associations, by the school authorities, professors, and other local stakeholders. This last pilot in particular was very successful.

Fiscal dimension

- *Most municipal revenues come from various local taxes and fees.* In 1992: 74% of municipal revenues originated from taxes and fees with the bulk coming from the sales tax (37%), the property tax (6%), the vehicle tax (5%), the business registration tax (8%), and user charges and fees (16%). Sales taxes and business registration taxes, in particular, are predominantly collected in trading centers where businesses are located, usually cities and towns.
- *There was a big revenue and expenditure gap between the larger and more urbanized municipalities and smaller and rural ones.* The fourteen more urbanized municipalities accounted for 75% of all municipal expenditures, but included only 49% of the population. While an urban municipality spent on average more than US\$20.0 per capita per year the more rural ones invested less than US\$0.50 per capita per year.
- *Fiscal transfers were discretionary, extremely low, and had no mechanism to compensate horizontal imbalances.* The amount was discussed every year, and it was very small—representing 3% of total municipality revenues in 1992.

Administrative dimension

With the exception of a few urban local governments, the majority of LG had *very weak capacities*. Only the larger and/or better funded municipal governments (e.g., Leon, Chinandega, El Castillo) were able to exercise their functions through the establishment of municipal environmental offices, employing technical specialists, and creating environmental and natural resource advisory committees.

1.2. Interpreting the Opportunity Space

The context of Nicaragua in the early 90s *offered some space for promoting local partnerships through CDD projects*. Despite the important shortcomings in the decentralization framework, the fact that there was a municipal law, and that there were elected local governments with local budgets and a certain capacity for local revenue collection provided some basic elements on which to latch onto a project that would promote local partnerships. Proof of the existence of a certain opportunity space comes from the pilots that the Ministries of Education and Health did in areas that are hard to decentralize, such as education and health services. Even though there was no solid decentralization policy, decentralization was part of the public sector reform process and discourse of the Chamorro Administration.

1.3. The Operational Response: FISE 1 and FISE 2

The two multi-sectoral CDD operations that the WB supported during this period, however, did not seize the opportunity space provided by the decentralization environment. These were two IDA credits for FISE, one in 1993 and the other in 1995. FISE was an agency created in 1990, and that initially was part of INIFOM.⁹⁶

⁹⁶ The Fondo de Emergencia Social (FES, the original name of the FISE) was created on 20 November 1990 on the initiative of USAID. FES was an autonomous agency with full contracting and property rights. It was created by Decree 59-90, originally for a period of 5 years. Institutionally, however, FES formed at first part of INIFOM. USAID began to finance FES projects in November 1990. According to USAID officials who were then already

The objective of these two loans was very similar: to “sustain poverty alleviation efforts, maintain social cohesion during economic adjustment until line ministries would strengthen their institutional capacities and complete policy reform programs.”⁹⁷ The principal aim of FISE in these early years was to generate employment and to build and rehabilitate social infrastructure (schools, health posts, water projects) that had fallen into decay or had been destroyed during the war of the 1980s.

Even though FISE supported the construction and rehabilitation of local infrastructure, local governments and communities did not appear as important actors. While projects were supposed to be identified in a demand-driven way, the whole process lacked transparency and was prone to clientelistic practices, and poor decision making. FISE engineers traveled around the country with the FISE project menu and following suggestions of local politicians, municipal officers, NGOs, etc. Sometimes they identified projects themselves. Projects were managed by private contractors with minimal input from communities and local governments.

Even though the constitutional reform of 1995 had a pro-decentralization emphasis, FISE 2 (designed in 1995) did little to take advantage of this, and mostly continued with its centralized model. While it did have as one of its objectives to support the government’s decentralization strategy, but in practice it continued with the same subproject cycle, which had hardly any involvement of beneficiary communities or of local governments. FISE 2 began to acknowledge the problems of investment sustainability by requiring the establishment of local committees to maintain and help run schools and health centers.” Subproject beneficiaries were also “required to make a contribution of five percent of the subproject cost in cash, land, materials or labor,” even though this was not mandatory (World Bank 1995a: 6).

2. Piloting Innovations that Push the Boundaries of the Policy Environment (1996-2000)

2.1. The Environment

The 1995 Partial Reform of the Constitution brought important implications for LG, which were regulated through the 1998 Reformed Municipal Law (law 261):

Political dimension:

Two important reforms that strengthened local government downward accountability were (i) the elimination of regions as administrative units,⁹⁸ removing a level of government that often undermined local government territorial authority; and (ii) mayor, vice-mayor and councilors will all be elected directly for a period of four years. Still, despite these improvements the *urban bias* of the electoral system continued as one of the major barriers for electoral accountability.

*Legal, Functional, and Regulatory Context:*⁹⁹

Law 261 laid out the general responsibilities of municipalities and central government. It embraced the principle of subsidiarity, according to which expenditure responsibilities should be assigned to the lowest

involved in decision making about the fund, the FES projects absorbed too much INIFOM capacity, and INIFOM neglected the strengthening of municipalities for which it was created. For that reason it was decided to split the two institutions in September 1991. At that time the name of FES was changed to FISE, Fondo de Inversión Social de Emergencia. In 1991 IDB began lending to FISE (Dijkstra 2000).

⁹⁷ World Bank. (1997).

⁹⁸ with the exception of the RAAS and RAAN.

⁹⁹ Largely based in Spilimbergo 2004

government level that is able to perform the task efficiently.¹⁰⁰ It stated that municipalities had broad competence on all activities that promote local socio-economic developments and that preserve the environment,¹⁰¹ and distinguished between exclusive, concurrent, and delegated functions. The exclusive functions are limited to basic services to local population e.g. home garbage collection, civil registry. The concurrent functions are those for which municipalities and central government are jointly responsible e.g. education, culture, environment. The delegated functions are those that the central government can delegate to municipalities e.g. local aqueducts, roads.

From an economic point of view, the Municipal Law has three main shortcomings.

- First, *the law does not specify which level of government should pay for concurrent responsibilities*; in absence of clear legal guidelines, the use and the availability of financing have delimited the relative responsibilities. In practice, the central government or its agencies have assumed full responsibility especially in poor municipalities.
- Second, *the Municipal law has a surprisingly number of conflicts with other laws and regulations* (particularly in electricity, water, sewage, health, environmental regulation)¹⁰²
- Third, *the law fails to recognize the limited resources available at municipal level*. The law offers more a wish list of activities that municipality should ideally perform than a realistic indication of priorities. Therefore, it raises an unrealistic local expectation of higher transfers to finance these mandates. At the same time, the list of mandates is so unrealistic that it does not provide any realistic benchmark against which to evaluate the efficiency of municipalities.

	Central Government	Municipal Governments
Expenditure Responsibilities	Exclusive: Defense, national security, foreign relations, electoral system, justice system, school education, higher (University) education, central banking, regulation of financial system, taxation and public borrowing, regulation of public services and public infrastructure, civil security and social security.	Exclusive: Urban infrastructure development and maintenance, management of local public services, construction, maintenance and administration of libraries, promotion of handicrafts, construction and management of public cemeteries, construction and maintenance of sports, parks and recreational facilities, civil register and local institutional capacity building.

¹⁰⁰ Article 2 item 3 of the Municipal Law states that: “any matter that has implication for the municipal socio-economic development and any function that may be performed efficiently within its jurisdiction or require a relationship with the local community must be of municipal competence. Municipalities must develop the necessary technical, administrative, and financial capability to carry out the responsibilities assigned to them.”

¹⁰¹ Article 7 gives a detailed list of Municipalities’ responsibilities including: 1) local health, which includes garbage collection, water disposal, sewage, and basic local health structures; 2) maintain civil registry; 3) maintain cemeteries; 4) urban and rural planning; 5) building and maintenance of local roads; 5) providing water and electricity to the local population; 6) develop the environment; 7) develop and oversight local transportation; 8) defend and promote the rights of women and children; 9) develop local infrastructure and promote economic activity. However, the law does not say anything about financing.

¹⁰² (a) the 1998 Municipal Law states that municipalities are responsible for providing electric services, which is at odds with the 1998 energy sector law stating that the Nicaraguan Electrical Institute (INE) is the only agency responsible for electricity; (b) the 1998 Municipal Law states that municipalities are responsible for aqueducts, which is at odds with the 1998 aqueducts law stating that the Nicaraguan Aqueduct and Sewage Institute (INAA) is the only agency responsible for aqueducts, sewage, and water treatment; (c) in addition, the municipal law presents conflicts with environmental regulation, ministry of health, ministry of development.

	Assigned to both: Roads, public health, electricity, environment and natural resources conservation, agricultural and forestry development, culture, tourism promotion and development, public transportation development and regulation, solid waste disposal, execution and monitoring of local public infrastructure, water and sewage management.
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Source: Ballivian et al 2004

Fiscal dimension: probably the most important change was the establishment in the constitution that a percentage of the national budget will be fiscally transferred to those LG with lower resource mobilization potential.

Fiscal Responsibilities for Central and Local Government After the 1998 Municipal Law		
	Central Government	Local Government
Resources	Exclusive: Income and profit tax, value added tax, excise taxes, custom duties, other small taxes and fees	Exclusive: Local sales tax, property tax, some minor local taxes and fees.
	Shared: Minor taxes. taxes on sugar.	
Transfers	Discretionary transfers from central government to municipalities. The amount was discussed every year with the budget and usually amounted to 1 percent of fiscal revenues.	

Source: Ballivian et al 2004

Administrative dimension: [bring diagnostic from 32 municipalities done for protierra]

2.2. Interpreting the Opportunity Space

While the legal reforms still left important gaps in the institutional framework, particularly in terms of the concrete regulations to implement the new norms, their strong message in favor of municipal strengthening increased the *political salience* of decentralization. In addition, a number of small pilots that several donors had been pursuing with INIFOM

2.3. The Operational Response: INIFOM 1 and FISE 3

There are two operations that the Bank supported during this period. INIFOM 1 first in 1996 and FISE 3 then in 1999 took advantage of the opportunity space and designed innovative pilots aimed at improving the policy environment and the practice of local partnerships. Both operations tried to improve the fiscal and capacity dimensions of the enabling environment and also promoted local partnerships to deepen co-production and accountability between LG and CBOs.

INIFOM 1 -- Rural Municipalities Development Project (PROTIERRA)

In contrast both to traditional approaches, which implement rural development programs through central line agencies, and also in contrast to some community-drive approaches, which focus exclusively on community groups, this project has been concerned with establishing a permanent capacity for designing and implementing locally-relevant development policies at the municipal level. Strengthening municipal governments has, therefore, been a critical aspect of the strategy for implementation. It was thought important to develop the capacity of municipal authorities not only for implementing poverty alleviation programs but also for designing programs and policies and developing a coherent long-term strategy for area development. It was important to decentralize authority for planning and implementing development programs, and the municipality was selected to be the key institution spearheading this effort.

Interestingly, the concept for PROTIERRA evolved significantly between its identification in mid-1994 and its approval in September 1996.¹⁰³ The focus on local development came as a result of the diagnostic work that went into design. Its initial rationale was to assist the Government of Nicaragua (GON) in implementing the actions recommended in a 1993 National Environmental Action Plan (completed with World Bank assistance) and a National Forestry Action Plan. These plans were supported with detailed technical analysis, along with consultations at the community, municipal, and national levels. Analyses completed at the time suggested that sound natural resources management could help create employment, and that natural resources management through a demand-driven and participatory development approach was the most sustainable means of doing so.

The government had also accepted the idea that rational management of natural resources at the local level could contribute to reducing poverty, and it was prepared to make grants available through municipalities for such management. This view reflected an ongoing trend in national policy in favor of decentralizing responsibility for a broad range of economic and social development functions and transferring those responsibilities-and the resources to meet them-to municipalities. The GON's strategy was to transfer a percentage of its current budget resources to municipalities through untied block grants according to a specific formula, and to improve the municipalities' capacity to manage these resources. The GON believed that this would create a more sustained effort in economic development and poverty reduction. However, the process of developing and approving a national legislative framework for such a system was slow and problematic because of the government's lack of experience; this was compounded by distrust between political parties and their concerns about the outcome of such a plan. The legislative action required to achieve this goal was included (and accomplished) as part of the Second Rural Municipal Development Project.

Therefore the GON and the World Bank agreed that IDA financing under this project would support a broader range of municipal activities (other than strictly natural resources management) as part of a more general poverty reduction effort. Thus, the rationale for the project was significantly altered in favor of supporting poverty reduction through municipal development and the decentralization of financing for municipal activities. The municipal development component was implemented in 32 of the 150 municipalities, had a budget of US\$ 35 million and four subcomponents:

- Development of municipalities as decentralized service planners and providers, and promotion of a more open and participatory model of governance (US\$5.8 million).
- Support for improving the institutional capacity of INIFOM and its various organizational units, strengthening the legal and financial framework for decentralization of government functions to communities, and establishing a specialized unit to implement the component (US\$3.3 million).
- Specific support for informing, training, and encouraging communities and civil society to participate in local service provision and to recognize and exercise their right to local control, transparency, and accountability (US\$2.8 million).
- Provision of small grants for eligible subprojects proposed by individuals, communities, or municipalities that conform to a municipal investment plan and can be financed within a municipal financial ceiling (US\$23.4 million).

2.4 Compensating Shortcomings of the Enabling Environment

To empower local governments to engage in partnerships with communities, INIFOM 1 addressed some of the weaknesses in the enabling environment, particularly the fiscal and the capacity dimensions.

¹⁰³ WB 2001a.

Fiscal dimension. The 32 targeted municipal governments received a yearly allocation of program funds, based on needs indicators such as population and poverty, and they had wide freedom in deciding how to employ these funds.¹⁰⁴ Most of the assistance was for direct capital investments (community subprojects), but a small part was also available for financing recurring costs, including salary and other costs of the MTU. Community subprojects were usually small (\$50,000 was the maximum project size allowed, average project size was \$20,000), and they were targeted to benefit rural poor communities. They were identified on the basis of a local planning process involving all community stakeholders (see below).

Administrative dimension. In order to enhance municipalities' technical capacity for undertaking this effort, program funds were made available to them for creating Municipal Technical Units (MTUs). Each Municipal Technical Unit reported to the Mayor and it was composed of three people: a local project coordinator, a participation specialist, and one accountant responsible for maintaining project accounts. MTUs liaised with INIFOM and other central agencies, prepared annual municipal plans, appraised community sub-projects, supervised implementation, and helped prepare long-term plans for the local area.

Accountability Partnerships

As mentioned before, one of the shortcomings of municipal governments was the urban bias of the local councilors. In addition, most local governments suffered from low levels of accountability due to the low effectiveness of central government audits as well as the lack civic oversight mechanisms. To address these problems, INIFOM 1 created a permanent infrastructure for community representation at the municipal level, called the Intercommunity Assembly, and promoted participatory municipal planning processes¹⁰⁵

The Intercommunity Assembly (or IA) is a permanent assembly constituted at the municipal level by representatives of all community associations located within that municipal area. Like a legislative assembly for the local area, they establish long-term priorities, approve overall plans, and provide oversight to municipal government staffs. IAs have three principal responsibilities. First, IAs arbitrate between the needs of different community associations. They accommodate and prioritize the needs of different community groups, and they help resolve conflicts among communities for project resources. Second, IAs are responsible for developing an overall strategy for rural development, and they do so with the active participation of community associations. Third, IAs provide oversight and supervision, making sure that community associations as well as the municipal government implement this plan faithfully and well. IAs function, thus, as representative and watchdog bodies, watching over the activities both of community associations and also municipal staff.

Each IA is assisted in discharging these functions by a Community Supervision Committee (CSC), a small subcommittee elected by IA members from among themselves. Members of the CSC are expected to play a key communication role between communities and the municipal government. They supervise project and subproject execution and they keep the Intercommunity Assembly informed of project execution at the community level. Simultaneously, they keep communities informed about municipal plans and subprojects, and they ensure that municipal council decisions are fully disseminated among community members.

¹⁰⁴ The project has been extended to cover additional municipalities, and the formula for resource sharing has been revised and made more complex. We need not go into these complexities here. It is important to note, however, that resource transfer is formula based in this case. It is not ad-hoc, nor does it depend upon the number of subprojects submitted.

¹⁰⁵ This section is based on Krishna (2004)

The planning cycle involves community members carrying out participatory planning exercises to agree on needs and investment priorities and elect community representatives to the Intercommunity Assembly. The MTU integrates the priorities of all communities within each municipality into a municipal investment plan (MIP), which is then submitted to the Intercommunity Assembly for discussion and prioritization of investments among communities. By law, some of the municipal council meetings, and in particular those involving key budgetary decisions, are open to all the inhabitants of the municipality. However, the final decision regarding approving the MIP and incorporating it within the Municipal Budget rests with the Municipal Council.

Projects submitted by community associations are appraised by staff of the MTU, and the municipal council accords final approval. The Intercommunity Assembly and community committees provide oversight through all steps of this process, guiding community associations, setting longer-term development priorities, arbitrating conflicts between community groups, and ensuring that municipal government staffs respect the priorities that have been established by this Assembly. Municipal councils have the authority to accept or reject communities' subproject proposals, but they have to abide by both the local priorities set by their counterpart Intercommunity Assembly and also by the overall guidelines established for the country by INIFOM. Central, local as well as community concerns need to be brought together and balanced in this process of decision making.

Co-production Partnerships

All subprojects (with the exception of capacity building subprojects) require matching funds of two types: (i) from communities (in kind or labor) and/or (ii) from municipal governments. The table below shows the extent of co-financing that is required in different cases.

Subproject Category	Maximum matching grant (%)	
	Type A and B Community	Type C Community
Environment	75	90
Municipal Infrastructure	60	75
Community Infrastructure	75	75
Community Productive	75	75
Tech. Assistance	100	100

Note: Type A: Revenue per capita greater than US\$15 per year, Type B: between \$3 and \$15 per year, Type C: between \$0 and \$3 per year

FISE 3—Third Social Investment Fund Project

Seeing that INIFOM had moved forward in terms of local partnerships, and the shortcoming (particularly in terms of sustainability) of its initial centralist strategy, FISE 3 was designed along similar lines than INIFOM. The Third Social Investment Fund Credit, approved in 1998, had the following objectives: (i) providing essential small-scale infrastructure, mainly in education, health, and water supply and sanitation (in close coordination with the responsible agencies), (ii) focusing on the poorest communities, and (iii) *strengthening, on a pilot basis, municipal management which, in turn, should lead to more sustainable subprojects at the local level.*" (World Bank 1998: 1). Later on it is said more explicitly that the credit would support FISE's "new focus on [...] municipal/ community involvement" (World Bank 1998: 2).

2.5 Addressing/Compensating Shortcomings of Enabling Environment

FISE's program of strengthening municipal governments also involved components that compensated for the fiscal and capacity weaknesses of local governments. FISE began a pilot with nine municipalities to which it delegated the management of investments up to \$100,000. Similar to INIFOM, it also established Municipal Technical Units which were responsible for carrying out the full subproject cycle, with the

exception of the ex ante evaluation. FISE Managua still had to approve the project before the municipality can contract it to a firm. FISE also checks whether sector approval had been obtained.

In terms of financing the main difference with INIFOM is that FISE's transfer of resources were tied to certain sectors that were a priority of central government. In that way it complements nicely the approach taken by INIFOM. While INIFOM simulates an unconditional fiscal transfer, FISE followed the principal-agent model where local governments act as an agent of the central government for the delivery of certain goods and services.

Accountability Partnerships

FISE introduced two main innovations in terms of accountability partnerships:

- Participatory Municipal Planning pilot in 60 municipalities. This methodology was the same than INIFOM's.
- In the nine municipalities where FISE had delegated the project cycle, FISE encouraged Beneficiary Committees to participate in local government's bidding process, encouraging that they controlled the way in which the contracting process was performed.

Co-production Partnerships

Preventive Maintenance Fund. As mentioned, one of the problems of the centralist way of operating of FISE 1 and FISE 2 was the low sustainability of local investments. To address this challenge, FISE created the Preventive Maintenance Fund (FMP in Spanish), which is basically a partnership between the central government, municipal governments, and community organizations geared to ensure investment sustainability (Serrano and Warren 2003). Through the FMP, the national government provides funding to municipalities for preventive maintenance of primary schools and health centers. This cofinancing is progressive: extremely poor municipalities receive a higher percentage than others.

The FMP functions as a conditional intergovernmental transfer according to transparent rules which stipulate:

- local Education or Health Maintenance Committees comprised of community representatives and local government officials must devise a maintenance plan and budget for each facility;
- each municipality must present an Annual Maintenance Plan aggregating facility plans and budgets, including community and municipal government contributions;
- local counterpart resources must be provided by municipal governments and community committees and deposited in specified bank accounts.

Once these conditions are met, FISE disburses budgeted funds in tranches to municipal governments, which in turn distribute them among the selected facilities. Community maintenance committees supported by local government officials manage the work. These committees have a strong incentive to perform well since they can receive funds each year only if they complete agreed maintenance the year before.

Since 1997, the FMP has channeled \$3.5 million to communities through municipal governments for preventive maintenance. As a result of the FMP's cofinancing requirements, for every dollar provided by the national government, communities and municipalities have contributed 27 cents to facility maintenance, about half contributed by each. By 2002, the FMP had funded preventive maintenance on almost 3,000 infrastructure and service facilities; representing 97 percent of the facilities built, repaired or expanded with FISE's funds. In addition, while initially limited to financing maintenance of FISE

investments, since 2001 the Government of Nicaragua has expanded the FMP to cover all primary schools and health centers in the country.

3. Using Projects for Policy Reform (2001-2004)

3.1. *The Environment and the Opportunity Space*

The main difference between this period and the previous one was that now the results of the pilots introduced by INIFOM 1 and FISE 3 were available. While these pilots had demonstrated that local partnerships were an adequate road to promote sustainable local development, their limitations and challenges were also quite evident. These challenges had to do with institutionalizing the innovations introduced by the pilots, and deepening the decentralization process by engaging communities more strongly in co-production. This is what INIFOM 2 and FISE 4 set out to do.

3.2. *The Operational Response: INIFOM 2 and FISE 4*

Since the two operations were highly coordinated, it makes sense to discuss them jointly.

Addressing Shortcomings of the Enabling Environment

In terms of the **fiscal dimension**, INIFOM 2 tried to improve the fiscal transfer system by demonstrating the virtues of a new transfer system. To do this it created the Municipal Development Fund (FONDEM). As mentioned before, the constitution (art 177) emphasized the rationale of transfers as instruments of fiscal equalization. Nicaragua's transfers were allocated mainly in proportion to population, a criterion which does not contribute to closing horizontal imbalances and thus did not advance the principle of fiscal equalization. Designed as a "general-purpose grant" mechanism, the FONDEM aimed to complement existing municipal own-source revenue and various ongoing programs with negotiated, purpose-specific transfers.

In addition to the establishment of the FONDEM, the project aimed to strengthen municipal capacity to generate local, own-source revenue through better assessment and collection of local taxes and fees. To this effect the project assisted INIFOM in: the revision of the legal framework of local government finances and the drafting of appropriate policy, legal and regulatory texts; and the development and extension to all municipalities participating in the project of: (i) improved systems and manuals of local fiscal administration, (ii) standards and procedures for financially sustainable delivery of municipal services, and (iii) the system for land and property registration/Cadastral (*Sistema de Cadastro*, SISCAT)

The design and implementation of FONDEM strongly influenced the national debate on fiscal transfers and the development of a related legal framework. This ended up in changing the enabling environment: in July 2003, the GON approved the *Municipal Transfers Law* which substantially increases the funds available to municipalities from about 1 percent of tax revenues to at least 10 percent in 2010. The goal is to fulfill the constitution that mandates a transfer from central government to the extent necessary to cover the gap between their mandates and local resource.

However, the new law does not specify expenditure responsibilities and previous legislation assigning expenditure responsibilities among different levels of government is ambiguous. This has created an important problem for *fiscal neutrality*, which the Bank has engaged to help address (see Ballivian et al 2005, and Frank 2004).

Municipal Transfers Law

The law covers the following issues: the total amount of the transfers, the distribution criteria, limits to the use of the funds, procedures of disbursement, and auditing.

Amount of transfers: The law establishes that Central Government must transfer at least 4 percent of total fiscal revenues to the regional municipalities starting in 2004, and that this percentage must increase by at least half a percent annually – provided GDP grows at least by one percent – until at least 10 percent of fiscal revenues are transferred.

Distribution criterion: According to the formula, Managua will receive a fixed share equivalent to 2.5 percent of transfer while the rest will be split among the other 151 municipalities. The total amount for the 151 municipalities will be split into four equal components. Each component reflects a different criterion for the allocation of funds: Fiscal Equity, Fiscal Efficiency, Population and Execution. The **Fiscal Equity** criterion gives proportionally more funds to municipalities with less revenue potential. The **Fiscal Efficiency** criterion gives more funds to municipalities that are efficient in collecting the property tax revenue (IBI). The **Population** criterion gives an equal amount per capita. The **Execution** criterion gives proportionally more to municipalities that executed more projects with the transfers.

Limits to the use of the funds: The law determines that a share of the transfer should be spent on investment. The share is 90 per cent for Managua and is progressively lower for other municipalities with less income. On average, the share for investment will be at least 70 percent.

Procedures of disbursement: In 2004, municipalities will receive transfers in three equal installments; starting in 2005, they will receive twelve monthly installments. Among the conditions to receive the disbursement are to transmit the municipal budget for the year and an investment plan.

Auditing: The law mandates that municipalities should audit all transfers and send a copy of the report to the Auditor General's Office (*Contraloría General de la Republica*).

Source: Spilimbergo 2004

Lessons from FONDEM. Both the WB and INIFOM have found it difficult to overcome the “project” logic of INIFOM 2 and the implementation of FONDEM experiment has clearly suffered from this:

- On the WB side, the integrity of the FONDEM concept would have been better served if assistance had been channeled through some form of “budget support” rather than an “investment loan” instrument.
- On the INIFOM side there was also substantial resistance to abandon the role of “Fund Manager”.¹⁰⁶

¹⁰⁶ For greater elaboration of these arguments see Romeo 2003.

Based on the success of its pilot,¹⁰⁷ FISE decided to **scale up the Delegation of the Project Cycle**. It created the Municipal Accreditation System which defined the conditions that municipalities needed to fulfill to access increasing levels of responsibility. It also developed jointly with INIFOM a **capacity building** module. One of the problems of the previous period had been that INIFOM and FISE had developed separate systems for managing investment projects, adding to the systems required by other donor or government programs, and causing confusion and waste in capacity building efforts. To solve this problem, INIFOM and FISE divided the capacity building component into different modules and each agency developed, in consultation with municipalities, generic modules that would not be project specific but applicable to all municipal clients. Following their comparative strengths, FISE developed the module for investment projects, and INIFOM the ones for financial management.

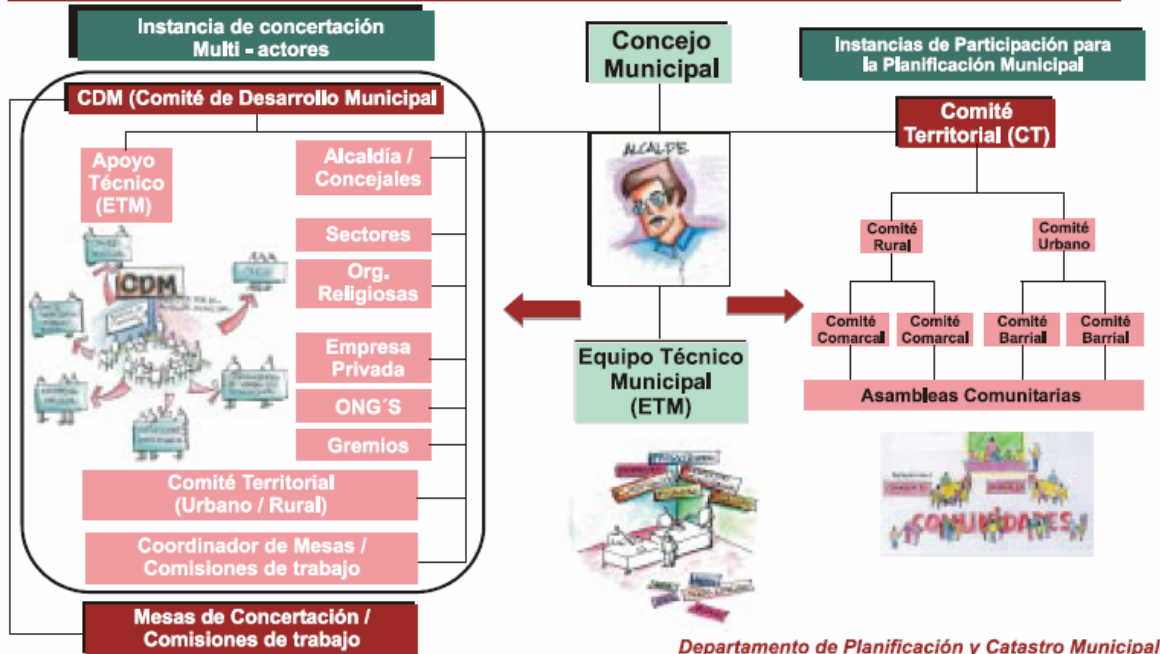
Accountability Partnerships

The planning and accountability structures and processes set up by INIFOM 1 and FISE 3 were project specific, and so the risk was that once financing end. One of the most significant impacts of the operations with INIFOM and FISE was that the pilots that each did with regards to Participatory Municipal Planning ended up being institutionalized as the Municipal Planning System (MPS), and adopted as the statute for local planning rather than as a project specific methodology [see next diagrams, AMUNIC-INIFOM 2004]. This MPS built upon the momentum and lessons provided by the previous pilots. The Territorial Committee (Comite Territorial), for instance, plays a similar role to the Intercommunity Assembly.

¹⁰⁷ An evaluation of FISE's Pilot (Grun 2002) concluded that the decentralized approach to investment management performed better than the centralized model in terms of efficiency, effectiveness, and transparency.

- The pace and volume for infrastructure building was much higher than the historical record in the same municipalities as well as in comparable municipalities during the same period.
- Contracting and procurement was 40% faster and 7% cheaper. The latter was a result of greater competition among contractors in the decentralized model.
- While real costs in the decentralized model were 4% lower than estimated costs, in the centralized model real costs for similar projects were 6% higher than estimated ones. Construction times for similar projects were 40% faster in the decentralized than in the centralized model. In general, the decentralized model compares favorably in terms of number of fines, renegotiation of costs, and timeframes for project completions.

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Co-production Partnerships

Teaching Local Governments How to Finance Community Managed Investments. While FISE and INIFOM showed that local governments could manage successfully local funds and investments, one of the remaining challenges was teaching local governments how to empower community associations to implement their own subprojects and manage subproject funds. To address this, FISE began a pilot call “Proyectos Guiados por la Comunidad”¹⁰⁸ FISE transfers resources to local government which in turn transfers it to CBOs for projects that were identified in the Local Municipal Plan and that are particularly suitable for community implementation. Projects are cofinanced by local governments and community associations and both are responsible for the projects sustainability.

4. Conclusions and Challenges Ahead

A look at the trajectories of FISE and INIFOM over the last fifteen years shows that both agencies evolved and both adapted to the decentralization environment, pushing to address its shortcomings and promoting innovative local partnerships. As a result, the environment in 2004 was much more enabling to partnerships than the one in 1990 (see Table below). At the same time the new environment that they have contributed to create, particularly with the deepening of the fiscal decentralization process, challenges both agencies to rethink their roles and strategies.

	1990		2004
	Constrained LGs, Constrained CBOs		Enabled LGs, Enabled CBOs
Functional Dimension	Ambiguous allocation of functions	Legal Reforms & INIFOM & FISE Projects	Ambiguity continues
	-----		CBOs began assuming greater role in service delivery (schools, water)
Political Dimension	Only local councilors elected		Elected mayors
	-----		Participatory Municipal Planning
Fiscal Dimension	Discretionary transfers from central government to municipalities. The amount was discussed every year with the budget and usually amounted to 1 percent of fiscal revenues.		First Fiscal Transfers Law: the central government must transfer at least 4 percent of fiscal revenues, progressively increased by at least half percentage point till reaching 10 percent of fiscal revenues in 2010.
	-----	Preventive Maintenance Fund	
			Greater CBO co-financing of projects
Administrative Dimension	LG have very limited capacities to manage their affairs		LG have significantly improved financial, administrative, and project cycle management systems

¹⁰⁸ See Operational Manual: <http://www.fise.gob.ni/pgc>

ANNEX 4: TANZANIA: TESTING PARTNERSHIPS WITHIN A DECENTRALIZATION PATCHWORK¹⁰⁹

Tanzania's decentralization legislation outlines an ambitious approach, assigning local governments a role in a wide range of sectors, but often falls short on clarity (for example, in delineating actual responsibilities for local as opposed to central government), in addition to retaining substantial influence for the centre over local governments' institutional environment and powers. In practice, this framework has resulted in patchwork of overlapping or splintered responsibilities and service delivery.

Two World Bank projects have recently entered into the fray, with one (the Local Government Support Project) working primarily on institutional issues and mechanisms, and the other (the Second Tanzania Social Action Fund) approaching from the practical angle of implementing community-driven development sub-projects with the involvement of local governments. This case study focuses predominantly on the latter project, as it most directly addresses local government-CBO relations.

Local Government Context

This summary focuses on the situation in mainland Tanzania, excluding Zanzibar, which has a different local government structure.

Political Dimension

Tanzania reintroduced local governments in 1982, after having abolished them in the early 1970s. The constitution includes a broad reference to local government at region, district, urban and village levels, leaving further definition to parliament.

In both rural and urban areas, local government councils have the power to legislate. Councilors are directly elected, with elections held every five years except for village or neighborhood LGs (in urban areas), for which the ministry of local government decides procedures

Functional Assignments

The two Local Government Acts (for urban and rural LGs) make LGs responsible for service delivery in a broad set of areas including primary education, health and local roads. However, responsibilities are poorly defined, and sectoral ministries continue to be involved at all levels, in addition to exerting heavy influence over budgets and personnel.¹¹⁰ While the legislation is some what more specific regarding responsibilities, for lower-level local governments (in villages or urban neighborhoods) it provides only general guidance about required responsibilities¹¹¹

109 Sources for this case study include Project Appraisal Documents for TASAF II and LGSP; A comparative analysis of decentralization in Kenya, Tanzania and Uganda: Final Report. Jesper Steffensen, Per Tidemand, Eke Mwaimpopo. August 2004; The United Republic of Tanzania Public Expenditure Review, October 2001, World Bank; Who has the yam, and who has the knife? N. Mungai Lenneiye, December 2004; and interviews with Ida Manjolo, Social Projection Specialist, World Bank, and Helen Kijo-Bisimba, Director, Legal and Human Rights Centre (Dar es Salaam.)

110 Act no. 8 (Urban Authority) and no. 7 (District Authority.) Responsibilities include: "to maintain and facilitate the maintenance of peace, order and good government; to promote social welfare and economic well-being; to further rural and urban social economic development; control and improvement of agriculture, trade, commerce and industry; enhancement of health, education and the social, cultural and recreational life of their inhabitants; development, mobilization and application of productive forces in the war on poverty, disease and ignorance. " A comparative analysis of decentralization in Kenya, Tanzania and Uganda: Final Report. Jesper Steffensen, Per Tidemand, Eke Mwaimpopo. August 2004.

111 "Do all such acts and things that are necessary or expedient for the economic and social development of the village; initiate and undertake any task, venture or enterprise designed to ensure the welfare and well-being o the residents of the village; plan

Formal policy established in 1998 provides some more specifics than does legislation, stipulating that LGs should provide basic public services, esp. those related to poverty reduction, including: primary education, primary health, agriculture extension services, local water supply and roads.¹¹²

Actual responsibility for service delivery illustrates this mixed central-local approach. Primary education is the domain principally LGs -- but teachers are managed by a commission independent of the LG. LGs are principally responsible for primary and preventive health but decentralized central government facilities also operate, with a lack of clear definition of decentralized roles versus LG roles. Sectoral legislation makes LGs formally responsible for hospitals up to the level of district hospitals, but there is a parallel system of Health Boards.¹¹³ In rural areas (but not urban ones) LGs are also responsible for water supply, sewage and sanitation with support from regional bodies; however, the central government implements almost all capital investments in both urban and rural areas.¹¹⁴ LGs are responsible for district and feeder roads, municipal and urban roads though financing arrangements and technical capacities pose problems. LGs also handle agricultural extension, for which some 7,000 extension workers were transferred to their authority.

Fiscal Dimension

Formally (under the local government acts), LGs are directed to “establish and maintain reliable sources of revenue and other resources to enable them to perform their functions effectively and enhance financial accountability.” LGs also have the authority to collect taxes, levies, fees and charges, though by-laws to this effect must be approved by the President’s Office-Regional Administration and Local Government.

LGs rely on central transfers for some 85-90% of their budget. Most of these transfers are conditional, sector-specific grants, mostly for primary education and primarily health care (and predominantly for personnel costs), while funding for other responsibilities is limited.¹¹⁵ Timing and predictability have improved in recent years to relatively acceptable levels, though some delays have been reported in wage bill moneys which constitute the bulk of the transfer.

LG own revenues appear to be spent largely on administrative expenses, and are also subject to central decisions mandating how they are spent¹¹⁶. The central government also has significant power to constrain LG own revenue generation and recently exercised it by abolishing certain important taxes (estimated to account for about 90% of own revenues in village/neighborhood LGs) that were deemed distortionary. Although the government has committed to providing compensation in the form of unconditional formula-based block grants with a proportion to allocate to village and neighborhood LGs, this action has put LGs – particularly rural ones -- under added fiscal pressure.

The planning process is designed to be bottom-up, starting at village level. It reportedly suffers from a lack of realism, due in part to shortcomings in information about revenues and budget ceilings.

and coordinate activities of and render assistance and advice to the residents of the village engaged in agriculture, horticulture, forestry or other activity or industry of any kind; encourage the residents of the village in undertaking and participating in communal enterprises; and participate by way of partnership or any other way in economic enterprises with other villages.” Ibid.

112 The Policy Paper on Local Government Reform of October 1998 (hereinafter policy on LG reform)

113 National Health Service Bill of 2004

114 In rural areas, water user associations may also have responsibility for managing water supply.

115 Primary education is reported to account for about 70% of recurrent grant transfers and primary health care for 17%. A comparative analysis of decentralization in Kenya, Tanzania and Uganda: Final Report. Jesper Steffensen, Per Tidemand, Eke Mwaimpopo. August 2004.

116 For example, LGs must contribute to a Local Government Loans Board.

Administrative and Capacity Dimension

Most LG staff are field-based (about two-thirds are teachers; others include agricultural extension workers). The public service act does not give LGs direct legal control over their staff. The Minister of Local Government appoints, promotes and disciplines LG Directors, who in turn appoint and discipline staff, though central government policies and independent bodies play some role.¹¹⁷ This can cause some tension between technical staff and elected councilors.¹¹⁸ In contrast, the 1998 Policy on LG reform calls for “non-subordinated local administration...and normal employer-employee accountability structure between the local government administration and the local elected leadership.”¹¹⁹ Pay of LG staff is set nationally, with base pay of LG staff generally similar to that for central government workers; lower benefits, however, inhibit LGs’ ability to recruit specialist technical staff, though senior managerial positions appear, in general, to be filled. Some positions (including executive officers at ward and village level) appear subject to high turnover. In theory LGs can introduce financial incentives for staff, but in practice constrained budget preclude doing so.

Since central government encourages LGs to engage in public-private partnerships, reform-minded councils outsource some activities to the private sector or other non-governmental actors. Although this has reportedly provided a positive boost to LG operations, weak administrative capacities can also mean that LGs have trouble drawing up clear contracts, monitoring work and managing contractors.

Whereas district and municipal LGs have a role in staff management and selection, staff at village LGs and wards are seconded from district and municipal LGs; specifically, the district appoints a village executive officer who acts as secretary to the village council.

CBO context

Political Dimension

Tanzania has an NGO law in place, but no explicit national-level legislation addressing the status of CBOs. CBOs thus work informally or if necessary may seek more official standing by registering as NGOs; in the case of service-delivery CBOs, getting a permit from the District Commissioner (under district by-laws); forming a corporation or cooperative; or entering into other types of loose affiliation.

Sectoral policies also include official avenues for community members to be involved in LG activities, largely through user committees. These include school committees and district-level education boards, mandatory LG-stakeholder health committees for each health facility that guide service provision and priorities, water committees, and road maintenance committees in rural areas.

CBOs are able to open bank accounts using their articles of association or minutes of an initial meeting as documentation. However, the relatively high initial deposit that is required can be prohibitive.

CBOs are supposed to be involved in the planning process via participation in the Ward Development Committee, but in practice, they are rarely called to do so. In general, LGs seem to have a favorable view of service-delivery CBOs but a less positive attitude toward advocacy CBOs that encourage citizens to assert their rights, which they see as creating trouble. Of necessity, CBOs seek cooperation from LGs

117 For example, teachers’ discipline and personnel records are the responsibility of Regional and District Teachers Committees, not of LGs. Staff numbers and individual postings are decided by the central government, which means LGs have little authority or incentive to develop efficient administrative structures.

118 Issues include elected officials in positions of authority but with lower educational attainment than technical staff, who believe councilors are interfering in their work; and perceptions that individual LGs offer little career advancement.

119 A comparative analysis of decentralization in Kenya, Tanzania and Uganda: Final Report. Jesper Steffensen, Per Tidemand, Eke Mwaimpopo. August 2004.

since they can't operate in government facilities such as schools and health centers without it. More generally, even a paralegals' CBO felt it necessary to get council buy-in, to facilitate its work.

Functional Assignments

In the absence of a formal framework, CBOs appear to be active in a broad range of sectors and types of activities such as: tree planting; encouraging children to attend schools; providing meals to school children; helping to build classrooms; providing information about HIV-AIDS; and advocacy for citizen's rights. This might include advising citizens where to turn for help with their problems and informing citizens of governance processes so that they can hold local government to account.¹²⁰

Fiscal Dimension

While some CBOs have managed to apply for outside funding, more commonly CBOs run on small amounts of money that they collect sporadically. Those CBOs that regularly raise money within the community tend to be faith-based ones (church groups) though other types of CBOs might agree on an annual or monthly subscription. Some CBOs might undertake paid work (e.g. on a farm) to generate income, or raise funds around a specific project, such as establishing a school. In the example of an HIV-AIDS CBO, villages came together to discuss how to support widows and orphans, with each village proposing its own fund-raising activity. Some CBOs with loose affiliations to programs, such as a Village Legal Workers CBO working under the District Land Management Program, might occasionally receive a small sum toward expenses.

Budgeting and financial management are basic, with possibly a literate villager keeping a simple set of books. The CBO may not keep strictly to budgets, spending money on unplanned but socially necessary expenses such as hospitality for a guest.

Administrative and Capacity Dimension

CBOs usually have a simple constitution that specifies executive positions depending upon needs: usually a chairperson, secretary and in some cases a treasurer if the CBO collects funds. Positions are filled by voting at a meeting of all members. The number of active staff tends to be ten or fewer, and given the lack of funds they are generally volunteers (e.g. a literate villager to keep the books), though a small honorarium might be given when money is available.

The broader membership convenes occasionally to discuss bigger issues. Depending on the CBO's purpose, membership might be broad (the entire community) or focused (for example a Village Legal Workers CBO might be composed of some 30 or so paralegals from the district.)

Some technical assistance is available from funders (e.g. Oxfam, Save the Children, CARE) or national NGOs such as the Legal and Human Rights Centre, which helps train the Village Legal Workers CBO (paralegals) to advise villagers and encourages CBOs to join together for greater leverage. In some instances the government might provide assistance, for example helping CBOs understand HIV-AIDS issues so that they could in turn educate community members.

Mapping the opportunity space

In summary, the opportunity space for LG-CBO accountability and co-production arrangements appears to be the following:

¹²⁰ For example, in the case of a village chair who ran the LG without convening the council as required, the CBO activities resulted in a village assembly that held a vote of no-confidence and removed him from office. Where village councils distribute land without calling a village assembly to decide who gets the land, a paralegals' CBO informs villagers of the required process so that they can demand the councils adhere to it, and some have threatened lawsuits to win back illicitly-awarded land.

Tanzania Opportunity Space		
<i>Dimension</i>	LGs	CBOs
Political	Partly enabled	Partly enabled
Functional	Partly constrained	Enabled
Fiscal	Constrained	Constrained
Administrative	Constrained	Partly enabled

For the above opportunity space, one would expect co-production and accountability relationships to be rather fragile. While both LGs and CBOs could, in theory, reflect citizen priorities in a number of spheres with some degree of legitimacy, the practical application in terms of actual development activities are constrained by weak organizational capacities and very limited resources.

CDD and LG-CBO partnerships: The Second Tanzania Social Action Fund (TASAF II)

Project Overview:

Building upon the experiences of the first TASAF, TASAF II became effective in May 2005 and is expected to run until 2009. Since the project is in its very early days, this examination highlights LG-CBO roles and partnerships in the design of TASAF II, and lessons from the first TASAF.

TASAF II focuses on enabling communities to “request, implement and monitor sub-projects that contribute to improved livelihoods linked to Millennium Development Goal (MDG) indicator targets in the Tanzania Poverty Reduction Strategy.”¹²¹ The range of sub-projects thus spans several sectors (among them health, education, infrastructure, agriculture) and may include items such as construction of bridges and community roads, school construction and equipment, food production projects, vocational training for vulnerable populations and improved maternity care.

In general, TASAF II intends to provide a greater role for both local governments and CBOs than did the first TASAF. Under TASAF I, communities were generally able to identify, prioritize and implement sub-projects, provided that guidelines (on access to funds) and support were available. However, without management above the community level, opportunities for successful mainstreaming of CDD approaches appeared limited. TASAF II thus transferred some project management responsibilities from the project management unit to village and district local governments, to better align with the existing decentralization framework and give these bodies a practical opportunity to develop better working relationships and apply their skills. The specification of a clear role for village councils is also expected to alleviate conflicts between sub-project management committees and district LGs that surfaced under TASAF I. TASAF I’s troubles with a separate public works program component for which district LGs handled both implementation and funds resulted in public works being folded into the National Village Fund component, with implementation to be handled by the community management committee.¹²²

¹²¹ TASAF II PAD

¹²² Problems included inadequate procurement and accountability, delays in paying wages, and tendency of local authorities to focus on meeting their own priority public works rather than beneficiaries’ needs. Who has the yam, and who has the knife? N. Mungai Lenneiyee, December 2004.

Under TASAF II, the bulk of project funds are channeled to a National Village Fund held by elected village councils in rural and urban areas – the lowest level of local government¹²³ -- with higher level local governments (district) involved in (and receiving some project funds for) facilitation, appraisal and monitoring. A second component addresses capacity enhancement for both communities and other involved parties – local governments as well as private bodies – that facilitates progress on the poverty reduction strategy targets.

Importantly, TASAF II implementation coincides with a complementary project, the Local Government Support Project (LGSP) which supports the government’s Local Government Reform Program by helping “strengthen fiscal decentralization, improve accountability in the use of local government resources, and improve management of intergovernmental transfers.”¹²⁴ TASAF II thus focuses predominantly on the space between local governments and communities, while LGSP addresses relevant institutional and fiscal decentralization issues in the space from central government through to local government levels. This complementarity explains why TASAF II, while addressing local government performance and involvement in community development, places the bulk of its emphasis on communities and the most “local” of local governments, the village council.

Variation across LGs – with some exhibiting acceptable participatory planning and budgeting processes, staff capacities and reasonable management while others fall short – also underlies the design of project funds flows. In all cases 90% of project funds go to a sub-project account managed by an elected community management committee with three possible channels for this transfer from the project management unit: directly to the sub-project account; via an account of the village council; and via the district LG. The channel chosen depends on the assessed capacity of the village and district LG. Of the remaining 10% for administrative costs, one quarter goes to the district LG to cover facilitation and reporting costs, and one quarter to the village council for the cost of facilitation, monitoring and reporting of the community management committee’s activities. The remainder goes either to the district or village LG to cover the cost of supervision, depending which of the two is assessed to be most capable of fulfilling that role.¹²⁵

Co-production and Accountability Relationships:

Some examples of LG-CBO co-production and accountability in project design, as described in the PAD, are cited below.¹²⁶ Particularly for accountability arrangements, the project emphasizes the role of project-specific committees composed of village members and elected at a village assembly, which may reflect both the scarcity of CBOs in rural areas as well as the limited administrative support available to village councils.

Co-production

- Communities make a minimum co-funding contribution in cash or in kind; local governments are not required to contribute funds, but the project considers the cost of their staff time to be an indirect cost contribution.¹²⁷

123 These councils are called Kijiji in rural areas, Mtaa in urban ones, where they are roughly equivalent to a neighborhood. The local government law provides only general definition of their responsibilities.

124 LGSP news release, 30 November 2004.

125 This includes both direct supervision by LG staff and contracting outside technical skills, including CBOs or NGOs.

126 Since the text largely uses general terms such as “communities” or “local service providers” rather than referring specifically to CBOs, these examples may understate CBO involvement.

127 In the case of the “safety-nets for able-bodied poor” sub-project type, which pays sub-market wages, the difference between wage levels and market rates is also considered a contribution. While the PAD does not explicitly mention a CBO role in generating these contributions, it is plausible that CBOs might be involved, particularly given that TASAF II spans a number of sectors and issues –health, HIV-AIDS, education and water supply among them -- in which CBOs operate. The project considers cost of staff time of LG technical staff who work on appraisal, approval and supervisions tasks in the sub-project planning cycle and on the Technical Planning Committees as an indirect cost contribution.

- CBOs (as well as NGOs and private contractors) are eligible to be “local service providers,” and are named explicitly for sub-projects dedicated to improving income opportunities of vulnerable persons. They enter into a contract with the LG for this purpose, with responsibilities that include sub-project implementation and technical supervision of implementation.
- Relevant CBOs are trained to work on reducing maternal mortality, one of the Millennium Development Goals that is targeted under TASAF II.
- Co-production by elected committees includes the Community Management Committee which, as its name suggests, is responsible for acting as the administrative arm of the village council in managing the sub-project. Its tasks include managing the sub-project bank account (i.e. receiving disbursements of TASAF II funds), bookkeeping, handling procurement and other ongoing implementation tasks for all types of sub-projects.

Accountability

- LG staff are involved in activities prior to the start of the sub-project cycle, to help ensure that community-managed sub-projects are integrated into the district planning cycle.
- LG staff are involved early on in the process of extended Participatory Rural Appraisals that verify relevance of existing analyses of community needs and priorities. This exercise, which builds relationships and also helps LGs understand community-level dynamics, might presumably involve discussions with CBOs.¹²⁸
- District Council finance committees approve sub-projects, with input from other government and civil society entities.
- Most of the other accountability arrangements – interactions among a variety of committees – cited in the PAD involve project-specific elected committees (rather than organic CBOs,) such as the Community Management Committee. This committee regularly reports on use of resources to the LG (village and district), whose approval is required at various points.

Filling the Opportunity Space

As explained in the Philippines case, the TASAF II experience, extensive capacity support under the projects has strengthened the capacities and environment for both CBOs and to some extent for local governments.¹²⁹ With this in mind, we again consider that CBOs and management committees operating under TASAF II, while still facing considerable challenges, will be able to achieve more than similar structures outside the project’s reach. TASAF support under the capacity enhancement component will mitigate some of the contextual constraints through direct training but also by helping provide staff (in some instances), vehicles and equipment.

128 As previously identified in broad-ranging Open-ended Participatory Rural Appraisals

129 For example, TASAF I helped overcome banks’ high deposit requirements by using the first tranche of project funds to open the account, into which cost-sharing contributions can subsequently be deposited. It may also influence the district level by-laws that apparently deal with some elements of CBO activities (including registration). Who has the yam, and who has the knife? N. Mungai Lenneiyee, December 2004. It also enhances local government capacity when it provides vehicles, equipment and in some instances staff.

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