LOCAL AND COMMUNITY DRIVEN DEVELOPMENT (LCDD): THEORY AND BEST PRACTICES

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COMMUNITY PARTICIPATION EVOLVED SLOWLY

- **Community consultation model.** In this, government agencies or NGOs consulted communities, but operated as direct service providers using their own staff.

- **Community participation model.** Government agencies or NGOs invited participation from communities in choosing development priorities and project design, co-financing the investments, and contributions in cash or in kind, and operating the investments once they were completed,

- **Community empowerment model.** Implementation responsibility for projects was entirely devolved to communities, along with the funds for implementation.
The emerging consensus

- Integrated local development is a co-production of communities, local governments, government sectors, and private organizations.

- Roles need to be properly defined, and actors need to be fully empowered to execute their roles, in particular with finances.

- It entails a deep transformation of political and administrative structures that aims to empower communities with powers, resources, and authority to use them flexibly and sustainably (i.e., take control of their development).
Scaled-up Programs …

- **Mexico** – Over one million projects in 15 years, nationwide – much of it in infrastructure. Program is now national policy with own budget

- **Brazil** – Over 300,000 projects in 1100 poor municipalities – much of it in infrastructure

- **Indonesia** -- Infrastructure program at the Kamecatan level: Approach is now national policy, integrated into fiscal system

- **Burkina Faso** -- National program, with formula-driven grants (10 dollars per capita) that communities can use for their own development program
Indonesia’s National Community Empowerment Program in Rural Areas (PNPM-Rural)

Background

- Began in 1998 during fall of Suharto regime and Asian financial crisis.

- Context of highly centralized administration, top-down decision-making & poor governance despite decades of macro-economic growth.

- The Kecamatan Development Program (KDP) – predecessor to PNPM-Rural - filled the void by optimizing villagers’ ability to mobilize, organize and identify priority needs.
Country Context

- Archipelago composed of approximately 17,000 islands
- Population: 230 million
- Poverty Characteristics: Poverty Rate 13.3%, 40% highly vulnerable to poverty, high regional variation (Papua provincial poverty rate at 37% compared to Jakarta at 3.5%)
- Large diversity in terms languages, cultures, ethnic groups and religions.
PNPM-Rural: Objective and Principles

- KDP’s goal has been to reduce poverty and improve local level governance through a community participatory planning and decision-making process.

- Villagers plan and prioritize activities.

- Subdistricts receive block grants of @US$90,000 - $300,000 for their self-identified priority needs.

- Principles of:
  - Participation
  - Transparency
  - Accountability
  - Open Menu
*PNPM-Rural now accounts for 80% of the total PNPM budget.
GROWTH OF PNPM-RURAL

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Total figures above include special program such as RESPEK for Papua and Papua Barat Provinces and R2PN for Nias Island, as well as other supporting programs within PNPM-Rural. Source: PNPM-Rural Annual Report 2009 and GOI Book for Location and Allocation 2010, 2011.
KEY FEATURES OF PNPM-RURAL (1)

- The program provides an unearmarked budget - an annual Block Grant to sub-districts (kecamatan) for “open menu” use (except for items on a small “negative list”);

- The Block Grant can disburse when villages agree on priorities for funding (against village proposals);

- There is a direct transfer of funds from the government treasury account to the community organization account at the sub-district level (UPK);
Key Features of PNPM-Rural (2)

- UPK channels the fund to village implementation committee based on the work plan and progress;
- Accountability procedures are set and agreed upon;
- The local government contribution to the Block Grant budget is a requirement but completely up to them… they have the autonomy to refuse to participate in PNPM;
- Special meeting with women’s groups to decide on women’s proposals.
**How PNPM-Rural Works (1)**

### Village Meetings
- Agree on 3 proposals (2 from women) to be brought to the inter-village forum meeting
- Agree on 6 village reps (3 women), proposal writing team & candidate for UPK (FM/implementation committee) staff
- Agree to provide opportunity for women to express needs through specific women’s forum and agree on gender balance for facilitators

### Inter-Village Priority Meetings
- Village proposals discussed and ranked after “verification”
- I-V Forum Head & Secretary elected
- UPK management staff (re) elected

### Design & Cost Write-up
- Using standard templates and local unit cost surveys, detailed (engineering) designs and cost estimates prepared
- Villagers involved in the process consult and approve

### Inter-Village funding Decision
- Final decision made on funding/amounts for prioritized proposal
- I-V Forum meeting reps elected for Kabupaten Planning Forum or **Musrenbang** deliberation.
- Implementation begins
**How PNPM-Rural Works (2)**

**Implementation of Sub-projects**
- Poor villagers must directly benefit as laborers/suppliers
- Transfer of funds from UPK to TPK in accordance with work progress. Facilitators must supervise.

**Village Accountability Meeting (2X)**
- Cost survey of materials and equipment (min. 3 sources)
- Conduct village bidding for procurement of materials above Rp.15 million. Wholesale contracting is not allowed.

**Formation, Operation & Maintenance Team**
- Establish O&M team.
- Villagers agree on operation and maintenance (estimated) budget and SOP
HOW FUNDS FLOW IN PNPM-RURAL
TRANSPARENCY AND ACCOUNTABILITY

After a physical project is fully constructed, a community meeting is organized to hand over the project. This picture shows such a meeting that handed over a completed bridge constructed between villages.

A collaborative program with 149 community radio stations is aimed at providing a two-way communication channel among community and PNPM implementers. People are encouraged to voice their opinions and complaints, as well as report corruption cases.
ANTI-CORRUPTION EFFORTS

- The key features of anti-corruption efforts and fiduciary control mechanisms in PNPM-Rural result from ten years of “learning by doing” and build on the results of specific research and evaluations conducted as part of the program:
  - Local control of funds
  - Competition
  - Social controls
  - Code of Ethics
  - Complaint handling
  - Media and NGOs
  - Audits
  - Sanctions
  - Use of formal judicial system
PNPM-Rural as Part of the Government’s Poverty Reduction Strategy

**Cluster I: Social Safety Net and Social Protection.**
- Programs: Rice for the Poor (Raskin), School Operation Support (BOS), Health Security for the Poor, Cash Transfers, and other social programs (for post-disaster & marginalized groups)

**Cluster II: Community Empowerment = PNPM Mandiri**

**Cluster III: Strengthening small and micro enterprises -**
- Kredit Usaha Rakyat (KUR), Pengembangan Usaha Agribisnis Perdesaan (PUAP)
GROWTH AND SCOPE

- In late-2006 the GOI decided to integrate a nationwide CDD program into its poverty reduction strategy based on the KDP/UPP model. A massive scale-up ensued and PNPM now encompasses:
  - 60,000+ villages;
  - 11,000+ facilitators and consultants from sub-district to national levels;
  - 100,400 village community empowerment cadres (village facilitators);
  - US$2 billion disbursed each year from all sources;
  - 50,000 sub-projects implemented yearly by local communities;
  - US$25 million spent each year for community training activities.

- Budget allocation in Medium-Term Expenditure Framework through 2014.
PNPM-Rural Outputs (1998-2009)

Infrastructure

- 53,271 km of roads built or upgraded
- 11,324 bridges built or reconstructed
- 17,972 clean water supply systems built
- 10,184 sanitation units built
- 12,770 km of irrigation systems constructed
- 1,759 public markets built or repaired
- 1,693 rural village electrification activities funded
- 6,896 village health centers supported
- 10,717 schools built or reconstructed
- 118,791 scholarships sponsored
PNPM-RURAL OUTPUTS (1998-2009)

Revolving Funds
• 2,255,607 loan recipients
• Repayment rate of savings and loan groups is above 90 percent

Employment and other
• Benefits to over 35 million villagers
• 87.06 million workdays generated from infrastructure projects
• 7.8 million people employed through sub-projects
• Female participation rate is 47 percent, above target of 40 percent
The Last Bridge Standing

In the affected area where all houses were destroyed because of the earthquake that hit Padang on September 30, 2010, bridges built under PNPM-Rural survived the disaster.

PNPM-Rural has supported the building or reconstruction of more than 11,000 bridges by communities.
IMPACT

Infrastructure Delivery, Economic Welfare and Access to Services

1. PNPM is an effective infrastructure delivery mechanism produces high quality, cost-effective village-level sub-projects:
   - Economic rates of return average ~52%
   - Cost of construction 55% of standard contracted budget
   - 94% of sub-projects fully functional after construction

2. PNPM increases household welfare and moves households out of poverty:
   - Consumption gains 5-7 percentage points higher and probability of transitioning out of poverty higher in PNPM areas

3. Impacts are strongest in poor and remote areas: The largest gains in terms of EIRR, household welfare and transition out of poverty occur among poor households and in poor and remote areas.

4. Poor and marginalized groups (e.g., female-headed households, households with low levels of education) do not see significant benefits from the project.
IMPACT

Access to Services and Employment Opportunities

• No impact on access to education (enrollment and drop out rates)
• Significant impact on access to outpatient health services
• Smaller impact on reducing unemployment

Social Capital and Governance

1. PNPM has created strong culture of participation, transparency and accountability within the PNPM program:
   • Participation of women and the poor ~45%
   • High satisfaction from project beneficiaries ~95%

2. Beyond PNPM, higher degree of participation and peaceful problem solving. However:
   • PNPM approach/procedures do not spill over into planning and implementation of other village and LG development activities.
LESSONS LEARNED

1. Keep to simple design first. Establish the mechanism, then expand. Simplicity allows for replication, adaptability and flexibility across diverse settings.

2. Political commitment has to be sustained in good and difficult times.

3. In Indonesia case, required significant TA and supervision.

4. Build in an evaluation system and invest in it (impact evaluations, audits, special studies).

5. Experimental research to improve the program and test new design elements.

6. Think long-term over several phases.
FUTURE STRATEGIC DIRECTIONS

The five main strategic issues that have emerged include:

1. Integrating the GOI’s various CDD programs within “Cluster 2”;

2. Adjusting the core PNPM model to different kinds of poverty (e.g., female-headed households, within wealthier areas, etc.) across Indonesia’s diverse regions;

3. Achieving great efficiency gains through enhanced management, supervision, and monitoring systems;

4. Using the social capital and community planning processes created through PNPM to strengthen the downward accountability of local government;

5. Strengthening the collaborative “handshake” between PNPM and sector service delivery that can result from identifying and aggregating community priorities within specific sectors.
Symbol of having a vision, enduring commitment, and mobilizing resources to materialize the vision. Building vibrant, equitable and sustainable rural communities in South Africa requires these elements. Minister Gugile Nkwinti