

Overview

OVER THE PAST DECADE, THE WORLD BANK HAS ALLOCATED almost \$85 billion to local participatory development. Driving this massive injection of funding has been the underlying belief that involving communities in at least some aspects of project design and implementation creates a closer connection between development aid and its intended beneficiaries. Indeed, local participation is proposed as a method to achieve a variety of goals, including sharpening poverty targeting, improving service delivery, expanding livelihood opportunities, and strengthening demand for good governance.

In principle, a more engaged citizenry should be able to achieve a higher level of cooperation and make government more accountable. In practice, little is known about how best to foster such engagement. Can participation be induced through the type of large-scale government and donor-funded participatory programs that have become a leitmotif of development policy? It is this question that is at the heart of this Policy Research Report.

The two major modalities for inducing local participation are community development and decentralization of resources and authority to local governments. *Community development* supports efforts to bring villages, urban neighborhoods, or other household groupings into the process of managing development resources without relying on formally constituted local governments. Community development projects—variously labeled community-driven development, community-based development, community livelihood projects, and social funds—include efforts to expand community engagement in service delivery. Designs for this type of aid can range from community-based targeting,

in which only the selection of beneficiaries is decentralized, to projects in which communities are also involved to varying degrees in the design and management of resources.

Decentralization refers to efforts to strengthen village and municipal governments on both the demand and supply sides. On the demand side, decentralization strengthens citizens' participation in local government by, for example, instituting regular elections, improving access to information, and fostering mechanisms for deliberative decision making. On the supply side, it enhances the ability of local governments to provide services by increasing their financial resources, strengthening the capacity of local officials, and streamlining and rationalizing their administrative functions.

This report focuses on assessing the impact of large-scale, policy-driven efforts to induce participation. It does not, as such, examine the literature on organic participation—participation spurred by civic groups, whether organized or not, acting independently of and sometimes even in opposition to government. Organic participation is important, but it has not been the focus of donor funding. The report does draw on lessons from efforts to scale up organic movements through induced policy interventions. In this context, it views nongovernment organizations (NGOs) that are largely dependent on donor or government funding through participatory interventions as part of the effort to induce participation.

The report focuses on the “demand-side” aspects of participatory development. Important “supply-side” aspects of governance (fiscal decentralization, taxation policy, local government procedures, and bureaucratic inefficiency) have been dealt with extensively elsewhere and were beyond the scope of this work.

Most of the findings reviewed derive from econometric analysis. However, the report draws on case studies to develop specific ideas and to illustrate the conceptual framework. It also draws on observational studies from large samples to illustrate key points.

The History of Participatory Development and Decentralization

Participatory development and decentralization have common intellectual origins. Deliberative decision making has been a central feature

of most religious and cultural traditions. In Athenian democracy, for example, important decisions were made in public deliberative settings in which all citizens (a group that excluded all women, slaves, and children) were expected to participate. Modern notions of participation arguably derive from the 18th and 19th centuries, notably from the work of Rousseau and John Stuart Mill.

In the early postcolonial period, the 1950s and 1960s, the U.S. Agency for International Development (USAID) and other donors helped drive the first wave of interest in participatory development by funding and promoting cooperative institutions, community-based development, and decentralization. By the 1970s, however, interest in participatory development had waned with the realization that cooperatives had largely failed and government reform was difficult to implement or sustain. The focus of policy shifted to large-scale investments in agricultural and industrial growth. By the mid-1980s, however, activists and scholars attacked this approach, seeing it as “top-down” and inherently disempowering and biased against the interests of the poor. Economists such as Sen and Ostrom made a vigorous case for a more bottom-up and deliberative vision of development that allows the “common sense” and “social capital” of communities to play a central part in decisions that affect them. Their scholarship led to renewed interest in community-based development, decentralization, and participation by donors and governments. As the social costs of structural adjustment programs became evident by the early 1990s, donors began to actively fund such participatory approaches, with the aim of ensuring minimal levels of investment in public services and infrastructure and in social programs to protect the most vulnerable.

This renewed policy interest in participatory initiatives, along with the expansion in funding, has proceeded, in large part, with little systematic effort to understand the particular challenges entailed in inducing participation or to learn from the failures of past programs. As a result, the process is, arguably, still driven more by ideology and optimism than by systematic analysis, either theoretical or empirical.

The aim of this report is to fill some of these lacunae. It does so by first outlining a conceptual framework within which local participatory development interventions can be analyzed and then using the evidence to draw some broad lessons with this framework as a guide.

A Conceptual Framework for Participation

Market and government failures are now reasonably well understood. Policy makers are less likely than they once were to assume that markets work perfectly or that governments can always provide effective solutions to market failures. In contrast, the policy literature is rife with solutions to market and government failures that assume that groups of people—village communities, urban neighborhood associations, school councils, water user groups—will always work toward the common interest. Rarely is much thought given to the possibility of “civil society failure.” In fact, organizing groups of people to solve market and government failures is itself subject to problems of coordination, asymmetric information, and pervasive inequality.

Civil society failure at the local level can be broadly thought of as a situation in which groups that live in geographic proximity are unable to act collectively to reach a feasible and preferable outcome. It includes coordinated actions that are inefficient—or efficient but welfare reducing on average—as well as the inability to undertake any coordinated action at all. Development policy that uses participatory processes needs to be informed by a thoughtful diagnosis of potential civil society failures, so that policy makers can clearly understand the tradeoffs involved in devolving decisions to local communities and can identify potential ways of repairing such failures.

Thinking of local development policy as occurring at the intersection of market, government, and civil society failures invariably increases appreciation of context. Such interactions are deeply conditioned by culture, politics, and social structure, and they vary from place to place. A policy that works in one country, or even one municipality, may fail miserably in another. Moreover, effective collective action is usually conditioned by a “cooperative infrastructure” that presupposes functional state institutions—and is likely to be far more challenging in its absence.

Empowering civic groups may lead to good outcomes. But it is not clear that inducing civic empowerment is always superior to a pure market-based strategy or a strategy that strengthens the role of central bureaucrats. Policy makers need to keep all of these considerations in mind as they consider how best to harness the power of communities.

Empirical Findings

This report reviews almost 500 studies on participatory development and decentralization. The findings shed light on three key issues.

How Important Is Capture?

The purpose of participatory programs is to enhance the involvement of the poor and the marginalized in community-level decision-making bodies in order to give citizens greater say in decisions that affect their lives. Do these programs result in choices that are better aligned with their preferences? Does fostering participation increase social cohesion? Does it produce more resilient and inclusive local institutions? Does it reduce capture and corruption?

On balance, the review of the literature finds that participants in civic activities tend to be wealthier, more educated, of higher social status (by caste and ethnicity), male, and more politically connected than nonparticipants. This picture may partly reflect the higher opportunity cost of participation for the poor. It also appears, however, that the poor often benefit less from participatory processes than do the better off, because resource allocation processes typically reflect the preferences of elite groups. Studies from a variety of countries show that communities in which inequality is high have worse outcomes, especially where political, economic, and social power are concentrated in the hands of a few. “Capture” also tends to be greater in communities that are remote from centers of power; have low literacy; are poor; or have significant caste, race, or gender disparities.

Policy design may also have unintended consequences. A large injection of resources for a participatory development project can, for example, attract the attention of the better off, making exclusion more likely. Participatory projects also often fail to build cohesive and resilient organizations. During the course of a project, cash or other material payoffs induce people to participate and build networks—but these mechanisms tend to dissolve when the incentives are withdrawn. Only when projects explicitly link community-based organizations with markets, or provide skills training, do they tend to improve group cohesiveness and collective action beyond the life of the project.

Spending decisions do seem to be better aligned with local needs under democratic decentralization, and resources are reallocated in favor of the less advantaged. But much depends on the nature of electoral incentives and the capacity of higher levels of government to provide oversight and ensure downward accountability.

Capacity also matters. The benefits of decentralization seem to be weaker in more remote, more isolated, and less literate localities. Such localities also tend to be more poorly served by mass media and other sources of information, and they are less likely to have adequate central oversight.

Does Participation Improve Development Outcomes?

On balance, greater community involvement seems to modestly improve resource sustainability and infrastructure quality. But the evidence suggests that people who benefit tend to be the most literate, the least geographically isolated, and the most connected to wealthy and powerful people. Participation thus appears to affect the distribution of benefits in ways that suggest that capture is often not “benevolent” or altruistic.

Project design and implementation rules play a critical role in determining whether participatory programs are captured. Demand-driven, competitive application processes can exclude the weakest communities and exacerbate horizontal inequities.

For many years, willingness to contribute to programs and projects has been seen as evidence of commitment and of the sustainability of programs or of infrastructure. But this belief has little basis in evidence. What little is known suggests that co-financing—the sine qua non of participatory projects—tends to exclude the poorest, particularly when individuals or communities self-select into a program. Evidence also suggests that co-financing requirements for local governments can widen horizontal inequities in targeted transfer programs, because poorer municipalities or counties have an incentive to reduce the poverty threshold for transfer eligibility in order to reduce their own co-payment burden.

The review of the evidence on community management of common-pool resources and community engagement in the creation and maintenance of small-scale infrastructure focuses on five main questions:

- What evidence is there for greater resource sustainability under decentralized or community management?

- What evidence is there of more inclusive management and greater equity in the distribution of benefits?
- To what extent do community characteristics such as wealth inequality, ethnic heterogeneity, and management experience affect the sustainability of resources or infrastructure?
- How much can local management systems help overcome adverse local characteristics—that is, can good design induce the right type and level of participation?
- How dependent is success on the role played by the central state?

Four main findings emerge from the literature:

- Inequality tends to worsen both efficiency and equity, and there can be important tradeoffs between resource sustainability and equity.
- Transferring management responsibilities to a resource or an infrastructure scheme does not usually involve handing over control to a cohesive organic entity with the requisite capacity; often it requires creating local management capacity. In the absence of deliberate efforts to create such capacity and provide resources for ongoing maintenance and management, investments in infrastructure are largely wasted and natural resources poorly managed.
- Clear mechanisms for downward accountability are critical. The literature is rife with cases in which decentralization is used to tighten central control and increase incentives for upward accountability rather than to increase local discretion. The absence of robust mechanisms for downward accountability tends to go hand in hand with complex reporting and planning requirements, which are usually beyond the capacity of local actors and become a tool for retaining control and assigning patronage. Most of these requirements are holdovers from past rules designed to extract resources from rather than benefit communities.
- Communities need to benefit from the resources they manage. For natural resources that create substantial externalities, the benefit should be commensurate with the size of the externality created by the resource and should at least compensate communities for the alternative uses to which they could put the resource for immediate gain.

Only a few studies compare community-managed infrastructure projects with similar projects delivered by governmental line departments using a more “top-down” delivery mechanism. These studies find that community engagement seems to improve both the quality of construction and the management of local infrastructure—implying lower levels of corruption relative to government provision.

This suggests that carefully designed projects have the potential to limit capture. Indeed, a key feature of the projects studied is that the implementing agencies provided significant oversight during construction, the maintenance and recurrent costs were explicitly budgeted for, and the implementing agency was available to provide training and support for maintenance. These concerns imply considerable engagement of higher-tier governments or implementing agencies in building local capacity, monitoring outcomes, and setting the broad parameters under which management is devolved—with a view to enhancing downward rather than upward accountability while leaving sufficient discretion at the local level.

Studies of community participation in health service and education find modestly positive results overall, although the causal link between participation and service delivery outcomes is often vague. Studies that are able to assess the impact of participation typically find that although inducing community engagement alone has little impact on outcomes, community engagement can substantially amplify the impact of investments in other health or education inputs. In the case of health service delivery, for example, the formation of community health groups appears to have virtually no effect on any health-related outcome when done in isolation but is effective when combined with inputs such as trained health personnel or the upgrading of health facilities. Community engagement leads to significantly larger reductions in maternal and infant mortality, larger improvements in health-related behaviors, and greater use of health facilities than investments in health inputs alone can deliver. Interestingly, successful programs are often located within larger government health delivery systems. This finding is encouraging, because government participation is usually central for scaling up health initiatives. The evidence also suggests that the most successful programs tend to be implemented by local governments that have some discretion and are downwardly accountable. Devolving the management of public programs to NGOs appears to work less well, although the evidence remains thin. Community engagement

in education has somewhat similar but more muted effects, primarily because impacts on learning tend to be weak, at least over the time spans covered by evaluations, which may be too short to measure results. Overall, studies report an increase in school access, an improvement in retention rates and attendance, and a reduction in grade repetition.

Interventions that provide information to households and communities about the quality of services in their community as well as government standards of service tend to improve outcomes. Moreover, they do so even when no additional resources are expended.

Funding also matters. Increasing the fiscal burden on poor communities can reduce the quality of public service delivery. When projects do not cover maintenance and recurrent costs, communities are left with crumbling schools without teachers and clinics without medicines.

As with other interventions, however, poorer, more remote areas are less able to realize gains from decentralized service delivery. The benefits of decentralization are smaller when communities are less well administered and more embedded in an extractive equilibrium characterized by weak democratic practices and a politicized administration. Literacy is also an important constraint—an effect that is consistent across several studies.

The evidence suggests that community-based development efforts have had a limited impact on income poverty. Projects with significant microfinance components do show positive impacts on savings and assets, but these effects appear to be confined largely to the life cycle of the project. There is also some evidence that community-based development projects improve nutrition and diet quality, especially among children, although some of these studies find that larger benefits accrue to better-off households.

Does Participation Strengthen Civil Society?

There is little evidence that induced participation builds long-lasting cohesion, even at the community level. Group formation tends to be both parochial and unequal. Absent some kind of affirmative action program, groups that form under the aegis of interventions tend to systematically exclude disadvantaged and minority groups and women. Moreover, because similar types of people tend to form groups with one another, projects rarely promote cross-group cohesion—and may actually reinforce existing divisions.

An important question in this context is the role of facilitators who work with communities. The evidence on this issue is scant, but the few studies that have tried to measure their effects find that facilitators strongly influence the stated preferences of community members, who often tell facilitators what they think they want to hear.

Participation often tends to be driven by project-related incentives; people get together to derive benefits from project funds. It is very difficult to know whether these effects will last beyond the tenure of the project and the limited evidence indicates that it usually does not. There is some heartening evidence, though, that participation may have intrinsic value. Communities tend to express greater satisfaction with decisions in which they participate, even when participation does not change the outcome or when outcomes are not consistent with their expressed preferences.

The ballot box, though far from perfect, appears to provide a clearer mechanism for sanctioning unpopular policy choices or excessive rent-seeking by traditional or political elites than more informal forums for deliberation. In decentralized settings, credible and open elections help align the decisions of politicians with the demands of their constituents. When participatory and deliberative councils exist in such settings, they can foster a significant degree of civic engagement. It is less clear how citizens can collectively sanction negligent or corrupt officials or local leaders where such venues for the exercise of voice are not available.

Repairing civic failures requires that social inequalities be addressed. One way of trying to do so is to mandate the inclusion of disadvantaged groups in the participatory process. There is virtually no evidence from evaluations of community-driven development projects on whether such mandates work. However, a growing body of evidence from village democracies in India indicates broadly positive impacts. Quotas in village councils and presidencies for disadvantaged groups and women tend to change political incentives in favor of the interests of the group that is favored by the quota.

Mandated inclusion also appears to provide an incubator for new political leadership. Evidence indicates that women and other excluded groups are more likely to run for nonmandated seats once they have had some experience on a mandated seat. Quotas can also weaken prevailing stereotypes that assign low ability and poor performance to traditionally excluded groups. However, lasting change requires that the inclusion mandates remain in place for long enough to change perceptions and social norms.

Democratic decentralization works because village and municipal democracies incentivize local politicians to nurture their constituencies. Because decentralized programs usually come with a constitutional mandate or other legal sanction from the center, they are relatively permanent and can therefore change social and political dynamics over the long term. In contrast, community-based projects are usually ad hoc interventions that are unable to open political opportunities for real social change.

Participatory interventions have been used in postconflict settings as a quick way of getting funds to the ground. The limited evidence on their effectiveness suggests that such projects have made little headway in building social cohesion or rebuilding the state. However, evidence from Africa seems to suggest that people emerging from civic conflict have a strong desire to participate in their communities and that well-designed and implemented projects could draw on this need.

In sum, the evidence suggests that, although local actors may have an informational and locational advantage, they use it to the benefit of the disadvantaged only where institutions and mechanisms to ensure local accountability are robust. Local oversight is most effective when other, higher-level institutions of accountability function well and communities have the capacity to effectively monitor service providers and others in charge of public resources. Local participation appears to increase, rather than diminish, the need for functional and strong institutions at the center. It also implies that implementing agencies for donor-funded projects need to have the capacity to exercise adequate oversight. There is little evidence that they can substitute for a nonfunctional state as a higher-level accountability agent, however. Reforms that enhance judicial oversight, allow for independent audit agencies, and protect and promote the right to information and a free media appear to be necessary for effective local oversight.

Moving Beyond the Evidence

Three main lessons emerge from distilling the evidence and thinking about the broader challenges in inducing participation.

- 1. Induced participatory interventions work best when they are supported by a responsive state.** The state does not necessarily have to

be democratic—though being democratic helps a great deal. But in the sphere in which the intervention is being conducted—at the level of the community or the neighborhood—the state has to be responsive to community demands.

Parachuting funds into communities without any monitoring by a supportive state can result in the capture of decision making by elites who control the local cooperative infrastructure, leading to a high risk of corruption. In the absence of a supportive state, participatory engagement may still be able to make a difference, but projects implemented in such environments face much greater challenges.

2. Context, both local and national, is extremely important. Outcomes from interventions are highly variable across communities; local inequality, history, geography, the nature of social interactions, networks, and political systems all have a strong influence. The variability of these contexts is sometimes so large, and their effect so unpredictable, that projects that function well usually do so because they have strong built-in systems of learning and great sensitivity and adaptability to variations in context.

3. Effective civic engagement does not develop within a predictable trajectory. Instead, it is likely to proceed along a “punctuated equilibrium,” in which long periods of seeming quietude are followed by intense, and often turbulent, change. Donor-driven participatory projects often assume a far less contentious trajectory. Conditioned by bureaucratic imperatives, they often declare that clear, measurable, and usually wildly optimistic outcomes will be delivered within a specified timeframe. There is a danger that such projects set themselves up for failure that derives not from what they achieve on the ground but from their unrealistic expectations.

One important reason for this overly ambitious approach, especially at the World Bank, is that many donors’ institutional structure continues to derive from a focus on capital-intensive development and reconstruction. Building dams, bridges, and roads, or even schools and clinics, is a much more predictable activity than changing social and political systems. Repairing civil society and political failure requires a shift in the social equilibrium that derives from a change in the nature of social interactions and from modifying norms and local cultures. These much more difficult tasks require a fundamentally different

approach to development—one that is flexible, long term, self-critical, and strongly infused with the spirit of learning by doing.

The variability of local context and the unpredictable nature of change trajectories in participatory interventions underscore the need for effective systems of monitoring and assessing impact. Such projects require constant adjustment, learning in the field, and experimentation in order to be effective—none of which can be done without tailoring project design to the local context, carefully monitoring implementation, and designing robust evaluation systems.

As demonstrated in chapter 7 of this report, the World Bank falls far short on these measures—and other donors probably perform no better. The results are sobering—and instructive. Despite wide differences in contexts, the Project Assessment Documents of World Bank–funded projects (which lay out a project’s design) are striking in their similarity, with language often simply cut and pasted from one project to another. A review of the monitoring and evaluation (M&E) systems in World Bank projects in which at least a third of the budget was allocated to local participation, as well as a survey of project managers, also reveals pervasive inattention to monitoring and evaluation systems. Only 40 percent of Project Assessment Documents included a monitoring system as an essential part of the project design, and a third failed to mention basic monitoring requirements such as a management information system (MIS). When monitoring was mentioned, it usually involved collecting extremely imprecise indicators, and even this data collection was done irregularly. Even less attention was paid to evaluating project effectiveness through a credible evaluation. The majority of project managers indicated that the Bank’s operational policies do not provide adequate incentives for M&E and that M&E is not perceived to be a priority of senior management. M&E seems to be treated as a box to be checked to obtain a loan rather than as an instrument for improving project effectiveness.

Conclusion

Evaluations of participatory development efforts improved somewhat between 2007 and 2012, generating some new evidence. However, the evidence base for most questions relevant to policy remains thin, and far too little attention is still paid to monitoring and evaluation. Project

design continues to show little appreciation of context, and inflexible institutional rules fail to internalize the complexity inherent in engaging with civic-led development. Unless these problems are addressed, participatory development projects will continue to struggle to make a difference.

Local participation tends to work well when it has teeth and when projects are based on well-thought-out and tested designs, facilitated by a responsive center, adequately and sustainably funded, and conditioned by a culture of learning by doing. To ensure that it supports projects with these characteristics, the World Bank and other donor agencies need to take several steps:

- Project structures need to change to allow for flexible, long-term engagement. Patience is a virtue.
- Project designs and impact evaluations need to be informed by political and social analyses, in addition to economic analysis.
- Monitoring needs to be taken far more seriously. The use of new, more cost-effective tools, such as short message service (SMS)–based reporting, could help enormously.
- Clear systems of facilitator feedback as well as participatory monitoring and redress systems need to be created.
- Most important, there needs to room for honest feedback to facilitate learning, instead of a tendency to rush to judgment coupled with a pervasive fear of failure. The complexity of participatory development requires a high tolerance for failure and clear incentives for project managers to report evidence of it. Failure is sometimes the best way to learn about what works. Only in an environment in which failure is tolerated can innovation take place and evidence-based policy decisions be made.