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# Linking Community Empowerment, Decentralized Governance, and Public Service Provision Through a Local Development Framework

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September 2005



COMMUNITY  
DRIVEN  
DEVELOPMENT



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## PREFACE

The local development framework presented in this paper is designed to assist policy-makers and program managers in developing countries to support participatory, decentralized development. It aims to help them better understand the complex challenges associated with establishing the effective local-level institutional arrangements that are needed to produce and sustain the results demanded by the Millennium Development Goals.

Empowering poor people and marginalized communities, improving local governance, providing adequate public infrastructure and services, and enabling dynamic, equitable private sector growth are all required to meet the MDGs. These results cannot be achieved by fiat from above; they must be produced by effort from below supported by enabling policies and partnerships. Understanding how these efforts, policies, and partnerships can be organized is the theme of this paper.

The institutional arrangements that underpin sustainable local development have been the subject of an intense debate in the development field. In the last two decades, social funds (SFs) and community-driven development (CDD) programs have been at the core of this debate. While these programs showed the benefits of citizen and community empowerment in development and poverty reduction efforts, concerns have also been raised regarding the sustainability of the institutions and investments that they supported, and about whether those programs help or hurt decentralization and public sector reform.

A central motivation for this paper was to address these concerns. While actual practice in SFs/CDD programs have incorporated mechanisms to address many of these issues—and while at the same time, local government and public sector reform programs have also begun to embrace the principle that good, locally-oriented reform actually requires direct attention to communities—these responses have often been partial, and fragmentation among approaches persists. The authors believe that incomplete operational solutions are in large part due to the absence of a sound conceptual framework that demonstrates how several overarching goals are actually shared by CDD approaches, local government/decentralization approaches, and sectoral approaches; and by the need for a common language to enable practitioners of these different approaches to understand better the tensions and potential synergies of integrating methods.

The authors contend that the perspectives and expertise required to achieve development at the local level are not the exclusive domains of any single discipline or network within the Bank. Local Development is a multisectoral concern, and the ideas in this paper draw on the work of many sectors. While the authors come from the Social Funds Team in Social Protection (HD), they developed the paper in regular consultation with the CDD Team in Social Development (ESSD), particularly Keith McLean and Dan Owen, and the Decentralization Team in Public Sector Management (PREM), particularly Dana Weist and Steven Ndegwa. The peer reviewers also came from different networks: Brian Levy (PREM), Fitz Ford and Christine Kessides (FPSI), Jacomina de Regt (SD), and Ariel Fiszbein (HD). The authors are grateful for their contribution.

The local development framework was originally prepared as a basis for discussion at the International Conference on Local Development held in Washington, D.C. on June 16-18, 2004. This Conference was co-sponsored by the German Development Bank (KfW), the German Federal Ministry for Economic Cooperation and Development (BMZ), and the Inter-American Foundation, and was attended by over 550 participants from 90 countries. Since June 2004, drafts

of this paper have been presented and discussed with a community of policymakers and program managers from around the world engaged in supporting grassroots development, as well as a variety of scholars, international consultants, and a broad array of World Bank staff. It has been substantially revised based on their comments and enriched by examples and cases drawn from their experience.

The authors are grateful for the many animated and frank discussions which the drafting of this paper has provoked and for the critiques and suggestions generously offered by colleagues and like-minded professionals. Of course, responsibility for the papers content rests solely with the authors. In addition to the people mentioned before, the authors want to acknowledge their gratitude to those who at different stages of the project have provided guidance and feedback: Laura Frigenti, Helena Ribe, Sandor Sipos, Paul Gertler, Anush Benzhayan, Yasser El-Gammal, Andrea Vermehren, Maurizia Tovo, Nadine Poupart, Caroline Mascarell, Mariana Felicio, and Samantha de Silva (Human Development); Bachir Souhlal, Scott Guggenheim, Victor Bottini, and Lant Pritchett (Social Development); Jennifer Sara, Gwen Swinburn, and Mila Freire (Infrastructure and Urban Development); Adolfo Brizzi, Hans Binswanger, Derek Byrlee, Neil Ferguson, and Louise Scura (Rural Development); Deborah Wetzel, Kai Kaiser, Yongmei Zhou, Ruth Alsop, Uri Raich (Poverty Reduction and Economic Management); Mary McNeil, Ronnie MacLean, and Karen Sirker (World Bank Institute). Comments from organizations outside of the World Bank include Dele Olowu (African Development Bank), Angelo Bonfiglioli (UNCDF), and Rene Rodriguez (KfW).

The framework presented here is intended to serve as the basis for an ongoing program of applied research and technical support which will assist policymakers and program managers to improve the effectiveness of field interventions supporting participatory, decentralized, multisectoral development efforts. Its authors hope this program contributes to increasing the coherence and the effectiveness of the many ongoing efforts to achieve development results in the communities where poor people live and work.

## TABLE OF CONTENTS

1	Why a More Integrated Approach to Local Development?	1
1.1	What Does a Local Development Framework Aim to Achieve? .....	3
1.2	What Does a Local Development Framework Entail? .....	5
1.3	What Does This Discussion Paper Aim to Do? .....	8
2	Clarifying the Core Concept: Why Local?	10
2.1	The Usefulness of a Spatial Approach.....	10
2.2	The Significance of Local Scale .....	10
2.3	The Importance of Local Responsibility.....	12
2.4	Keeping the Local in Perspective .....	13
3	The Elements of a Local Development Framework	15
3.1	Empowerment.....	15
3.2	Local Governance .....	17
3.3	Local Service Provision .....	23
3.4	Enabling Local Private Sector Growth .....	25
4	Characterizing Alternative Approaches to Local Development	30
4.1	How Decentralized Sectoral Approaches Contribute to Local Development ..	31
4.2	How Local Government Approaches Contribute to Local Development.....	33
4.3	How Community Support Approaches Contribute to Local Development .....	36
5	Linking Alternative Approaches to Local Development	40
5.1	Linking Sectoral and Community Support Approaches .....	40
5.2	Linking Sectoral and Local Government Approaches.....	42
5.3	Linking Community Support and Local Government Approaches .....	44
5.4	Integrating the Three Approaches through a Local Development Framework	46
6	How Can National Governments Promote Local Development?	50
6.1	Improving the Enabling Environment .....	50
6.2	Enhancing Capacities for Local Development .....	52
6.3	Providing Resources for Local Development.....	54
7	Challenges of Applying a Local Development Framework	59
7.1	Changing Practices and Attitudes .....	59
7.2	Managing Complex Processes .....	59

7.3	Surmounting Institutional Boundaries .....	60
7.4	Realigning Relations of Power .....	61
8	Moving Ahead: A Knowledge Agenda for Local Development	62
Annex A.	Understanding the Three Approaches to Local Development	64
A.1	Decentralized Sectoral Approaches .....	64
A.2	Local Government Approaches .....	67
A.3	Community Support Approaches.....	69
Annex B.	References	73

## TABLES, FIGURES, AND BOXES

Box 1-1	Social Funds and Integrating Local Development: The Example of Honduras
Figure 1-1	A Conceptual Framework for Local Development
Box 1-2	On the Economic Dimension of Local Development
Box 2-1	Local Development in a Post-Conflict Environment: Lessons from Sierra Leone
Figure 3-1	The Elements of a Framework for Local Development
Box 3-1	Strategies for Roma Empowerment: Linking Regional, National and Local Efforts to Combat Communal Poverty
Box 3-2	Participatory Planning and Budgeting to Improve Local Governance in Brazil
Box 3-3	Inclusive Decision-Making to Improve Local Governance in Macedonia
Box 3-4	Participation and Accountability to Improve Rural Health Services in Malawi
Box 3-5	Combating Corruption to Enable Local Development: Lessons from Venezuela
Box 3-6	Local Resource Mobilization for Infrastructure Maintenance in Nicaragua
Box 3-7	Inclusive Local Economic Development Planning in Yemen
Table 4-1	Alternative Approaches to Supporting Local Development
Table 4-2	Key Lessons and Frequent Limitations of Alternative Approaches to Local Development
Box 5-1	Administrative Deconcentration and Local Development in Mozambique
Box 5-2	Large Scale Institutionalization of a Community Support Approach in Indonesia

Table 5-1	Linking Approaches for Local Development
Figure 5-1	Integrating Approaches for Local Development
Box 5-3	Achieving Synergies by Integrating Local Development: An Example from India
Box 6-1	A National Strategic Approach to Local Development in Indonesia
Box 6-2	Providing National Support for Local Development: The Evolving Role of Social Funds
Box 6-3	How National Governments and their Partners Can Support Participatory Local Development

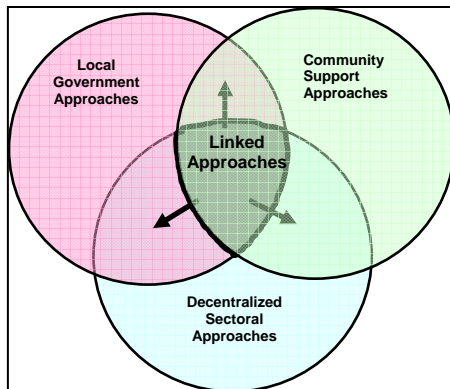


## EXECUTIVE SUMMARY

This paper aims to clarify the core concepts and principles that underpin decentralized, participatory development programs. It identifies bodies of knowledge and practice that contribute to more effective strengthening of empowerment, governance, service provision and economic development at the local level. The paper outlines a conceptual framework for a more integrated approach to local development and suggests how national governments and their partners can support a local development strategy.

Because local development is multi-faceted and multi-sectoral, it is often difficult to understand how various institutional reform, investment, and capacity building efforts at the local level relate to each other and cumulatively contribute to producing desired social and economic impacts. This framework aims to describe systematically how cross-cutting issues are addressed in various sectors, at various levels, and through various approaches. It does not provide a blueprint for promoting local development in any country; rather it provides a lens through which policy makers and program managers can analyze the institutions and processes supporting local development in a specific context and identify opportunities and constraints to improve their performance.

Three alternative approaches to local development—decentralized sectoral, local government, and community support approaches—emphasize many of the same principles:<sup>1</sup> empowerment of the poor and other marginalized groups, responsiveness to beneficiary demand, autonomy of local institutions associated with greater downward accountability, and enhancement of local capacities. Despite these shared principles it has often been difficult to integrate these approaches at the local level.



Although the three approaches all aim to provide public facilities and services at the local level, they organize their efforts differently. While sectoral approaches organize according to the functions to be performed or the services to be provided, local government approaches organize based upon the territorial jurisdiction under a legally autonomous authority. The basis of community support approaches is the social unit through which people organize, either traditionally or voluntarily, to make

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<sup>1</sup> Decentralized sectoral approaches rely on functionally specialized organizations at the local level, with operational autonomy allocated through deconcentration or delegation policies. Local government approaches promote territorially organized political and administrative institutions, with policy and operational autonomy allocated through devolution policies. Community support approaches, such as those frequently associated with community-driven development, promote resource transfer and civil society empowerment strategies that emphasize community organizations as institutions of collective action and interlocutors between people and public service providers.

and act upon collective decisions. As a result of these fundamental differences, each approach has generated a distinct body of theory and practice relevant to supporting local development<sup>2</sup>.

By selecting and combining methods drawn from sectoral, local government, and community support approaches, it is possible to develop context-appropriate strategies that capitalize on synergies and ease tensions among linked approaches. To complement the services provided by sectoral agencies and local governments, programs using highly decentralized, participatory and demand-based methods such as community driven development (CDD) have demonstrated considerable success in getting resources to their intended beneficiaries and in achieving rapid impacts. However, such innovative approaches have not always ensured the sustainability of neither the infrastructure nor the services they finance or the institutions and capacities they support. In response, in many countries, social funds, CDD programs, and other community support approaches are increasingly promoting greater integration with public sector systems, emphasizing both upstream linkages to policies and fiscal arrangements and downstream linkages to governance and service delivery arrangements.

A decentralized and integrated approach involves organizing interventions around local territorial units such as districts, municipalities, or communes. A spatial focus at the local level provides a way of bringing together different approaches. Applying the subsidiarity principle to the problem of integration among community and public sector organizations suggests that institutions of governance and management at the local level should be engaged and strengthened. Local development requires strengthening existing organizations and capacities within the local space to develop more systematically linked institutional arrangements and processes.

Community-based organizations (CBOs), local governments, and deconcentrated sectoral agencies, as well as private organizations such as NGOs and firms, should be linked more coherently in order to support improved empowerment, governance, service provision, and private sector growth. A spatially framed approach, which links such local organizations through their respective roles and relationships at local government and community levels, promises to improve coordination, synergy, efficiency, and responsiveness in local development processes.

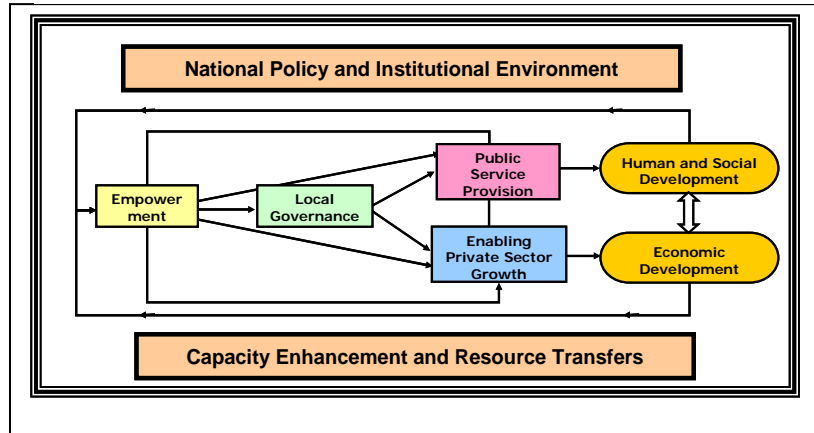
The proposed local development framework aims to provide a simple conceptual basis and a common language for integrating the strategic elements and methods developed by the three complementary approaches. The framework includes four core elements—empowerment, local governance, service provision, and private sector growth—and three enabling elements<sup>3</sup>—a favorable policy and institutional environment, capacity enhancement, and resource transfers. The framework describes how these elements collectively and cumulatively contribute to local development impacts.

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<sup>2</sup> See Table ES-1 for a summary of the lessons and limitations associated with each approach.

<sup>3</sup> “Enabling” elements refer to non-local factors and processes which contribute to, or in their absence impede, local development.

## A Conceptual Framework for Local Development



### *Core Elements*

- **Empowerment** increases people’s opportunities and capabilities to make and express choices and to transform those choices into desired actions and outcomes. People’s capabilities to participate effectively in local development are determined not only by individual resource endowments, but also by social capital that provides the basis for collective action.
- **Local governance** is the way authority is organized, legitimated, and employed by and on behalf of local people through planning, decision-making, rule enforcement, and accountability processes. Local governance includes not only local governments and other public sector structures but also a variety of community and civil society institutions by which people organize to act collectively.
- **Local service provision** systems—including public sector, private sector, non-governmental, and community-based organizations—mobilize and manage resources and produce public facilities and services. The mobilization of local revenues to finance local development is an important foundation for sustainable empowerment and governance as well as for service provision.
- **Private sector growth** at the local level requires improving economic infrastructure and services; strengthening human, social and institutional capital; and creating an enabling business climate.

### *Enabling elements*

- The **policy and institutional environment** for local development includes formal institutions such as laws, government policies, and organizational systems, as well as values, norms, and social practices that influence people’s decisions and behavior.
- **Capacity enhancement** includes establishing the local institutions through which people and communities participate in local development as well as strengthening of human, social, and institutional capital.

- **Resource transfers** to local actors—public, non-governmental, and community-based organizations—include the provision of investment and operational funding as well as support for training, technical assistance, and information.

### *Impacts*

- **Local development impacts** include not only improvements in social and economic welfare, but also the accumulation of local human, social, and economic capital.

The choice of arrangements for local development is contingent on place-specific factors such as the nature, legitimacy, and capacity of existing local institutions. In some places, traditional authorities or community associations will be the most legitimate venue for local decision making and resource management, while in others local governments will be more prominent. The roles of local governments and decentralized sectoral agencies in service provision will vary from place to place, as will the extent to which NGOs and private firms are involved in front-line service delivery.

National governments and their partners can support local development by:

- **Implementing laws, policies, and procedures** supportive of inclusive, participatory, decentralized governance, empowered communities, and dynamic local private sector;
- **Fostering civil society** by strengthening social capital and collective action and by promoting values such as participation, equity, accountability, and local responsibility.
- **Enhancing local capacity** by investing in the technical, administrative, and adaptive capacities of local public sector, NGO, community and private sector organizations.
- **Increasing access to resources**, both funding and information, among local governments, CBOs, NGOs, and private sector actors.

Adopting a more integrated approach to local development is not a simple task. To effectively integrate local development processes, challenges include: changing attitudes and practices in the public sector and civil society; managing complex processes involving both governmental and non-governmental actors at several levels; surmounting institutional boundaries among sectoral, local government, and community-based organizations; and realigning relations of power to favor local actors rather than national actors, and communities and civil society rather than public officials.

This paper emphasizes the importance of tailoring local institutional arrangements and capacities to the specific context in which local development is to be promoted. To respond to this need, the Local Development Framework provides the conceptual basis for the following next steps:

1. **Compilation, organization, and dissemination of methods** for improving empowerment, local governance, service provision, and local private sector growth in various contexts;
2. **Development of diagnostic methods and context-sensitive prescriptions** to assist in formulating locally appropriate program strategies and institutional arrangements supporting more integrated and dynamic local development; and
3. **Generation and dissemination of practical and useful knowledge** through applied research, piloting, and documentation of field experiences of integrated approaches to local development.

**TABLE ES-1 KEY LESSONS AND FREQUENT LIMITATIONS OF ALTERNATIVE APPROACHES TO LOCAL DEVELOPMENT**

	<b>DECENTRALIZED SECTORAL APPROACHES</b>	<b>LOCAL GOVERNMENT APPROACHES</b>	<b>COMMUNITY SUPPORT APPROACHES</b>
<b>KEY LESSONS</b>	<ul style="list-style-type: none"> <li>• Deconcentration within administrative hierarchies is necessary but not sufficient for effective service delivery</li> <li>• Demand responsive arrangements are useful in establishing appropriate service levels and standards</li> <li>• CBOs as coproducers and oversight bodies can improve service delivery</li> <li>• Linking public organizations to private firms and NGOs enhances local capacity to deliver services</li> <li>• Local planning processes not only allocate resources but also increase accountability of service providers</li> <li>• Service delivery arrangements should be adapted to the local institutional environment.</li> </ul>	<ul style="list-style-type: none"> <li>• LG responsiveness requires electoral accountability as well as other participatory processes</li> <li>• Decentralization is most effective when LG reform is linked to sector reform</li> <li>• Local governance quality depends not only on LGs but also on the effectiveness of local civil society</li> <li>• LGs can lead local development as coordinators of private initiative as well as advocates for local interests</li> <li>• Effective service delivery requires collaboration between LGs and sector agencies</li> <li>• LG strategic planning helps build partnerships among public, private and CBOs.</li> </ul>	<ul style="list-style-type: none"> <li>• Community driven funds can channel resources in response to urgent, specialized or complex demands</li> <li>• Participatory community planning can efficiently allocate resources</li> <li>• Community-based mgmt of resources and investments can be transparent and efficient</li> <li>• Targeted community-driven approaches can empower marginalized groups</li> <li>• Community control over decisions and resources can build social capital</li> <li>• Strengthening CBOs can increase poor people’s voice</li> <li>• Community contributions help ensure that investments are demand driven and “owned” by beneficiaries</li> <li>• Increased links between LGs and CBOs can speed “scaling-up” and improve sustainability</li> </ul>
<b>FREQUENT LIMITATIONS</b>	<ul style="list-style-type: none"> <li>• Little local discretion to adjust national sector policies and service priorities to local conditions or preferences</li> <li>• Difficulty ensuring coordination and collaboration across interdependent sectors</li> <li>• Emphasis on operational management limits strategic response to local conditions and priorities.</li> <li>• Difficulty ensuring adequate responsiveness and accountability of sectoral officials.</li> </ul>	<ul style="list-style-type: none"> <li>• Risks associated with transfer of responsibilities to LGs without adequate resources</li> <li>• Incomplete decentralization policies can limit LG capacity to respond to local priorities</li> <li>• Excessive politicization of decision-making or “elite capture” may lead to inequitable allocation or poor management</li> <li>• Weak service delivery focus and technical capacities among some LGs</li> <li>• Problems coordinating between devolved LGs and sectoral organizations</li> <li>• Inadequate contact between LG officials/LG agencies and communities</li> <li>• Vulnerability to “demand overload” when citizen expectations and devolved responsibilities exceed LG capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Risks of “elite capture” and weak accountability resulting from entrenched inequalities of power and resource access within communities</li> <li>• Difficulty resolving problems across several communities and achieving economies of scale</li> <li>• Sustainability problems due to insufficient coordination with sectors and LGs</li> <li>• Weak links to public sector systems for planning, governance, and fiscal management, and accountability</li> <li>• Lack of strategic perspective on local economic development</li> </ul>

# 1 Why a More Integrated Approach to Local Development?

If developing countries are to achieve the Millennium Development Goals, social and economic conditions will have to improve in areas where the world's poor and low-income majority live. Getting the desired results requires strengthening the institutions at the local level that provide public services and enhance economic opportunities not only around capital cities and other metropolitan centers of trade and commerce but also in more remote and less privileged regions.

Until recently, the governments of developing countries have employed conventional public sector organizations—sectoral agencies and local governments—to expand access to infrastructure and services in all parts of the national territory. When it became clear that these two approaches were not fully meeting the demand for basic services among the majority of residents, governments and their international partners developed new community-level approaches to accelerate investment and target resources more effectively at the community level. They developed social funds and other public sector funds to channel resources to the local level (see box 1.1). Many of these funds, using highly decentralized,<sup>4</sup> participatory, and demand-based methods such as community-driven development (CDD), have had considerable success getting resources to intended beneficiaries and realizing desired investments.

Despite their accomplishments, however, these innovative approaches have had difficulty coordinating and integrating their efforts with broader public sector institutions and processes, diminishing the effectiveness and sustainability of their investments:<sup>5</sup>

- Community-driven development and social fund programs, even when supported by large projects, usually represent a small portion of national resources allocated to local investment and service delivery. Thus while contributing at the margin to more effective local development; they may have relatively limited effect on broader and larger processes.
- Service delivery units resulting from community-driven investments sometimes do not receive adequate staffing and recurrent cost support from sectoral departments or local governments.
- An emphasis on community-level planning processes (absent area-based strategic plans) often masks allocation decisions resulting from funding agency procedures (for example first come, first served selection among proposed investments) or made by funding agency officials (for example selection of beneficiary communities based on project-defined criteria rather than broader government policy).
- Decision processes at the community level are often not effectively linked to priorities and resource allocations established by democratically accountable local government authorities.
- Ensuring the technical quality of investments and building adequate community capacity for operation and maintenance require considerable commitment by sectoral agencies that may not be adequately involved in planning or supervising community investments.

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<sup>4</sup> Decentralization is a general term referring to policies and processes that shift the locus of decisionmaking and management to the local level. Decentralization includes deconcentration, devolution, and delegation and includes the transfer of resources and responsibilities to local institutions including local governments (LGs), community-based organizations (CBOs), and private organizations including non-governmental organizations (NGOs).

<sup>5</sup> Based on various sources including: Rawlings et al (2004), World Bank (2000a, 2002), Mansuri and Rao (2004), Dongier et. al (2002), Binswanger and Aiyar (2003).

Three approaches to managing local public investment and service provision have sometimes been seen as competitive. Decentralized sectoral approaches rely on functionally specialized organizations at the local level, with operational autonomy allocated through deconcentration or delegation policies. Local government approaches promote territorially organized political and administrative institutions, with policy and operational autonomy allocated through devolution policies. Direct community support approaches, such as those frequently associated with community-driven development, promote resource transfer and civil society empowerment strategies that emphasize community organizations as institutions of collective action and interlocutors between people and public service providers.

These three approaches have come to share several emphases as their conceptions of good practice have evolved: the empowerment of citizens in interactions with governance and service provision institutions, the importance of beneficiary demand for determining service characteristics, greater administrative autonomy among service delivery managers along with greater accountability to citizens and service consumers, and enhanced local organizational and human capacity<sup>6</sup> for increased impact and sustainability.

Putting these shared principles into practice has been challenging. Despite their broad philosophical agreement, advocates of each approach have had difficulty integrating their efforts. Policymakers and program managers have frequently championed one approach over the others, due to the different entry points and organizing principles associated with their sponsors as well as the distinctive professional background and organizational role of their advocates. There has been no commonly accepted conceptual framework applicable in the field for bringing together the complementary contributions of the three approaches and exploiting synergies among their comparative advantages.

Even when the strategic and institutional barriers to a more integrated approach have been overcome, field experience has not always been encouraging. Coordination problems, management weaknesses, and political resistance have plagued decentralized, participatory, multisectoral programs. Few proven tools are available to support a more integrated approach, including diagnostic methodologies for linking sectoral, local government, and community support approaches; context-relevant prescriptions for adapting institutional arrangements to local conditions; and systematic methods for coordinating across sectors and levels.

This paper aims to address these challenges by proposing a common language and common conceptual framework for interpreting the lessons learned by practitioners of decentralized sectoral, local government, and community support approaches. The paper presents a framework rather than an approach or strategy for local development. Its objective is not to prescribe what countries should do to promote local development but rather to suggest a generally useful way of analyzing the conceptual underpinnings of local development processes and programs. A local development framework along the strategic lines advocated here should support a synthesis of good practices generated by the three approaches and provide a platform for promoting decentralized participatory governance and public management.

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<sup>6</sup> For a notion of capacity enhancement consistent with that discussed here see: McNeil, Mary and Michael Woolcock (2004).

## **1.1 What Does a Local Development Framework Aim to Achieve?**

The framework in this paper provides a way of understanding how governments and their international partners support local institutions of governance and service provision. Because local development is so complex, many kinds of service, resource flows, and assistance are needed to achieve various results. It is sometimes difficult to understand how these efforts are related and how to increase the contribution of each to the social and economic processes that advance the well-being of households and communities.

Support for local development is usually fragmented. Some government agencies or externally supported projects focus on empowerment and community organization, some on planning and governance, some on the provision of public facilities and services, and others on enabling growth of private production and commerce. Some intervene through sectoral organizations, some through local governments, and some through community-based organizations. The proposed framework helps to systematically describe how these efforts address cross-cutting issues—in various sectors, at various levels, and through various approaches—and how they can be organized to better fit together.

A local development framework is intended to help policymakers and program managers analyze the approaches used to support local development in their country, the types and forms of assistance to local actors associated with these approaches, and the challenges arising from each. It does not provide a blueprint for promoting local development in any specific country. The framework provides a way to analyze local institutions and processes from a system perspective in order to identify strategies and methods to fill the gaps, solve the coordination problems, and improve the performance of weak elements that diminish the effectiveness of local development in their country.

A local development framework should help to integrate the efforts of various government agencies and aid-financed projects at the local level, bringing elements together to contribute to a single process. Rather than eliminating, merging, or subsuming the three approaches and the methods they employ under a single new approach, the framework seeks to coordinate them more coherently based on a common underlying logic. By providing a common set of concepts and analytic tools, a local development framework can guide the selection of the most appropriate strategies and methods for a specific context and their orderly, productive integration.

A local development framework should provide a conceptual basis for strengthening institutions and capacities for empowerment, governance, and service provision at the local level, contributing to increased human, social, and economic development. Human development requires the provision of health care, education, potable water, as well as other services aimed to ensure individual well-being and capacity. Social development requires strong institutions which empower people, especially members of frequently marginalized groups, in support of greater inclusion, cohesion, and accountability.<sup>7</sup> Enabling private sector growth requires economically relevant investments in infrastructure and services; human, social and institutional capital; and an enabling policy and institutional environment<sup>8</sup> that facilitate productive investment and private

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<sup>7</sup> World Bank (2004j)

<sup>8</sup> Public infrastructure includes transport, communication and energy facilities. Business development services include financial services, technical assistance and capacity building for local producers and marketers of goods and services. Soft infrastructure includes the institutional environment for economic development including property



enterprise. The capacities that sustain development include people's knowledge and skills, social capital, organizational capacity, and the institutional environment for good governance.

A local development framework provides analytical tools to support a more integrated local development process that strengthens institutions and capacities at the local level to achieve three objectives:

- ***Increasing local access to public infrastructure, public services, and economic opportunities.*** Access requires proximity. Integrating processes at the local level helps bring a variety of facilities, services, and economic opportunities closer to where people live and work.
- ***Increasing the empowerment of local actors*** in ways which support good governance, effective and equitable service provision, and broadly based livelihood improvements by strengthening citizen voice and choice in local decision-making and increasing accountability to local civil society.
- ***Enhancing the sustainability of local development processes*** by strengthening the institutions, capacities, and collective resources that constitute the capital stock<sup>9</sup> for local development.

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rights, administrative procedures for business licensing and registration and systems for organizing strategic partnerships between public agencies and entrepreneurs.

<sup>9</sup> Human and social capital are the foundation for effective and responsive local institutions that enable collective action, service delivery, and economic growth. Along with economic assets, natural resources, physical infrastructure, and financial reserves, they constitute capital available to support a virtuous cycle of investment sustaining improved access to public services and livelihood opportunities.

**Box 1-1**  
**Social Funds and the Integration of Local Development:**  
**The Example of Honduras**

Over its fifteen year history, the Honduras Social Investment Fund (FHIS) exemplifies the evolution of social fund doctrine and practice toward increasing support for and integration with local development processes. The FHIS story shows how social fund agencies—often viewed as “parallel” to public sector structures—can contribute toward strengthening community and local government roles and capacities for governance and service provision.

The FHIS was created in the early 1990s as a “social compensation” program to soften the impact of structural adjustment policies on the poor by creating employment through small-scale public works. Soon FHIS proved to be a more efficient means of providing basic infrastructure to rural communities than sectoral investment programs managed by line ministries. Associated with its emerging role as an infrastructure provider, the Government and FHIS became more concerned with the quality, sustainability, and relevance of its investments. This concern led to a greater emphasis on community participation in the micro-project cycle in order to improve resource allocation by responding to local demand and to enhance sustainability by ensuring local ownership.

While the concept of “community participation” was always integral to the FHIS program, participation was initially viewed as a means to greater efficiency in resource allocation and project execution rather than an end in itself. But FHIS-promoted community participation had an important externality: it began to alter the relationship between poor communities and public sector organizations at the local level. FHIS investment in community capacities to prioritize needs, deliberate over solutions to local problems, and contribute to local initiatives that address them led to communities increasing their influence over broader local affairs. By the late 1990s empowering communities emerged alongside financing investments as a core objective of FHIS.

More participatory approaches to planning suggested the need for more decentralized approaches to management: (i) planning *across* multiple communities to ensure more efficient and equitable location of facilities than result from community-centered first-come first-served planning systems; (ii) promoting stronger permanent roles for communities in governance and service provision to sustain community empowerment beyond one-off support during a subproject cycle; and (iii) involving municipal authorities in subproject planning and implementation since they play an increasing role in subproject maintenance.

In response to these issues, since 1998 FHIS has strengthened the role of municipalities. A pilot program developed and tested new methodologies for participatory municipal planning; devolving responsibilities for managing subprojects to municipalities; and developing systems for preventive maintenance at both the municipal and community levels. This pilot was not only the basis for changing FHIS systems, it also informed national reforms to strengthen the roles and capacities of municipalities to plan, manage and maintain local infrastructure investments using participatory and transparent methods.

In early 2000, FHIS complemented PIU and local government project executions by introducing a “community execution” modality in which funds are transferred directly to and managed by communities. Applying the subsidiarity principle to the choice of execution arrangements provides a decentralized alternative to municipal management which increases flexibility and adds an additional element of “checks and balances” at the local level.

*Sources:* World Bank (2000b); Serrano and Warren (2003); Fiszbein, ed. (2005).

## **1.2 What Does a Local Development Framework Entail?**

The core elements of a local development framework include empowerment, local governance, service provision, and private sector growth (figure 1.1). The enabling elements<sup>10</sup> include a policy and institutional environment, capacity enhancement and resource transfers for local development. Together, these elements constitute the institutional foundations for achieving sustainable development impacts at the local level.

### 1.2.1 Core Elements of a Local Development Framework

**Empowerment** is the starting point for local development. Empowerment is the process of enhancing the real possibility that an individual or a group can make and express choices, and transform their choices into desired actions and outcomes.<sup>11</sup> Individuals, households, and communities need both *opportunity* (the availability of options for meaningful decisions and actions) and *capability* (the ability to make meaningful choices and act on them or express them through institutions open to popular “voice”) in order to be truly empowered.

**Local governance** is the way decisions are made and implemented by or on behalf of people in a local area. It includes the allocation of authority to decision makers: the authorization to use collective financial and natural resources, provision of public goods and services, and holding accountable those to whom authority is entrusted. In addition to local governments and other local public sector agencies, local governance encompasses a variety of civil society institutions, including resource users groups and citizen oversight bodies linked to public service delivery units or local service delivery networks. Local governance institutions also include community development committees, indigenous institutions and traditional authorities, voluntary associations, and nongovernmental self-help organizations.

**Local service provision** systems deploy and manage resources—financial, human, technological, and information—to produce public facilities or services under the direction of institutions of local governance. Local public service providers include deconcentrated structures of central ministries, quasi-autonomous public agencies or enterprises, local governments, private enterprises under contract to public agencies or local communities, nongovernmental organizations (NGOs) financed by public sector grants, self-provision by service beneficiaries, and coproduction by beneficiaries and publicly financed providers. Service provision systems include how resources are mobilized and managed as well as how service delivery is organized and managed by organizations (service producers) that transform resources into the public infrastructure and services available to people, communities, and private sector actors.

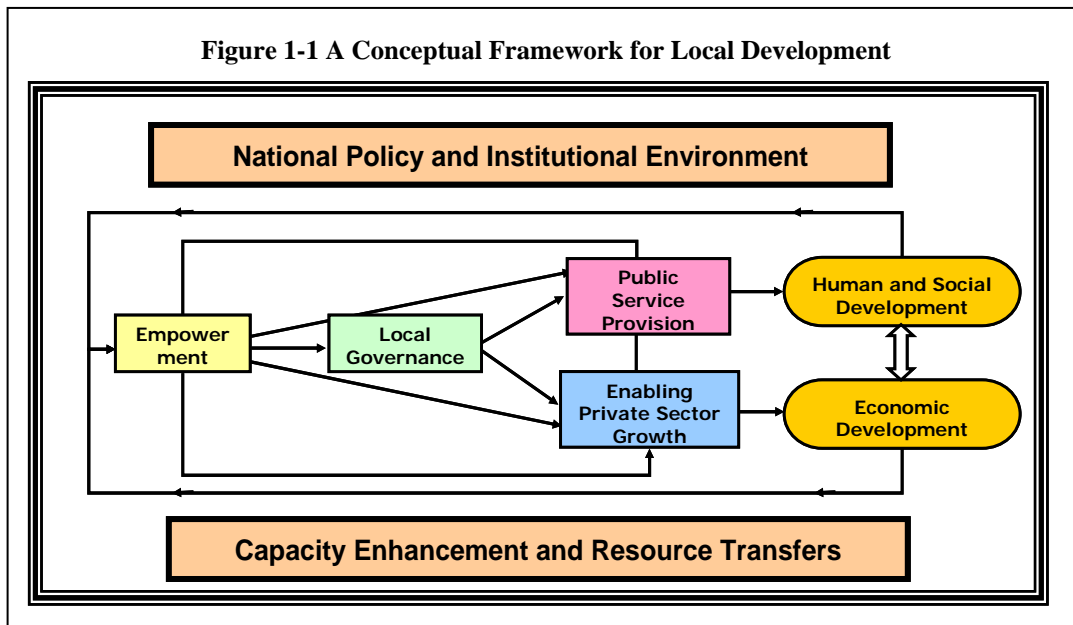
**Enabling local private sector growth** contributes to the economic basis for local development, both in urban settings where industry and services provide the economic base or in rural areas where agriculture and agribusiness provide the economic base. This foundation includes not only formal sector enterprises but also the myriad forms of informal sector production and commerce that are common in poor communities. Production of goods and services as well as commerce provide the livelihood for local households and provide the financial flows which contribute to local investment, both public and private, and to the provision of public services. Three principle areas of intervention enable local private sector growth in the context of an integrated approach to local development: access to economic infrastructure and services;

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<sup>10</sup> “External” elements refer to non-local factors and processes which contribute to or in their absence impede local development.

<sup>11</sup> World Bank (2004f)

Figure 1-1 A Conceptual Framework for Local Development



strengthened human, social and institutional capital; and a favorable local business enabling environment.

The **local development impacts** resulting from these governance, service provision, and private sector development arrangements include improvements in people’s welfare and the accumulation of human, social, and economic capital. Human capital is accumulated by increasing the health and education status of individuals, social capital by increasing the capacity for collective action by local residents and organizations, and economic capital through increased capacity for investment, production and commerce by individuals and firms. Box 1-2 further details the economic dimension of local development. All three dimensions of local development contribute to empowerment by increasing the capability of local actors to choose among a broad set of options in pursuit of individual and collective goals.

Thus a local development framework identifies the elements of a self-reinforcing system through which empowered local actors contribute to governance processes and service provision in order to accumulate and invest human, social, and economic capital for their mutual benefit.

## 1.2.2 Enabling Elements of a Local Development Framework

Local development is conditioned by factors external to the local level. The LD framework emphasizes the importance of an enabling policy and institutional environment, capacity enhancement, and resource transfers for local development. The **policy and institutional environment** for local development includes formal institutions, such as laws, policies, and organizational systems, as well as informal institutions, such as values, norms, and social practices that support empowerment, governance, service delivery, and private sector growth at the local level. **Capacity enhancement** includes establishing and strengthening the local institutions through which people and communities participate in governance, service provision, and economic activity. It also includes improving human capital through training and of social capital through support for organizational development. **Resource transfers** for local development are comprised not only of grants provided by aid-funded projects and social funds to local governments, NGOs, CBOs and voluntary associations; they also include intergovernmental transfers and other forms of on-budget financing for local investment and service provision.

## 1.3 What Does This Discussion Paper Aim to Do?

This Local Development Framework Paper focuses on local institutional arrangements and capacities, building upon existing knowledge about participatory decentralized approaches to local development. It highlights unexploited synergies and explores unresolved tensions among decentralized sectoral, local government, and community support approaches; identifying a logic of integration among them. The paper employs this logic to suggest intervention strategies which will improve governance, service delivery, and economic activity in support of local development.

Its audience includes specialists, policymakers, and program managers working in substantive fields that contribute to local development, including national public sector reform and decentralization programs, social fund and community-driven development programs, local government or local governance programs, sectoral programs for provision of local infrastructure and services, local economic development programs, and social development programs promoting empowerment and poverty reduction.

Specifically, the paper:

- Establishes the importance of a local, bottom-up perspective for any effective strategy to improve the quality of governance and services at the community level.
- Identifies knowledge and practice relevant to formulating a common approach to promoting local development.

**Box 1-2**  
**On the Economic Dimension of Local Development**

Local development is closely linked to development of the local economy. Improving local food security, household income, and the quality of livelihood options as well as encouraging growth in the number, scale, and profitability of both formal and informal sector businesses are important aspects of local development.

In addition to its contribution to household welfare, growth in production and commerce provides the base for local resource mobilization (through service user fees, local government taxes, and voluntary contributions) to finance the provision of public services. Economic growth also contributes to the capital stock for investment in local development, including human capital from investment in the education and health of farmers, workers, traders, and entrepreneurs and social capital from the strengthening of relationships among financial institutions, suppliers of inputs, producers, and purchasers of goods and services in the marketplace.

A more integrated approach to local development would empower local people, associations, and firms for economic development by increasing opportunities to invest and to produce and sell goods and services and increasing their capabilities (access to capital, to knowledge and skills, to technology and inputs, to support services, and to markets) to profit from these opportunities. An important focus of this economic dimension of empowerment is the informal sector. Reducing regulatory barriers and providing targeted support such as microfinance services and technical assistance to household and very small-scale producers and traders can help to extend the benefits of local economic development to the poor and other marginalized social groups.

The sort of local development framework advocated here contributes to local economic development<sup>12</sup> in several ways. First, public investment in basic infrastructure such as roads, water supply, and telecommunication facilitates local business activity. Second, improving the local business enabling environment lowers the entry costs and risks associated with business development. Third, increasing the responsiveness and accountability of public sector decision-making and administration reduces corruption and other rent-seeking behavior that often suffocate private sector activity. Finally, the convening power of local governments and other local public agencies, often focused through strategic planning exercises linked to local development, can bring together local stakeholders from the public sector, community organizations, and the private sector to promote a more integrated, self-reinforcing economic development process at the local level.

Local economic development is both a goal of any equitable, sustainable local development process and a means to making local development more self-sustaining. Investments in empowerment, local governance, and local service provision should consistently focus on their economic as well as their social impacts.

- Outlines a strategic basis for field efforts supporting local development that aim at sustainable improvements in empowerment, governance, and service delivery.
- Suggests a process for producing and disseminating practical knowledge and methods that can aid policymakers and program managers to promote local development in diverse contexts.

Chapter 2 explains the concept of *local* and its relevance to the proposed approach. Chapter 3 outlines the elements of a local development framework. Chapter 4 compares the three alternative approaches to promoting local development, and chapter 5 highlights issues related to

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<sup>12</sup> Including such aspects as simplifying procedures, facilitating administrative processes related to land titling and property registration, business registration and licensing, levying and collection of taxes and fees, and safety and environmental regulation and inspection. See <http://www.worldbank.org/urban/led/> for more detail regarding how the local public sector, and especially local government, can effectively support local economic development.

bringing them together to contribute to a more integrated approach to local development. Chapter 6 suggests ways for national governments and their donor partners to contribute to effective local development. Chapter 7 identifies some of the key challenges in moving toward strategies and programs based on a local development framework. Chapter 8 concludes by suggesting the importance of continuing to build and disseminate knowledge in support of local development. Throughout the paper, text boxes aim to provide illustrative examples or additional insights to complement the text.

## **2 Clarifying the Core Concept: Why Local?**

### ***2.1 The Usefulness of a Spatial Approach***

The challenges faced by poor and low-income people and communities are not neatly segmented into the sectoral categories used by policymakers and public managers. Children's health status depends on the delivery of health services, but also on the education of their mothers and on access to potable water. Income growth depends on promoting more productive technologies, but also on improving transport and communication links to markets. Public services are enhanced by better governance of service delivery organizations, which depends on the capacity of people to hold service managers accountable. This well-known complexity of development processes, in which "everything is connected to everything else," differs from the way most public sectors and development assistance programs are organized.

The result is a mismatch between the way governments and development agencies organize their work and the way households and communities perceive their problems and organize their own efforts to solve them. Participatory governance processes do not follow the technocratic boundaries established by sectoral interventions. A spatial approach provides the logic for integrating efforts across sectors.

A spatial approach also reflects the diversity of local development processes. The physical environment differs from place to place: both the variety of local ecosystems and the social and economic networks geographically bounded by highlands and rivers provide a natural spatial frame for development processes. A logic of intervention centered on the local space facilitates adaptation to local contexts, both to the diversity of natural environments and the diversity of local development processes. Decentralizing government and development assistance programs enables interventions to be more effectively tailored to diverse local conditions.

### ***2.2 The Significance of Local Scale***

How large a space is the appropriate organizing frame for local development? Is regional, local, or community, scale best suited for integrating development processes on the ground? These scales are not unambiguously associated with a particular physical extension. From a political-administrative perspective community scale is typically associated with villages or neighborhoods; local scale with districts, municipalities, and towns; and regional scale with one or several provinces or states. From a geographic perspective community scale is again associated with the settlement (village or neighborhood); local scale with the primary nodes in market, transport, communication, and service delivery networks that link small towns and their service catchments; and regional scale with broader urban-rural structures centered on major transport links and medium to large cities. From a social perspective community scale is typically associated with face-to-face relationships, local scale with a broader network of

### Box 2-1

#### Local Development in a Post-Conflict Environment: Lessons from Sierra Leone

By channeling significant resources to communities in the wake of the 1999 Lome Peace Accord, post-war assistance in Sierra Leone contributed not only to quicker reconstruction of small-scale infrastructure but also to rehabilitating the social capital underpinning local public life. A community-focused social fund, pursued through partnerships among government, donors and NGOs, achieved considerable results on both these fronts in a difficult context characterized by continuing intra-community tensions and pervasive capacity constraints. By establishing a secure and peaceful environment within which displaced populations were resettled and public services and economic activity restored, a gradual transition toward linking post-conflict aid to the restoration of a sustainable local governance regime has been achieved..

As national reconstruction progressed, public sector decentralization emerged as a key element of both national governance policies and local development strategies. Concerns related to the legitimacy and stability of the restored State and to the transparency and efficacy of public management prompted the gradual devolution powers and resources to district councils. Concerns regarding the coordination and sustainability of community investments and the institutionalization of participatory practices linked to public service provision prompted efforts to link CDD to the emerging framework for district government. Both national reform and local governance required greater administrative capacity and stronger downward accountability among district councils, administrators, and service delivery managers.

Balancing resources transfers, reform processes and capacity building efforts between community and district levels is a key challenge in post-war Sierra Leone. While both social fund and local government development programs have been adjusted to take into account their shared goals and complementary methods, some tensions remain between community empowerment and public sector governance approaches. To manage these tensions, harmonized village and district planning and monitoring processes are being developed. Community capacity building efforts increasingly engage new public sector accountability mechanisms supporting improved service delivery. Institutions linking community and district levels—including sub-district ward committees, traditional authorities, and local civil society organizations—are contributing to integration of governance arrangements.

Post-war Sierra Leone provides an example of sequenced interventions supporting local development. By following a rapid impact community-based approach with support for public sector decentralization which aims to build upon the precedents for local responsibility and participatory methods established through CDD, a coherent set of institutional arrangements and capacities linking communities and district councils are being established. Despite the difficulty of implementing these complex strategies in a turbulent low-capacity environment, an effective framework is being built for local governance and development in Sierra Leone.

Sources: World Bank (2003e)

interactions often mediated by associational or identity-based institutions (such as traditional governance systems), and regional scale with relations that transcend the intimacy of the social networks in which people know each other and are structured principally by impersonal institutions such as governments and markets. In practice the concepts of community, local, and regional scale need to be interpreted contextually, depending on particular political-administrative, geographic, and social characteristics in each country. Whatever its physical extension the “local space” is a concept of intermediate scale, above household and community scale and below regional and national scale. The local space is a venue for linking communities with their natural environments, the interpersonal with the institutional, and societies with markets. Organizing the development process at this level offers a series of advantages, some resulting from its being smaller than the state and some resulting from it being larger than the community. The local space is



- Sufficiently small to facilitate communication so that management and governance processes are well nourished by relevant and timely information.
- Sufficiently large to permit supporting some specialization of functions for technical and administrative professionals and associated technology whose contribution is spread across several service delivery units.
- Sufficiently near in scale to informal social networks, associations, and institutions of traditional governance to facilitate engaging their social capital.
- Sufficiently large to encompass several communities and so to benefit from economies of scale and more efficient allocation of resources, especially for facilities requiring greater population or economic bases of demand.
- Coincident with the lowest levels of the public sector’s administrative and governance hierarchies—the first level or two above the service delivery unit.

Subsidiarity—the principle that public sector functions should be undertaken at the lowest level possible—is frequently cited as a guiding principle for decentralization policies and processes. The local level is the lowest that permits integration of the different logics by which government, society, and economy are organized. These include the spatial logics of **public service and infrastructure hierarchies** (for discrete units such as schools and clinics and networks structures such as roads and utilities), of governance (linking centers of political authority and administrative capacity with their jurisdiction), of **social capital** (networks of relationships based in identity-based affiliation and voluntary association), and of **economic geography** (linking rural resource-based production to urban market centers).

While initiatives providing support at the community and service delivery unit level are important contributors to empowerment, the subsidiarity principle suggests the importance of integrating institutions at the next higher level where there is a comparative advantage for resource allocation, cross-sectoral coordination, and technical supervision. Strengthening and engaging institutions of governance and public management require links from households and communities to municipal and district level. At this local level encompassing several communities it is easier to achieve synergies and efficiencies among public sector and community-level processes linked in a common local space. Organizing at this level facilitates the complementary contributions of public sector and community-level processes to improve governance, public service delivery, and the dynamism of economic activity. Neighboring communities are bound together by what happens at the local level. Community- and local-level initiatives contributing to development in districts, municipalities, and small towns should be mutually reinforcing.

### ***2.3 The Importance of Local Responsibility***

A focus on the local goes beyond questions of organizational scale and efficiency to the fundamental question of who is responsible for local development and how this responsibility can and should be institutionalized.

This paper asserts that local development is primarily the responsibility of local actors, both residents and those affiliated with non-local organizations—whether national or even international—who work locally as contributors to grassroots development processes. People living and working affirm their responsibility by making the decisions, mobilizing and managing the resources, organizing the collective action, delivering the services, and ensuring the

accountability of officials and organizations that contribute to local development. Without this commitment to responsibility by local actors, desired economic and social development will remain dependent on decision-making and management from above.

That said, local responsibility—while necessary to ensure it is appropriate and sustainable—is unlikely to be sufficient to ensure that local development takes place. Local development is conditioned by broader environments and benefits significantly from externally determined institutional conditions and external support. But appropriate national institutions and supportive resource flows can only supplement local responsibility. They cannot act as the motivational basis for accountable local governance or replace the commitment of local people to make the decisions and take the actions required to produce beneficial change on their own behalf.

Unless local residents, leaders, entrepreneurs, politicians, public managers, and service delivery personnel feel responsible for improving the social and economic environment they share with their neighbors, they are unlikely to expend the effort to overcome the challenges, both routine and daunting, that constrain local development. This sense of responsibility will be significantly enhanced by efforts to focus consistently on agency and action at the local level.

## ***2.4 Keeping the Local in Perspective***

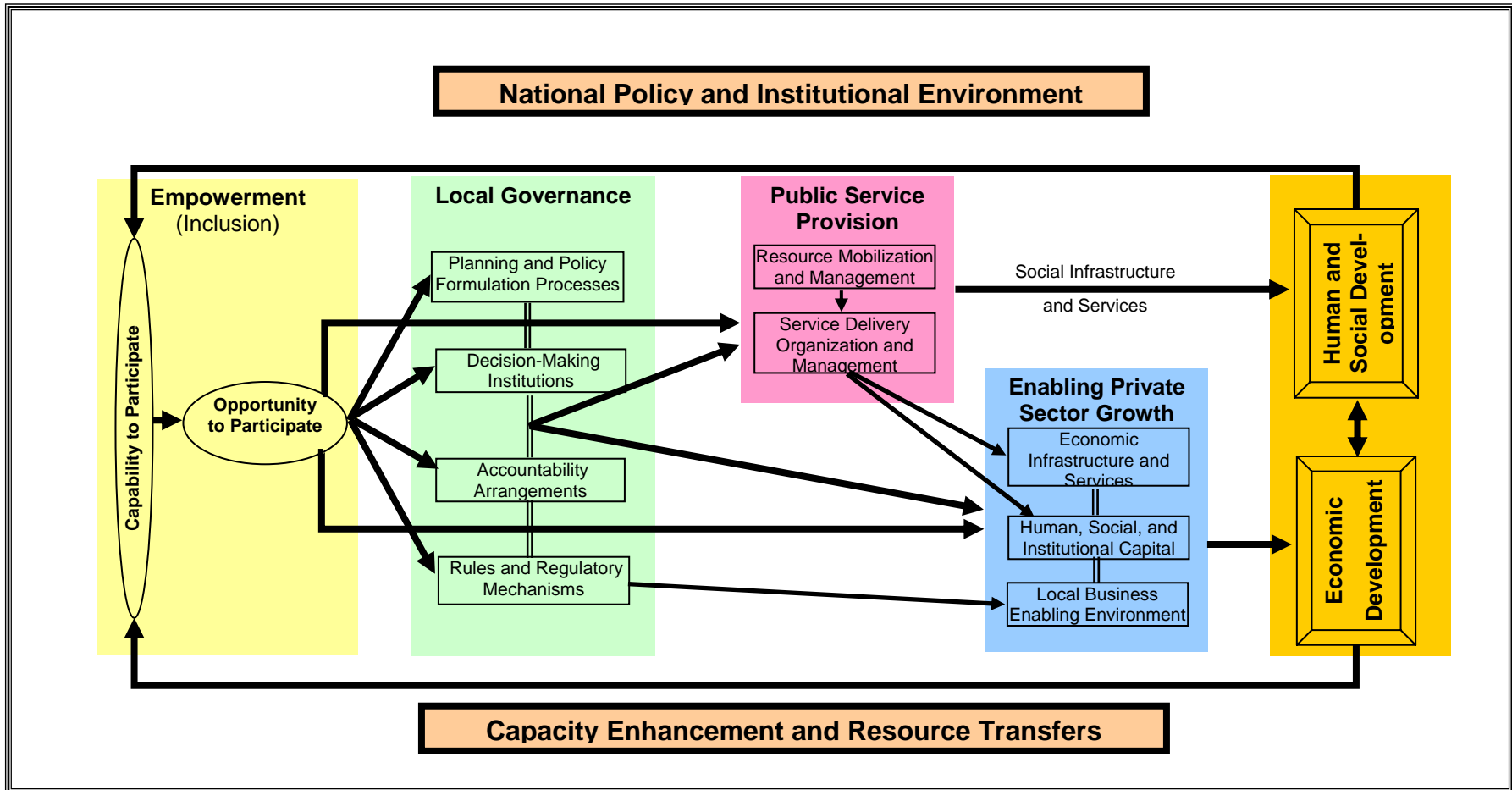
Local development is part of broader development processes. It is enabled and constrained by regional, national, and global social, environmental, and economic factors. Local actors may respond to broader social and ideological movements and forces, including the influences of globalization, as significantly as they respond to incentives and interests defined by their immediate economic and political environments.

While the local society and economy are influenced by local power relations, resource endowments, incentive structures, information flows, and value systems, they are also subject to constraints and opportunities structured by national constitutions and legislation. The law attributes rights, powers, and standing to citizens, community institutions, civil society organizations, economic associations and firms, and local governments.

Laws and government policies also define the relations of each of these institutions and actors to the state and thus its potential role in governance and public management. Many of the local actors to whom responsibility, resources, and authority are allocated by national agencies and programs are more strongly accountable upward than they are downward to other local actors. National governments allocate resources, set standards, organize service delivery systems, field and supervise civil servants, and regulate local nongovernmental action. When bottom-up processes are supported, or at least reinforced, by the incentives and affirmative efforts organized from above by national governments and international organizations, effective and sustainable local development is more likely to occur.

Any realistic discussion of how to promote local development must thus recognize the significance of regional, national, and global factors—whether through the systemic influences of the social and economic environment or through hierarchical governmental policies, institutions, and programs.

Figure 3-1 The Elements of a Framework for Local Development



## **3 The Elements of a Local Development Framework**

A local development framework focuses on strengthening decentralized institutional arrangements for empowerment, governance, service provision, and private sector growth as the building blocks of sustainable capacity for local development (figure 3.1).

### **3.1 Empowerment**

Empowerment means people and communities, especially those frequently marginalized, having both the opportunity and the capability to participate effectively in social, economic and political spheres.

#### **3.1.1 Opportunities for People to Participate**

Empowering people in the context of local development requires increasing the quantity and the quality of their opportunities to participate in local governance and local service delivery. To participate effectively in local governance citizens need institutionalized opportunities to influence local planning and policy processes, local decision-making systems, and accountability mechanisms linking decision-makers and citizens. To participate effectively in service delivery people need opportunities to influence the mobilization and management of resources and the delivery of services through voice (consultative and oversight mechanisms channeling service users' preferences to service managers and frontline service deliverers) and choice (available options to select among multiple providers) so that people and communities are not forced to accept unresponsive service delivery.

Empowerment implies a special emphasis on redressing inequities in voice, choice, and access across segments of the local population. Opportunities may not be equally available to all. Differences in social status may give some people less opportunity than others for voice and choice related to improving the quality of their lives. Rules and processes are needed to increase the opportunities available to all groups, especially those frequently marginalized, to participate effectively in local affairs. But even if the rules governing access to institutions of governance and service delivery are equitable, their implementation, i.e. the way these rules are applied, at the local level may be discriminatory. Barriers to participation and access are frequently rooted not in formal rules but in well entrenched practices of social exclusion. Empowerment strategies need to address both formal and informal institutions that impede equitable access among the poor and marginalized social groups to opportunities in governance, service provision, and the private sector.

#### **3.1.2 People's Capabilities to Participate Effectively**

In addition to improving opportunities, empowerment for local development requires increasing the capability<sup>13</sup> of people to take advantage of opportunities to participate through increased voice and choice in local governance, service provision, and the local economy.

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<sup>13</sup> For a profound discussion of the importance of capability as both an enabling factor and an ultimate objective of the development process, see Sen (1999).

The capability to participate effectively is determined in part by people's resource

**Box 3-1**  
**Strategies for Roma Empowerment:**  
**Linking Regional, National and Local Efforts to Combat Communal Poverty**

Inclusion strategies for disadvantaged ethnic minorities often require multi-faceted interventions which reach dispersed, marginalized communities. Roma empowerment programs in Eastern and Central Europe exemplify the potential of multi-sectoral initiatives supported from above and implemented at the local level to break the cycle of entrenched poverty and marginalization

In response to the widening gap between the Roma (formerly known as gypsies) and broader populations which are rapidly integrating into an expanding and developing Europe, a multi-national alliance of eight regional states and their international partners has undertaken an ambitious program of assistance for Roma development. Regional mechanisms support policy measures combating discrimination and investment programs addressing deficiencies in education, health, housing and employment faced by Roma communities. National initiatives include Roma education funds, micro-credit programs, and public works/temporary employment programs, as well as Roma-targeted child welfare reforms and deinstitutionalization programs for Roma children. The participation of Roma communities in the planning, implementation, and monitoring of these programs is crucial to ensuring their effectiveness in meeting the needs of their intended beneficiaries.

Social funds and associated community development programs strengthen the capacities of community-level institutions and local governments to plan and manage small-scale investment projects and service improvements. In some cases resources are channeled directly to Roma communities, in others they support Roma-targeted initiatives within the broader plans of local councils. In addition to providing improved services and other tangible benefits to the Roma, these programs strengthen their capabilities to organize for collective action and to advocate effectively for their interests in local public fora.

National programs to assist the Roma increasingly recognize the importance of local governments. Combating discrimination requires the active involvement of local public officials who not only manage the delivery of public and social services benefiting the Roma, but also implement many of the inclusion policies which aim to reduce barriers between the Roma and neighboring communities. Local governments also provide the venue for linking education and vocational training to economic opportunities, whether through employment or enterprise development, which will sustain Roma participation in the wider society. The importance of linking community and local-level efforts and of integrating the social and economic dimensions of Roma development are threads common to these programs.

Sources: Sipos (2004), Revenga et al (2002).

endowments—financial, material, informational, organizational, human, and psychological.<sup>14</sup> By increasing their access to these resources, people and communities become more capable of exploiting opportunities to influence governance and service provision to better meet their needs and to improve their livelihoods through production and commerce.

The capability to participate effectively in governance and service provision depends on more than individual resource endowments. Social capital<sup>15</sup>—the social networks and

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<sup>14</sup> Psychological assets would include the motivation and sense of agency which enable individual and collective action in specific situations. (World Bank 2004f).

<sup>15</sup> Woolcock (1998), Putnam (2000).

associated norms of reciprocity and trust that enable people to act collectively—also determines how well people organize to act in their mutual interests. Social capital includes bonding capital (ties connecting family members, neighbors, and long-standing groups sharing a common identity), bridging capital (horizontal ties among people with similar social and economic status who typically associate based on interest), and linking capital (vertical ties linking people of greater power and status with others based on identity or interest). Each of these forms of social capital contributes to the capability of households and communities, especially those with few individual resources, to act collectively in pursuit of their social and economic aspirations.

As local actors increase their capabilities by strengthening human and social capital, they are better able to choose how best to satisfy their priorities for public facilities, services, and livelihood opportunities. They are also better able to act individually and collectively on the basis of these choices and to influence government and community action by expressing their preferences and holding accountable those who are authorized to act on their behalf. Empowerment is both a means and an end to local development: empowered people are both better endowed with the resources that enable them to satisfy their needs and better able to participate in the arenas of governance and markets through which they can continue to improve their lives.

### **3.2 Local Governance**

Local governance describes the way authority is organized, legitimated, and employed within the local space. It includes how plans and policies are formulated, how decisions are made, and how those who make and implement decisions are held accountable for their actions and results through both governmental and non-governmental forms of public or collective decision and action. All institutions of decision and action in a local space contribute to local governance. In addition to local governments these include: traditional/indigenous institutions and authorities, village committees, community organizations, water user groups and other non-governmental natural resource management bodies, parent organizations linked to schools, savings mobilization and rotating credit groups, farmers and other producers associations, as well as NGOs and civil society organizations

#### **3.2.1 Local Planning and Policy Formation**

Local governance begins before decisions are made by mayors, councils, community elders, village committees, civil servants, and other local actors. Governance includes the way proposals are generated and presented as a basis for decisions about what to do, how to do it, and with what resources. Like decision-making, these planning and policy formulation processes can be assessed for their inclusiveness, transparency, and openness to citizen and community input. Participation in setting agendas, generating proposals, and discussing their merits links people to the institutions of governance that are meant to act in their behalf by making and implementing decisions that provide services and promoting local development.

### Box 3-2

#### Participatory Planning and Budgeting to Improve Local Governance in Brazil

Setting priorities and allocating resources are critical links between governance and local development. An increasing number of local authorities throughout the world have enhanced the responsiveness, transparency and accountability of public investment and public service delivery by introducing participatory planning and budgeting (PPB).

While specific processes and structures vary across countries, most PPB systems include several key features including: changes in local government planning and budgeting procedures to accommodate greater citizen input and participation; the organization of sub-municipal (community or multi-community) citizen assemblies each of which identifies and prioritizes needs and solutions for its respective neighborhood(s) or village(s); and local government-level discussion, prioritization and eventual integration of these demands into approved municipal investment plans and associated budgets.

In Brazil PPB has increased municipalities' responsiveness to many previously neglected problems in poor neighborhoods. In Porto Alegre access to water increased from 95% to 99% in 1991-2000, sewerage coverage increased from 75% to 98% in 1988-98, and participation in municipal schools increased threefold between 1991 and 2000. In addition to improving services, PPB also enabled greater municipal resource mobilization compared to cities with less citizen participation: per capita local government revenue collection increased on average 24% per year in Belo Horizonte and 14% per year in Porto Alegre between 1989 and 1994.

Despite the promise of PPB, its benefits are not instantaneous or inevitable. Studies suggest that the benefits are greater when (a) the size of the capital budget and the flexibility to allocate it are relatively high so as to provide sufficient incentives for meaningful participation, (b) pre-existent levels of social capital are relatively high to enable active civic participation, and (c) local authorities are willing to lead and facilitate these processes and relinquish some of their autonomy to representative bodies.

The potential benefits of PPB include greater transparency and accountability of public decision-making and management, solutions customized to local priorities and specific local conditions, greater coordination of sectoral investments and integration of public initiatives across sectors, and a fairer distribution of resources to the poor. By incorporating PPB systems linking communities and local governments, citizens are more empowered to influence governance of local resources and their use in the interest of more effective and equitable service provision.

Sources: Baiocchi et al (2005), Souza (2001), Raich (2005), Abers (2000), Serrano (2003).

Technocratic planning and policymaking processes, by privileging the role of professionals and employing decision models that take little account of local knowledge and preferences, limit the role of local people in preparing proposals which may affect them significantly. Participatory and deliberative<sup>16</sup> planning and policymaking processes, which promote the interplay between analyses based on objective data and good professional practice on the one hand and consultations which gather and present local knowledge as well as citizen perceptions and preferences on the other, can produce proposals that are both technically sound and responsive to beneficiary and community concerns. The quality of planning and policy formulation can be enhanced and governance can be improved by creating opportunities for community members and their representatives to engage in dialogue with public officials—politicians, administrators,

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<sup>16</sup> On the notion of deliberative participatory (or democratic) processes see Dryzek (2001), Fung and Wright (2003).

### Box 3-3

#### 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"<sup>1</sup>.

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.

Sources: fieldwork by Mariana Felicio in Municipality of Orizari, Macedonia, December 3, 2004.

and technicians—on the identification, prioritization, and resolution of local problems.

Effective participatory local planning requires inclusive processes of consultation and links among the planning, decision-making, and accountability elements of local governance. Many local planning processes, although internally well organized, are marginalized by weak connections to the organizations that are authorized to make decisions and manage resources.



#### **Box 3-4**

##### **Participation and Accountability to Improve Rural Health Services in Malawi**

In Malawi, the introduction of participatory accountability mechanisms has demonstrated the effectiveness of linking communities and sectoral service providers to improve the responsiveness and quality of service delivery.

Popular and governmental dissatisfaction with the quality of primary health care prompted the Local Initiatives for Health Project facilitated by Care International to promote the use of community scorecards combined with a stakeholder approach to service planning and monitoring. Groups of men and women from 81 villages served by the Chileka and Nthondo health centers developed their own indicators and evaluated services based on their own experience. At the same time, the health centers performed a self-evaluation of their services. Service providers and users then met face-to-face to discuss concerns, suggestions, and possible solutions for services identified as unsatisfactory. The results of these consultations were used to focus resources and capacity building on specific measures aimed to improve service quality.

During these “interface meetings” representatives of community groups, health center staff, district authorities, and the project shared service users’ assessments and staff auto-evaluations with each other. Discussion about the validity and significance of indicators and implications of results was often vigorous. For example, providers were surprised to learn that they scored low in “staff attitude” and users were surprised to learn that the frequent lack of medicines was not due to corruption but to inefficient delivery of drugs to health centers. As a result of these discussions, priorities accepted by all parties fed into an action plan to improve service quality. In response to the problem of suspected diversion of medicines, one local action plan proposed posting weekly supply deliveries to each center on its bulletin board.

The community scorecard complements an open planning and oversight process, and serves as an accountability mechanism linking demand for better services with their supply by healthcare providers. By promoting transparency among providers, users, and local officials this initiative assisted communities and public servants to make better informed decisions and instilled a sense of shared responsibility and ownership of health service delivery among all local stakeholders. As a result health services in Malawi have improved.

Sources: Interview with Virginia Kamowa, Executive Director of Care International, Malawi, March 2003.

### **3.2.2 Local Decision-making**

Local decision-making organizes the way groups of people determine their priorities and how they will satisfy them. An important part of local decisionmaking is the rules which define how individuals (politicians, administrators, community leaders) and collective bodies (village committees, municipal councils) are selected and authorized to set priorities and to mobilize, allocate, and oversee the use of resources in their trust. The rules which authorize and bound the exercise of authority by decision-makers and which structure their relationship to their constituencies are at the core of governance.

The quality of local governance is affected by the transparency of decision-making, the involvement of local people and communities in decision-making, and conformance by officials and citizens to rules on the scope and exercise of authority. Participatory decision-making contributes to more equitable and dynamic local development by creating feedback mechanisms between the people and communities who are affected by decisions made at the local level and those who make these decisions. Village committees, service users groups, and natural resource management groups can promote greater responsiveness and fairness in decision-making by local councils and other decision-making bodies through increased transparency and consultation.

Local decision-making institutions are also linked to the implementation arrangements by which policies are carried out. In most cases executive decision-makers orient and oversee action by administrative organizations; however at the local level they may delegate specific implementation roles to participatory bodies comprised of service-users or beneficiaries in co-production arrangements. Whether through more transparent information flows, consultation, or the sharing of responsibility with community groups, participatory decision-making arrangements are conducive to more equitable and dynamic local development.

### **3.2.3 Local Accountability**

The contribution of local governance to local development depends as much on the quality of accountability as it does on the quality of planning and decisionmaking. Accountability<sup>17</sup> mechanisms aim to ensure that executive action and resource use (See **Box 3-4**) corresponds to the policies and plans approved by decision-makers. Accountability links local decisionmaking to implementation of public sector and community-based initiatives and to the results they produce at the local level. Thus accountability relates individuals and communities not only to governance processes but also to service provision. Strengthening mechanisms of accountability linking citizens, decision-makers, and service providers promotes better responsiveness and performance.

The 2004 World Development Report, Making Services Work for the Poor, makes the case for an essential link between accountability arrangements and the performance of public services. People can influence the nature, mix, and quality of the services they receive via the “short route of accountability” through “client power” in market and quasi-market arrangements where choice is the source of their power or via the “long route of accountability” through “citizen power” via political processes which govern administrative provision of services where democratic participation is the source of their power. The WDR suggests that decentralization effectively shortens the “long route” by creating opportunities for more meaningful and more effective contact between public official and citizens and thus strengthens citizen influence over public management. An alternative formulation emphasizes an “intermediate route of accountability” via deconcentrated and decentralized service delivery arrangements which substantially empowers clients and communities in the governance of public services and ultimately in the governance of local development<sup>18</sup>.

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<sup>17</sup> Leaders and officials may be held accountable directly to local people and communities or to the organizations that represent or act on their behalf. In the latter case of mediated accountability arrangements, people’s influence is conditioned by how well these intermediaries represent their interests and preferences, as characterized in the “principal-agent” literature.

<sup>18</sup> See Levy (2004).

### Box 3-5

#### Combating Corruption to Enable Local Development: Lessons from Venezuela

The experience of Campo Elias, Venezuela demonstrates the potential for improved municipal governance to contribute to more dynamic local development. A participatory diagnosis of development constraints in Campo Elias identified poor governance, characterized by generally unresponsive and corrupt public administration, as a barrier to achieving better public services and more dynamic private sector growth. In response, a multi-faceted program of action was undertaken to reduce corruption and improve public management.

The Campo Elias Action Plan, formulated by a social control board comprised of four civil society representatives that worked directly with the municipal mayor and council, included three pillars: greater participation, increased transparency, and procedural reform. Participatory municipal planning and budgeting were introduced to enhance citizen involvement and influence in local affairs, complemented by a number of citizen oversight bodies monitoring expenditures, procurement, and service delivery. Public hearings and dissemination of public documents (including audits) were introduced to increase the transparency of local governance, complemented by media initiatives and community-based information campaigns. Administrative procedures for business licensing, civil registry, obtaining access to public services, and collection of taxes and fees were simplified and broadly disseminated. All of these measures were closely coordinated between municipal authorities and the agencies of central government at local level and their implementation was monitored by citizens groups and local business associations, with the support of central government and technical assistance providers.

As a result of these efforts to improve local governance, performance monitoring and surveys of local citizens and businesses indicate that the accessibility, effectiveness and efficiency of regulatory action and public service delivery increased significantly while lack of information and corruption were visibly reduced. By addressing the information and administrative constraints on public sector performance, the stakeholders of Campo Elias demonstrated the potential for governance improvement to contribute to local development.

Sources: Gonzales de Asis (2000); Consejo Empresario de America Latina (2003).

Accountability mechanisms include transparency and enforcement components. The transparency component provides information on what is done, how, and with what resources and results. The enforcement component provides rule-governed processes to ensure that those entrusted to make and implement decisions and manage resources on behalf of others comply with approved policies, plans, and management practices or face adverse consequences.

Public sector accountability systems tend to focus on enforcement of legal constraints, control by administrative hierarchies, and selection of officials through elections in order to ensure compliance with law and policies and responsiveness to citizen preferences and expectations for honesty and competence. Recently, advocates of increased responsiveness of public officials to local households and communities have promoted non-electoral mechanisms of downward or social accountability.<sup>19</sup> People can also hold public officials, community organizations, and service delivery units more accountable by increasing civic engagement through public expenditure tracking, monitoring of service delivery, citizen advisory boards, public hearings, and broad advocacy campaigns.

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<sup>19</sup> The Social Development Network of the World Bank (2003) ([www.worldbank.org/participation/sdn/sdn.htm](http://www.worldbank.org/participation/sdn/sdn.htm))

### Box 3-6

#### Local Resource Mobilization for Infrastructure Maintenance in Nicaragua

Many local investment funds neglect to develop mechanisms to finance operation and maintenance costs associated with the infrastructure they provide. In Nicaragua the *Fondo de Inversion Social de Emergencia (FISE)* created a Preventive Maintenance Fund (FMP in Spanish) to address this gap. 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.

As a result of this innovative combination of incentives, financial transfers, and organizational arrangements, the sustainability of FISE investments increased significantly through effective community-local government partnerships for facility maintenance.

Source: Serrano and Warren (2003).

### 3.3 Local Service Provision

Local service provision includes the arrangements by which resources are mobilized and managed and by which service delivery is organized and managed.

#### 3.3.1 Resource Mobilization and Management

Local service provision requires an adequate resource base—the money, people, information, and technology needed to turn decisions about what people and communities need into public facilities and public services. Some resources are mobilized locally through voluntary contributions (including beneficiary time and labor) and through obligatory taxes and fees. Other resources are provided through transfers from outside

organizations, both governmental and non-governmental, to local governments and community-based organizations.

A local revenue base is an important foundation for sustainable empowerment and governance as well as service provision. The greater sense of ownership among people who contribute through taxes and fees to the costs of local infrastructure and services strengthens both citizen demand and the accountability of public officials. And the greater degree of local discretion associated with own-source revenues enhances the capacity for responsiveness by decision-makers and service providers.

In nearly all countries externally transferred resources are contribute significantly to local development. Resource transfers from the central to local level are common everywhere because in most countries taxing and borrowing powers are generally concentrated at the central level. Additionally, there are significant differences in regional prosperity and resource endowments, national taxation and differentiated redistribution of public resources in favor of specific regions. These central-local transfers are usually most significant in less developed local areas and those with a high percentage of poor households. Direct financing of community-based organizations and local NGOs by either public sector agencies or international assistance programs is another form of resource transfers in support of local development.

Whatever the combination of own-source and transferred resources, front-line organizations such as CBOs, local governments, and deconcentrated administrative units deploy (as per the earlier discussion of the role of governance institutions in planning and deciding resource allocation) and manage their use. Based on the plans approved by local institutions of governance, resources are allocated to authorized tasks and the organizations delegated to use these resources to perform them. Service providers—whether public sector, private sector, or community-based—are then held accountable for how resources are used and managed and for the public facilities and services they produce.

Sometimes public service delivery is complemented by conditional cash transfer programs in which (often) local organizations implement national policies by channeling resources directly to households, enabling local actors to obtain goods and services in the marketplace and providing demand-side incentives for use of basic services.

### **3.3.2 Service Delivery Organization and Management**

Service delivery organizations are responsible for producing the public infrastructure and facilities and the public services that contribute to human, social, and economic development. In most cases public sector organizations operating at the local level, whether pertaining to local governments or to deconcentrated state agencies, organize and manage public service delivery. In other cases services are produced (or co-produced) by community-based or other beneficiary organizations that serve their own members. Service delivery is sometimes delegated to private organizations (firms, NGOs, self-help and users groups) through grants or contracts to increase flexibility, reduce costs, and make use of the technical and organizational capacities available in communities and the marketplace.

**Box 3-7**  
**Inclusive Local Economic Development Planning in Yemen**

In Aden, the Republic of Yemen's principle seaport, a City Development Strategy (CDS) provides the basis for linking major infrastructure investment to broader, more inclusive economic development. Building on a participatory planning process, the Aden CDS articulates a medium term agenda for public investment, public-private partnerships, and improvements to local public administration and service delivery which are supportive of business development, employment growth, and improved livelihoods in urban and peri-urban communities.

The Aden Governorate, the City of Aden Local Authority, and the Aden Free Zone constitute the public sector core of a developmental partnership including local private sector, civil society, and community representatives. Broadly based stakeholder consultations contribute to land use planning, the setting of investment priorities, and deliberation concerning innovative institutional arrangements for public service delivery. Participatory monitoring arrangements linked to the CDS enhance accountability of strategy implementers to diverse stakeholders.

In addition to improvements to urban infrastructure and services the CDS process identifies opportunities to promote tourism and small business clusters in Aden. By working with local entrepreneurs, local officials are better able to leverage public investment to facilitate private sector response to business opportunities. Initiatives supporting the informal sector are also funded: through community consultations the need for a fish market to serve small-scale fishers and traders was identified. Infrastructure investment is financed by the Port Cities Development Program and the Free Zone Authority while community-local government partnership arrangements will manage the market facility.

These examples suggest that although Yemen's national decentralization policy has not yet established fiscal and governance institutions which enable relatively new and weak local governments to assume principle responsibility for local development, the Aden CDS process has demonstrated how participatory multi-stakeholder planning can provide a basis for more inclusive local economic development.

Sources: World Bank (2004g).

Improving service provision for local development requires specifying appropriate institutional arrangements for the production of public facilities and delivery of public services. These include appropriately allocating roles among local organizations, according to the context and conditions, and enhancing their capacity to fulfill these roles. (See Annex A for a fuller discussion of the particularities of public service provision in social, infrastructure and economic sectors.)

### **3.4 Enabling Local Private Sector Growth**

Unless the local private sector grows, local development will remain fragile and difficult to sustain. Only when households, communities and local governments are increasingly reliant on their own economic assets will they be able to take greater responsibility for their own continuing development. Putting in place the mechanisms to encourage private sector growth and can contribute significantly to people's empowerment by increasing their ability to meet their own needs and invest in their own future. Empowerment of local producers, processors and traders involves increasing the economic opportunities available to them and increasing their capabilities to take advantage of these opportunities.

Often disadvantaged segments of the population are unable to avail themselves of existing opportunities due to their limited capabilities rooted in low endowments of critical resources: human, financial, informational, and organizational. By supporting the accumulation of assets by the poor and other marginalized groups and by targeting efforts to build their capabilities to exploit these opportunities, public and non-profit organizations can promote economic empowerment in the context of local private sector growth.

Through their participation in the economy the poor not only increase consumption in the short run but also increase their ability to invest in their own development. When the poor do invest available resources to improve their skills and increase their productivity, this virtuous cycle opens the way to progressive increases in capability, and thus empowerment, as households and communities accumulate wealth and invest in their own education and enterprise.

Three principle areas of intervention support enabling local private sector growth in the context of an integrated approach to local development: access to economic infrastructure and services; strengthened human, social and institutional capital; and a favorable local business enabling environment. Each is described below.

It should be noted that the scope and complexity of these types of economically oriented interventions are considerable. They often require specialized expertise. One is not arguing that all local development programs directly address all aspects of private sector development. In many cases, partnerships between multi-sectoral local development programs or agencies and specialized local economic development organizations or agencies will be an appropriate way to ensure that this dimension of local development receives adequate attention., Depending on the nature of the local environment and economy as well as the availability of required expertise and institutional capacities, specialist organizations may be supported to provide training and technical assistance to local governments, NGOs, associations and firms in order to promote the development of the local private sector.

### **3.4.1 Ensure Access to Economic Infrastructure and Services**

Primary producers, processing and industrial enterprises, as well as commercial and service businesses of all scales, whether formal or informal, require a basic level of supporting infrastructure and public services if they are to successfully compete, prosper, and grow.

Roads and other basic “hard” infrastructure are essential and generally depend upon public sector provision. As public and toll goods, their provision is typically beyond the capacity of individual enterprises. Large-scale services such as water, energy, and communication often imply a scale or complexity of investment which the private sector alone is unable to provide: public enterprises, public concessions to private providers and public-private partnerships are frequently employed to ensure adequate coverage and reliability of supply. Industry or sector specific infrastructure such as industrial parks, trade zones, and new business incubators may be provided, often on a cost-recovery basis, in order to promote specific kinds of economic activity.

Enterprises also benefit from a variety of supporting services to enable their ability to grow and prosper. Access to financial services, especially banking and insurance

facilities, are critical to private sector growth. Leasing services often facilitate access to specialized or high cost equipment while economizing on scarce investment capital. The ability to purchase support services, both generic business and technology services and sector-specific services, allow enterprises to reduce their fixed costs by outsourcing and thus facilitate their ability to focus their organization on core competencies. The availability of advisory and business development services—not only related to business administration and management but also to the transfer of technologies which increase quality and productivity—often contribute significantly to the growth of businesses and to their development from simple, family-managed forms to more efficient and complex forms of organization.

While these services may not be not be financed or provided directly by the public sector, access to them can be facilitated by government in order to promote the development of targeted economic subsectors as contribution to the implementation of local economic development strategies. Public agencies and non-profit organizations often play an important role in local economic development by facilitating access to critical services until adequate local demand justifies their provision by the private sector. This is especially true in remote in poor or remote regions where entry costs are high and economies of scale are difficult to achieve.

### **3.4.2 Strengthen Human, Social and Institutional Capital**

The private sector utilizes human, social, and institutional capital in the interest of production and commerce. By increasing the quality and availability of these forms of capital, especially in ways relevant to the most promising economic sectors in a specific local area as reflected in its economic development strategy, expansion of the local private sector can be facilitated.

People are a key resource for the private sector. The capacity and productivity of workers and managers are closely associated with their level of education. Health status also has a significant influence on the productivity of labor. Thus the quality and availability of general health and education services, typically provided by the public sector at local level, contribute to private sector growth.

Investment in specific workplace relevant skills, through vocational education and training/re-training programs, is widely held to be a critical component of local economic development programs. General business administration and management training are particularly important in regions where formal sector enterprises have historically constituted a relatively small segment of the economy. Sector specific training also facilitates the growth of enterprises in response to strategic opportunities characteristic of a given locale and the re-deployment of skilled but redundant personnel from declining sectors to growing ones.

In addition to the development of human capital, social and institutional capital also contributes significantly to private sector growth. Producers associations facilitate collective action among many small economic agents to improve access to inputs and markets, reduce transaction costs, and facilitate information flows. Business networks support sector or industry specific linkages which increase the reliability of access to information, inputs, support services and markets. Value chain linkages facilitate the development of more predictable industry structures and relationships which permit



specialized enterprises to invest in capacities linking them to their suppliers and purchasers in complex economic sectors.

The effectiveness of markets depends critically on the availability of reliable information among both buyers and sellers, not only in terms of price but also in terms of the quality of the goods and services on which they depend. Institutions which address information asymmetries by promoting the use of transparent and reliable standards and measures can contribute significantly to economic development, especially in newly introduced and complex sub-sectors which may challenge existing capacity to monitor quality in the marketplace. Furthermore, media and other institutions which efficiently and transmit price, supply and demand information to buyers and sellers enable more efficient producer responses in the marketplace.

### **3.4.3 Improve Local Business Enabling Environment**

The private sector's growth can be aided or impeded by the action of government at the local level. Improving the local business climate by reducing public sector impediments to economic activity and facilitating public investment and services to targeted sectors can contribute significantly to private sector growth.

Good governance plays a crucial role in promoting the private sector. Local governance is guided by rules and norms established by national constitutions, laws and policies. The importance of these instruments to creating an enabling environment for economic development is well documented. However neither the literature nor development practice sufficiently emphasizes ensuring that this environment is as favorable at the local level for informal sector, small and medium scale economic actors as it is for larger scale enterprises operating in and around urban centers and investment enclaves. From this perspective, improving local governance can be seen to be a critical link in implementation of the national enabling environment for economic development at local level.

The principle that government intervention should seek to minimize potential harm to the local economy is particularly relevant to the relationship between the public and private sectors at local level in many developing countries. Highly regulated economies which impose heavy licensing and administrative burdens on private economic actors, often with little demonstrable gain to the public interest, create steep barriers to entry and significant barriers to growth among local enterprises. The titling of property and protection of property rights is often a particularly important contribution to private sector growth since asset ownership is frequently linked to credit access in the formal sector. Due to their importance, these administrative requirements create opportunities for exploitation of private firms by corrupt or predatory public servants; often increasing the cost of doing business significantly and creating impediments to growth at the local level.

The quality of rule enforcement is an important link between local governance and LED. Making regulation and enforcement simple, fair, effective, and transparent facilitates local business activity. In this context, equity and fairness in applying the rule of law to economic actors is critical, as is the suppression of public sector corruption through which unfair economic advantage is pursued based on opportunistic influence over public authorities. Mechanisms for ensuring the accountability of local authorities regarding the decisions they make involving economic actors are needed to limit such collusion.

Beyond minimizing the burdens imposed by the public sector on private economic actors, government can play a significant positive role in enabling private sector growth at the local level. Strategic planning plays a crucial role in the fulfillment of this enabling role. Given the scarcity of financial and organizational resources available for public investment and the provision of public services, targeting these scarce resources in locally appropriate ways aids in the achievement of desired economic impacts. Strategic planning creates opportunities for synergies among the various forms of public sector action in support of economic development discussed above. Clear, focused LED strategies provide a basis for government plans and public-private partnership initiatives to mobilize public and private investment, services, promotional and regulatory action around priority economic sectors.

Local planning processes should involve economic actors of various scales and sectors in order to channel public investment in support of collectively defined strategic priorities. Like any governance decision, transparency and accountability of strategic economic development planning is essential to its legitimacy. By employing open and inclusive deliberative methods, strategic LED planning can create the possibility of focusing scarce resources on creating a more favorable environment for private investment, production and commerce while avoiding the risks of “privatizing” the benefits of local public investment in the service of a narrow faction or elite.

A supportive local business climate—characterized by a private sector-friendly regulatory regime and a strategically guided program of public investment, public service provision and public-private partnerships—can play a significant role in enabling dynamic private sector growth at the local level.

## 4 Characterizing Alternative Approaches to Local Development

The three main ways of providing infrastructure and services are decentralized sectoral approaches, local government approaches, and community support approaches.<sup>20</sup> They differ in their organization principle, strategic orientation, and main intervention methods

This section summarizes some of the main lessons derived from the three approaches about how to work effectively at the local level, how each approach contributes to improved local governance and service delivery, and why each alone is not sufficient to address the variety of development challenges faced at local level. (For more detailed discussions of the three approaches and key issues related to each, see annex A.)

	<b>Decentralized Sectoral approach</b>	<b>Local Government Approach</b>	<b>Community Support Approach</b>
<b>Principle of organization</b>	Function	Territory	Social unit
<b>Strategic orientation</b>	Establish a hierarchy of specialized organizations reach local level that produce services and achieve mandated policy goals	Transfer policymaking and fiscal powers to democratically elected local governments that provide services within their jurisdiction	Empower communities to decide, organize, and act in their own interests
<b>Main operational method</b>	Central government ministries set policy and finance service delivery via deconcentrated sectoral departments, specialized autonomous agencies, and service delivery units	Intergovernmental fiscal arrangements (including local taxes and fees) provide resources, local government political institutions provide downward accountability, and LG administrative departments deliver services	Channel resources (funding and capacity building) to community-based organizations that provide their own infrastructure and services, often jointly with public sector or private organizations

All three approaches aim to provide public facilities and services and to promote local development. Each addresses the same challenge from a different entry point. Sectoral approaches, because of their entry through functional specialization, tend to be better at mobilizing technical capacity but less responsive to local demand and conditions and cross-sectoral considerations. Local government approaches, because of their entry

<sup>20</sup> The three approaches are presented here as idealized types, to simplify discussion of their distinctive features. Real programs and organizations are more complex and frequently adopt methods characteristic of several approaches in order to improve their performance.

through the institutions of territorial governance, commonly ensure clear formal autonomy and accountability of local decision-makers but are often more politicized and less effective in managing service provision. Direct community support approaches enhance empowerment and responsiveness to local priorities and conditions but their entry point through community structure and processes often complicates coordination with public sector organizations, which may be necessary to sustain service delivery and infrastructure.

## **4.1 *How Decentralized Sectoral Approaches Contribute to Local Development***

### **4.1.1 Lessons Learned from Decentralized Sectoral Approaches**

Despite the great variety among social, infrastructure, and economic sectors, some common lessons have emerged about how best to organize services at the local level (annex A-1 provides more detailed lessons from experience with social, infrastructure, and economic sectors):

- Deconcentration within administrative hierarchies is necessary but not sufficient for effective service delivery.
- Demand-responsive arrangements—participatory priority setting, linking of services to willingness to pay, marketizing of service delivery—are useful in establishing appropriate service levels and standards for specific communities.
- Engaging local citizens and community organizations as co producers of services and as service oversight bodies can increase efficiency and responsiveness.
- Service delivery management should be adapted to the local institutional environment as well as to sectoral characteristics.
- Linking public organizations to private firms and NGOs through contracts, grants or partnership arrangements can enhance local capacity to delivery services.
- Local planning processes not only allocate scarce resources strategically, they increase coordination, promote partnerships, strengthen synergies and increase accountability among sectoral agencies and other local actors.

### **4.1.2 Sectoral Approaches to Empowerment and Local Governance**

Sectoral empowerment strategies strive to increase the effective voice and choice of individuals and communities in determining what services are provided and how. Such strategies draw on direct links between participation and management of specific public facilities.

To create opportunities for effective citizen voice and choice, decision making for adjusting services to local conditions needs to be decentralized. Even without elected local governments, sectoral deconcentration can give local officials and program manager's adequate discretion to allow the use of empowering strategies such as participatory planning. Citizen committees, boards, and service or resource users' groups can also increase responsiveness and downward accountability. Parent-teacher organizations associated with schools and water user groups associated with water points or irrigation systems are examples. Though they generally lack the power to direct public

officials or service managers, these groups are consulted before important decisions are made and serve as channels of influence<sup>21</sup> linking service providers, service users, and the broader beneficiary community.

Another empowerment method in sectoral settings is to marketize service delivery, providing households or communities with access to resources and opportunities to choose among alternative service providers. Some community-driven approaches finance opportunities for community organizations or local associations to contract for the delivery of public facilities or services by competing private organizations or firms. Service voucher schemes are the individualized form of this choice focused approach.

### **4.1.3 Sectoral Approaches to Local Service Provision**

Sectoral approaches to improving local service provision usually work more on the supply side than the demand side of the local system. They define appropriate technical standards and levels of service, establish criteria for their use, and promote appropriate technologies and organizational systems for service delivery and management. They also train local professionals, public and private, to manage service delivery and provide advisory services to local service delivery organizations to improve the quality of local service provision.

On the demand side decentralized sectoral approaches work to build the capacities of people as service consumers and co producers through information campaigns and the promotion of service users groups and citizen oversight bodies; so that they can influence the kinds and quality of services they receive.

### **4.1.4 Sectoral Approaches to Enabling Private Sector Growth**

The provision of physical infrastructure and the development of human capital are essential contributors to local economic development. Access to transport infrastructure—roads, railways, ports and airports—and to public utilities—water and sewerage, electricity and gas, as well as telephone, internet and other communication facilities—enable producers and commercial operators to reduce their costs and focus their resources and capacities on their core businesses.

Public investment in human capital—including general education at all levels and the provision of preventative and clinical health services—creates a favorable environment within which the private sector operates. In addition, public investment in vocational and professional education help to develop the specialized capacities which

Finally the provision of technical services to private producers and enterprises such as agricultural extension, market information systems, business advisory services, and promotional or marketing assistance constitute sector-specific options for public support for local economic development.

### **4.1.5 Why Sectoral Approaches Are Not Sufficient**

While an effective way to organize service delivery, decentralized sectoral approaches alone have experienced several difficulties:

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<sup>21</sup> Service user satisfaction surveys and “report-cards” are increasingly employed to provide information to such oversight bodies. (See WB 2004i for more details.)

- Little local discretion to adjust national sector policies and service priorities to local conditions or preferences.
- Insufficient coordination, collaboration, and integration across sectors, especially for interdependent services such as potable water and preventive health education or rural roads and agricultural development.
- Insufficient strategic orientation and priority setting to enable sectoral priorities and resource allocation to enable adjustment to specific local conditions, problems, and opportunities.
- Difficulty ensuring adequate responsiveness and accountability of sectoral officials in the departmental offices that supervise service delivery units.

## ***4.2 How Local Government Approaches Contribute to Local Development***

### **4.2.1 Lessons Learned from Local Government Approaches**

With the recent move toward decentralization and democratization in many countries has come a new focus on local government approaches. Local government reform and capacity building programs have generated several lessons for a more integrated approach to local development (annex A-2 presents a more detailed discussion and references):

- Local government responsiveness requires both electoral accountability and other participatory processes to engage citizens and communities.
- National decentralization policies are most effective when they harmonize intergovernmental systems by linking local governments to sectoral deconcentration.
- Civil society–based institutions of collective action affect the quality of local governance by complementing and influencing the actions of local governments.
- Local governments are often important not only as decision-makers and service providers but also as coordinators among public agencies and private actors and as advocates for local interests in regional and national fora.
- Effective service delivery requires collaboration between local governments and deconcentrated sector agencies.
- Local governments are often vulnerable to “demand overload” when their organizational capacity and resource endowments are inadequate to meet citizen expectations or the functional responsibility devolved to them by national policies.
- Participatory strategic planning processes led by local governments can build partnerships among public sector, civil society and community organizations, and private sector actors for more effective governance, service delivery, and economic development.

## **4.2.2 Local Government Approaches to Empowerment and Local Governance**

Local government approaches to empowerment and local governance start with an important structural asset: statutory local governments have a legally defined bundle of powers and responsibilities and a legally mandated mechanism of downward accountability through local elections. Not only are local government officials periodically held accountable to their constituencies, but there is an objective basis in law for attributing responsibility to them for specific services.

Local government empowerment strategies typically include civic education programs to help people understand how local government operates and what public services they may expect or demand from their local government. Also important is enhancing the capacities of representative institutions such as municipal councils or assemblies to improve their contribution to governance through planning, decision making, and accountability. Community-level consultations and other efforts to promote stronger communication between citizens and representative bodies help link civic education with capacity building for representative bodies. Governance improvement efforts often focus on the inclusion of marginalized segments of the population in consultations and deliberations, to promote more equitable empowerment.

Participatory budgeting programs are an increasingly important complement to the formal elements of accountability systems (electoral, representative, and procedural) required by local government legislation. Many participatory budgeting initiatives have gone beyond priority setting and resource allocation to include mechanisms to join people (often representatives of communities or service beneficiaries) and local officials in monitoring resource use and the quality of services. Participatory planning and budgeting are thus employed to strengthen accountability in ways that promote mutual learning by citizens and public officials on improving service delivery.

## **4.2.3 Local Government Approaches to Local Service Provision**

Local government approaches for improving service provision involve the functional mandates and associated fiscal systems for local governments and the mechanisms for coordinating activities between community groups, local government bodies, and sectoral departments at local level.

Local governments mobilize and manage important resources for service provision through general purpose taxation and user fees linked to service delivery provide LGs with their own resource base, complemented by transfers (both discretionary and special directed) from central government budgets. Local budget processes allocate these resources to the organizational units and service delivery programs for which local government is responsible.

Local government service delivery systems typically follow the sectoral model of functional organization: specialized organization units assume responsibility for particular functions, such as roads, water supply, land-use regulation, and sanitation. Thus despite different lines of accountability, many local governments employ the same service delivery mechanisms as do deconcentrated sectoral agencies. Further, because local governments are motivated to respond to citizen demands, they frequently offer services beyond those assigned them by law. In many countries local governments

organize schools and clinics on their own initiative, even when these responsibilities formally fall to ministries of health and education. Local governments also serve as advocates for their constituencies, lobbying ministerial departments to increase the coverage and improve the quality of the services they provide to local communities.

Another notable innovation is the many partnership arrangements between communities and local governments for coproduction of public facilities and services. Community organizations often work from below with local governments to link households and neighborhoods to public sector service delivery organizations to increase local coverage and effectiveness.

#### **4.2.4 Local Government Approaches to Enabling Private Sector Growth**

Local initiatives focusing on governance and service provision should consider not only social priorities but also economic ones. Often community empowerment schemes neglect livelihood issues, in spite of the fact that the poor remain poor—even with improved public services—unless their ability to produce and earn are also increased. Frequently community and municipal planning schemes focus on public investment and improving public services but not on improving the conditions supporting increased incomes from agriculture, industry, commerce, and associated employment. Strategic planning for local economic development is often a neglected dimension of such municipal planning processes.

Often local governance schemes promote increased accountability in the management of public funds but neglect the accountability of local officials who may use their authority to provide economic advantage to those they favor and to limit access to economic opportunities among those they do not.

Resource provision through grant schemes and capacity building assistance to improve the quality of local services should consider broadening what are often limited menus to contemplate not only investment in schools, clinics, roads and water provision but also services which promote local production, employment and commerce. While care must be taken to ensure that public and donor funds are not channeled to provide private goods and services with narrow benefits, many common pool goods and broadly targeted support services to private economic actors may be legitimate candidates for support, especially when they are prioritized by legitimate and broadly representative local bodies.

#### **4.2.5 Why Local Government Approaches Are Not Sufficient**

While an effective way to organize local governance and many infrastructure services, local government approaches alone have experienced some common problems:

- Risks associated with transfer of responsibilities to LGs without adequate resources
- Excessive politicization of decisionmaking by elected officials or “elite capture” of local decisionmaking bodies, may lead to inequitable allocation of resources or poor management.
- Ambiguous decentralization laws, policies, and regulations, which impede resource mobilization and constrain service provision.
- Weak service delivery focus and technical capacities, due partly to limited legal



mandates and partly to their general purpose nature as multisectoral organizations.

- Coordination weaknesses between devolved local governments and sectoral organizations due to different lines of accountability and inadequately developed horizontal mechanisms for collaboration.
- Inadequate contact between local government officials and communities resulting from too much reliance on formal mechanisms of accountability such as councils and elections.
- Vulnerability to “demand overload” when citizen expectations and devolved responsibilities exceed LG capacity

### ***4.3 How Community Support Approaches Contribute to Local Development***

#### **4.3.1 Lessons Learned from Community Support Approaches**

Experience from community-driven social funds, rural development funds, and other community support programs has generated considerable knowledge about good practices and ways to increase effectiveness and sustainability through improved links to sectoral and local government systems (annex A-3 presents more detailed lessons):

- Public sector funds can channel resources to address needs for which conventional sectoral and local government mechanisms are not well adapted, including investment in response to short-term, highly specialized, or especially complex demands.
- Participatory community-based planning is widely held to efficiently allocate resources for investments that respond to locally defined priorities.
- Community contributions through matching fund and coproduction arrangements enhance beneficiary ownership and help ensure that investments are demand driven.
- Community-based management of resources and investments is often more transparent and cost-effective than public sector management, resulting in more productively employed assets and faster and less costly impacts.
- Targeted community-driven approaches can effectively devolve decisionmaking and control of resources to the poor and other marginalized groups.
- Control of decisions and resources can enable communities to build social capital by extending the depth, range, and effectiveness of their social networks.
- Strengthening inclusive community-based associations can increase poor people’s voice in local political processes and governance.
- Increased links between local governments and community organizations can speed “scaling-up” and improve sustainability of the institutions and capacities promoted by community-driven social funds.

### **4.3.2 Community Support Approaches to Empowerment and Local Governance**

Because community support approaches are generally less constrained by existing institutional arrangements for public sector organization, they often develop innovative mechanisms for involving people and communities in the governance of local development. By organizing planning, decisionmaking, and accountability processes at the community level, community support approaches enable more people to be involved and increase the flow of information among community members. The smaller scale of organization and interaction can, if organized to avoid elite capture, promote opportunities for participation among frequently marginalized segments of the population.

Direct community support approaches are more open-ended and flexible than most sectoral and local government models. Because they are not tied to a predefined functional or territorial logic, community support approaches may promote greater responsiveness to the complex and idiosyncratic problems faced by communities. By employing forms of organization and participation that already exist in communities, community support approaches often build on available social capital to enhance the quality of collective action in ways that are difficult for more formalized local government approaches.

Direct community support approaches have evolved considerably in recent years. Many have increased the decisionmaking role of communities in allocating and managing resources. Some have enhanced upstream links to sectoral systems by promoting policies and procedures that explicitly acknowledge community roles. Others have introduced local governments into their management systems as intermediaries between community organizations and central government agencies.

By providing support, including financial resources and training, directly to communities, community support approaches empower people by enhancing opportunities for choice and voice. Providing purchasing power to people without access to many other resources for influencing public decisionmaking enhances their capabilities to resolve their problems. Resource transfers to community organizations can also stimulate participation in collective decisionmaking and accountability processes at the community level.

### **4.3.3 Community Support Approaches to Local Service Provision**

Community-driven and community-based service delivery systems require distinctive forms of organization and capacity for service provision. When communities mobilize and manage resources to provide public facilities and services, they set priorities, allocate resources, and establish and enforce rules on contributions by community members, management of collective resources, and the monitoring of those to whom they delegate responsibility for resource use and service delivery.

Another feature of community support approaches is the supply of resources to community-based organizations and voluntary associations in order to finance or co-finance service provision. In order to link resource allocation to national policy priorities and to local demand, community support programs typically define detailed rules for budgeting, targeting, and appraisal of proposals for community investments. Considerable effort goes into detailing strategic options and operational procedures for

resource allocation and management (area-based planning and allocation or first-come first-served project financing, needs-based or demand-based appraisal criteria, level and type of community contributions, financial reporting requirements). Direct community support approaches typically employ dedicated organizations (often social funds) to support participating community organizations, either directly or via local government intermediation, to ensure compliance with procedures for resource allocation.

Direct community support approaches often involve communities in producing or coproducing facilities and services. To participate effectively, community members may need to improve their practical skills and knowledge and their organizational skills for solving the problems that motivate community collective action: whether to maintain a water pump, oversee a primary school, sustainably harvest fisheries and forest resources, or build a bridge on a track linking a village to a feeder road. Enhancing these capacities is thus another feature of community support approaches.

#### **4.3.4 Why Community Support Approaches Are Not Sufficient**

While effective in enhancing empowerment and responsiveness to local conditions, community support approaches alone have commonly experienced some problems:

- “Elite capture” in community-level decisionmaking and weak accountability mechanisms when community organizations and associations reproduce entrenched inequalities of power and resource access.
- Difficulties ensuring the sustainability of investments due to insufficient coordination with the conventional service delivery organizations linked to sectors and local governments.
- Weak links to broader public sector systems, including governance arrangements and fiscal management, and to technical support and oversight linked to the provision of specialized public facilities and services.
- Difficulty achieving economies of scale and resolving problems of territorial scope, which require organizing action across several communities.
- Lack of strategic perspective on local development, especially related to economic opportunities and upstream linkages.

**TABLE 4-2 KEY LESSONS AND FREQUENT LIMITATIONS OF ALTERNATIVE APPROACHES TO LOCAL DEVELOPMENT**

	<b>DECENTRALIZED SECTORAL APPROACHES</b>	<b>LOCAL GOVERNMENT APPROACHES</b>	<b>COMMUNITY SUPPORT APPROACHES</b>
<b>KEY LESSONS</b>	<ul style="list-style-type: none"> <li>Deconcentration within administrative hierarchies is necessary but not sufficient for effective service delivery</li> <li>Demand responsive arrangements are useful in establishing appropriate service levels and standards</li> <li>CBOs as coproducers and oversight bodies can improve service delivery</li> <li>Linking public organizations to private firms and NGOs enhances local capacity to deliver services</li> <li>Local planning processes not only allocate resources but also increase accountability of service providers</li> <li>Service delivery arrangements should be adapted to the local institutional environment.</li> </ul>	<ul style="list-style-type: none"> <li>LG responsiveness requires electoral accountability as well as other participatory processes</li> <li>Decentralization is most effective when LG reform is linked to sector reform</li> <li>Local governance quality depends not only on LGs but also on the effectiveness of local civil society</li> <li>LGs can lead local development as coordinators of private initiative as well as advocates for local interests</li> <li>Effective service delivery requires collaboration between LGs and sector agencies</li> <li>LG strategic planning helps build partnerships among public, private and CBOs.</li> </ul>	<ul style="list-style-type: none"> <li>Community driven funds can channel resources in response to urgent, specialized or complex demands</li> <li>Participatory community planning can efficiently allocate resources</li> <li>Community-based mgmt of resources and investments can be transparent and efficient</li> <li>Targeted community-driven approaches can empower marginalized groups</li> <li>Community control over decisions and resources can build social capital</li> <li>Strengthening CBOs can increase poor people’s voice</li> <li>Community contributions help ensure that investments are demand driven and “owned” by beneficiaries</li> <li>Increased links between LGs and CBOs can speed “scaling-up” and improve sustainability</li> </ul>
<b>FREQUENT LIMITATIONS</b>	<ul style="list-style-type: none"> <li>Little local discretion to adjust national sector policies and service priorities to local conditions or preferences</li> <li>Difficulty ensuring coordination and collaboration across interdependent sectors</li> <li>Emphasis on operational management limits strategic response to local conditions and priorities.</li> <li>Difficulty ensuring adequate responsiveness and accountability of sectoral officials.</li> </ul>	<ul style="list-style-type: none"> <li>Risks associated with transfer of responsibilities to LGs without adequate resources</li> <li>Incomplete decentralization policies can limit LG capacity to respond to local priorities</li> <li>Excessive politicization of decision-making or “elite capture” may lead to inequitable allocation or poor management</li> <li>Weak service delivery focus and technical capacities among some LGs</li> <li>Problems coordinating between devolved LGs and sectoral organizations</li> <li>Inadequate contact between LG officials/LG agencies and communities</li> <li>Vulnerability to “demand overload” when citizen expectations and devolved responsibilities exceed LG capacity</li> </ul>	<ul style="list-style-type: none"> <li>Risks of “elite capture” and weak accountability resulting from entrenched inequalities of power and resource access within communities</li> <li>Difficulty resolving problems across several communities and achieving economies of scale</li> <li>Sustainability problems due to insufficient coordination with sectors and LGs</li> <li>Weak links to public sector systems for planning, governance, and fiscal management, and accountability</li> <li>Lack of strategic perspective on local economic development</li> </ul>

## **5 Linking Alternative Approaches to Local Development**

While each approach to organizing governance and service delivery at the local level offers specific strengths, each is also limited by its entry point and methods, so that no one approach has been sufficient to meet all the challenges at the local level. Linking the approaches can capitalize on the comparative advantages of each, complementing its contributions with methods drawn from other approaches. The discussion here highlights some significant synergies and tensions that arise when linking these approaches.

### **5.1 Linking Sectoral and Community Support Approaches**

Nearly all sectoral approaches have developed methods to engage community participation to improve service quality and coverage. Many sectoral agencies try to increase the demand responsiveness of their planning processes by opening decision processes to citizen input, especially discussions on how to best deliver basic services and the most local elements in service and infrastructure networks. Citizen governance mechanisms, such as resource or service user groups, parent or producer organizations, and local service boards, strengthen channels of influence and accountability outside the public sector hierarchy. Choice-based approaches enable service users to select the source and often the type and quantity of services in a market or quasi-market environment. Coproduction approaches promote direct contributions by community members and service users to their own infrastructure investment and service delivery arrangements, which may be managed autonomously and merely regulated by public agencies.

While such community-driven strategies have often improved the availability and responsiveness of sectoral infrastructure and services, tensions remain between demand-driven, multisectoral, beneficiary-governed approaches and more conventional sectoral delivery systems.

First, national policies set universal goals for service provision that are often not based on citizen preferences at the local level. In practice ensuring clean water, primary education, and vaccination for all are driving motivations for sectoral agencies. That some communities or local residents are indifferent to one or another of these objectives and their associated services does not diminish their legitimacy. Public information campaigns can sometimes increase demand for such basic services, but not always. Communities frequently choose different priorities than those established by such universalist policies as the Millennium Development Goals. Thus there can be tension between national development priorities and the empowerment of communities to determine their own priorities.

Second, sectoral approaches are frequently grounded in technical knowledge and expertise, which may not always be easily reconciled with the way communities prefer to manage resources and organize services. While local knowledge should be valued and can contribute to effective service delivery, good practice based on research and wide experience remains indispensable for effective sectoral infrastructure and service systems. Systematic knowledge (medical, agronomic, engineering, pedagogic, economic, managerial) is required to ensure that public investments produce adequate and sustainable services. Balancing specialist expertise with community preferences and governance arrangements is complex. Each offers an essential contribution to improving

**Box 5-1**  
**Administrative Deconcentration and Local Development in Mozambique**

Even in the absence of statutory local governments, an integrated approach to local development can be pursued through decentralized, participatory institutions which engage communities in public sector governance and service provision. In Mozambique's rural districts, where State-appointed administrators govern and deconcentrated sectoral agencies financed through the central budget deliver services, significant progress has been achieved in promoting more dynamic and responsive local development.

Participatory district planning in Mozambique provides a venue for cross-sectoral priority-setting and greater responsiveness to community concerns. Representative "district consultative councils" with oversight over plans and budgets have been introduced to formalize accountability of local authorities to community representatives.

Public sector reform has strengthened district authorities' role in local sectoral administration via the planning, budget and personnel systems. Recent sectoral reforms have increased the managerial autonomy of district directorates and have empowered citizens by developing community oversight bodies linked to service delivery units.

Recent legislation on "Local State Bodies" aims to link the reform of territorial administration with reforms of sectoral service delivery in an integrated model of district governance which empowers district authorities as managers and redefines the role of sectoral ministries away from management and toward policy oversight and technical support.

Despite these innovations, the challenges of achieving effective, participatory and downwardly accountable deconcentrated governance are daunting. Local authorities are ultimately accountable upward and local discretion over resource allocation is limited by sectoralized budget procedures and little locally raised revenue. Tensions between vertical ministerial and horizontal territorial direction of sectoral services remain unresolved. Communities have limited ability to influence public officials who perform poorly so long as they are supervised by provincial directorates.

Nevertheless, Mozambique's administrative reforms and local participatory processes are being linked to develop a more responsive and downwardly accountable district governance and service delivery regime. Contrary to widely accepted notions that politically and fiscally autonomous local governments are a *sine qua non* of effective local governance, an alternative approach to integrating local development through participatory deconcentration is being pursued in rural Mozambique.

Sources: Serrano (2002), World Bank (2003d).

the quality of life, but their distinctive logics often challenge those who work at the point where they meet.

Finally, capacity building is generally treated differently in community support and sectoral approaches. Community support approaches lean toward developing social capital, participatory planning, and accountability by service providers to civil society—a demand-side emphasis. Sectoral programs typically focus on developing technical and managerial capacity and professional expertise in a culture linked to the providers of public services—a supply-side emphasis. While programs based on either approach usually combine some elements of both supply- and demand-side capacity building, their emphases usually differ, often leading to integration difficulties in the field. While the approaches are not conceptually in opposition, in practice it has often been difficult to work out a consistent approach to building community demand-side and public sector supply-side capacities.

## **5.2 Linking Sectoral and Local Government Approaches**

Local government approaches focus on improving governance and the responsiveness, accountability, and sustainability of service delivery by increasing the formal autonomy and capacity, especially fiscal capacity, of sub-national political units. Sectoral approaches seek to improve service delivery through administrative deconcentration, delegation to autonomous agencies, or marketization and privatization.

Local government and sectoral approaches generally differ in how much discretion local institutions have to determine service priorities as well as standards and levels of service. Sectoral approaches generally make such policy decisions at a higher level, typically that of the central government (or states in federal systems). Deconcentrated sectoral departments or agencies with delegated responsibilities generally implement policy and manage service delivery within resource and other parameters established by central sectoral authorities. In contrast, local governments are intrinsically multisectoral and have political and fiscal authority as well as administrative capacity. They not only manage service delivery but also make policy about what mix of services to deliver at local level and with what resources. Local governments are also able to define priorities across sectors with fewer constraints than in a system structured through multiple deconcentrated sectoral departments. Decisions based on these differing logics often diverge. Sectoral policies may mandate priorities and standards that local governments perceive to be at odds with local needs and conditions, resulting in coordination problems and sometimes in conflicting policies by public organizations working in the same territory.

Distinctive financing mechanisms can also complicate links between the two approaches. Local governments' powers to tax and levy fees, to budget and spend without prior review, and in some cases to borrow makes integration into national fiscal systems more challenging for ministries of planning and finance than the management of sectoral ministries, with their deconcentrated offices and local service networks. To link national sector policies with local governments under the national budget and expenditure management regime, public finance systems must integrate traditional budgetary allocations with more complex financing instruments such as intergovernmental grants as well as regulatory relations between central and local organizations. Many central governments are not prepared, politically or technically, to adopt these sorts of innovations.

**Box 5-2**  
**Large Scale Institutionalization**  
**of a Community Support Approach in Indonesia**

Indonesia's Kecamatan Development Program (KDP) has demonstrated the potential of a national participatory development program employing a community support approach not only to rapidly expand the coverage and quality of public facilities but also to promote grassroots governance and administrative reform.

In response to the national economic, governance and development crises of the late 1990's, KDP channeled a sizeable portion of Indonesia's rural investment resources directly to village-led sub-district institutions for participatory planning and management. By focusing on empowerment of community members vis-à-vis local civil servants, KDP has contributed not only to improved social and economic infrastructure but also to the strengthening of peoples' capacity to deliberate and act collectively in their own interest.

KDP has adapted the core elements of a community support approach to the social, cultural, institutional, and political specificities of rural Indonesia. Empowerment of women, the poor and frequently marginalized social groups is promoted through inclusive rules and processes as well as targeted capacity building. Local governance is improved by broadening participation and increasing transparency and accountability in planning, decision-making and resource management. Community investments increase the quality and coverage of social services as well as enable local economic development through infrastructure improvements and providing village producers groups with access to seed capital.

As Indonesia's national governance and public sector reform have advanced, upstream links between KDP and local government and sectoral administration are increasingly seen as critical to the sustainability of participatory local development. Kecamatan councils and community resource management are being institutionalized in the emerging district governance framework. KDP's demonstration of the power of transparency and accountability to curb corruption and improve resource use has influenced the rules for public sector governance and management at both service delivery unit and district levels. KDP's model of community participation and management has served as the basis for a multi-sectoral strategy for harmonizing institutional roles and methods at community and local government levels across the World Bank portfolio, as discussed in Box 6-1.

In spite of the challenge of coordinating ongoing KDP efforts with the government's aggressive "big bang" program of decentralization to districts, the emerging framework for local governance in Indonesia is demonstrating the potential for an integrated approach which links community, local government and sectoral interventions through locally appropriate institutional arrangements in order to enhance the impact and sustainability of local development efforts.

Sources: Wong (2003), Guggenheim (2003), WB (2003f).

Finally, the interaction of central and local governance regimes presents both opportunities and challenges in relating sectoral approaches to local government approaches. When both central and local governments are led by elected officials, each can justifiably claim to make democratically legitimate policy decisions within its sphere and to be held accountable to its constituency. Every department that manages service delivery at the local level is directed by either a sectoral hierarchy or a local government. But whatever the formal lines of upward accountability, in many cases service delivery is effectively co-governed by both national sectoral ministries and local governments. Mechanisms are thus required, though they are often underdeveloped, to coordinate policy implementation and service management and to resolve divergences between sectoral agencies and local governments with overlapping responsibilities.



In sum, to ensure policy coherence and technical competence while creating opportunities for greater local discretion and stronger accountability through democratic decentralization, sectoral and local government organizations must accommodate each other. Effective public sector decentralization that combines deconcentration and devolution demands complex horizontal interactions between the local offices of national agencies and the local governments that share governance and management responsibilities at the local level.

### ***5.3 Linking Community Support and Local Government Approaches***

Direct community support and local government approaches share a mutual emphasis on participatory, decentralized, and multisectoral development planning, management, and governance. The principle tensions between them relate to the scale or territorial frame around which they organize interventions, their relation to the country's governance regime and public sector management system, and the nature and scale of the demands they place on the state system.

Direct community support approaches generally operate at a smaller scale than local government approaches, which typically encompass several communities. This difference has more than quantitative implications. Community scale is often smaller than the territorial catchments associated with basic public services and infrastructure (see section 2.1.2). When decisions are made at this smaller scale, it is difficult to ensure the coherence of planning and governance decisions. This problem is familiar to practitioners of community needs assessment: nearly every community wants a school, a clinic, and a road at its doorstep, but public sector standards suggest locating services based on analysis of population distribution and existing access to services. Transparently reconciling participatory demand-side and technical supply-side considerations requires planning, prioritizing, and governing decisionmaking within the broader territorial frame commonly associated with local governments. Furthermore, while community and service delivery unit scale may be appropriate for resolving short-term resource management and operational issues, local government scale is likely to be more appropriate for strategic planning and decisionmaking linked to medium-term, cross-sectoral resource allocation and promotion of local economic development.

Direct community support approaches are more flexible in the nature and extent of links to the hierarchical structures of public management than are local government approaches, which typically take public administration as a given. In settings that call for creative approaches to the governance, provision, and production of services, community support approaches will usually offer advantages. Local governments, as governments, are less likely to opt for choice-driven approaches to service provision that put more control in the hands of individuals, community groups, and nongovernmental actors. This bias common among local governments may limit the ability of people to exercise their "exit" option in settings where public sector effectiveness and legitimacy are questionable. Direct community support approaches frequently offer greater opportunities for people to act collectively to meet their needs without being constrained by the weaknesses of the public sector.

Furthermore, a shift upward from community to local government level is not without its

disadvantages. Local governments often suffer from some of the same dysfunctions as central and regional governments. When preferences are aggregated and accountability relations are dispersed across communities and service delivery units, their effectiveness in ensuring public sector responsiveness may be diminished. In the language of *World Development Report 2004*, the local government represents an intermediate route to accountability, longer than the short route linking communities directly with service providers but much shorter than the long route through national parliaments and ministerial hierarchies. Finding ways to link “short-route” community-based processes with local government systems and capacities so that they appropriately balance service delivery accountability with local governance processes is a common concern of more integrated approaches to local development.

Finally, the demands the two approaches place on the public sector differ quantitatively and qualitatively. Local government approaches demand a reorientation of public finance and sectoral policy and management regimes to accommodating intergovernmental relations. They also require central government organizations to interact with multiple local government units—from a few dozen to a few hundred—often mediated by regional-scale governance institutions such as provinces and states. For community support approaches to achieve coverage in all parts of the national territory,<sup>22</sup> the public sector needs the capacity to interact with anywhere from several thousand to over 100,000 communities organized as units of decisionmaking and action. The public sector has to be prepared to build community capacity, process community requests for funding and support, and monitor community use of resources and achievement of results in this multitude of dispersed small-scale units. Even well funded and well managed national fund agencies with years of operational experience are rarely able to satisfy this level of demand. As a result, when community support programs move toward universal coverage, they often opt to work through local governments as intermediaries between their specialized agencies and their large population of participating communities.

Despite these differences, seeing local government and community support approaches in opposition is often misleading. Judicious linking of public sector decentralization strategies represented by local government programs and the more innovative, participatory methods characteristic of community support approaches is often the way to make community support workable on a large scale and to make local governments more responsive and accountable. In many countries local governments have been incorporated as important elements in the provision of support to communities in order to decentralize community funding, management and monitoring processes, to facilitate coordination between community action and local government service delivery, and to link communities more effectively with local governance processes.

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<sup>22</sup> National coverage is a requirement of any institutionalized feature of country’s governance and service delivery system. When some communities operate in a community support mode and others operate under a different mode, this is a clear indicator that community support remains a project modality and has not been fully institutionalized as an organizing principle for governance and public management.

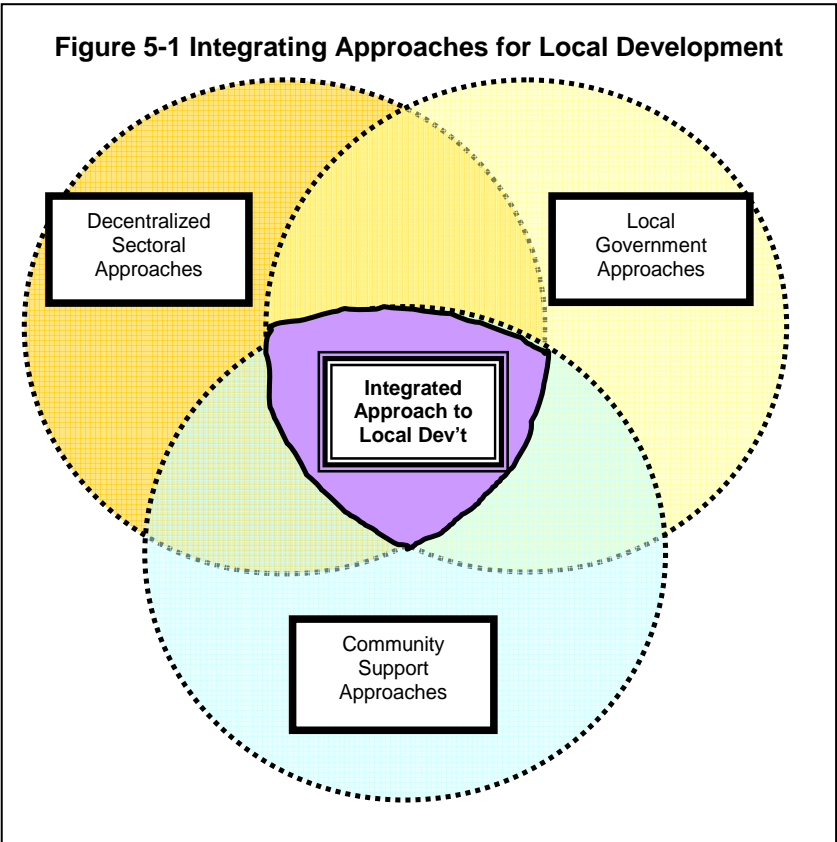
**TABLE 5-1  
LINKING APPROACHES FOR LOCAL DEVELOPMENT**

	<b>Community – Sectoral Links</b>	<b>Sectoral – Local Gov’t Links</b>	<b>Community – Local Gov’t Links</b>
<b>Examples of Linked Approaches</b>	<ul style="list-style-type: none"> <li>• <b>CBOs that govern and oversee service delivery units</b> (e.g. parent-teacher organizations, village health committees, farmer-directed extension services).</li> <li>• <b>CBOs that own their own infrastructure</b> (e.g. water user groups, road associations, farmer-managed irrigation/drainage systems and grain stores).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Budget reforms emphasizing multi-sector local planning</b> (e.g. devolution of investment decisions for primary schools, clinics, water points, and local roads).</li> <li>• <b>Sector policies delegating service delivery to LGs</b> (e.g. mandated &amp; centrally financed social service delivery or social safety nets, delegated business licensing or environmental management).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>CBOs as service or infrastructure co-producers in municipal systems</b> (e.g. user-run standpipes in piped water systems, community mgmt of LG regulated land use).</li> <li>• <b>LGs as intermediaries in social fund programs</b> (e.g. municipally administered grants to CBOs).</li> </ul>
<b>Tensions among Linked Approaches</b>	<ul style="list-style-type: none"> <li>• <b>Priorities may diverge</b> between communities (demand driven) and sectoral policy (supply driven).</li> <li>• <b>Community problems are complex</b> and often don’t fall neatly into the way sectors specialize their tasks.</li> <li>• <b>Service Delivery Units are often accountable upward</b> to sectoral departments rather than to service users. They are rarely community owned or controlled.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Dual lines of authority</b> often complicate service delivery management.</li> <li>• <b>Challenge of horizontal and vertical coordination</b> among public agencies at local level.</li> <li>• <b>LG financing of services</b> requires complex systems of resource management, especially for services mandated by national policy delegated by sector ministries.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Community demand often exceeds supply</b> due to limited LG financial and organizational capacity.</li> <li>• <b>Diverse and dispersed community priorities</b> are into difficult to reconcile and integrate into wider scale (i.e. LG level) plans.</li> <li>• <b>Local power relations</b> are often dominated by elites or factions; resulting in biased LG priority setting (i.e. LGs may not ensure community-level equity).</li> </ul>

The next section shows how linking both local government and community support approaches more effectively to sectoral systems as a general institutional strategy can promote local development that is adaptable to a wide variety of settings to achieve the desired impacts in a more integrated and sustainable way.

### **5.4 Integrating the Three Approaches through a Local Development Framework**

A local development framework draws on concepts underpinning the decentralized and participatory methods employed by practitioners of sectoral, local government, and community support approaches. Sectoral experience on how to effectively organize, manage, and deliver services at the local level is linked to the systems of decentralized governance associated with local governments: multisectoral planning, resource mobilization and management, and mechanisms of democratic accountability. Such public sector approaches are complemented by methods drawn from community support approaches for promoting more consequential and inclusive empowerment and



strengthening grassroots participation and social capital for governance, collective action, and infrastructure and service coproduction. Context-appropriate institutional arrangements and capacities that build on the contributions of each of these approaches can improve governance, public services, and the welfare of households and communities.

Each approach offers useful methods for promoting local development, but each has limitations. Linking the approaches offers opportunities for significant synergies but must find ways to ease the tensions arising from their different principles of organization, strategic orientation, and operational methods. A local development framework that brings the three approaches together in a way that allows policymakers and program managers to select the methods best adapted to the local conditions they face can assist in formulating more effectively integrated strategies for improving local governance and service provision.

Figure 5.1 depicts a more integrated approach to local development based on the contributions of the three approaches. It emphasizes relations among the three approaches, suggesting a “zone of convergence” in which their coordination and integration can be facilitated by employing a common conceptual framework. Elements drawn from the three approaches can be selected and linked according to their fit with local conditions to assist policymakers and program managers to formulate a context-appropriate strategy for local development.

A local development framework does not eliminate the tensions and challenges associated with linking alternative approaches or the operational problems associated

### Box 5-3

#### **Achieving Synergies by Integrating Local Development: An Example from India**

In the state of Andra Pradesh (AP), a large scale rural development program has demonstrated how a broadly based approach to strengthening community-level capacities can enhance empowerment, governance, service provision, and private sector growth.

The AP District Poverty Initiatives Program and its follow-up AP Rural Poverty Reduction Program have empowered the rural poor, especially rural women, by working with over 450,000 self-managed grassroots savings and credit mobilization groups and over 800 federations of such groups representing more than 4.5 million people. These groups have cumulatively saved more than \$20 million and mobilize more than \$ 150 million of bank credit annually. As a result, capital and technical services are more broadly available to improve the livelihoods of poor households.

These groups and federations represent social capital not only for economic self-help but also to act on behalf of their members' vis-à-vis local governments and public service providers. For example federations of CBOs work with local health officials to improve the quality of health services by implementing participatory performance monitoring mechanisms such as community scorecards. This network of self-help groups also creates opportunities to affordably provide innovative services to the poor: in a recent pilot, federations work with public and private insurers to make coverage for accidents and injuries available to poor households who are otherwise excluded from conventional insurance markets.

The strong network of local institutions developed through the program has also allowed communities affected by the 2004 Tsunami to cope more rapidly and effectively with the aftermath of the natural disaster. Federations of self-help groups collaborated with state agencies and local governments to quickly and accurately organize community needs assessments, channel assistance from public agencies and donors to those most affected, and to devise local public-private partnerships not only to rebuild what was lost but to make use of aid to develop a stronger, more diversified local economy. In Krishna District, for instance, groups were assessing damage the day after the Tsunami, and in less than a month village organizations had developed micro-plans for reconstruction, private banks have provided loans, community investment funds have been provided, and fishing communities were receiving the first boats on which their livelihoods depend.

The social capital created around an economic activity has enabled the poor of Andra Pradesh to engage more effectively in local governance, to improve the coverage and quality of public services, to better manage risk, and to more effectively respond to a local emergency. The Andra Pradesh experience suggests that links among community, local government and specialized service providers can contribute to more equitable, dynamic, and sustainable local development.

Sources: World Bank (2005, 2003a)

with institutional reform, capacity building, governance, and service delivery at the local level. Its promise is more modest: to provide a more coherent and consistent way to analyze and understand the challenges that confront policymakers and program managers in supporting local development and to assist in organizing knowledge to help them formulate and coordinate sectoral, local government, and community-focused initiatives to meet those challenges.

An approach to local development based on this framework would organize interventions around local territorial units, typically at the level of local governments or the equivalent

tier of a country's administrative hierarchy. Strategically, it would aim to build on existing institutional arrangements and organizational capacities to develop an effectively integrated system supporting greater empowerment, improved governance, and better service provision. It would link community organizations, local governments, deconcentrated sectoral agencies, and private organizations more coherently to improve the way public decisions and actions are organized at the local level. A spatially framed approach that links these local organizations through their respective roles at the local government, service delivery unit, and community levels promises to improve coordination, synergy, and efficiency in local development processes.

While the basic elements of the local institutional system (community organizations, local governments, decentralized sectoral agencies, and service delivery units) would be part of any institutional arrangement for local development, their roles and relationships will vary according to context. In some cases communities will be the most legitimate venue for local decisionmaking and resource management, while in others local governments will be more prominent. In some cases decentralized sectoral agencies will manage nearly all service delivery, while in others NGOs or private firms will also have significant roles. This contingency of the institutional arrangements for local development comes from the great variation across countries and even across regions within countries in the legitimacy and capacity of the local actors through which governance and service provision are organized. (Box 5.1 suggests the sort of diagnostic approach that could help formulate such a context-sensitive local institutional strategy as a basis for promoting a more integrated approach to local development.)

The local development framework suggested here emphasizes the importance of local institutions and the enhancement of local capacities to improve and sustain responsive, accountable local governance and effective local service provision. If external resources are provided to increase the supply of public facilities and services by local organizations, programs based on a local development framework would ensure that the resources are employed in ways that contribute to the sustainability of the governance and service provision arrangements through which investments are planned and managed.

In sum, a local development framework provides a more integrated approach to formulating context-appropriate strategies for local development. Developing institutional arrangements and capacities to improve empowerment, governance, and service delivery at the local level and linking this bottom-up approach with national efforts to improve the enabling environment and increase the resources available for local development, enhance the prospects for effectively promoting equitable and sustainable human, social, and economic development at the local level.

## **6 How Can National Governments Promote Local Development?**

National governments can promote local development by improving the enabling environment, enhancing capacities for local development, and providing external support.

### ***6.1 Improving the Enabling Environment***

Local development requires an institutional environment favorable to local initiative. Both the formal institutions of governance and the informal institutions of the wider society and economy contribute to the enabling environment for local development through the rules, norms, and resource endowments that support (or constrain) action and accountability by local people and organizations.

Empowerment depends strongly on the standing of individuals, voluntary associations, and communities in national constitutions and laws. Opportunities for local action are influenced by political and civil rights and by the property rights regime under which local actors operate. Norms grounded in culture and ideologies also promote or constrain the opportunities available to women, children, poor people, people with disabilities, and other groups to participate effectively and influence local development processes. Empowerment efforts at the local level alone may not be able to overcome these broader constraints; national leadership is often required to change discriminatory attitudes and provide a foundation for equitable empowerment.

Local governance is also conditioned by law and social practice. National legislation provides the formal rules that legitimate such forms of local collective decisionmaking and collective action as voluntary associations, community organizations, and local governments. Legislation also grants local organizations the legal standing, rights, and relations to the state that are fundamental to effective local governance processes. Broad societal norms, such as the propensity for solidarity, the acceptance of social hierarchy, and relations to authority and leadership, also influence the quality of local governance.

Local service provision depends on a variety of non-local factors. National policies set standards for public services and define the institutional arrangements through which they are provided, including the roles of communities, local governments, sectoral agencies, NGOs, and private firms. National governments and externally funded NGOs also provide access to many resources supporting local service provision. Further, both formal and informal institutions that affect the functioning of the private sector may influence the availability and quality of public services.

In some countries poor governance compromises all development efforts through corruption, the capture of public organizations and resources by powerful elites, and the exercise of government authority without accountability. In others public organizations perform poorly because of inadequate systems and under-trained, under-equipped, poorly supervised, and weakly motivated personnel. Where public sector dysfunction is pervasive, national institutions can constitute a disabling environment for local development. In the short run a viable local development process will then depend on measures to promote greater empowerment and improved local governance and local service provision despite rather than based on the broader institutional context. In the longer run effectively and sustainably promoting local development requires a favorable

### Box 6-1

#### A National Strategic Approach to Local Development in Indonesia

Despite the accomplishments of Indonesia's community-driven development program (see Box 5-2 for a brief discussion of KDP), government and its partners recognized the need to link community-based interventions with broader local governance and public service reforms. An innovative "platform" approach articulated in the World Bank Country Assistance Strategy (CAS) has provided a strategic concept which guides harmonization across sectors and integration among sectoral, local government and community institutions and systems on the ground.

The Indonesia CAS describes the core organizing principles for two sub-national "platforms"—community and local government<sup>1</sup>—to guide the development of local institutions through a variety of public investment, governance, service delivery improvement, and institutional development programs. This strategy aims to maintain coherence among many specific investment and capacity building efforts and promote synergies among them at community and local government levels. At the same time, it is sufficiently flexible to allow for necessary adaptation to regional diversity and sectoral specificities.

This platform approach has influenced the design of a variety of Bank-financed investment programs and is increasingly influential as a means of harmonizing and coordinating the institutional strategies of other donor-financed programs. As a result of the relative simplicity and clarity of the platform approach, strategic inconsistencies among aid-supported projects working at the local level have been reduced. Capacity development efforts among local institutions, both public sector and civil society, have been more coherent and mutually reinforcing. Policy dialogue with the Government of Indonesia regarding intergovernmental roles, relations and systems has been more clear and productive.

While the platform approach employed in Indonesia has not eliminated the complex challenges of aid coordination and policy harmonization, it has demonstrated that a deliberate effort to clarify the strategic principles guiding organization, financing, and technical assistance efforts at community and local government levels can increase the synergies between levels and the integration of empowerment, governance, service provision and local economic development. As a result, early experience with Indonesia's platform approach indicates that it will produce faster, broader and more sustainable institutional change and developmental impacts in the field.

Sources: CAS Indonesia.

enabling environment for local actors.

#### 6.1.1 Make National Governance More Supportive of Development

The constitutional rights of individuals determine their opportunities to pursue individual and collective interests through participation in public life. The legal standing of voluntary associations and communities contributes to the legitimacy and efficacy of grassroots collective action. Laws and public sector rules also ensure the rights and opportunities of individuals and community groups to demand transparency and accountability from local governments and service providers.

The central government's policies and posture toward communities are also important enablers of local development. Government recognition of community-based institutions within a country's governance system is critical to the way communities are linked to the public sector as a legitimate venue for the expression of demand, for resource management, and for collective action.



Local government legislation and the mechanisms for intergovernmental finance and management also influence the conditions for participatory local development. Public sector decentralization, through devolution, deconcentration, and delegation, establishes a framework for greater local initiative. The powers and functions assigned to local governments permit citizen and community demand to influence the allocation of resources and mix of services. The rules and procedures for allocating funds to the local level and the scale of local revenues and discretionary funds enable responsiveness by local governments and sectoral departments to local planning, budgeting, and decisionmaking.

Finally, sectoral policies establish the setting in which local governments and community organizations participate in service delivery governance. Sectoral policies define the opportunities for local input in setting service priorities, standards, and levels and by structuring the institutional arrangements for citizen participation and oversight of infrastructure and service delivery. National public sector systems such as fiscal systems, civil service procedures, and procurement rules also affect the environment for local service delivery.

### **6.1.2 Foster a Civil Society Supportive of Local Development**

Societal values, norms, institutions, and capacities are also important contributors to the enabling environment for local development. Empowerment is greatly facilitated in societies where principles of equity and social justice are widely accepted. Local development depends on an understanding within the broader society that governance and development are not merely governmental responsibilities but require the active participation of individuals, communities, and voluntary associations. And equitable local development requires the inclusion of frequently marginalized social groups as contributors to governance and service provision and as service beneficiaries.

Legitimizing various forms of social capital, in the political and social marketplace of ideas as well as in law and policy, creates a favorable environment for the local initiative and pluralism required for dynamic local development. Governments, religious leaders and organizations, NGOs, and scholars can all contribute to an environment that widely recognizes the importance of the social networks through which people meet many of their needs. Recognition of these associational and informal institutions is an important basis for developing their capacities to assume a greater role in community and public affairs.

Widespread acceptance within civil society of such principles as the transparency and accountability of public organizations also underpins the legal and administrative mechanisms for enforcing norms and rules governing the behavior of public officials.

## **6.2 *Enhancing Capacities for Local Development***

Capacity enhancement goes well beyond technical and professional training. More effective collaboration between public sector and nongovernmental organizations, more responsive and legitimate forms of social capital, better performing organizations, and individuals more capable of working together to solve problems also enhance the capacity for local development.

### **6.2.1 Reorient the Local Public Sector**

Enhancing the capacity of the local public sector for effective local development often means realigning the links among the public sector organizations that govern and deliver services at the local level and between them and local nongovernmental actors.

Also important for enhancing capacity in support of local development is increasing the influence of citizen, community, and broader civil society contributions to governance through participatory planning, decisionmaking and accountability arrangements. Opening the local public sector to civil society participation frequently requires significant change in the way public organizations operate and greater capacity of public officials to seek and use information from civil society.

To be more responsive to citizen priorities both decentralized sectoral and local government agencies need to take on greater responsibilities and manage increased resources, accompanied by more effective participation and accountability mechanisms. Each of the many public agencies operating at the local level works with others to coordinate their activities, as well as with the community representatives and beneficiary groups that are their clients. By strengthening not only individual service units and agencies but also the network of relationships among them, improved communication, coordination, and collaboration can contribute to more dynamic local development.

Further, a local development framework suggests the importance of effective relationships between public agencies and a variety of nongovernmental actors, including community organizations and voluntary associations, NGOs, and private sector service providers. Some of these local organizations express local demand and hold public service providers accountable, some provide services that supplement or complement public sector delivery, and some mobilize resources and engage in co-provision arrangements with public or nongovernmental service providers. Clarifying and strengthening these relationships can make service delivery more effective.

### **6.2.2 Build Social Capital**

People participate in local development processes through collective action. Community organizations, resource and service users groups, producer and other voluntary associations, and other organizations are vehicles for local people to engage in participatory planning and oversight of public decisionmaking, in service delivery, and in other local governance processes. These institutions also provide venues for collective mobilization to solve specific problems through direct action, such as self-help infrastructure improvement or maintenance, community-based regulation of natural resource use, and cost sharing for social or economic support services not provided by the public sector.

The capacity to organize, decide collectively, mobilize resources, communicate through representatives with external organizations, and ensure compliance with mutually agreed decisions requires relationships of trust and leadership among group members and recognition of the legitimacy of collective action. Social capital supporting this trust, leadership, and legitimacy is a key foundation for local development and an important dimension of capacity enhancement. Social capital underpins both community-based development initiatives and efforts to improve the quality of governance at the local level. Investments in social capital that strengthen both voluntary associations and

informal institutions of collective action are fundamental to promoting a local development process that balances governmental and nongovernmental initiatives.

### **6.2.3 Strengthen Local Organizations**

Public sector agencies, associations, NGOs, and firms are all important to local development. Their organizational capacities often need to be strengthened to increase effectiveness in setting priorities, mobilizing and managing resources, and producing the facilities and services that benefit local households and communities. Developing simple, effective organizational systems is an important contribution to capacity enhancement for local development.

The sectoral organizations that manage, supervise, and support local service networks and service delivery units require management structures, administrative systems, personnel, and financing to fulfill their missions. Local governments require similar capacities plus those related to governance, development planning, and revenue collection. NGOs, local associations, and community organizations require capacities to plan, manage, and deliver services and to organize and represent their members and constituencies.

### **6.2.4 Increase Knowledge and Skills among Local Actors**

The individuals who are agents of local development—whether as community members and leaders, association officeholders, NGO staff, local government officials, civil servants, or entrepreneurs—require better knowledge and skills to be fully effective. Local organizations need people who are capable of planning, managing, and monitoring public initiatives and of designing and implementing the improvements to infrastructure, public service delivery, productive activities, and commerce demanded by communities and households.

Increasing technical and managerial capacity is important for effective local development, but equally important is strengthening adaptive capacities—skills employed in problem-solving processes requiring extensive face-to-face interaction.<sup>23</sup> By increasing the capacity of people and officials to work together flexibly and creatively to solve problems, the enhancement of adaptive capacity complements the enhancement of technical capacity to ensure an adequate human resource base for local development.

## **6.3 Providing Resources for Local Development**

External support for local development includes finance, technical assistance, and information.

### **6.3.1 Finance Local Development**

Along with improving the enabling environment and enhancing capacity, additional financing is often necessary to supplement budget and community resources for promoting local development. Additional funding is frequently required to finance local investments, service delivery, and capacity building in response to citizen and community demand.

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<sup>23</sup> See McNeil and Woolcock (2004).

Central government budgets have traditionally provided funding for local development through budget allocations to deconcentrated sectoral agencies or transfers to local governments. Various special purpose funding arrangements, including social and other public sector funds, have broadened the array of mechanisms for channeling resources to the local level. The use of intergovernmental transfers and grants from special purpose funds may be subject to specific conditions or may be left to the discretion of local governments.

Development assistance agencies, including international NGOs as well as bilateral and multilateral donors and lenders, often provide resources to support local development. This funding may be channeled through standard fiscal administration mechanisms or through dedicated financial management systems. Funding may be micro-project based, responding to specific, usually solicited, proposals, or grant-based, providing funding based on pre-established formulas. Some funds coordinate allocation and disbursement mechanisms with government budget processes and systems, while others operate independently.

Resources can be channeled to the local level in various ways. Some public sector funds transfer supplemental resources to local public agencies, whether sectoral departments or local governments. Many transfer resources directly to community organizations and associations, while others provide funds to intermediary NGOs that work with these organizations and associations.

### **Box 6-2**

#### **Providing National Programs for Local Development: The Evolving Role of Social Funds**

Social funds were created in the late 1980s, generally as short-term programs to ameliorate the adverse social impacts of economic reform by investing in job creation through public works. They have been used in more than 60 countries for purposes ranging from post-emergency reconstruction to local empowerment (see annex A-3 for more details). Most social funds have evolved from a narrow focus on increased local investment to a broader emphasis on the way local investments are planned and implemented. Social fund programs also serve as innovators and demonstrators of new methods of decentralized participatory decision-making, management, and accountability that may be adopted for broader application by other public sector organizations.

Because their objectives and operational methods vary widely, generalization is difficult. Early social funds were organized through autonomous (“parallel”) agencies that specialized in identifying and implementing infrastructure investments but had few links to other public sector organizations or to social development policies and programs. Recent generations of social funds have adopted more explicit and sophisticated institutional strategies to balance short-term performance objectives with longer term empowerment, capacity building, and sustainability goals.

In some countries social funds organize financial, managerial, and methodological support for community-driven development programs. In others social funds provide funding, technical assistance, and training to promote accountability and service delivery by local governments. Many employ multiple modalities to support both communities and local governments as contributors to local development. Several countries have employed social funds to link local governments with communities, to strengthen the participatory dimension of public sector decentralization. Traditional social fund modalities organized around centrally managed fund-agencies continue to be employed to address acute needs for local public investment in challenging contexts, such as in extremely high poverty, post-disaster, and post-conflict areas and in failed or failing states.

A key question is whether social funds are temporary or permanent features of the public sector landscape. Because most social funds are largely financed by and closely associated with international development assistance, the sustainability of the institutions and capacities they support is linked to a successful transition from a project to a program modality.

One aspect of this transition is the institutionalization of the systems by which social funds support local initiatives. Some countries have formalized the role of social funds as public sector executive agencies recognized in the law and the budget, but many have not yet addressed the strategic and institutional issues associated with their long-term status. Another aspect is whether governments should allocate their resources to support social fund operations or channel them to communities and local governments in other ways. A third is the incorporation into broader public policies and programs of the principles and methods for decentralized, participatory governance and management of local development promoted by social funds. However a country resolves these issues, if a government views the approach to local development promoted by social funds as useful in the medium term, it needs an adequate institutional strategy for ensuring that the support that social funds provide to local actors and initiatives will be sustained.

From a policymaker’s perspective social funds are one instrument among many for promoting development at the local level. In addition to conventional mechanisms of public management such as sectoral service networks financed by central budgets and democratic local governments financed by own-source revenues and intergovernmental transfers, specialized financing, management, and capacity building arrangements are often useful to support local development. Social funds are a proven way to organize these inputs to supplement conventional public sector channels and to provide incentives for linking sectoral, local government, and direct community support approaches to local development. The challenge for social funds is to define viable strategies for their own integration, or for that of the methods they promote, into established public policy and institutional arrangements.

Regardless of the specific funding mechanisms, the relationship of external resources to

the public finance and service delivery systems is a frequent concern, to ensure both coordination of investments and sustainable funding for operation, maintenance, and service delivery.

### **6.3.2 Provide Technical Assistance to Local Organizations**

To contribute fully to local development, local organizations often require skills and knowledge that their own personnel do not possess. While capacity building programs aim to improve the human resource base available to local organizations over the medium term, technical assistance is often required to bridge capacity deficits in the short term. And local organizations often require specific capacity on a short-term basis to meet specialized needs for which it may not be economical to maintain permanent personnel.

Technical assistance for local development can be made available in a variety of ways. Private organizations such as NGOs, consulting firms, and academic institutions can often provide technical assistance for local organizations. Within the public sector specialized government agencies (including sectoral ministries) can provide technical services to local-level service providers. For example, regional engineers can provide design services during the planning stage of infrastructure investments for a local organization whose own capacity is sufficient to manage implementation, operation, and maintenance.

Externally funded projects often set aside resources for technical assistance to supplement local capacities. While often useful, long-term technical assistance is frequently criticized for being excessively supply driven and for reducing incentives to develop adequate local capacity to meet long-term demands. Thus some externally funded projects have opted for the judicious use of long-term technical assistance combined with demand-responsive short-term technical assistance mechanisms linked to investments in local capacity enhancement.

### **6.3.3 Increase the Availability of Information to Local Actors**

Decisions made by local actors can benefit from knowledge accumulated by others working on local development elsewhere. Both horizontal and vertical exchanges can provide valuable support to local development efforts. Horizontal exchanges of knowledge and experience among local actors can accelerate learning about what works and what does not in similar environments. Because of the complexity of local development, information on technical, organizational, and process aspects of local empowerment, governance, and service provision can help local decision-makers choose an appropriate mix of elements to suit the local context. Vertical exchanges involve the transfer of knowledge and expertise from national organizations and specialists to local actors. Often, in addition to developing tools and analyzing local experiences, national organizations also facilitate horizontal exchanges that promote peer-to-peer learning and act as conduits for information at the international level that may be relevant to organizing local development within a country.

The universe of innovations, experiments, and investments in methodological development across many developing country contexts constitutes a wealth of experience. International organizations and national government can make significant contributions to local development by organizing this intellectual capital and increasing the availability of relevant information to local actors.

**Box 6-3**  
**How National Governments and their Partners**  
**Can Support Participatory Local Development**

- **Approve laws, policies and procedures** supportive of local development that:
  - clarify the rights of individuals and the legal standing of voluntary associations and communities;
  - recognize the role of CBOs in governance and service delivery;
  - improve the legal, fiscal and governance framework for local government; and
  - make sectoral policies and systems compatible with LG and CBO empowerment.
  
- **Foster local civil society** by measures that:
  - legitimize social capital and local collective action to enable citizen voice and choice;
  - strengthen civic institutions supporting transparency and accountability; and
  - promote societal values such as participation, equity, accountability, and local responsibility.
  
- **Enhance local capacity** through investments that:
  - reorient the local public sector to improve horizontal coordination and to promote participation;
  - build social capital through community organizations and voluntary associations;
  - strengthen local organizations, both public sector and non-governmental; and
  - increase knowledge and skills to enhance the technical, administrative and adaptive capacities of local actors.
  
- **Provide resources** for local development to:
  - finance government budget allocations to deconcentrated public agencies and devolved local governments to increase the coverage and quality of local infrastructure and policy services;
  - make grants to local governments, NGOs, and CBOs to finance local investments for improved services to households, economic actors and capacity building;
  - provide technical assistance to local public sector and civil society organizations, increase the availability of information to local actors; and
  - promote transfer of expertise among both local and national actors.

## **7 Challenges of Applying a Local Development Framework**

The local development framework presented here, which suggests a more integrated way of governing and managing public affairs at the local level, requires changes in organization, behavior, and attitude among public officials and members of civil society. Experience with other programs of public sector and governance reform has demonstrated the difficulties that can arise when attempting changes of this kind.

### **7.1 *Changing Practices and Attitudes***

Core public sector systems of governance, planning, budgeting and financial management, procurement, contract management, and reporting have to be modified to accommodate the more decentralized and flexible procedures needed by deconcentrated sectoral agencies and local governments. The partnership arrangements between public sector organizations and communities, NGOs, and private firms implied by a more integrated approach to local development demand different methods and skills than do the internally oriented administrative processes employed by many public agencies. Changes in sectoral policies and functional systems defined at the national level to make them more “local development friendly” need to be transmitted to public officials at the local level who may not have the skills or motivation to implement them.

Opening the local public sector to more collaborative relationships with local NGOs and community actors in governance and service provision demands more than changes in policies, rules, and routines. Significant changes in the professional culture and personal attitudes of local officials and civil servants are often required to ensure their receptivity to the empowerment of local people, including marginalized groups, and a commitment to local responsibility, openness to civil society, and collaboration with communities, local associations, and NGOs. These sorts of changes are not achieved quickly or easily in organizational settings where existing values and practices are deeply entrenched.

Complementary changes in attitude and practice are required on the civil society side of the local development equation as well. These often demand levels of understanding and commitment beyond those characteristic of many local settings: assumption of responsibility by local people and leaders for their own development; acceptance of the costs of participation in collective decisionmaking and action; consent to negotiated solutions to local problems that take into account the needs of others, especially of disadvantaged groups; and willingness to hold public organizations and officials accountable for their decisions and actions. Promoting these attitudes among civil society requires considerable and persistent effort.

### **7.2 *Managing Complex Processes***

Even when public organizations have reasonably clear and narrow missions, it is difficult to manage public service provision in developing countries. A multisectoral approach that truly engages communities and local governments increases complexity and presents a greater management challenge than technocratic sectoral approaches.

New institutional arrangements may be required to integrate activities across sectors and



between community and local levels. Some countries do not have local governments,<sup>24</sup> while in many more their access to resources and mandate to deliver services may be extremely limited. Many countries have no systematic provisions for recognizing community-based institutions of decisionmaking and collective action or for linking them to public sector governance and service provision arrangements. Coordination is notoriously difficult to organize and sustain among deconcentrated sectoral agencies and even more difficult among the specialized organizations managing service delivery.

In addition to the challenge of developing the structures and systems suitable for a more integrated approach to local development are the challenges of developing appropriate skills. Governing and managing the complex local development processes require new skills and greater creativity and flexibility in public servants (officials and front-line personnel) and in the leaders, managers, and members of civic and nongovernmental organizations. Enhancing the adaptive capacities of these local actors is crucial for dealing with the complex challenges of local development.

### **7.3 *Surmounting Institutional Boundaries***

Coordinated action across sectors, levels of government, and the divide between public and private organizations requires bridging institutional boundaries of differences in rules and norms as well as organizational boundaries. People act, individually and collectively, to better their lives based on their values and interests and on their perceptions of their roles and rights with respect to local leaders (community, cultural, religious) and those who exercise public authority. Civil servants are governed by the rules and procedures of the public sector and by values and norms associated with the organizational culture of the agency in which they work as well as those of their profession. NGOs and development agency personnel are guided by their organizations' missions and by their personal and professional values. Even when these institutional factors have a positive influence on performance within organizations, they can complicate collaboration across organizations.

Developing strategies which contribute to harmonizing the efforts of local actors who share common objectives, irrespective of their organizational affiliation and associated institutional constraints, is a key challenge for the proponents of a more integrated approach to local development. Coalition building processes at the local level, though difficult to implement effectively, are often needed to mobilize actors with diverse interests and affiliations around a negotiated common set of values and objectives.

Some of the bases for coordinated local action are developed at higher levels in the national system. Central government policies and systems are important to development of the multilevel, cross-sectoral, and public-private governance and management arrangements required. Commitment of national policy elites in government and in the broader development community can help to build the necessary local partnerships that enable more integrated local development processes.

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<sup>24</sup> Countries without local governments usually have deconcentrated territorial units that undertake similar administrative functions but are strictly subordinated to state or national institutions of governance.

## **7.4 *Realigning Relations of Power***

Applying a local development framework implies changes in the distribution of power between central and local levels and among local actors.

Local development requires systematic decentralization across many elements of the public sector to increase the responsibility and discretion of local sectoral departments, local governments, and community organizations. This decentralization implies a redistribution of resources and decisionmaking authority from central governments and other organizations in capital cities in favor of local organizations. Applying a more integrated approach to local development requires strengthening the power of local actors and organizations with respect to national actors and organizations. Not surprisingly, those at the national level whose power would diminish are often reluctant to support changes that reduce their authority and resource base.

The formal changes in law and procedure required to shift the locus of public sector power toward the local level require commitment by national leaders, often at the highest levels of government. Presidents, cabinets, and parliaments frequently legitimate the redistribution of power through decentralization reforms. When political conditions are supportive, this legitimacy is an important asset in overcoming resistance to changes in the relations of power between central and local actors. Using key public sector systems like the public finance and civil service systems to reinforce local control over key resources is often important for sustaining the empowerment of local public sector agencies.

Broad reaching, consistent programs of persuasion and direction are generally required to ensure that decentralization reforms and local development processes do not stall because of resistance to changes in power relations. Often, middle-level actors, both politicians and administrative officials, resist the empowerment of local actors. This resistance can be exacerbated when central and local government officials are affiliated with competing political parties, turning the central-local relationship into a partisan contest.

Another way that power relations need to be realigned to support the sort of approach to local development presented here is by empowering citizens and nongovernmental actors in their relations with public officials and agencies at the local level. Public sector decentralization runs the risk of creating local fiefdoms by reducing the upward accountability of local officials without strengthening their downward accountability to local communities and civil society. The local officials whose authority and power are increased by decentralization reforms have long looked upward within the public sector for instruction and discipline. They sometimes resist looking downward and outward for accountability to the local community they are meant to serve. Thus structures, systems, and relationships that empower people, communities, voluntary associations, and NGOs in their relations with local public sector officials and agencies are needed to complement decentralization policies and processes.

## 8 Moving Ahead: A Knowledge Agenda for Local Development

The local development framework one presented here moves beyond recognition of the complementarity of sectoral, local government, and community focused approaches; it suggests the need for practical action in the field which established and strengthens context-appropriate institutional arrangements for empowerment, governance, service provision and enabling private sector growth at the local level. Policymakers and program managers who pursue this integrated approach to local development will require adequate knowledge and practical assistance in developing these elements and in integrating across approaches. This section outlines in general terms how national governments and their partners can support the implementation of a more integrated approach to local development.

There is an extensive body of practical experience from many countries of working across sectors and levels and of promoting empowerment, more responsive local governance, more effective service provision, and more equitable, dynamic local private sector growth based on decentralized participatory approaches.

Many of these experiences have been well documented, other need to be studied in more detail. This rich and growing body of literature needs to be analyzed to learn from them how various combinations of elements and approaches work in the field and how the performance of local institutional arrangements relate to context and sequencing.

One step is to look at existing sectoral, local government, and community support prescriptions and tools through the lens of the proposed approach, asking how each addresses empowerment, governance, service provision, and private sector growth. Organizing the knowledge and prescriptions generated by different approaches along common lines would facilitate developing a catalogue of available instruments for promoting a more integrated approach to local development.

One valuable source of practical experience and intellectual capital relevant to a local development framework is the recent generation of community-driven development programs, especially those that emphasize upstream links to local governments and sectoral service delivery systems.<sup>25</sup> These programs have been implemented in a wide variety of settings, and they have invested heavily in methodological and operational research and development and in monitoring and evaluation. The data produced by these initiatives provides a rich body of experience to inform the local development agenda.

Applied research, piloting, and documentation of new methods will also enable more countries to employ context-appropriate approaches to participatory, local development. This implies a contingency logic that matches key characteristics of local institutional arrangements to key characteristics of the local context. Such a contingency logic enables practitioners to diagnose the context in which they work and identify critical variables that should influence the choice of institutional arrangements and the sequencing of interventions to improve institutional capacity for promoting local development. The sequencing question is especially germane: a country with a well-

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<sup>25</sup> See WB (2000a).

functioning local government system would need a different strategy from one with a weak local government but an effective community-driven social fund.

Applied research will also help to resolve the tensions arising from linking alternative approaches. In the real world of program implementation, integrating sectoral, local government, and community support approaches involves providing technical guidance about harmonizing methods and developing cross- sectoral organizational arrangements and partnerships to facilitate collaboration among the staff of different agencies.

## **Annex A. Understanding the Three Approaches to Local Development**

This annex provides additional background describing the three approaches to supporting local development.

### ***A.1 Decentralized Sectoral Approaches***

#### **A.1.1 Characterizing Decentralized Sectors**

Countries have traditionally organized most service delivery using sectoral approaches. Public organizations are conventionally organized around the functions they perform, such as the delivery of health, education, water, and agricultural extension services. The organizations are assigned responsibilities by government policy and resources by the government budget to meet their functional responsibilities. They are set up as a series of departments with specialized responsibilities and a hierarchical structure of administrative branch offices that manage a network of operational units. The specifics of structure and management process vary with the technical characteristics of each sector, but this general logic of administrative organization has been, and remains, widespread.

Under this traditional structure, professional, technical, and administrative expertise dominates policymaking and management. Major decisions about service standards, service mix, technology, and methods tend to be made at higher levels, where such expertise is concentrated. At the local level, near the base of the sectoral hierarchy, decisionmaking tends to be operational. Supervisors of service delivery units and local line department offices tend to be accountable upward in the organizational hierarchy.

In recent years sectoral systems have greatly strengthened their capacity to better serve local people and communities by adopting decentralized approaches that increase managerial flexibility at the local level and increase accountability to local citizens and clients. The following sections summarize some good practices for organization, governance, and management in the three main sectors: social, infrastructure, and economic.

#### **A.1.2 Issues Associated with Social Sectors**

Social sectors provide health care and educational services. Access (especially to basic services) is often considered a right, with universal provision often the goal. These sectors tend to require a large, dispersed, and well-trained workforce, with considerable face-to-face contact with clients. They tend to be management intensive, with high recurrent costs. Through service hierarchies, basic services are provided at many primary-level service delivery units, and progressively more specialized services are provided by a smaller number of higher level service delivery units, which are generally outside the purview of a local development framework.

To overcome the weaknesses inherent in the traditional bureaucratic model of organization, social sectors have promoted a variety of good practices for improving management and accountability:

- Administrative deconcentration that grants local branch offices and service delivery units more autonomy in adjusting how they deliver services, plan their

activities, and manage their funds and staff.

- Liberalization of sectoral policies to permit entry by private service providers, whether nonprofit NGOs or for-profit firms, as alternatives to public sector provision.
- Contracting-in and contracting-out to supplement public sector delivery capacity with services provided by the private sector and to increase the quantity, efficiency, and quality of services.
- Beneficiary governance through citizen boards or committees at the service delivery unit or local service board<sup>26</sup> levels to increase the accountability of service management and delivery.

### **A.1.3 Issues Associated with Infrastructure Sectors**

Infrastructure sectors build and maintain physical facilities supporting the provision of public services and some private activities. The most common infrastructure sectors are transport, water supply, electricity, and telecommunications. In addition, the infrastructure subsectors of the social sectors are involved in the construction of buildings for social service delivery, such as clinics, schools, and administrative offices.

Infrastructure services are commonly capital intensive and often technology intensive. They tend to demand less labor, recurrent expenditure, and management for daily operations than do social services, but they require substantial resources—financial, managerial, and technological—for frequent periodic maintenance of physical facilities. Infrastructure services such as rural water points, public buildings, and grain silos are provided in discrete facilities, while others such as roads, urban water systems, and telecommunications systems are provided through network facilities that link delivery points for consumers with higher capacity and more technologically complex elements in a hierarchical network. As in the social service sectors, the focus of a local development framework is on the lower order elements of network infrastructure sectors and on small and medium-scale discrete facilities.

The characteristics of infrastructure sectors have led to organizational arrangements for service provision that differ from those in the social sectors. First, while public sector providers may finance a significant share of infrastructure costs, contracted (usually private) organizations generally take on the production of infrastructure services—construction, operation, and maintenance. Second, different institutions are often responsible for providing different elements of infrastructure services, often resulting in complex institutional arrangements with multiple providers and producers at several levels. Third, many infrastructure services are partially funded through user fees, which may exclude people who are unable or unwilling to pay for services. Policymakers must decide between cross-subsidy options—typically for infrastructure services considered essential, such as potable water—and cost-recovery systems that potentially exclude or

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<sup>26</sup> Local service boards are citizen governance or oversight bodies linked to a particular sector, usually at the level of the second or third tier of a service hierarchy and so covering the area served by several service delivery units or a local infrastructure network such as roads or irrigation structures. These can be legally constituted as “special purpose governments” or can be consultative bodies linked to administrative authorities.

limit service levels for some consumers.

To meet the challenges of adequate resource allocation, appropriate investment strategies, and effective management of operation and maintenance, infrastructure sectors have developed good practices for increasing performance and sustainability at the local level:

- Demand-based provision of small infrastructure through community participation in multisectoral investment planning and the use of willingness-to-pay as a trigger for investment.
- Strengthening the client focus of infrastructure services, including adapting standards and service levels to the social and economic conditions of poor and low-income consumers.
- Coproduction of small-scale infrastructure and of the delivery level of network facilities through community-level collective action, to reduce investment costs and strengthen local institutional capacity for maintenance.
- Openness to a significant role for the private sector as a producer of infrastructure services, both in construction and maintenance and in supply chains furnishing inputs for operation and maintenance.
- Promotion of the role of local management bodies, locally based private sector operators, and local cost-recovery mechanisms that increase the sustainability of infrastructure services.

#### **A.1.4 Issues Associated with Economic Sectors**

Economic sectors promote and support private sector production and marketing of goods and services. Examples include agriculture and livestock, natural resources such as forestry and fisheries, and small business development including local trade, industry, tourism, and other services.

The activities of economic sectors are affected by the sensitivities associated with government intervention in the private sector. Today, government agencies engage less frequently in the direct measures once commonly taken to promote specific economic activities, such as public funding of productive or commercial enterprises, price manipulation through subsidies and regulation, and public sector marketing boards to bolster demand for locally produced commodities.

Nevertheless, there is broad acceptance of some important roles for public sector support for economic development. Public agencies provide technical assistance to producers, marketers, and managers in transferring technology and disseminating improved practices. Public organizations promote and often finance the provision of financial services such as savings mobilization, insurance, and credit in situations where high transaction costs or risks impede entry by private financial institutions. Public agencies frequently promote information flows between sources of capital and business operators and between buyers and sellers in the marketplace to facilitate investment and commerce. And regulatory reform and bureaucratic simplification have contributed to economic development by reducing barriers to entry and transaction costs.

Experience promoting local economic development has led to a number of good practices:

- Increasing the demand-based provision of economic support services, including technical assistance, financial services, and market development assistance that address the priorities and constraints identified by farmers, marketers, and entrepreneurs.
- Promoting and strengthening voluntary associations of producers, to reduce transaction and information costs, strengthen peer-to-peer transfer of improved practices, and facilitate collective action in purchasing, marketing, and common-property resource management.
- Strategic planning of local development to promote synergies between public service delivery (including infrastructure investment) and private sector activity by targeting a few production networks or businesses in which there is a local comparative advantage.
- Supporting local implementation of reform measures adopted by the central government, such as deregulation, bureaucratic simplification, and clarification of property rights, and vigorous capacity building and information campaigns at the local level to promote better relations between public agencies and local entrepreneurs, including informal sector businesses.
- Developing partnerships among public agencies, NGOs, and enterprises for the development of specific economic subsectors and financing targeted support services linked to these subsectors.

## **A.2 Local Government Approaches**

### **A.2.1 Characterizing Local Governments**

Local governments are legally constituted sub-national governing bodies, formally independent of the national government, which grants them political, financial, and administrative autonomy. National constitutions and legislation establish the fundamental institutional framework and rules for devolved local governments, especially their relations downward to their constituencies and upward to the state. Local governments (municipalities, communes, district councils) are led by an executive, often directly elected, and usually by a representative body or council, which serves as a legislative body authorizing policy decisions and holding the executive accountable for the exercise of its authority and its administrative actions.

Local government approaches generally start by establishing and strengthening local government structures and systems and their relations to the state and to local civil society. Traditionally, they have emphasized the legal framework for local government; the political framework, including electoral processes and council-centered procedures for legislation authorization and accountability; and the financial framework, with a focus on sources of proprietary revenues, fiscal transfers from the state, and budget and expenditure procedures.

There is wide variation across countries in the functional responsibilities assigned by law to local governments. In many countries responsibilities are limited to basic environmental management (land-use regulation, refuse removal, maintenance of public spaces like markets, parks, and cemeteries) and basic infrastructure services (typically water supply, street, and drainage networks). In some countries local governments have



service delivery responsibilities for other social and economic sectors, transferred to them from national ministries and their deconcentrated branch offices. How much responsibility is transferred to local governments often depends on their scale and capacity. Complex relations between local governments and sectoral systems often develop, with a number of coinciding, sometimes ambiguously assigned, responsibilities and resource flows.

Because a fundamental attribute of local governments is the link between their autonomy from the state and their accountability to their constituency through elections, political dynamics often dominate technical or managerial factors in decisionmaking processes. In recent years an increasing focus on managerial autonomy and accountability for improving public service delivery has increased the emphasis on local government as a means of shortening the long-route of accountability<sup>27</sup> by reducing the social distances between those who govern public services, those who manage them, and those whom they are intended to benefit. Many local governments have also taken on the broader missions of reducing poverty and improving the quality of life of their constituents. These local governments are increasingly becoming key agents of local development.

### **A.2.2 Issues Associated with Local Government Approaches**

Conventional local government approaches have focused on formal aspects of local government systems, especially their legal, political, and fiscal dimensions. A popular reformist variant of the local government approach advocates a broader notion of democracy than that implied by electoral and representative mechanisms. Often described as “participatory planning and budgeting” schemes, these approaches promote capacity building of local civil society linked to a variety of processes that increase consultation of citizens by local government officials. These approaches link civil society to local government decisionmaking (including policy setting and resource allocation) and to a variety of processes that increase information flow (transparency) and accountability between local government officials and local civil society. By complementing electoral mechanisms and council deliberations with an array of participatory mechanisms and processes, these approaches have demonstrated an ability to increase the responsiveness of local government resource management and service delivery by engaging social capital.

Traditionally, local government approaches have emphasized the separateness of local governments from the central state and promoted their distinctive role as institutions of local governance rather than implementers of national policies. In contrast, intergovernmental approaches have emphasized local governments’ part in a complex, multi-institutional national system of governance and public management rather than the distinctive characteristics attributable to their political and legal status. Intergovernmental approaches emphasize local governments as part of broader policy implementation, public finance, and administrative systems, including each sector’s service delivery arrangements. To meet the technical and institutional demands of each service sector, intergovernmental approaches seek to adjust vertical and horizontal relationships so that local governments play appropriate roles in the governance and management of policy implementation and service delivery alongside deconcentrated central agencies.

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<sup>27</sup> World Bank (2004k)

An even more fundamental broadening of the local government approach focuses on a more comprehensive concept of local governance in relation to local development. This local governance perspective considers local governments less in light of their legal and political status and more as institutions of collective action, similar in function to other local institutions such as community committees and organizations, traditional authorities, voluntary associations, citizen oversight bodies, and resource user groups. While recognizing that the statutory powers granted to local governments privilege them relative to civil society–based institutions of governance, advocates of local governance do not view this as conferring any superiority to local governments as public actors.<sup>28</sup> The local governance perspective considers local governments in relation not only to the state apparatus but also to the many other fora for collective action at the local level. Each represents a particular arrangement of social capital and instrumental capacity that can contribute to making decisions, mobilizing resources, and delivering services for local development.

All three variants of the local government approach—participatory budgeting, intergovernmental systems, and local governance—aim to strengthen democratic responsiveness and accountability and to develop more effective collaborative arrangements among local governments, state agencies, and local civil society institutions in the interest of more effective and dynamic local development.

### **A.3 Community Support Approaches**

#### **A.3.1 Characterizing Community Support Approaches**

Direct community support approaches<sup>29</sup> channel assistance, including funding and capacity building investments, directly to communities to increase empowerment, improve responsiveness to citizen demands and priorities, accelerate service delivery, and improve the quality of life of poor and marginalized social groups and households targeted by support to communities.

Community support approaches are frequently employed where conventional public service delivery systems, whether sectoral or local government, are not sufficiently rapid, flexible, accountable, or innovative. Dedicated institutional arrangements are often used to meet a specialized need for which no existing public agency or program is adequately prepared.

Community support approaches have been used to respond to short-term demands for assistance to a large number of households or communities, such as post-conflict reconstruction or resettlement schemes, and to crises such as the HIV/AIDS pandemic and natural disasters, which require a large-scale, rapid, and multifaceted response.

Community support approaches are also applied as temporary “bridging” mechanisms

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<sup>28</sup> In one influential formulation of this sort of local governance approach, Elinor Ostrom advocates viewing the local public sector as a “polycentric” system or a “local public economy” in which a network of diverse governmental and nongovernmental institutions organize public decision and action through political and economic exchanges.

<sup>29</sup> Useful sources from the CDD literature include: Dongier et al (2002); De Silva (2002); Binswanger and Aiyar (2003), and World Bank (2000a).

when the public sector has proved ineffective in providing basic services because of institutional collapse, severely unresponsive governance, unaccountable resource use, or ineffective management. In these troubled settings community support can also provide the foundation for reconstituting public sector arrangements for service provision based on the principles of good governance and sound management they promote.

Community support approaches are also sometimes employed to meet complex interrelated social and economic development needs at the local level, for which the functional specialization of public sector organizations impedes an effective response. Dedicated agencies linked to particular disadvantaged groups such as ethnic minorities, residents of remote regions, and women or youth often employ community support methods.

Community support approaches are used when short-term policy decisions are inconsistent with standing institutional practices. For example, such an approach might be used to channel public resources to communities or households on an exceptional basis to provide capital or inputs for productive activities, rather than make this redistributive program part of the government's permanent agricultural or business development system.

Advocates of community support approaches focus on participatory processes and building capacity, especially social capital. They provide resources and technical assistance at the community level to enable people to organize to address their needs. Direct community support also promises to improve the performance of local governments by enabling communities to better express demand and hold local governments accountable. Community support programs can build community capacity through collective problem solving and collective action, supported by externally provided incentives, material inputs, and technical assistance.

The sorts of interventions and methods characteristic of community support approaches have traditionally been promoted by NGOs. However, government programs such as *desarrollo comunitario* in Latin America and *animation rurale* in Africa have promoted similar strategies. Bilateral and multilateral donors have also funded a variety of community support projects, some implemented through NGOs, some through project implementation units, and some through specialized government agencies.

Recently governments, often with support from donors and international financial institutions, have created targeted public sector funds such as social funds and rural development funds that finance small investment projects proposed by, and sometimes managed by, communities. Occasionally, community-targeted funds finance recurrent costs related to local service provision. Some funds provide assistance directly to households, while others provide resources to community organizations, local governments, or public service delivery agencies.

These funds are generally managed by specially created public agencies under government supervision, although many are governed by their own boards of directors. Such fund-agencies are frequently staffed by contract personnel rather than civil servants and operate under rules and administrative procedures that differ from standard public sector practices. Public sector fund-agencies may channel their funds directly to communities or may finance intermediary organizations such as NGOs or foundations that provide support, both resources and capacity building, to targeted populations and

communities. Some public sector fund-agencies channel their community-targeted financing through local governments, essentially as supplementary investment grants under rules specifying their use in support of community development needs.

Whatever the motive for their establishment, the focus of their assistance, and their implementation arrangements, community support approaches share three distinctive features: they provide resources (not merely services) to their beneficiaries; they invest in building capacity, especially social capital, at the community level; and they build public sector capacity to respond to collective demand expressed by communities<sup>30</sup> as well as to individual preferences.

### **A.3.3 Issues Associated with Community Support Approaches**

Direct community support approaches raise several issues related to their substantive focus on communities and to their implementation strategy and arrangements.

The community support approach emphasizes the primacy of civil society as the source of demand for public services. By building the capacity of communities to organize the expression of this demand and to contribute to service provision, this approach often results in more locally appropriate prioritization of investments and services than do supply-driven public sector systems. The participatory community-based governance processes characteristic of community support approaches are vulnerable to the same risks and dysfunctions that can afflict local government decision-making and management: capture of power and resources by elites, entrenchment of barriers to transparency and accountability by rent-seeking community leaders, and appropriation of benefits by majorities in ways that perpetuate inequality and imperil responsiveness to the needs of marginalized groups.

Community support approaches promote demand-responsive priority setting and resource allocation at the community level, but policies and rules governing the provision of funding for community investments often limit eligible investments. Specific kinds of investments may be excluded for reasons unrelated to local needs and priorities. For example, many public sector funds disallow productive investments or channel such proposals to credit facilities that operate on a more commercial basis. When investment eligibility rules are much narrower than the range of community proposals, community support approaches may stifle the very demand they aim to promote.

Targeting also raises questions. Because many community support programs are poverty focused, the criteria for resource allocation are often more stringent than for conventional public investment programs. Combining detailed decision criteria for resource targeting with demand-driven allocation mechanisms requires sophisticated decision sequencing skills of community leaders, local officials, and planning facilitators.

The sustainability of community-initiated investment is also a concern, especially where service delivery requires continuing public sector intervention in ongoing operations. The productivity and sustainability of such investments will require coordination and often collaboration between community support initiatives and government planning,

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<sup>30</sup> *Community* may be defined ascriptively based on location of residence or functionally as voluntary associations organized around a common activity or issue. See the CDD Chapter 9 in the PRSP Sourcebook.

investment, and service delivery systems.

Community support programs supported by NGOs and donor projects often work in a particular region of a country, resulting in a proliferation of projects, each employing different methods and procedures. While these local projects may facilitate adaptation to local conditions, they often suffer from coordination and coherency problems, especially at the interface between community initiatives and the public sector. Standards and methods need to be harmonized for community-based organization, planning, and management and coordinated with decentralized public sector institutions, whether sectoral or local government.

Larger scale community support programs, frequently associated with national or regional community-targeted public sector funds, may suffer less from this proliferation problem but at the risk of excessive standardization and bureaucratization. In the extreme, as such large-scale programs institutionalize standard practices across a large number of diverse local areas, they can lose one of their main advantages, their demand responsiveness. Balancing scale and flexibility is a challenge to any large-scale public sector program.

Community support approaches are usually associated with community investment funds intended to increase the capacity of governments and projects to respond to community demands. The funds are an incentive for community participation in planning, and they create opportunities for capacity building through learning by doing. Despite the proven effectiveness of linking community-level funding, planning, and capacity building, a focus on development plans identified with access to funding mechanisms may make it more difficult to organize communities to undertake collective action to resolve local development problems unrelated to investments.

Community-driven development, an approach supported by the World Bank and its partners, promotes community empowerment and capacity building by allocating decisionmaking and resources to community organizations. While frequently associated with community-targeted public sector funds, community-driven development is a strategic approach to promoting grassroots development that is not necessarily associated with project modalities. While sharing many objectives and methods with community-targeted social funds, the community-driven development approach can be applied as a reform strategy or an organizing principle for public programs and agencies or as a methodology for dedicated projects or government programs.

In some cases programs create specialized public agencies to manage the disbursement of grants to communities or intermediaries (a variant of the fund-agency discussed above) or to organize technical assistance and capacity building for local actors. In others community-driven development programs support communities through NGOs or local governments. In the local government partnership arrangement, community-driven development can promote changes in the relationship between communities and local governments based on the assessed comparative advantages of each. In the NGO partnership arrangement, NGOs may function as local extensions of central fund-agencies or as promoters of community capacity for collective action and of increased accountability in the relationships between communities and public sector fund-agencies.

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### **Summary Findings**

Decentralized, participatory, and demand-based methods, such as those employed in Social Funds and CDD operations, can be highly beneficial as means of increasing access to basic services in poor communities, in accordance with local priorities, and as part of a strategy of community empowerment. But to ensure the sustainability of the investments and the institutions supported by these approaches, they must also seek ways to strengthen linkages with public sector institutions and decentralization processes. This report seeks to clarify these issues by offering a conceptual framework for thinking about how to link community-based empowerment with local public sector service provision.

**HUMAN DEVELOPMENT NETWORK**

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