Report no. 34719

INDIA
District Poverty Initiatives Project
Joint Interim Assessment
Understanding Differences in Project Design

March 1, 2006

Agriculture and Rural Development Unit
South Asia Region

Document of the World Bank

Currency Equivalents

Currency Unit = Indian Rupee (Rs.)
US$ 1 = Rs. 46.1

Fiscal Year
April 1 – March 31

Vice President	Praful C. Patel
Country Director	Michael F. Carter
Sector Director	Constance A. Bernard
Sector Manager	Adolfo Brizzi
Task Leader	Martien Van Nieuwkoop

Abbreviations and Acronyms

AKRSP	Aga Khan Rural Support Program (Pakistan)	NABARD	National Bank for Agriculture and Rural Development
AP	Andhra Pradesh	NGO	Non Governmental Organization
APCFM	Andhra Pradesh Community Forestry Management	NWSS	National Water Supply & Sanitation Program
APDPIP	Andhra Pradesh District Poverty Initiative Project	OED	Operations Evaluation Department
APRPRP	Andhra Pradesh Rural Poverty Reduction Project	PFT	Project Facilitation Team
ARWSP	Accelerated Rural Water Supply Program	PIP	Participatory Identification of the Poor
CBO	Community Based Organization	PRI	Panchayati Raj Institution
CC	Community Coordinator	Raj DPIP	Rajasthan District Poverty Initiative Project
CDD	Community Driven Development	SAPAP	South Asia Poverty Alleviation Program (UNDP)
CGDPRP	Chattisgarh District Poverty Reduction Project	SASAR	South Asia Agriculture and Rural Development
CF	Community Facilitator	SC	Scheduled Caste
CIG	Common Interest Group	SERP	Society for the Elimination of Rural Poor
CRP	Community Resource Person	SGSY	Swarnajayanti Gram Swarojgar Yojana
CSO	Community Service Organization	SHG	Self Help Group
CV	Community Volunteer	SLCDRP	Sri Lanka Community Development and Livelihood Improvement Project
DFID	Department For International Development	SPU	State Project Unit
DPIP	District Poverty Initiative Project	SSK	Shishu Siksha Karmashuchi
DPU	District Project Unit	ST	Scheduled Tribe
Kalahi	CDD project in Philippines	TNEPRP	Tamil Nadu Empowerment and Poverty Reduction Project
KDP	Kecamatan Development Program (Indonesia)	TTL	Task Team Leader
MNA	Middle East and North Africa	UNDP	United Nations Development Program
MORD	Ministry of Rural Developmt	VDC	Village Development Committee
MP	Madhya Pradesh	VEC	Village Education Committee
MPDPIP	Madhya Pradesh District Poverty Initiative Project	VO	Village Organization
MPRLP	Madhya Pradesh Rural Livelihood Project	WR	Wealth Ranking

Table of Contents

List of Tables

List of Figures

Foreword

Poor people need to have a strong voice in the identification, design and implementation of the programs that affect them. Effective voice, particularly bringing in the voices of excluded and disadvantaged groups, does not come easy. This is why *investing in people* and *empowering communities* are key elements of the World Bank's country strategy in India.

Since 2000, the World Bank has been engaged in community driven development projects called District Poverty Initiatives Projects in four States: Andhra Pradesh, Madhya Pradesh, Chhattisgarh and Rajasthan. These projects are built on the principle of improving rural livelihoods as well as fostering community empowerment. These projects give particular emphasis to the empowerment of communities and groups, with a special focus on women and other excluded segments of the community. The World Bank is continuing and expanding its support to livelihoods projects with new projects now on stream in Tamil Nadu and under preparation in Orissa, and Bihar.

This Report is one part of a larger stock-taking and evaluation of existing efforts in order to strengthen implementation of on-going programs and provide guidance for the next generation.

I personally am committed to the empowerment agenda and to livelihoods as a means of advancing that agenda. Based on this report as well as my own experiences with visiting these programs and following this important part of the World Bank's efforts, I would like to share ten thoughts on the emerging lessons:

1. *Quality of leadership is crucial*: this includes both state-level political commitment as well as technical soundness at the project level. A key characteristic of such leadership must be a willingness to listen to the poor, to place them at the centre of all the activities, and to give them space to (progressively) take control of decision-making.

2. *Panchayat Raj Institutions (PRIs) are a risky vehicle for livelihood (private good) activities*: When PRIs engage in activities that produce income the risks of elite capture of benefits are substantial. Compared to organizations of the poor themselves the PRIs are much less likely to be a route to sustainable income enhancement for their poorest members. Furthermore, the existence of community based organizations around livelihoods can themselves become effective contributors to reducing elite capture of PRIs and making them more responsive to their communities at large. This however does not mean that the basic responsibility of PRIs as *representative* elected bodies for public good (infrastructure) delivery should be undermined by assigning

this direct responsibility to *membership based* organizations such as Self Help Groups.

3. *Projects must be focused on the poor*: In order to include the poorest of the poor, having an open, participatory process for identifying the poor is critical. These projects should also have livelihood development as their central theme.

4. *Sequencing is very important*: In order to foster empowerment, capacity building, training and group building should be given high priority —and should precede or at least go hand-in-hand with large scale financing.

5. *Empowerment is a lengthy process*. Success only comes from a long-term engagement. For example, the Bank has supported the work of SHGs in Andhra Pradesh which is now reaching very large scales of women participating, mobilization of outside credit, and 'convergence'. As proud as we are to be associated with this, this is not the result of a single World Bank loan, rather we have assisted in scaling up a process that began over two decades ago, with support from UNDP and IFAD — and we are committed to a series of loans, as the goal of full sustainability is yet to be achieved.

6. *Markets and marketing must be an important part of livelihood development.* Using grassroots organizations, including women's groups, to develop market power, conducting value chain analyses to identify opportunities are crucial to the sustainability of the groups created. This is an area where livelihood interventions often fail leaving their groups with only modest income gains.

7. *Provide seed capital as a grant*. One innovation that has worked extremely well in AP is to give a grant to SHG federative structures which can then be seed money for further lending down the chain (ultimately to individual SHG members), with gradually hardening terms/maturities at each stage. This offers good prospects for capital/asset formation at all levels.

8. *Set reasonable interest rates*. Ultimately the goal is for the universal coverage so that all women are members of SHGs but not all will rely on the SHG for credit as the for more creditworthy of the groups are able to access commercial credit. This requires that organizations use seed money and capacity support for groups to "crowd in" commercial lenders and other micro-finance institutions rather than "crowd out" others through less than commercially viable rates offered by well-motivated, efficient financial institutions.

9. *Encourage cross learning*. Learning from peers is a powerful mechanism. Direct interaction between members of grassroots organizations from different states is a powerful force. This is an area where much more can be done.

10. *Keep it simple*: Do not overload projects focused on poor people's livelihoods. Our experience with other related activities, such as infrastructure development, has

taught us that each in itself is a huge challenge and trying to get organizations to do too many things can undermine the powerful vision and mission of empowerment.

As we scale up our rural livelihood support in India, it is essential for us to build the lessons learned into the design of new projects. This report, along with other evaluations and assessments underway, will be instrumental in providing a conceptual framework and concrete guidance for project managers as they take on a new generation of rural livelihood interventions in India.

Michael F. Carter
Country Director
The World Bank

Preface

This report has been produced based on inputs from a team consisting of Lant Pritchett (SASES), Steen Jorgensen (SDV), Salimah Samji (SASES) and Susana Shapiro (SDV). Luis Constantino (MNSRE) was the task leader of this interim assessment until his departure to the Middle East and North Africa region in February 2005, when Martien van Nieuwkoop took over task leader responsibilities.

The World Bank has supported projects called District Poverty Initiatives Projects (DPIP) in three States: Andhra Pradesh (AP), Madhya Pradesh (MP) and Rajasthan. The projects were prepared in the 1990s and were approved in 2000. The objective of this Joint Interim Assessment is to take stock of what has been learned from the projects, with an eye towards improving the design and implementation of future projects of this type, a number of which are already in the pipeline.

While the initial idea was to conduct a quantitative assessment of the DPIPs, this was not possible due to the lack of data. Each of these projects has baseline data in project and non-project villages and they also carried out some mid-term survey. However, with the exception of AP, the mid-term surveys were not structured and implemented so as to allow anything conclusive to be said about project impact using the baseline and mid-term household data. Therefore it was decided that the DPIP Joint Interim Assessment would instead be a conceptual piece that would give TTLs options as well as a framework to think about the design of projects and implementation methodologies. It was agreed that in order to draw conclusions, a rigorous impact evaluation of the DPIPs would be required.

Most of the analysis therefore is based on discussions held with project staff as well as field visits conducted from June 2004 to March 2005, including a mission in January/February 2005 where the team visited project staff in Andhra Pradesh (AP), Madhya Pradesh (MP) and also carried out discussions with project staff and others in New Delhi (see Appendix 1 for details).

The team would like to thank the following for their discussions and comments: Constance Bernard, Adolfo Brizzi, Martien van Nieuwkoop, Parmesh Shah, Grant Milne (Rural Development); Junaid Ahmad, Scott Guggenheim, Jeeva Perumalpillai-Essex, Maitreyi Das (Social Development); Barbara Kafka (Operations Services and Quality); Julie Van Domelen (Human Development); and Mohini Malhotra (World Bank Institute).

Introduction

This report attempts to clarify and articulate the assumptions behind the very different implementation designs across projects —focusing on AP and MP in particular. The purpose is to articulate the "project theory"—the presumed linkages between the project activities and the project's objectives as part of the logical framework—that rationalizes the design features.

Although "project theory" might sound abstract this is an exceedingly pragmatic exercise because, despite having grown from a common background (it was originally planned that all three states would be part of the same project) and despite sharing a four-letter acronym (DPIP)—AP and MP DPIP as implemented today differ in nearly every significant feature of project design.

What accounts for this divergence in design? Is it because:

- *objectives* differ?
- *assumptions* about what is needed to promote those objectives differ?
- each program is, perhaps ideally, suited to the circumstances and hence project designs differ because *circumstances* differ?
- administrative capability of states differs?
- political considerations in the states differ?

This makes it clear how complex "learning the lessons of project experience" really is and why understanding the project theory is not an abstract exercise but rather is of vital importance in evaluating the relevance of experience for future operations. If a DPIP-type project is being designed for a new state, does one draw on AP? MP? Rajasthan? Of course "it depends" and of course "one size does not fit all"—but *which* are the relevant features of objectives, assumptions, circumstances, capabilities, and politics that inform project design? It is fatuous to say "projects should be adapted to local conditions" without being able to specify (a) which of the (almost infinite) differences are *the relevant* differences in local conditions and (b) how project design should respond to them. *One cannot learn from experience without a conceptual structure*.

What makes the comparison of AP and MP DPIP interesting is that they are very different and yet both are (a) internally coherent, (b) functional and (c) perceived to be successful in their own terms by their own project implementers and staff and (d) have been scaled up in implementation for some time.

Comparing "project theories" is often uninteresting because of the lack of one of those four features. Analyzing failure is often difficult because with the benefit of hindsight failure often seems over-determined because so many things went wrong and it is often difficult to distinguish between what was the true *cause* of failure and what were merely *symptoms* of that failure. For instance, in project assessments it is often asserted that projects failed because they "lacked continuity in leadership" or "received inadequate budget" or "lacked skilled staff." However it is possible that all of those diagnostic proximate causes of failure were merely symptoms and the project was so badly designed that it was doomed to fail—which as a root cause explains why it did not attract a dynamic leader, why the government was reluctant to fund it, and why it did not attract capable staff. While identifying the root causes of success rather than only symptoms has some of the same difficulties—it is arguably more rewarding.

In contrast, AP and MP DPIP have been fully functional projects—they have carried out the project activities they intended to carry out. This makes the two questions interesting:

- will they have the *impact* from outcomes they intended?
- are they different because they are both optimally adapted to their circumstances, and if so, what are those circumstances?

This report deals with only the issues of project design and "project theory" and focuses only on AP and MP DPIP while the overall activity (methodology, lessons of implementation) continues to include Rajasthan as well. This component is unabashedly conceptual—any attempt to say whether the AP or MP design was "more effective" must be preceded by a clear understanding of what the projects were attempting to achieve as judging AP DPIP by MP DPIP goals (or vice versa) would produce a meaningless comparison of effectiveness.

This document has five sections.

Section 1 opens with a brief description of the three DPIP projects.

Section 2 describes the "livelihoods" approach in the form of a logical framework and trace back from desired *outcomes* or program objectives, to program *outputs* that are instrumental in achieving those outcomes, to program activities and processes that are *inputs.*

Section 3 presents key constraints behind project design (i.e. reverse engineering).

Section 4 shows how this framework (of "livelihoods" and the constraints on project design) can lead to a wide variety of program designs, all of which can equally legitimately claim to follow a "livelihoods" or "community driven development" approach. This section begins a decision tree approach to alternative program designs depending on the whether the "key" program objectives are:

- Economic objectives (increasing incomes of the poor, reducing vulnerability),
- Services objectives (improving well-being through improvements in local infrastructures and service delivery), or
- Empowerment objectives (which are the objectives of some project activities but also are an integral part of the *means* in economic and service delivery objectives).

Section 5 places the MP and AP DPIP programs within this framework and walks the reader through the complete program design decision tree for these two projects, discussing the various options.

1. Brief project description of the DPIP projects

There are a variety of projects, in India and elsewhere, that fall under the broad label of "Community Driven Development" or CDD. These projects all share the same basic notions:

- empowering poor people economically, politically, and socially as the primary objective,
- people (individually and at the community level) are their own best judges of how their lives and livelihoods can be improved,
- resources should flow directly (not through line ministries) to people to finance activities of their own choosing.

In this sense the DPIP projects are CDD projects. But names often conceal as much as they reveal. Even though AP and MP are both "DPIP" variants of the broad class of CDD projects they differ in *nearly every single significant feature of program design.* In fact, one of the principal complexities of undertaking a *joint* assessment was finding a convenient way to summarize all of the differences.

MPDPIP's development objective is to improve opportunities for the poor and vulnerable, especially women, to meet their own social and economic development objectives. To achieve this objective the project would: (a) create income security opportunities for the rural poor; (b) empower active groups of disadvantaged people; and (c) through village organizations promote more effective, accountable and inclusive District and Gram Panchayats (district and village governments) and other local support and service organizations.[1]

In essence MPDPIP provides relatively *large* amounts of resources as *grants* to *common interest groups* of *men and women* among *beneficiaries* chosen by a *wealth ranking* in *selected villages.* There is little prior *capacity building,* little *attempt to federate* the groups at a geographic level, rather CIGs are grouped by economic activity and then linked to the private sector. The project also provides for *village level investments,* works with *local governments (PRI)* and is implemented with *project facilitation teams* that are primarily *government line ministry employees on secondment to the project.*

The main objective of APDPIP is to improve opportunities for the rural poor to meet priority social and economic needs in the six poorest districts of Andhra Pradesh (AP). To achieve this, the project would: (a) help create self-managed grass-roots institutions; (b) build the capacity of established local institutions, especially the Gram Sabha/Panchayats and GOAP's line departments, to operate in a more inclusive manner in addressing the needs of the poor; (c) support investment in sub-projects proposed by grass-root institutions of the poor to accelerate their entry and expand their involvement in social and economic activities; and (d) improve access to education for girls to reduce the incidence of child labor among the poor.[2]

Basically APDPIP (and its follow-on APRPRP) gives resources that are intended to be *revolving funds* to provide relatively *small* loans to *self-help groups (SHG)* that are chosen through a *participatory identification of the poor (PIP) and* that are encouraged to organize and sustain

[1] From MPDPIP Project Appraisal Document
[2] From APDPIP Project Appraisal Document

themselves via self-help savings before receiving loans. The self-help groups are *federated* into village and mandal level organizations. The linkages with local governments have been *minimal* and there is *little or no investment in community infrastructure*. The project is implemented by a large group of *community organizers (*Community Coordinators and Community Resource Persons*)* who are primarily *employees of the society* (SERP) that implements the project.

For details of all three DPIPs as well as a log-frame see Appendix 2 and 3.

2. Livelihoods framework and projects

Many CDD projects, including the three DPIPs reviewed here have as their basic philosophy an approach that is similar to (and often inspired by) Robert Chambers' livelihoods framework (as illustrated in figure 1) and many are also influenced by Amartya Sen's work on assets and capabilities[3].

The ultimate desired outcome is improved well-being for the poor and poorest, and most would agree that well-being depends on three elements:

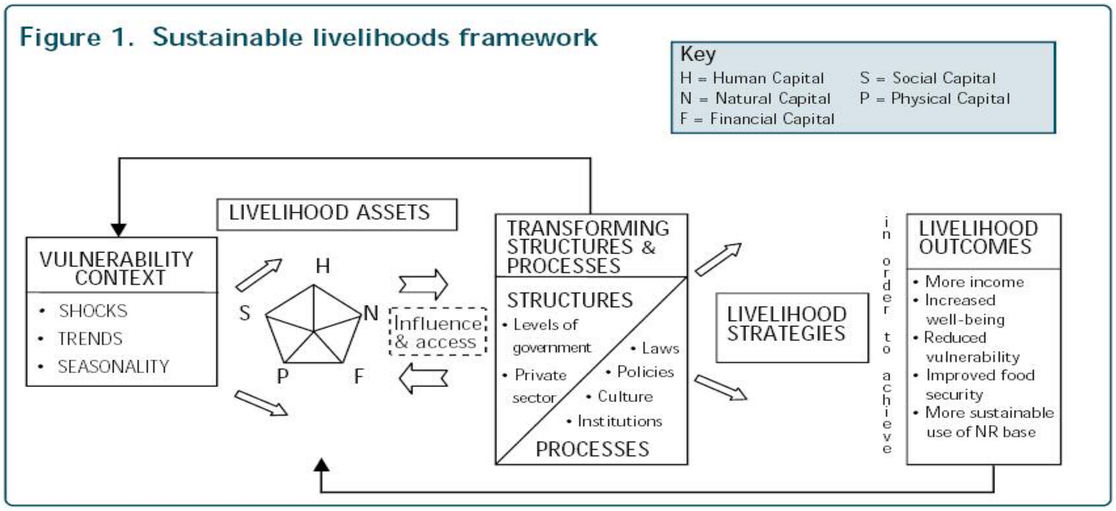
- *Income* (sustained higher levels and less volatile)
- *Access to services* (improved services that directly affect well-being (e.g. water supply, health))
- *Empowerment* (increase personal agency and ability to influence outcomes that matter)

The livelihoods framework emphasizes the multiple "capitals" that individuals, households, and communities, deploy to improve their well being: *physical, financial, social, human,* and *natural resource.*

Access to, and effective utilization of, these assets are then mediated by a set of *social*, *market*, and *governmental* institutions (or *transforming structures and processes*) that also enhance or limit the extent to which households can deploy their assets. The livelihoods framework also emphasizes that households cannot be placed into neatly delimited categories like "farmers", but rather that households pursue *livelihood strategies* that respond to the *vulnerability context* and utilize many activities to achieve their multiple objectives.

[3] Although this document emphasizes the more mundane elements of program design, it should be acknowledged that the "livelihoods framework" is self-consciously perceived by its proponents as a paradigm shift in development thinking. This critiques the "old" model in which the nation-state was the driving agent and individuals, households and communities the passive "beneficiaries" of development in which their "needs" were met. This led to programs which "saw like a state" in James Scott's phrase and attempted to force a regimented, ordered, and structured view on local realities. The "livelihoods" framework attempts to subvert and reverse all of these biases by emphasizing the complexity of ground level realities, the strategies households already undertake. Of course "livelihoods" is both just one among many responses to the same dissatisfaction with the limitations of the previous development paradigm and at the same time is open to multiple interpretations. Therefore we are not going to limit ourselves to any one particular "definition" of "livelihoods" but rather treat it as a general approach and stance.

Figure 1: Sustainable livelihoods framework



Source: DFID handbook on Sustainable Livelihoods

The livelihoods approach can be the basis for a program to improve well-being. Some working definitions include:

- A *program* to mean a related *array of activities* carried out as part of a deliberate strategy to achieve a given set of objectives. A program can include elements carried out by one or more ministries and can be have multiple projects.
- A program *activity* is a specific element or sub-component of a program.
- A *project* refers to a Bank (or other financer) project and is an array of activities that are part (or all) of a program (a program can be financed through multiple projects).

The traditional logical framework (log-frame) can be used to analyze a livelihoods program. Figure 2 and Table 1 present a generic description that encompasses rural livelihoods programs (and much of Community Driven Development) by specifying the *outcomes*, *objectives*, and *outputs* of the program and the program *activities* (inputs) intended to produce those. Moreover, in addition to the *objectives*, *outputs* and *activities* described in Figure 2, the log-frame in Table 1 also covers program processes ("how is the program carried out?") as well as targeting ("who are the intended beneficiaries?").

Figure 2: Livelihoods framework in a log-frame structure

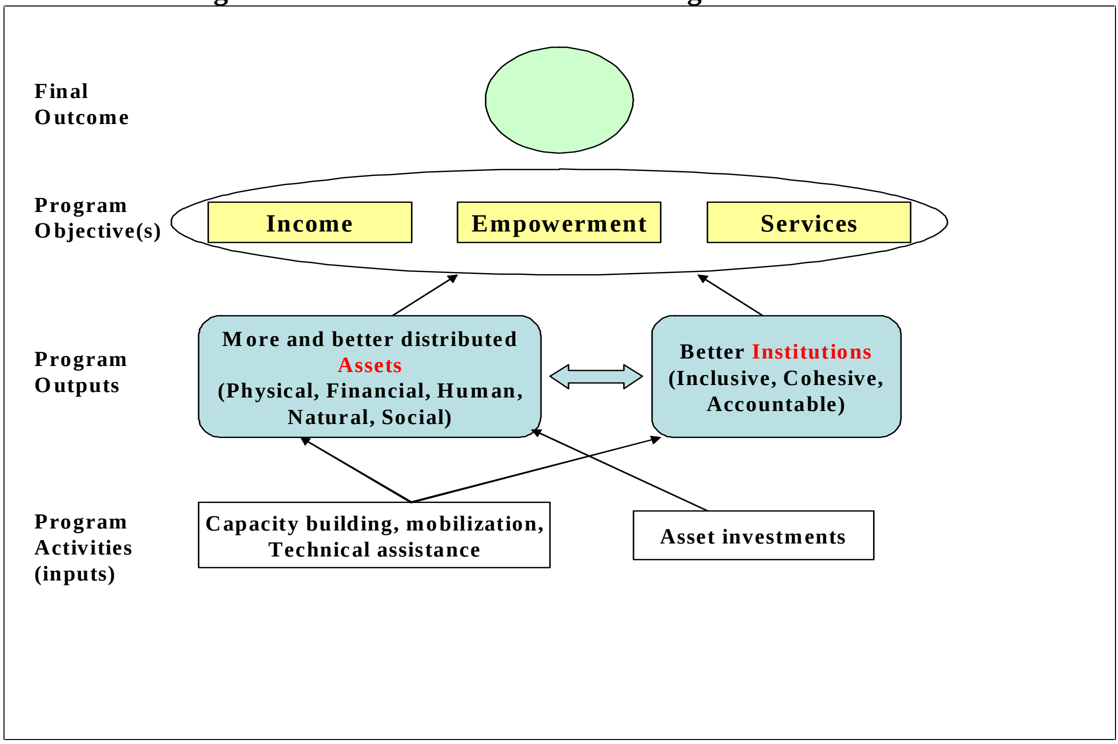


Table 1 shows the different asset classes and types of institutions that may be targeted as program outputs. That is, one can hope to influence market institutions or public sector service delivery institutions or structures and processes (i.e. the ways in which the use of rights over resources). It also shows that within the broad categories of capacity building and asset investments there are several types of possible program activities.

Table 1: Generic description of the elements of a livelihoods project:
What is to be done**, How** it is to be carried out**, and Who** are the intended beneficiaries**.**

Hierarchy of Objectives	**Possible areas of emphasis**
Final Outcome	Improved well-being
Program *Objectives* (Desired outcomes)	Higher sustained and less volatile income
	Better services that directly affect well-being
	Increased empowerment (agency)
Program *outputs* as a means to improve outcomes (livelihood assets and institutions)	Household/community control over more and better-allocated **assets** • Physical, Financial, Human, Natural, and Social
	Better functioning **institutions** (more inclusive, cohesive and accountable): • Markets • Civil society (e.g. NGOs, CBOs) • Political (e.g. local governments) • Public sector institutions (line agencies, banks)
Program Activities[4] *What* is done	Institution-building • Awareness raising, information sharing • Social mobilization. • Training • Learning by doing Federating institutions
	Asset creation • Human, Financial, Physical, Natural and Social
Targeting (*Who* benefits)	Targeting • By geography • By personal household characteristics How is targeting done? (surveys and community targeting)
Program processes (*How* is program carried out)	Who does what (Government, CSOs, Private, CBOs): • Identification, planning • Implementation • Channeling or management of funds
	Scale: • Piloting/learning • Scaling up: (deepening and replicating)
	Convergence, Coherence or harmonization • with policy framework • with other development activities

[4] Program outputs focus on binding constraints, is it institutions and/or assets? And what types of institutions and assets? Phasing is important as determined by how binding the constraint is and how easily it can be released. In general the implicit cost benefit analysis should be done with a high discount rate – i.e. look for quick wins. E.g., it may be important with a quick win on physical assets to help create the conditions for building up community organizations (philosophy behind many social funds) and more accountable public institutions

3. Program Design and "Reverse Engineering" Project Theory

The program/project design process assesses the *binding* constraints that individuals and households face in improving their well-being that are *remediable* by program activities. The program design question is "what is the possible program activity that would allow the greatest increase in (weighted) households/individual well-being per unit program effort?"

In order for a program activity to be "possible" in a given context it must satisfy three criteria[5]:

- *Technically correct*: is there a complete, coherent, correct set of causal linkages from proposed project activities to desired outcomes (including both physical facts and plausible behavioral models for each type of actor)?
- *Administratively feasible*: is it possible with respect to: (a) budget, (b) capacity, and motivation of the personnel that can be mobilized and (c) within the context of existing systems, to carry out the desired actions?
- *Politically supportable:* Can adequate political support from politicians and policy makers be mobilized and sustained for the program to be implemented (budgets, leadership, staff, etc)?

The next sections of this paper are an exercise in "reverse engineering" the design process of the DPIP projects (and other similar programs and activities for comparison). That is, if we observe, for example, that one program uses self-help groups (SHGs) and another program uses common interest groups (CIGs), or if one program utilizes the local government in implementation while another bypasses the local government, if one program provides credit while another gives grants, one program finances infrastructure while another focuses on income -- Reverse engineering therefore asks the question "*what are the assumptions that make the observed design feature the right choice in the given circumstances?"*

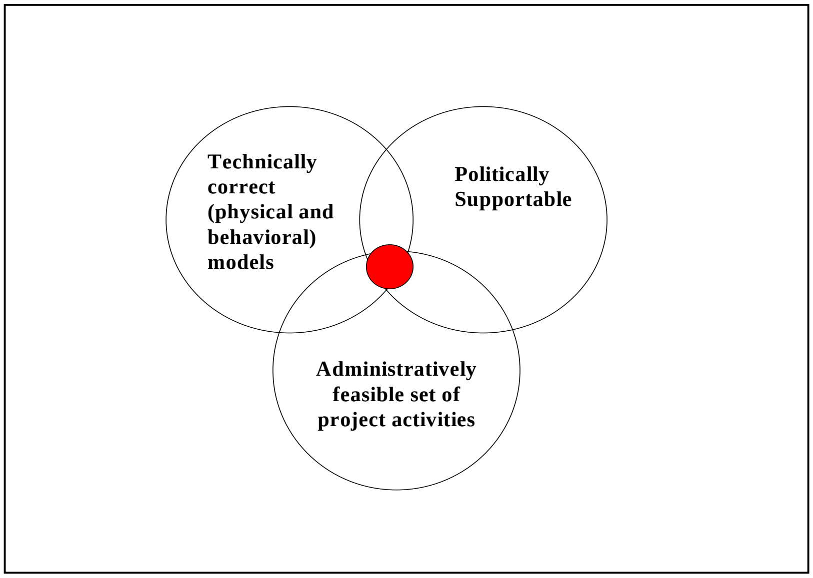
It is clear that this answer can come from any of the three dimensions of project design. For instance, take the issue of the extent to which local governments should be engaged in implementation. If a project bypasses local governments it could be because of any or all of the following:

- *Technically correct:* the desired program objectives are not best achieved through local government,
- *Administratively feasible:* local governments do not have the capacity to implement the project activities,
- *Politically supportable:* politicians at the central or state level who have veto power over program approval may wish to bypass local governments.

A successful project requires that *all three conditions* be met but failure in meeting the three conditions will be evident in different ways. A wide range of public sector programs are *politically supportable* but not *technically correct.* These are often implemented but do not achieve their stated objectives. A program design that is *technically correct* but not politically supportable will fail in a different way, it will never really achieve scaled up implementation (budget, key staff, etc.) even if it is effective when implemented.

[5] This draws on Moore's analysis of public sector value.

Figure 3: All successful programs must combine three elements



The question of *why* a project is designed in a particular way can be answered with reference to any of these three dimensions. It could be that a project is designed one way in AP and another way in Rajasthan because the politics are different and the technically "best" design for Rajasthan could not garner political support.

Alternatively, project designs could be different because administrative capability was sufficiently different in one state versus another such that the "best" design was simply not feasible in another.

The usual log-frame questions, (the causal connections between program activities and program objectives) which depend on a "model" of how incomes or services are produced, are discussed under the "technically correct". The log-frame of a project presents a set of assumptions in which the project activities will lead to the desired project outputs and outcomes.

One particular exercise is to *reverse engineer the project theory (log-frame) on which the observed project is also the optimal technically correct.* For instance, if one project provides large grants while another provides small loans one can ask "what are the objectives of the project designers and the assumptions about the way the world works such that each of these is the optimal design given the circumstances?"

There are **two complexities** to this approach.

First, programs must be coherent and there are many decisions about project activities that preclude other decisions about either the *what*, *how* or *who* of project design. For instance, if one decides that "large grants" (what) are the best instrument for improving incomes, then for a given budget, this will require sharp targeting (who). Conversely, if one decides that to promote empowerment requires broad based participation in the project (how), then "large grants" (what) are inconsistent.

Programs/projects are *collections of activities* that combine various elements. So, some CDD projects provide block grants to local governments to fund community investments while also strengthening the capacity for collective action and accountability through improving decision making processes at the local level. Many micro-credit programs combine access to micro-credit via group formation and empowerment activities.

So in designing a project one considers the costs and benefits ***activity* by *activity*** and then assembles activities that can be feasibly combined in some mix into a project. The *what*, *how*, and *who* have to be answered *activity by activity* (since the target groups and implementation structures for project activities might differ) and *then assembled into an overall project* (if compatible and this is administratively feasible).

The *second* complexity is that, after analyzing program design strictly from a technical view one has to verify that it was not some other key factor with a better explanation that was the driving force. For instance, just because there may be some set of assumptions under which "women" are the optimal project target group (who), this does not imply that if women are the target group that this was necessarily because they were the optimal group. It is possible that women were chosen as the target group for political reasons exclusively and whatever justification of this as "technically correct" is just ***ex post* rationalization**.

Basically, "reverse engineering" is a useful exercise because anyone who has been intimately involved with the design and implementation of projects will recognize that this somewhat abstract verbiage is a *description* of what they actually do during the project preparation process. That is, the discussions and debates with team members, governments, Bank management, and colleagues in many sectors in designing projects are around the issues of: "how can this project have the greatest value add?"

In the years of preparing the DPIP projects all of the issues discussed below have been thought about, mulled over, investigated and piloted. Should the groups included women or not include women? Should the project be implemented in all villages in a block or district or in selected villages? Should the project form savings groups to common interest groups? Should the project attempt to strengthen local government or is that not a feasible program objective? Nevertheless there are two reasons why an explicit "reverse engineering of project theory" is helpful.

The first reason is that all "learning" from project experience must be structured about well specified "project theories" as in any project there are dozens of factors that could affect project performance. There are two risks: over-learning and under-learning. If one observes a successful project there is the danger of simply adopting a project design that worked in one set of circumstances into another state/region in which circumstances are different. There is a serious risk of *over-learning* from success in which a project designed to be successful in one set of circumstances is over replicated. The other danger is *under learning* in which each project is designed from scratch and does not rely on existing experiences. But for the experiences in one location to be useful in another there has to be a way of knowing whether the two circumstances are similar *in the dimensions relevant for project design.* Knowing that requires understanding not just whether a project as designed was or was not successful, but also why.

The second reason why reverse engineering is valuable is that impact evaluation should be geared to test each element of the project theory of the implemented project. In many ways, projects in implementation differ from their original design. Clarifying the key assumptions is a way of generating consensus about what evidence should be collected to test not just the "black box" from activities to objectives but also the links between activities and outputs, and outputs to objectives.

Livelihoods and log-frames for economists:

While in many ways the "livelihoods" approach has been influential in project design, nearly all elements of the livelihoods approach have their exact counterparts in a purely economic description of a program.

Individual's well-being depends on the level and variability of their income stream (which determines their command over goods purchased in the market) and also depends on access to services that may be provided outside of the market (by government, communities directly, NGOs, etc.).

Household income depends on household command over assets (physical, financial, human, natural and social) and on the ways in which they can deploy those assets (which is limited by market and non-market institutions). Economists usually assume that households do the best they can—specifically that they choose their own private actions to maximize their well-being subject to the constraints they face (which include both assets and institutionally constraints on opportunities to deploy those assets).

This means that in deciding on how best to assist households and communities in improving well-being, a choice must be made about the relative priority of objectives: *income* (primarily enhancing access to ***private*** goods through increased incomes) or *access to services* (primarily by enhancing access to ***publicly provided*** goods **-** where the "public" can be a community collective, group, local government, line ministry, etc.). See Appendix 4 for details.

4. Placing the DPIP in the array of "CDD" projects

Before moving to examine in detail the differences in the realized design of the APDPIP and MPDPIP, it is helpful to compare these projects to the array of similar programs or projects. In particular the World Bank has financed an impressive number of projects under the general label of "Community Driven Development." The element that all of these projects have in common is that they seek to place a greater deal of control in the hands of local communities. They also tend to emphasize the creation of "social capital" and the empowerment of communities—particularly the poor and excluded (e.g. women). Some discussion of the general CDD discussion is appropriate since the DPIP projects in India have many of the same features.

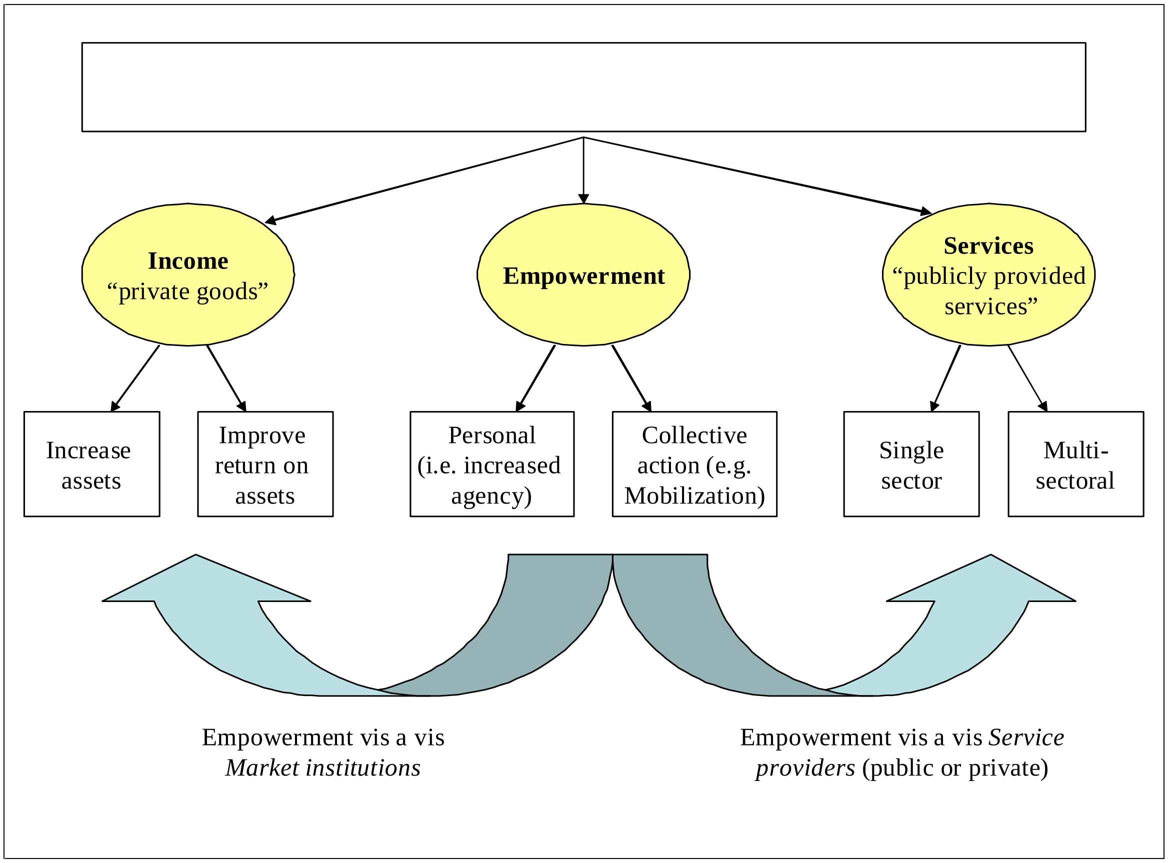
4.1 Distinguishing among types of "CDD" and/or livelihoods projects

The existing literature on CDD within the World Bank is conflicted. While some claim there is substantial evidence that CDD approaches are more effective than more traditional approaches, others are more skeptical (Mansuri and Rao 2004). A recent review of the CDD portfolio by the World Bank's Operations Evaluation Department (2005) suggested that the evidence on the effectiveness of the CDD approach was not yet conclusive.

Part of the problem--just as the problem of "learning" anything from the DPIP experience--is that "CDD" is simply too broad a concept to say anything meaningful about. Figure 4 can be used to decode the existing array of projects into four distinct types of CDD (and by extension possible

DPIP) projects depending on the combination of their objectives and the approach to empowerment and participation.

Figure 4: Hierarchy of possible objectives of "community driven development" or "livelihoods" type projects and the possible channels of influence for each



4.1 (a) Main objective: Income Generation

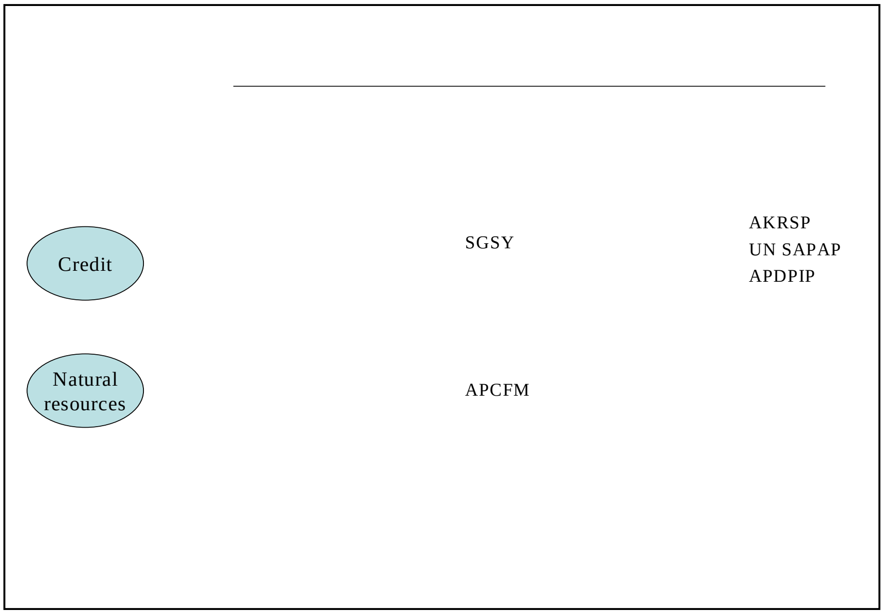
Let us consider an approach that focuses primarily on raising incomes. This directly addresses the "livelihoods" approach as it focuses more on increasing (and smoothing) incomes and hence is about "private goods" not publicly (or collectively) provided services.[6] Within this objective, we further differentiate between increasing access to assets and improving the return on assets.

Income generation via increasing access to assets *(including natural resources):* The two principal assets that CDD projects attempt to increase are: credit, land or natural resources (e.g. forestry). The extent to which these projects focus on empowerment and reach the poor distinguishes them from more traditional projects. One of the reasons for moving towards a CDD approach is the sense that too often traditional projects for credit, irrigation, improving land, etc. only reached the relatively affluent within communities.

[6] Here we do not focus on the "safety net" related schemes that raise incomes by hiring unskilled labor (e.g. SGRY or employment guarantee schemes)

Natural resources that are treated as "common pool" resources are an especially difficult challenge as collective action is needed in managing the assets but the scope of the "externalities" from the resource use, often is far larger than the "community" and hence some feared "community management" would lead to over-utilization of resources.

Figure 5: Array of possibilities for increasing access to assets



As illustrated in Figure 5 above, these programs to augment access to assets also involve varying degrees of personal or community empowerment. In some instances the empowerment agenda is key (and to some extent the assets used as a means of empowerment rather than vice versa) while other schemes simply focus on increasing assets and presume sufficient capability for their effective use exists.

Income generation via improving the return on assets: An alternative form of increasing incomes is to focus on improving returns to the existing assets of the poor. In the "livelihoods" analysis this takes the form of value chain analysis that focuses on how the net return of the poor can be augmented even with their existing assets and even in existing products by lowering input costs, improving productivity, or improving marketing to obtain better prices.

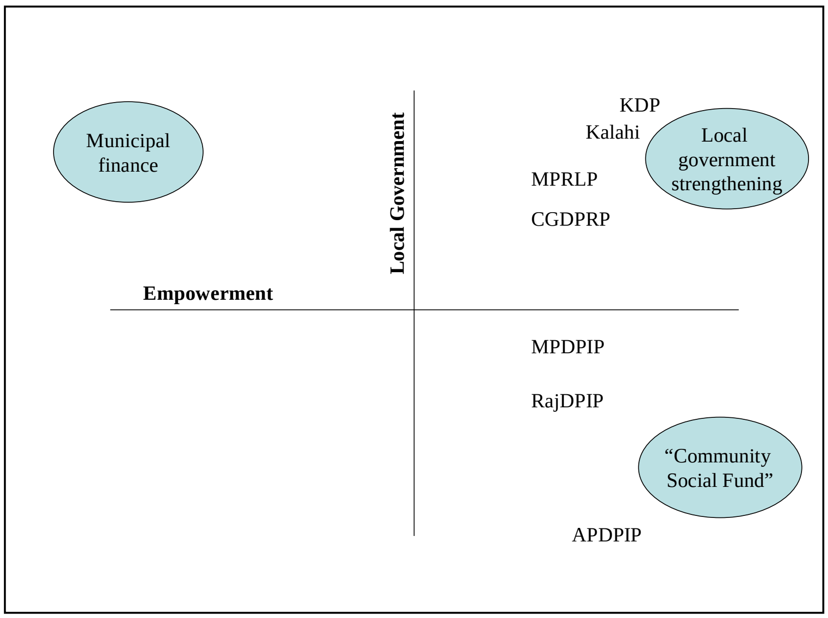
Another form is to identify alternative economic activities with existing assets—moving into new products and services. This also requires value chain analysis to understand the activities that will generate net profits.

Both of these require empowerment as often there are barriers to the full economic participation of the poor. Sometimes these barriers are a poor "investment climate" such that government regulations unnecessarily inhibit the ability of the poor to create new products, engage in new activities, or improve their returns. But these barriers are also often part of the market institutions as existing powerful forces seek to restrain competition and freer markets that would lower their rents.

4.1 (b) Main objective: Service Delivery

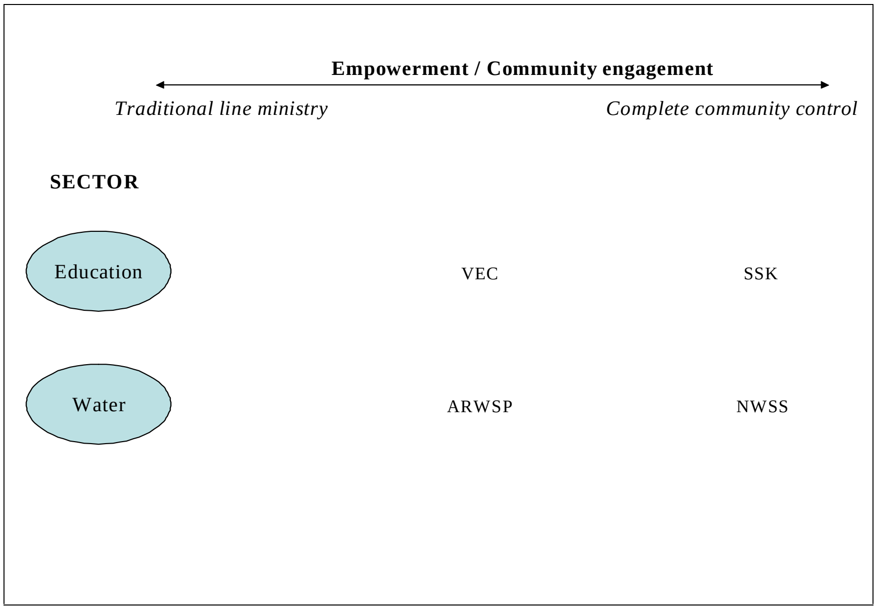
CDD: Multi-sectoral service delivery. These types of projects usually provide some type of open menu block grant or transfer to a community groups and/or local government. One characterization of the "first generation social funds" was a centralized agency providing funding of grants in response to proposals coming from community groups. But the grants can also go directly to local governments for use among an open menu of investments.

Figure 6: Array of multi-sectoral service delivery



CDD: Single sectoral service delivery. A different approach is to focus on a single sector and then there are degrees of the extent to which the "community" participates in the provision of the service. At one extreme, the traditional "top down" model the line agency completely controls all aspects of the service provision. At the other extreme the "community" itself (legally constituted) assumes responsibility for service provision—including at times responsibility for hiring of providers.

Figure 7: Array of possibilities in "single sector participatory"—by sector



4.1 (c) Main objective: Empowerment

The third possibility is that a project's main objective is empowerment. Empowerment is of necessity a contested term, but a recent World Bank publication defined empowerment as "*the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives.*"

Even within the very broad notion of "empowerment" there are two broad branches—"personal agency" and "collective action."[7] The former increases the ability of individuals who may have been excluded from full economic, social or political participation for any number of reasons (gender, caste, ethnicity, lack of education, disability, poverty) to believe that they can make choices for themselves and make their own wishes and aspirations felt. The second is strengthening the ability of people to work collectively. These are obviously closely related as many times the only way to create a sense of personal agency is for the individual to feel part of a group and often people with no sense of personal agency cannot be mobilized into a group.

Even when empowerment is a (or even *the*) main project objective, in order to generate and sustain action it needs to be *about* something—some key change in people's lives that is relevant to them. In many projects at the initial stages of organization and social mobilization it is desirable to keep the "menu" as open as possible. After all, an "empowerment" project that attempts to engage people and facilitate them in taking increased responsibility cannot at the same time narrowly restrict the range of action.

However, as projects scale up the forms and structures of empowerment that are relevant are very different, depending on the nature of the activity. The type of "empowerment" that is relevant to demanding accountability for service provision from locally elected bodies is not the same

[7] This somewhat overlaps with the four elements of empowerment in the World Bank publication "Empowerment and Poverty Reduction": *access to information, inclusion participation, accountability,* and *local organizational capacity.*

"empowerment" as forming cooperatives to jointly market products to increase the share of value accruing to the producers (see Figure 8).

While "empowerment" can be both a means and an end of project activities, even in creating a set of project activities with "empowerment" as the primary objectives, one needs to consider how and on what institutions (government, market, social, political) the "empowerment" is expected to operate.

The tables in Appendix 5 compare APDPIP and MPDPIP to an array of other Bank (e.g. Indonesia's KDP, Philippines' Kalahi, Sri Lanka's SLCDRP) and non Bank projects (e.g. DFID's livelihoods project in MP and UNDP's SAPAP). What emerges is that there is a wide array of *what*, *who*, and *how* even among a group of projects that are regarded as having "similar" objectives and designs.

The four types of CDD projects: (i) income generation: access to assets, (ii) income generation: more productive assets, (iii) service delivery: multi-sectoral, and (iv) service delivery: single sector, differ in nearly every conceivable way—in who, what is done, and how that is attempted—and they *should* differ. As the next two sub-sections make clear, the rationale and structure of "community" participation in schooling versus rural connector road construction versus use of common property resources and *should be* different.

4.2 Community and Empowerment in different types of CDD

These distinctions among types of projects are important for making any valid empirical inferences for many reasons: (a) defining the appropriate "community" and the mode of "empowerment" are different depending on the underlying rationale for the focus on collective action, and (b) the locus of "institutional" strengthening depends on the long-run objective.

The word "community" itself has at least four different meanings depending on what it is that is in "common" and hence what "empowerment" of the "community" might mean, differs in each of those cases.

In projects that are meant to strengthen *local government* in its capacity to carry out *multi-sectoral services* the "community" is defined exclusively geographically and the intersection between these "communities" and the jurisdictions of local government is key. "Empowerment" is empowerment of those within the community to hold local governments accountable (with particular emphasis on the increasing the voice of the traditionally excluded) as well as the empowerment of the local government to be responsive to those demands.

In projects that are "*single sector participatory*" that is, which have in mind the provision of a single service (e.g. education, water), the "community" is defined as the community of users (or intended users) of the project services. With local services this roughly corresponds to a geographic community but there is no guarantee that the catchments area of a typical service provision unit agrees with the boundaries of the local government jurisdictions. So there may be many "primary school communities" inside a typical "local government community" or there may be many "local government communities" inside a "watershed community."

In these projects the "empowerment" is the empowerment of the users of the service in their ability to hold the service providers accountable. This may come through user groups putting pressures on providers or through actually taking control of the service and becoming the providers themselves.

In projects that focus on *income generation* the relevant “community" depends on the means chosen to increase incomes. If expanded micro-credit is the means, then the relevant “community” is the group doing the borrowing. If a particular natural resource (e.g. forests) is the source of income then the relevant community is the user of a particular pool of a common pool resource. If incomes are being raised through collective action to improve marketing then the “community” is the group of all producers of the good (e.g. dairy producers). But these definitions of “community” for private goods/income generation do not correspond to any geographic community of local jurisdictions or to any service provider catchments area.

4.3 “Scaling up” and “capacity building” in CDD (and relation to local government)

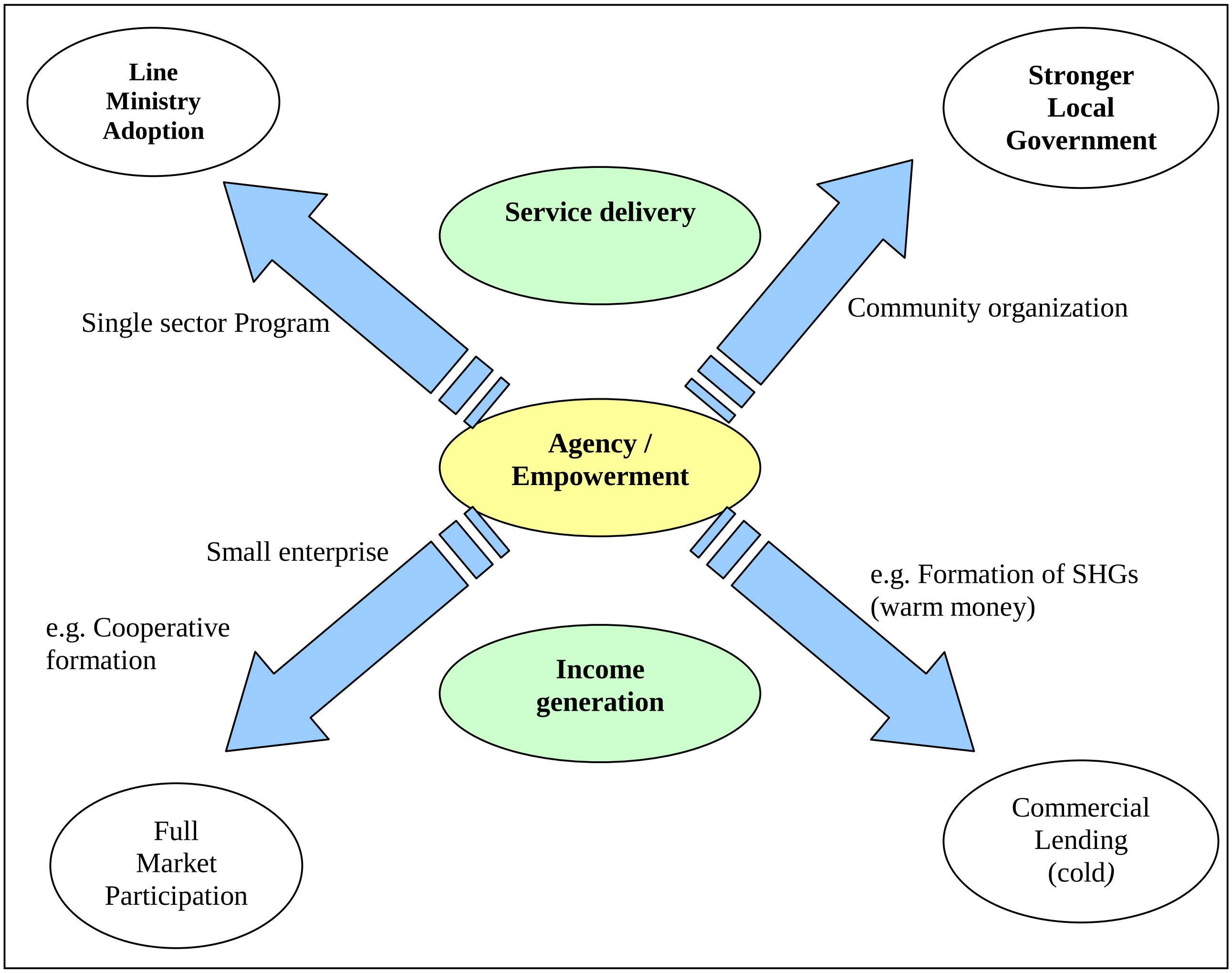
Making a clear distinction across possible projects by their primary objective and type (e.g. services (i.e. multi-sector, single sector)) helps clarify the role for “scaling up” and the relationship of projects to institution building, in part through an examination of the role of collective action.

This makes it clear that “scaling up” a multi-sector service delivery project means extending the activity into a geographically broad based reform of the performance of local governments. The parallel structures created by community funds that often bypass local government can be seen as part of a long-run strategy to first create capacity in communities and then re-integrate that capacity with a broad approach to local governments.

But not all “scaling up” moves into local government—or even into government at all. If the program activity was to create capacity of groups to access finance, then “scaling up” means a move of the activity from “program supported” into commercial relationships. If the program activity was the creation of better marketing opportunities, then “scaling up” again means moving onto a sustainable market basis of whatever activities or organizations that have been launched.

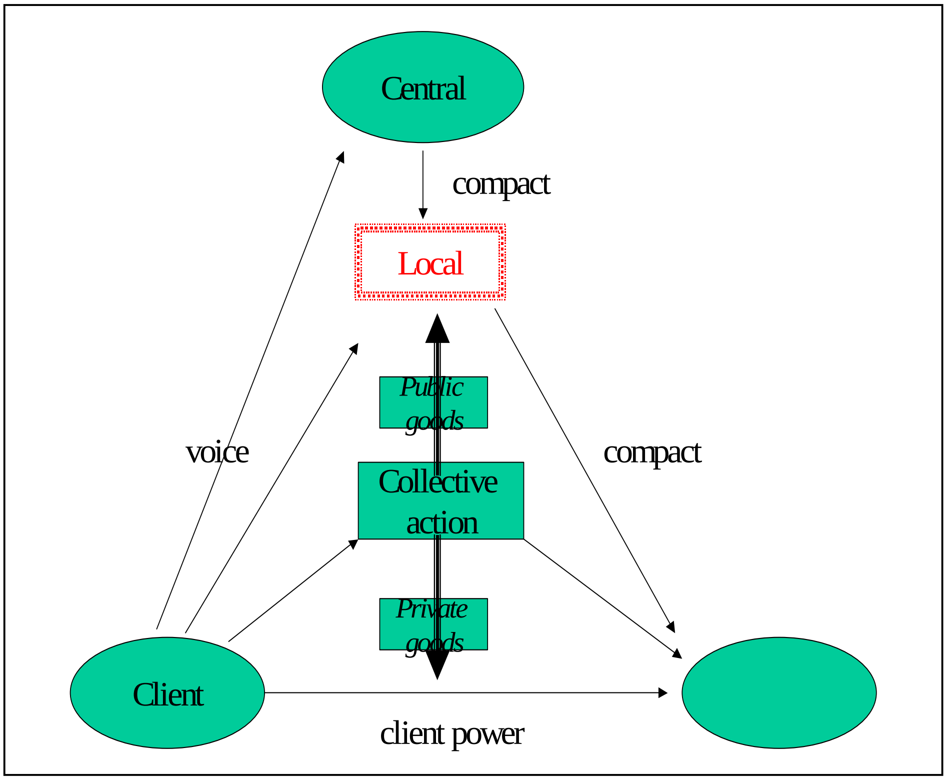
While project activities can arise from a common base of engaging communities and empowering individuals, as they mature and institutionalize they are less and less compatible. That is, a project could conceivably do *both* block grants to local governments *and* micro-credit through SHGs as project activities but the direction these are headed toward in the long-run is very different (see figure 8).

Figure 8: Alternative paths for "scaling up" CDD/livelihoods depending on the key objective and mode of empowerment



One way of conceptualizing this is to focus on the original sense of the need for "collective action." Traditional development efforts characterized the problem as a "market failure" to which the government action was a response. The realization has been that government action is characterized by its own set of "government failures." The shift has been to bring in a greater attention to civil society, social capital, and other forms of collective action as means of empowering people (as individuals and groups) to address the multiple failures of both governments and markets.

Figure 9: Collective action as a response to the multiple failures of both markets and traditional government approaches to address the needs of the poor and marginalized groups…"scaling up" requires institutionalizing these gains—and will take different forms depending on the objective—income generation versus service delivery

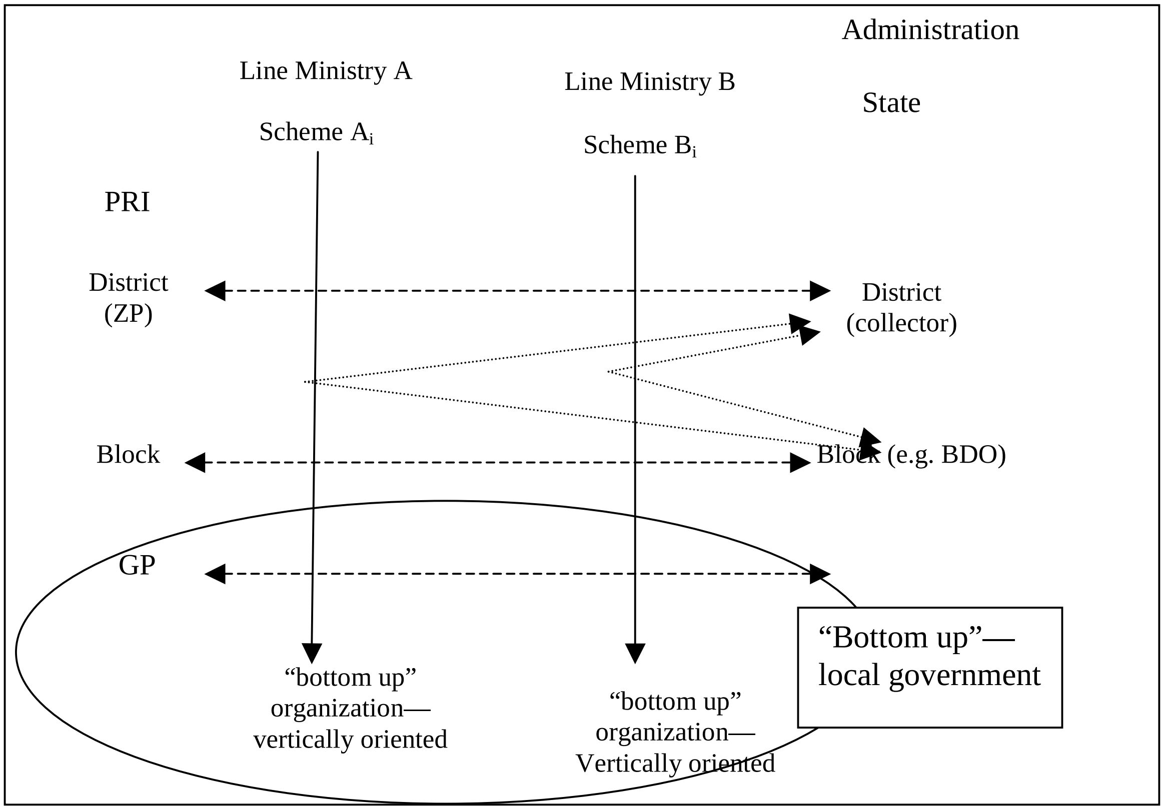


Source: South Asia Social Development Strategy

4.3 (a) Scaling up in service delivery

One key issue with the "scaling up" of service delivery efforts lies in whether the program activities are strengthening bodies which are permanent features of the institutional landscape—and if so, how. Often "scheme" based financing leads to the creation of local organizations that are, in essence, creations of the project itself and when the scheme ends or lacks funding the local implementing bodies themselves have no continuity or are not sustainable. It is, at times, difficult for "single sector" projects to escape their "vertical" organization so that even bottom up, locally based organizations are forced into a role that is sector specific.

Figure 10: Scaling up empowerment or capacity building in service delivery depends on whether the focus is on "bottom up" with a vertical (line ministry) orientation or "bottom up" with a horizontal (local government) focus



There are also many weaknesses with attempting to use local governments--in particular the three tiers of the constitutionally mandated, locally elected, Panchayati Raj Institutional (PRI) bodies. Since these often have low capacity—particularly for operating across sectors—programs are tempted to ignore this and thus create temporary "scaffolding" of temporary structures to implement the project. However, in the metaphor of "scaffolding" the question is whether the scaffolding is used to create permanent structures or is strictly opportunistic.

4.3 (b) Scaling up in income generation

Similar to the discussion above, (i.e. when "community" or "self-provision" activities scale up the question of the relation between those and the "regular" efforts of the government cannot be ignored) when income generation efforts move beyond the small scale, it changes their nature, the organizational requirements and the nature of empowerment as it must confront broader market institutions.

Expanding access to assets. The most discussed by far is the scaling up of micro-credit. As this moves beyond small loans to a limited group of people it engages with existing formal and informal markets for credit. This can "leverage in" commercial bank participation (as in APDPIP and NABARD—see section 5.2) or itself attempt to become financial institutions.

Improving returns to assets. This has proven to be a very difficult element of program design. As these efforts go to scale the links with markets become crucial. Many "CDD" or "empowerment" projects have failed to scale up as they could not create adequate viable market opportunities.

This is a very difficult issue as it involves the question of what types of organizations can improve on "the market" outcome in a sustained way.

5. Reverse Engineering to Project Theory of the various DPIPs

After setting the three key pieces of background:

- The livelihoods approach (section 2)
- The three constraints on project design (section 3)
- The types of "CDD" or "Livelihoods" projects (section 4)

We are ready to return to the key issue of the "project theory" behind the array of activities in the AP and MP DPIP projects.

Table 2 (on next page) returns to the issue, raised briefly in the introduction that AP and MP DPIP projects, even though they emerged from the same design process, differ in nearly every significant design feature. *What* they do is different, *how* they do what they do is different, and *whom* they target is different. The program design of who, how and what is determined by a set of assumptions on what is viewed as the critical constraint for meeting the program outputs. Similarly the program outputs are selected to address key constraints to meeting the program objectives that are most critical for the overall outcome.

To carry out an evaluation that would be useful for other programs' design, it will be important to assess whether these assumptions hold in addition to measuring whether the objectives, outputs and activities are produced and in what way. Both DPIPs discussed here have rural well-being as their desired outcome. They differ in their emphasis on the income, services and empowerment objectives depending on what is the most important constraint or facilitating mechanism in the context of the areas the program operates[8]. The log-frame for AP and MP illustrates the wide variety of program outcomes, activities etc. that are being used to meet the same outcome of improved well-being depending on the context, the political environment and the administrative capacity. There are three key decisions that then determine many other aspects of program design. These are discussed in the following sections.

- *Section 5.1: Geographic federation of groups at higher levels versus activity based federation*
- *Section 5.2: (Small) loans (revolving funds, micro-credit linkages) versus (large) grants*
- *Section 5.3: Private investments versus "public goods"*

In many ways, once these decisions are made, many other design decisions are pre-determined.

[8] In addition to "technical" issues in terms of whether it is income, services or empowerment that is the most binding constraint for well-being in a given setting, political supportability also plays an important role in deciding the focus across the three objectives (more about this later).

Table 2: Key *Differences* between the AP and MP DPIP projects as actually implemented (not necessarily according the PAD)		
	Andhra Pradesh DPIP	**Madhya Pradesh DPIP**
What		
Federate vs. Non Federate	Federate at village level	Federate by activity (not as goal)
Sustainability of groups as a primary Objective	Yes	No (except as means of sustaining investments)
Micro/self help funding (*warm*) vs. outside funding (*cold*)	*Warm* & *Cold* (lending from Banks leveraged in)	*Warm* (some linkages)
Grant vs. Revolving Fund	Revolving fund to the Village Organization	Grant to the CIG
Private Investment vs. Community Infrastructure	Investment	Both (mostly investment, some infrastructure)
Marketing	Has become key activity for VO recently	On activity basis (e.g. dairy)
Who		
Coverage: Universal vs. Geographic	Universal (all women in all state organized into SHGs)	Geographic (poorest village of poor blocks)
Selection of Districts	All Districts	Poorest Districts, & Blocks
Choice of households: Wealth Ranking vs. Participatory Identification of Poor	PIP	WR
Beneficiaries: Women only vs. men and women	Women, Youth & Disabled	Men & Women
Common Interest Group vs. Self Help Group	SHG	CIG
Village Fund (Gram Kosh)	---	CIG contribution
Community Investment Fund	Credit to SHG	Matching Grant
How		
Linkage with Local Government (i.e. PRI)	---	If Sarpanch is CIG member
Role / autonomy of implementing Agency	Yes	Yes
Strengthen Local Institutions (CBO)	Yes	Some
Facilitation: PFT vs. NGO vs. CC vs. Community Resource Person	CC & CRP	PFT
Assets or Capacity Enhancement	Capacity enhancement	Assets

5.1 Coverage and Federation of Groups at Geographic Levels or Not (including around activities)

One major difference between the AP and MPDPIP projects—and one that affects many other decisions is with regard to institution building. It is an important *objective* of the AP DPIP to build *sustainable* groups with *universal* coverage of all women that will *federate* at the village, block/mandal, and eventually at district levels.

In contrast, in MPDPIP there is no attempt at creating groups that will be sustained as an *independent* project objective (obviously if the income stream from the investment depends on sustaining the group then sustainability is important, but if not, then not). There is little pressure for organization at the village or block level—in fact, since the project is implemented only in selected villages within blocks this is not even feasible. Whatever "federation" among the MPDPIP groups that occur does so along the lines of market activities—in particular, dairy groups may affiliate with dairy cooperatives for instance for technical and marketing support.

5.1 (a) Log-frame assumptions: How do these design differences affect the three potential objectives?

<u>*Empowerment.*</u> The principal argument for creating *geographically* based federations of groups is that this is the principal means whereby people are empowered.

The argument is that empowerment of women (AP targets exclusively women) requires their ability to form groups so as to resist the countervailing social pressures (including within their own household). One of the crucial roles the project plays (via the community coordinators and village structures) is mediating potential conflicts.

The assumption is that personal agency empowerment is insufficient without creating the capacity for collective action and that the capacity for collective action increases through federation.

<u>*Economic.*</u> A key debate is whether, and what type of, federation is conducive to increased incomes/livelihoods.

The main argument for *activity related* federation is that it is superior for sustaining income generating activities. Cooperatives along production or joint marketing (or both) lines are common in India and have proved successful in some (though not all) industries.

There are three arguments for *geographic based* federation as a key input into increasing incomes.

- *First*, the village based federation allows the support of the creation and maintenance of the SHGs. Without the village and mandal level federations playing a role in keeping SHGs active there would be even more individual SHGs becoming inactive.

- *Second*, scaling up of the AP model of credit is based on leveraging in outside funding from public sector and/or private commercial banks. That is, a high proportion of project expenses are channeled into "capacity building" and "organizing" of women's groups with the idea that once women's SHGs are formed then other sources can provide credit to these organizations. In fact, AP has managed to "leverage in" a large amount of micro-credit via its affiliation with NABARD.

- *Third*, the APDPIP project has increasingly taken on activities such as marketing that require greater economies of scale than an individual SHG. In particular, marketing of some crops has shown that the existing channels give women much worse prices than the alternatives that have emerged from the project. This role can only take place if the groups can reach the scale that allows them to be efficient.

<u>Services</u>. The final argument for federation at the jurisdiction level is an argument about the nature of "convergence" at the local level. A large amount of government "plan" expenditure is organized around Centrally Sponsored or State Schemes. These schemes typically transfer resources for specific scheme supported activities through the line ministry and local administrative apparatus.

The "second generation" of these schemes incorporated a greater deal of "participation" by creating local groups that were part of the implementation apparatus of the scheme/project (e.g. water user groups, watershed groups, village education committees, etc.). However, these groups ("single sector participatory" or scheme specific "community" groups) had four issues.

- First, the groups were often formally unrelated to each other so that a series of different "community" groups could co-exist in the same village.
- Second, the groups often did not federate either horizontally or vertically and so had little voice vis a vis the scheme.
- Third, the groups were often a creation of the project and would disappear after the project was over.
- Fourth, these groups were not linked (or only weakly linked) to the Panchayati Raj Institutions (PRIs), which do have institutional permanence, and so had little influence on local governments (who often had little or no resources or power).

This has created a sense that the "participatory" model was spending too much on investments in temporary structures and not really leading to sustained changes or improvements in service delivery (see figure 10).

The question is, what role will these federated structures of *membership based* and hence *participation* organizations play?

- One role is that the lack of "voice" of socially excluded groups, which can be remedied only through organization and social mobilization. Once mobilized, these groups (or members of these groups) will have an impact on the existing structures one by one (e.g. village education committees, watershed groups, etc.)
- A second role is that an increasing number of activities would, instead of organizing some new community groups simply use these already existing organizations for the implementation of programs. For instance, the "rice credit line" activity of the village organizations in AP was the confluence of an existing government project and the capability of a village organization of women to reach all households.
- A third possible role is that these federated structures would operate in parallel with the local governments—perhaps even playing some formal role.

But the argument *against* geographic federation is that the risk that these federation groups, even where sustainable, do not really have the mandate to take on service delivery functions. As one observer put it, "the role of *participation* based organizations and the role of *representative* organizations of government" should not be confused or conflated.

In this case, the project can work to strengthen the local government and its processes, which already exist, in the localities in which it operates and use the project to improve those, rather than creating a free-standing organization.

Table 3: Groups federated at geographic levels (village/mandal/district) versus no federation or at activity level (e.g. all dairy producers)		
	Federation of groups at the geographic level	Federation at activity level (if at all)
Log-frame assumptions behind choice for each objective		
Economic	Collective empowerment is important to affect market institutions—particularly marketing	Sustainability of village or block/mandal institutions is not critical to sustained income Demand driven support when needed for IGA sustainability is sufficient to ensure social sustainability of assets
Services	Federated groups can have influence over other projects/activities in the areas	
Empowerment	Empowered women's organizations directly enhance empowerment, improve services through advocacy and enable return to assets (income) A combination of awareness raising learning by doing and training build women's institutions	Large-scale groups (e.g. dairy cooperatives) have more bargaining power in markets

5.1 (b) Implications of choices about federation for other aspect of project design (what, who, how)

What. The principal implication of geographic federation is that the project has to have an activity that interests everyone. The role of "savings" in SHG formation is that this is an activity that at least potentially all women are interested in—even those that are not interested, at first, in borrowing for income generation. Beginning with savings and working up gradually to larger savings, then to small borrowings, etc. is a way of group formation. In contrast, any particular income activity or even micro-credit as the primary project activity would preclude universal coverage.

The other implication of geographic federation is that the levels of the federation need to have a source of income. That is, if the village or mandal or districts organizations are to be sustained they need a source of income. While in the initial stages their activities can be supported out of project funds eventually they need their own sustained revenue sources. This makes the push into marketing activities by village organizations a double benefit (which is also a double-edged sword). The marketing activities provide an income source for the federation level that does not depend on member dues or contributions. On the other hand, this does create a decision about how to allocate the gains from improved marketing between the village organization and the individuals.

Another possible source of income is that the village federations become the entity that makes the loans and retains some fraction of the revenue (so for instance, project funds could make “grants” to village level organizations as seed capital which are then managed by on-lending to members at a rate that recovers costs – like AP).

These are just two examples but illustrate the point that if sustainable, universal coverage, geographic federation structures are to be maintained there needs to be a source of revenue. This revenue can come (in some mix) from “above” (project funds or subvention), from “below” (voluntary dues paid by members) or be “own generated” (by income earning activities).

In contrast MPDPIP either creates linkages of their CIGs with producer organizations (e.g. dairy, seed company) or strengthens existing structures such as the PRI.

Who. The desire for (near) universal geographic coverage—an organization in every village in the locations covered by the program—obviously affects targeting. It is much more difficult to sustain higher level federations if the project is targeted by villages within blocks and districts than if the project is in every village in a block or district. So there cannot be “sharp” geographic targeting in the program.

How. The objective of creating sustained groups and federations of groups obviously also determines *how* the project is operated. If these are to be sustained then program implementation has to use, and strengthen, these groups over time. The relationship of the program/project staff to village/mandal federations has to change with the latter assuming more and more responsibility for the operations.

In contrast, if the aim of the project is to increase incomes which may or may not involve the creation of new organizations (and if it does they are market oriented organizations) implies that the program/project staffing is explicitly temporary and transitions to a different set of structures.

Table 4: Implications of the choice about federation for other choices in overall program design due to administrative feasibility

	Federation of groups at the ***geographic level***	Federation at ***activity level*** (if at all)
What	Federated group must have a sustained source of income	Tends towards narrowing menu towards activities that are supported by producer organizations (e.g. dairy)
Who	Must be geographically universal. Must have wide coverage of at least some project activity.	Can be geographically targeted. Can be sharply targeted even within villages.
How	Project must be able to create sustainable organizations.	Technical and business development support around activities. Facilitation of commercial linkages with private sector through e.g. outgrower’s schemes

5.1 (c) Political considerations/supportability

An observation often made on the AP program is the government commitment to a large scaling up of the program, in part because the government wanted to create a set of parallel structures to the local governments because the mass base of the then governing political party was thin. While we have no view on how important this particular factor was in the case of AP, this does raise a general issue.

AP's program was definitely engaged in large scale social mobilization of traditional disadvantaged groups (women) and the poor in rural areas. They were also engaged in large scale institution building. Obviously it would have been impossible to do this via a government agency and with government funding without high level political commitment.

There is often a lack of political commitment to institution building for one of two reasons:

- Organization/institutions amenable to government control already exist at the local level and the government prefers to rely on those institutions rather than build or strengthen alternative channels, or
- The government does not want any strong competing institutions or even actively fears social mobilization.

This will mean that it is not always feasible to launch directly into broad programs of social mobilization and institution building. In fact, APDPIP was preceded and is the design child of a previous project called UNDP SAPAP (South Asia Poverty Alleviation Program) that laid the conceptual groundwork as well as the active women's movement in Andhra Pradesh.

5.2 Choosing (Large) grants from program versus (small) loans (self-help/ project/leveraged)

Another major difference between AP and MP DPIP is the structure of the flows of support for improving livelihoods from the project/program to individuals/households.

In APDPIP the financial flows are to self-help groups (SHGs). While the overall program encourages access of all SHGs to finance through programs of linkage with banks for group based credit (and hence "leverages in" finance from the organized financial sector) the projects funds flow only to SHGs of the poorest women (because these groups are more difficult to link up with formal sector finance). So the SHGs are formed and begin their own savings and meetings. After the groups have established a track record of continuity in savings they are then eligible for a loan. Basically, the project provides seed capital to the Mandal Samakhya (block) which then loans money to the village organization at 6% per annum. The loan to the SHG is part of a revolving fund from the village organization (which charges an interest of 12% per annum to the SHG for the loan). Within the SHG the individual members can use the loan as they wish, with repayment to the SHG (again with interest charges of 18-24% per annum). The basic characteristic is that the resources reach individual poor women as *loans* to their SHG with interest of a relatively modest amount.

In MPDPIP the eligible households are informed that they are eligible for a *grant* of a *large* amount (Rs. 20,000 per eligible household) and that this grant is conditional on the households forming into a *common interest group* and creating a viable project proposal for an income generating activity.

5.2 (a) Log-frame assumptions for choosing between large grants versus small loans

Economic. Large grants and small loans are hard to compare because they are responding to very different views of market failures and have very different characteristics. Small loans are mostly short term, are at least initially, mainly used for consumption and emergencies, and relatively low risk. The main market failure they address is the lack of financial service providers. They can supply almost immediate relief, when needed, without bureaucratic requirements and for small quantities. Grants are for asset creation and they address the almost total lack of any financial services for more risky income generating activities that have a medium term gestation period. But even with the caveats about the different motivations and characteristics there are some considerations in the decision—without any implication of priority, first the arguments for grants over loans and then vice versa.

There are three key arguments for grants over loans for accomplishing the economic objective.

- *First*, many income earning opportunities must begin with a certain *scale* and the limits on micro-finance often do not reach that scale. For instance, many CIGs in MP use their grant to dig wells in order to expand the crop area they can irrigate and have multiple cropping seasons on the same land. These wells are large, deep, and expensive—and obviously a well that reaches halfway to the water table is of no value.
- *Second*, new income generating activities are typically quite *risky* and taking loans that must be paid back (with interest) implies that if an innovative activity fails to produce the hoped for income stream the household (or group) is left paying the difference. It is often remarked that credit is good but debt is bad—no one proposes a "micro-debt" program or a project to "indebt" poor women—and yet they are exactly the same thing.
- *Third*, the argument for grants is that the self-help savings to micro-credit to asset accumulation gets the sequencing wrong and that people should be provided with assets, out of which they will generate income, which will create the capacity to save. There has been widespread criticism that micro-credit schemes do not reach the "poorest of the poor" precisely because they have little ability to save or repay (and are risk averse to debt). If the sequence is "empowerment/savings/micro-credit" it should be acknowledged that in many instances it is *ten years or more before the micro-credit reaches the scale it has significant income effects*.

There are three arguments for *small loans* over *large grants*.

First, there is the obvious argument that, with a given amount of resources available more people can be reached with a revolving fund (loans) than if the same amount is given as once off grants. So there is a clear trade-off between "coverage" and the magnitude of the benefit per person covered.

Second, and related, it can be argued that the income gains to small loans are more likely to be sustained over time. In particular, one goal of many organizations that promote SHGs is to build capacity of women's groups to interact on an equal basis with formal sector finance. Moreover, the sustained interactions of women as part of the SHG (and the federations of the SHGs) are intended to build "bonding social capital" that has other positive effects.

Third, the arguments against large grants, is that the gains to income will be temporary gains not sustained. It is argued that poor people lack the capacity for money management and that without any extended period of capacity building the assets will be squandered. The second argument is that the poor do not have income earning opportunities that require a large scale and that building up incrementally is a better way to find activities that will produce a sustained income stream.

The grants model is almost by definition not "sustainable" as an activity (this is not to say the income stream from the assets created are not sustainable, just that the *project* and its implementation apparatus are not sustainable on the basis of delivering repeated grants of this magnitude in the same project area).

One argument against a project that places too much stress on the ability of the project to leverage in resources from the outside is that the amount of resources available to SHGs are due at least in some part to policy measures that may or may not be sustained. In AP the project works in collaboration with NABARD who has been very successful in promoting the SHG model, including by allowing SHG lending to count as 'priority sector' lending. At least some part of the engagement of the public sector commercial banks in lending to SHGs is that they are under policy pressure to do so[9].

Services. The implications of programs for services do not really depend too much on this decision.

Empowerment. On the basis of empowerment there are arguments for either large grants or small loans.

The argument is that grants are empowering because money is power. By having the grant the groups have purchasing power and are able to bargain with providers for who they will buy from, etc. Moreover, to the extent that the up-front grant increases income immediately and income itself allows one to escape from dependent relationships (e.g. indebtedness, daily wage labor, etc) it is empowering. Finally, a large grant allows CIG members to open bank accounts and encounter other formal sector bodies from a position of strength, perhaps for the first time (as opposed to borrowing from the bank).

On the hand there are those who argue that by its very nature a grant may be seen as disempowering as the recipient gets something for nothing (while they do put up an "own contribution" of 10% of the total, the 90% match is pure grant).

In the most recent PRI elections in MP it appears that up to 30 percent of the newly elected members of the PRI have participated in the DPIP project. This suggests the "money is power" view may have some validity.

Loans are tied up with self-help groups that begin with small scale savings and proceed to group-based borrowing. If the formation into groups is a necessary step towards other empowerment objectives the loans can be seen as more empowering than grants. Again, if the view is that personal empowerment requires social reinforcement of peers then the "bonding social capital" from the SHGs is an important argument in favor of micro-credit (build from savings groups).

[9] A recent report on the Rural finance sector suggests that interest rates charged on SHG lending of the public sector banks may not in fact be covering all costs (WB 2004, page 32).

Considering the differences between loans and grants also raises the issues of personal agency versus collective empowerment. "Money is power" is more likely to be true at the individual level but that argument has limits applied to "empowerment" as collective action. But it can be argued that loans are more empowering than grants, because loans require two key ingredients to succeed in collective action: *trust* and *discipline*, and both are at the base of the SHG movement and serve as the glue that keep the group together and makes it sustainable.

Table 5: Choice between grants and loans/revolving funds

	Grants	**Loans**
Log-frame assumptions behind choice		
Economic	Assets have sustained return for the poor, gender dimensions not important **Scale** is needed to begin income earning opportunities (half a well or a third of a cow means nothing) The poorest have no ability to repay, no need to ensure revolving fund for future needs Risks in the investments are sufficiently large that debt financing is dangerous.	Grants will not create sustained income while once access to credit is established it can continue indefinitely. Incremental expansions of income generating activities are possible, high return investments at small scale exist.
Services		
Empowerment	Money is power—individuals are empowered by being able to purchase at large scale. People learn by doing	Building the habit of saving, regular meetings and keeping track of accounts empower women.

5.2 (b) Implications of grants vs. loans based on administrative feasibility

What. Clearly both grants and loans made directly to individuals are in the nature of "private goods."

Who. Obviously with large grants the degree of targeting must be much higher as the number of total beneficiaries for any given amount of resources is much smaller. Similarly, if "universal coverage" of the organizations is a goal, then clearly large grants are not feasible.

How. With grants there is less need to emphasize the organization and sustainability of the groups themselves.

In addition, federation, if at all, proceeds along "activity" lines with grants while along geographic or social lines with loans.

Table 6: Implications for other program design features of choosing large grants versus small loans

	Grant	***Loans***
What		
Who	The grant is sufficiently large that the program must be sharply targeted. The grant is sufficiently large that each household/CIG can only expect one grant of this magnitude.	Use of "leveraging in" of outside resources and engagement in "self-help" means *participation* can be universal.
How	Groups have no intrinsic role and are formed around income generating proposal to receive the grant. (At times activities have economies of scale so group formation has an economic motivation). .	Group creation is a time consuming process. Capacity creation precedes financial flows. Group sustainability depends on continued role for groups in mediating savings, loans.

5.2 (c) Political considerations

On this score it is not at all clear which way the political calculus runs. While small loans allow a much broader reach there is also less impact on each individual. Moreover, as discussed in the previous section, taking micro-credit to scale involves greater free standing organizations and leveraging in commercial banks and hence there is perhaps less attribution to the project (or to any particular government entity).

5.3 “Public goods” versus “private goods”

A more fundamental choice, but one which AP and MP share is whether the project is designed primarily to improve well-being (in any of the three dimensions; income, services, empowerment) through either:

- the increased provision of goods and services that involve *significant collective action and whose benefits are widely shared within a village*—such locally relevant infrastructure (e.g. within-village and small linking roads, irrigation that requires local collective action (e.g. tanks, stop-dams), market facilities), facilities for service provision (schools, clinics), or direct engagement in service provision,

or

- activities that support the generation of higher or less volatile *private incomes* that benefit the beneficiaries directly (e.g. transfer of assets, access to assets, micro-credit, savings, marketing activities, livelihoods support in increasing value addition).

Many World Bank financed Social Funds and “Community Driven Development” break into one of two types, either (a) projects that make transfers to local groups with open menus that can be used for a variety of purposes or (b) “community” engagement in services such as health or education or water that have “participation” or are in part mediated by sector “community” groups.

The DPIP projects differ in the extent to which they engage in either of these. In APDPIP there is very little “community” investment as nearly all of the attention is to the groups and federations of the groups. In MPDPIP some fraction of the funds allocated to the village are available to be used for sub-projects that benefit the entire community. Since both are implemented by the Rural Development ministry there is very little connection with other line ministry projects (the “convergence” aspects are, so far, minimal).

Table 7 reviews the assumptions about “means to ends” that would lead to choosing either investments in “public goods” or “private goods” as a mechanism for poverty alleviation.

5.3 (a) Choosing between “public” over “private” goods

<u>*Economic*</u>*.* What are the conditions in which *project activities* which promote “public goods” will be more effective than “private goods”?

If markets are efficient then promotion of increased incomes through public sector project activities are unlikely to be effective in promoting higher private sector incomes.

Take the example of micro-credit. If the market for micro-credit were already efficient then interest rates reflect actual borrowing costs and adjustments for risk. In this highly idealized case credit is available for all projects with high net present value (which are projects that would increase the borrowing individual’s income net of repayment costs) would be financed through market transactions. In this case a project that offered micro-credit would either (a) be at the same borrowing cost as the existing market or (b) be subsidized (in the sense that repayments do not cover all of the costs). If the project activity were to offer credit at the same terms its impact on incomes could be expected to be minimal because uptake would be small. If on the other hand (still assuming the idealized efficient market) the project offered micro-credit at a subsidized rate then there might be substantial uptake of borrowing but the net impact on incomes would likely be very small (because the net impact on incomes is the *difference* between the project lending rate and the market rate times the magnitude of borrowing). Since "micro" credit borrowings per eligible household are, by definition small, a small volume times a modest spread is going to imply a small increment to net income.

The same would be true of say, marketing activities of crops. If in fact the market is efficient then the marketing spreads (between farm gate prices paid to the grower and wholesale market) represent actual costs (of transport, risk borne, etc.) and the incomes earned by "middle-men" are not exorbitant but reflect real costs. In this case then expansion in income might well be best promoted by investments in public sector infrastructure that improved total output (e.g. irrigation that allows double cropping) and operate by expanding productivity and total product rather than by improving margins.

If on the other hand the market is exploitative then gains can be made by eliminating this exploitation. Again, in this case the net income gain is the volume of the marketed good times the improvement in marketing spreads possible from a (non-subsidized) project intervention.

So choosing to promote higher private incomes directly by public sector project activities is more attractive the larger the assumed inefficiencies in existing markets. There is no question that most markets faced by rural households in India are distorted in a variety of ways, the question is not whether or not existing markets are "perfect"—of course they are not. The question however, is the magnitude of the failure and how best that can be addressed.

In contrast, one would choose "public goods" as a means for promoting higher private incomes only when the shortage of public/collective action goods is a key constraint. Irrigation and transportation are two areas that are often priority in this regard. Irrigation may require collective action either to maintain the water table (the quintessential "common pool" resource) or to create and maintain the networked delivery infrastructure—secondary canals and ditches--for non-well based irrigation.

Roads connection habitations and connecting habitations to major roadways are often a key constraint as they impose transport costs on everything coming and going out of a village.

Services. If the goal is to improve well-being through improved quality of services (such as education, health) that can be facilitated by improving the responsiveness and capability of local government then the use of a project that provides public goods *can be*—if properly designed--a vehicle for improving services.

Efforts to promote private incomes improve services only via the indirect effects of increasing incomes and hence increasing purchasing power. Another possible path is that the federations earning private incomes also created a means to have greater voice in demanding services.

Empowerment. The question of whether "empowerment" is more effectively advanced via projects that improve "public goods" or "private goods" depends on two distinctions: (a) one takes a *personal agency* versus a *collective action* view of empowerment and (b) whether one takes a view of whether the goal is to empower project participants vis-a-vis

- their own household, as in the case of gender,
- government and agents of the public sector, or
- the local social conditions (social exclusion), or

- the market.

If the goal is an increased sense of *personal agency,* particularly vis-a-vis the household and the market then programs that combine the promotion of personal agency with activities that increase private incomes have high potential. These appear to be the assumptions behind a focus on women's self-help groups (SHGs) as mechanisms for savings and micro-credit. The working model is that women working together will lead to greater personal empowerment within the household.

In contrast, if the goal is to increase *collective* empowerment, that is the capacity of individuals to act in a concerted manner to address issues of common concern, then activities that produce collective benefits are more likely to be effective. Giving communities greater control over the use of resources and strengthening processes of local decision making to be more socially inclusive and transparent *can* be one means of increasing empowerment[10]. In contrast, activities to promote private incomes are unlikely to be the best instrument for increasing capacity for collective action because there are fewer common interests.

Table 7: The mix of "public goods" (local infrastructure) versus "private goods" (livelihoods support)

	"Public Goods"	***"Private goods"***
Assumptions (working model) rationalizing choice		
Economic	Impact serves the whole village not just the targeted households. Infrastructure and IGA created through grants are well-prioritized and well built.	Market failures are large and pervasive and can be remedied by project interventions Investments in infrastructure tend to benefit well-off, those who already have assets.
Services	Non-economic dimensions are most amenable to public sector interventions.	Greater income for HH's will crowd in better services—both private and public.
Empowerment	Collective empowerment is enhanced by collective action.	An enhanced set of *personal agency* is the most important empowerment. Empowerment within the household, socially, and in the market (against discrimination in the market) is most important.

Summary. If one believes that there are substantial failures in markets for credit, inputs, or outputs (marketing) then it is possible to raise incomes of the poor without substantial increases

[10] Although the criticisms of Rao and Mansuri (among others, for instance Platteau in the African context) that the "community" projects also *can* respond to local elites at least as much as local governments and be equally disempowering should be taken very seriously.

in assets and a focus on organization and empowerment such that the poor get better access to inputs (e.g. micro-credit) and a better return on their assets (e.g. marketing).

If on the other hand, one believes that markets either (a) work passably well or (b) cannot be affected by project interventions then a focus on increasing the assets of the poor is the only direct route to raising incomes.

5.3 (b) Implications of public over private goods for program design

The choice of whether or not to engage in the creation of community level assets versus a focus on individual level incomes obviously then affects many other design features of the project. The consequences are described in table 8 below.

Table 8: Implications for other project design choices

	"Public Goods"	***"Private goods"***
What	Open menu transfers to "communities" that require collective decision making and action.	Transfers or activities involving individuals or small groups
Who	If there is to be targeting then geographic targeting (across and within villages) is the most feasible. Efforts to promote the inclusiveness of decision making are also important in preventing capture of benefits.	Can target to HHs directly with broader geographic scope. If empowerment within the HH is important, *women* are targeted and organized.
How	Work with local governments important for project choice and sustainability (e.g. maintenance of assets)	Linkages with producer, marketing, and financial sector organizations most important

5.3 (c) Political considerations

Obviously the question of whether to undertake activities to promote increased private incomes versus improved services has many political implications. Promoting private incomes is often a more attractive choice for any given government agency as it can easily create a project structure that avoids the necessity for any linkages with either other line ministries or with local governments.

These parallel project structures then are more in "competition" with other private organizations--commercial banks for micro-credit, existing marketing channels, other private producers. Often this is more attractive for a government or quasi-government agency as "crowding out" of private commercial bank micro-credit—or create parallel channels of service provision that are seen as competing for budgets.

On the other hand, for small scale asset creation the direct project structures are often politically attractive because they can demonstrate "quick wins" in improving people's lives (both through wages and the assets (e.g. roads)) created. In contrast, projects promoting income generation are much less certain, and, if micro-credit is chosen as a principle vehicle it can take a very long time to reach scale (both in coverage and depth).

Conclusions

There are five tentative conclusions from this analysis.

First, the major choice in project design is whether the project is aimed primarily at improving well-being by creating *better (higher, less volatile) income streams* or whether it is aimed at improving well-being through the provision of *publicly or collectively provided services*. This decision is crucial since the way in which empowerment should proceed—and scale up--depends on this choice.

This choice, as all others, depends on what prospects there are for project supported activities which can address the key distributional, market or government failures responsible.

If it is believed that there are large failures in market institutions that lead the poor to have worse access to productive assets and insufficient opportunities to utilize their assets *and* that feasible project activities can address these failures, then "income" projects are attractive.

Within the "income" objective there is still the major question of whether the aim is principally to increase access to assets—micro-credit most obviously and prominently but also land, natural products, water—or whether the goal is to improve returns on existing assets. While there is by now accumulating evidence on how to scale up horizontally (expand coverage) of some assets (again, particularly micro-credit) there is less evidence that project activities can handle the very complex elements of raising returns through the introduction of new profitable and sustainable income activities or changing market or marketing institutions.

On the other hand, it may well be that, even if "services" as a less important element of well-being they are more amenable to project intervention. Engaging projects in service delivery requires articulating at least to a long-term strategy that is consistent with public sector structures as "parallel" delivery systems have shown their difficulties. If a goal is to improve multi-sectoral service delivery then in the Indian context it is hard to justify not engaging with building towards well functioning PRI.

A ***second*** major choice is whether the *empowerment* objective aims at the creation and capacity building of sustained *organizations* as a mode of institutional transformation. As the experience in AP shows it is possible to create organizations—but that, if this is to succeed, it has to drive many other features of project design. The combination of building *federations* and *income* as an objective will mean that the federations need to produce sustained income streams.

A ***third*** conclusion is that projects must be *sequenced*—what works in AP, where there is a history of women's mobilization and SHG and political commitment—may not work where those same pre-conditions do not exist. Deciding between the "empowerment first" approach of AP versus the "money is power" approach of MP depends to a great extent on what is feasible given the existing political and economic circumstances.

A ***fourth*** conclusion is that the "administrative feasibility" of putting many different project activities into the same program must be addressed. While at the "empowerment" and "community mobilization" stages an open menu to addressing problems of concern is a useful asset—the scaling up depends on strategic directions which diverge and it is very difficult for the same project structure to be applicable to say, expanding micro-credit and strengthening local governments.

A ***fifth*** conclusion is that more, and more rigorous, *evaluation* of the strengths of the various approaches is needed. This evaluation needs to take seriously the objectives and the log-frame of the existing projects. Evaluation cannot decide whether empowerment is a more or less important project objective than income generation—that is a political and policy judgment. But if project expenditures are to be justified on the basis that they are building capacity or creating empowerment, then these outputs need to be measured—one cannot base outcomes on measurements of inputs or outputs alone.

APPENDIX 1: LIST OF PEOPLE TEAM MET

Andhra Pradesh District Poverty Initiative Project

- *K. Raju*, Principal Secretary MORD (AP)
- *Jeeva Perumalpillai* , former TTL, APDPIP
- *Parmesh Shah*, TTL APDPIP, APRPRP
- *Varalakhshmi Vemuru*, co-TTL APDPIP & APRPRP
- *Vijay Kumar*, CEO SERP
- Staff of SERP (in Hyderabad)
- Community Resource Persons & Community Facilitators
- *Dr. Sheikh Galab*, Centre for Economic and Social Studies (CESS)
- *Tore Olsen*, DECRG (assisting CESS on mid-term assessment)
- *Klaus Dieininger*, DECRG (assisting CESS on mid-term assessment)

Districts visited: Mahbubnagar, Ranga Reddy, Adilabad
.

Madhya Pradesh District Poverty Initiative Project

- *Luis Constantino*, TTL MPDPIP
- *Martien van Nieukoop*, new TTL MPDPIP
- *Geeta Sethi*, co-TTL, MPDPIP
- *Gauri Singh*, former Project Director MPDPIP
- *Dr. Ravindra Pastore*, Project Director MPDPIP
- Staff of DPIP (in Bhopal)
- Project Facilitation Teams,
- District Project Managers
- CARD, NGO
- *Vimala Ramakrishnan*, Director New Concept Info Systems
- *Lakshmi Ramakrishnan*, New Concept Info Systems

Districts visited: Shivpuri, Gunna, Rajgarh, Shajapur

Rajasthan District Poverty Initiative Project

- M.S. Khan, ex-Project Director, RajDPIP
- *Meera Chatterjee*, previous TTL, RajDPIP
- *Luis Constantino*, TTL RajDPIP
- *Parmesh Shah*, TTL RajDPIP
- *Samik Das*, co-TTL RajDPIP
- *Mr. Punye*, Assistant Project director RajDPIP
- *Pradeep Bhargava*, Institute of Development Studies, Jaipur

Districts visited: Dausa, Rajsamand

Others include:

- *Meena Munshi*, TTL SLCDLP & TNEPRP
- *Talib Esmail*, TTL CGDPRP
- *Madhavi Pillai*, co-TTL CGDPRP
- *Biju Rao*, DECRG
- *Steve Rasmussen*, SASES Pakistan (former AKRSP)
- *Howard White,* OED
- *Adolfo Brizzi*, Sector Manager SASAR
- *Constance Bernard*, Sector Director, SASAR
- *Michael Carter*, World Bank Country Director

- *Kevin Crockford*, Senior Livelihoods Adviser, DFID
- *Shalini Bahaguna*, Livelihoods Adviser, DFID
- *Ken De Sousa*, coordinator MPRLP, DFID
- *Jeetendra Agarwal*, Project Director MPRLP
- *Mr. Yugandar*, Planning Commission (former SERP staff)

APPENDIX 2: DETAILS OF THE THREE DPIPS

	Rajasthan – DPIP	Madhya Pradesh - DPIP	Andhra Pradesh – DPIP
1. Objective	To improve: • ***Economic opportunities*** (capacity, skill & employment) • ***Living standards*** (access to info & services) • ***Social status of poor*** (active civil society, voice, participation, social mobilization & empowerment)	To: • ***Create income security*** (quality, diversity and quantity of income, expenditure & consumption) • ***Empower disadvantaged*** people (stronger organizations) • ***Promote effective, accountable and inclusive local government*** and other service organizations through village organizations	To: • Support ***investment in social and economic activities*** • ***Create self managed*** grass roots ***institutions*** (social mobilization) • ***Build capacity*** of local institutions (GPs, line depts) • ***Improve access to education*** for **girls** and reduce child labor.
2. Components	• ***Community Investment Fund*** (finance demand driven community based sub-projects e.g. infrastructure, micro-enterprise, improve production, animal husbandry) • ***Capacity Building*** (group formation, training, awareness, skills) – CIGs, VDA & GP • ***Institutional Development*** (PMU, NGOs, CIFs)	• ***Community Investments*** for: o Demand driven subprojects: infrastructure, livelihood security (micro-irrigation), skills & organization (microenterprise), o Village funds (community contributions) and, o Innovation funds (for demo projects proposed by NGOs). • ***Institutional Development*** (project administration, human resource, communications, strengthening of organization, monitoring & learning)	• ***Community Investment Fund*** (finance demand driven community based sub-projects e.g. improve access to public social services, income generation & infrastructure). • ***Human capacity building*** (formation of SHGs, community empowerment) • ***Institutional capacity building*** (project management, monitoring & evaluation) • ***Educational support*** for girl child laborers and school drop-outs (via bridge & residential schools)

	Rajasthan – DPIP	Madhya Pradesh - DPIP	Andhra Pradesh – DPIP
3. Institutional arrangement	Common Interest Group(5-15) ➪ Village Development Assoc ➪ NGO/CFs ➪ DPMU ➪ SPMU Use community facilitators (CFs). CIGs – Men & Women. Beneficiaries contribute min. 10% in flow, kind or labor. *Grant.*	Community Interest Group (5+, self selection) ➪ Village Development Committee ➪ PFTs ➪ DPU ➪ SPU Use Project Facilitation Teams (PFTs) of 2-5 people per team, covering 15/25 villages (staffed by Govt & NGOs). CIGs – Men & Women. Beneficiaries contribute min.15%, of which 5% is required up front. *Grant.*	Community Interest Group (aka Self Help Groups) ➪ Village Organizations (10-30 CIGs)➪ Mandal Samakhyas (10 VOs)➪ DPMU & SPMU ➪ Society for Elimination of Rural Poverty (SERP) Use Community Facilitators SHGs – **Women only** (recently adding youth groups). Precursor: UNDP's South Asia Poverty Alleviation Prog (SAPAP) & Janmabhoomi movement (1997, community based development process – education, governance). *Credit*
4. Districts	Baran, Churu, Dausa, Dholpur, Jhalawar, Rajsamand and Tonk. (7) 42 blocks, 7,000 villages, 3.5 lacs BPL families. Selected on basis of poverty indicators.	Chhatarpur, Damoh, Guna, Narsimhapur, Panna, Raisen, Rajgarh, Rewa, Sagar, Shajapur, Shivpuri, Sidhi, Tikamgarh & Vidisha (14) 47 blocks, 2,100 villages selected on basis of poverty & backwardness (using social assessments)	Adilabad, Mahbubnagar, Anantapur, Chittor, Srikakulam, Vizianagaram (6) 620,000 HHs. 2 poorest districts selected from each of 3 agro climatic regions based on socio-economic criteria (BPL, infant mortality, female literacy, SC/ST & irrigated area to cropped area).

APPENDIX 3: LOG-FRAME AND ASSUMPTIONS OF MP AND AP.

Hierarchy	**Generic**	**AP**	**AP Assumptions**	**MP**	**MP Assumptions**
Program Objectives	Higher Income	Secondary	Women's empowerment is key constraint	Primary focus	Money is key constraint
	Better services	Tertiary		Secondary – infrastructure services	
	Empowerment	Primary		Not highlighted	
Program outputs (livelihood assets and institutions)	More and better-allocated **assets**	Secondary: Financial (means to the end of better women's organizations). Tertiary human, physical and natura		Primary financial Secondary physical (infrastructure) and natural (land)	
	Better functioning **institutions** (more inclusive, cohesive and accountable):	Primary, Secondary: other institutions build as means to supporting SHGs		Secondary means to the end of more assets for the poor, little emphasis on sustainability.	

Critical assumptions for design features

Design Features	Generic	AP	AP Assumptions	MP	MP Assumptions
Program Activities (*What* is done)	Institution-building	Primary Federating of SHGs critical		Secondary, demand driven as needed for sustaining IGAs, including federating when needed	
	Asset creation	Means to the end of institutional building. Focus on savings and seed capital for credit to be managed by women's groups. Some grants for infrastructure		Primary: grants given to community groups for livelihoods activities or community infrastructure	
Targeting (*Who* benefits)	By geography By household				
Program processes (*How* is program carried out)	Who does what: Identification, planning Implementation Channeling or management of funds	SHGs save, plan, federate and implement Public society (SERP) created to build institutions, government officials down to mandal level, in villages community coordinators hired as consultants District SERP disburses to VO that passes on to SHG members as credit, SHG passes on as credit to members		CIGs identify, local assemblies approve PFTs monitor and support Public society created that reaches into each village with government officials District level MPU disburses to CIGs that manage funds	
	Coverage	All poor women in state		14 districts	
	Convergence, Coherence or harmonization			Coherence with PRI reforms important, no policy content	

APPENDIX 4: Program design in equations for economists

Objective: Well-being from a stream of income.

$$\begin{aligned}&Max \quad f(\qquad)\\&Over\ \ Assets\\&s.t.\ constra\mathrm{int}\,s\end{aligned}$$

or the dual in well-being: $\pi^* = \pi(A^*, C^1, C^2 \ldots C^k)$, where A = Assets and C = constraints.

The impact of any given project can be thought of as the sum of the impacts of the array of project activities across the constraints that the project activities affect (ignoring only for simplicity's sake possible interactive effects, which could be incorporated).

$$\frac{d\pi^*}{d\,\mathrm{Pr}\,oject} = \sum_{j=1}^{k}\sum_{i=1}^{m}\frac{\partial\pi^*()}{\partial C^j} \bullet \frac{\partial C^j}{\partial EffectiveAction} \bullet \frac{\partial EffectiveAction}{\partial\,\mathrm{Pr}\,ojectIntervention}$$

Project Activity	$\frac{\partial EffectiveAction}{\partial\,\mathrm{Pr}\,ojectIntervention}$	$\frac{\partial C^j}{\partial EffectiveAction}$	$\frac{\partial\pi^*}{\partial C^j}$
Organize SHG	Joint and several liability, improve credit worthiness,	Increase access to credit	Decrease in price of input (credit) in maximizing well-being (perhaps through income)

Even this simple bit of economics points up four important points:

a) People are already active agents, not passive objects simply waiting for assistance,

b) Projects can fail because the project activities do not really happen as planned.

c) The magnitude of project impact on well-being depends not on whether the activity has "success" in uptake but also in how much the uptake changes the binding constraint. So, for instance, take micro-credit. Suppose the private sector were making credit available at 12 percent and a project came along and was able to provide micro-credit on a subsidized basis at 10 percent. The right first order estimate of impact on net income is not "magnitude of project provided micro-credit times rate of return to funded activity less interest rate" but is "magnitude of project provided micro-credit times rate of return to funded activity less the *difference* between interest rates with and without the project." In many fields of project intervention the *displacement* effect of project activities displacing other can be large relative to the total effect.

d) The magnitude of the income impact depends on whether the project has addressed a constraint that is "binding"—it could be a project provides something that will increase income—but not as much as some other input. Whether land, access to resources, labor, credit, knowledge, market opportunity are the biggest constraint to higher incomes varies from situation to situation.

APPENDIX 5: Design features of Bank and Non-Bank financed projects of the broad CDD class

		Andhra Pradesh	Madhya Pradesh	Chattisgarh	Rajasthan	Tamil Nadu	Sri Lanka	Indonesia	Philippines
		DPIP	**DPIP**	**DPRP**	**DPIP**	**EPRP**	**CDLP**	**KDP**	**Kalahi**
What	Federate vs. Non Federate	F	NF	NF	NF	F	F	NF	NF
	Sustainability of groups As primary objective	Yes	---	---	---	Yes	Yes	---	---
	Micro/self help (warm) vs. outside funding (cold)	Warm & Cold	Warm	Warm	Warm	Warm & Cold	Warm & Cold	Warm	Warm
	Grant vs. Revolving Fund	RF	Grant	Grant	Grant	RF & Grant	RF & Grant	Grant	Grant
	Investment vs. Community Infrastructure	Investment	Both (mainly investment)	Both	Both	Investment	Both	Infrastructure (some investment)	Infrastructure
	Marketing	Some	Some	Yes	Some	Yes	Yes		---
	Reduce Migration of Labor	---	Some	Yes	---	---	---		---
	Channel for Government Programs	Rice Credit Line	---	---	---	---	---		---
	Become contractor for Government	May be	---	May be	---	May be	May be		Yes

Andhra Pradesh	Madhya Pradesh	Chattisgarh	Rajasthan	Tamil Nadu	Sri Lanka	Indonesia	Philippines
APDPIP	**MPDPIP**	**CGDPRP**	**RajDPIP**	**TNEPRP**	**SLCDLP**	**KDP**	**Kalahi**

	Coverage: National vs. State	State	State	State	State	State	National	National	National
	Coverage: Universal vs. Geographic	Universal	Geographic	Geographic	Geographic	Geographic	Geographic	Universal	Universal
Who	Selection of Districts	All Districts	Poorest Districts, & Blocks	Tribal Districts	Poorest Districts, & Blocks	Poorest Blocks	Poorest Provinces & villages	Poorest Kecamatans	Poorest Provinces
	Choice of households: Wealth ranking vs. PIP	PIP	WR	WR	WR	PIP	All		Poorest Municipalities
	Beneficiaries: Women only vs. men and women	Women, Youth & Disabled	Men & Women	Men & Women	Men & Women	Women, Youth & Disabled	Men & Women, youth	Men & Women	Men & Women

	Common Interest Group Vs. Self Help Group	SHG	CIG	CIG	CIG	SHG & EAG	Common interest SHG		Village
	Village Fund (Gram Kosh)	---	CIG contribution	CIG contribution	---	---	---		---
How	Community Investment Fund	Credit to SHG	Matching Grant	Matching Grant	Matching Grant	Matching Grant	Matching Grant	Matching Grant	Matching Grant
	Incentive fund for Village Organization	---	---	---	---	---	Incentive Grant	---	---
How	Gram Panchayat Fund	---	---	Matching Grant	---	Incentive Grant	---	---	

		Andhra Pradesh APDPIP	Madhya Pradesh MPDPIP	Chattisgarh CGDPRP	Rajasthan RajDPIP	Tamil Nadu TNEPRP	Sri Lanka SLCDLP	Indonesia KDP	Philippines Kalahi
	Innovation Fund for Livelihood interventions	---	---	Incentive for PFTs	---	---	Innovation Seed Fund	---	---
	Technical assistance fund	---	---	---	---	---	---		Yes
	Linkage with Local Government (i.e. PRI)	---	If Sarpanch is CIG member	Yes - DPM is CEO ZP	Yes – VDA	Yes	---	Yes	Yes
	Linkage with Line Ministries	---	If PFT have linkages	maybe?	Dovetailing line depts	Yes - sit on VPRC	---		Yes
	Role / autonomy of implementing agency	Yes	Yes	Some	Yes	Yes	Yes Company	Yes	Yes
	Strengthen Local Institutions (CBO)	Yes	Some	Some	Yes	Yes	Yes	Yes	Yes
	Facilitation: PFT vs. NGO vs. CC vs. CRP	CC & CRP	PFT	PFT	NGO & CF	NGO & other	DFT, Govt	NGO	CF
	Assets or Capacity Enhancement	AA with lending	Assets	Assets	Assets	AA with lending	Savings & credit	Assets	Assets

Design features of non-Bank financed projects

		Madhya Pradesh DFID RLP	Andhra Pradesh UNDP SAPAP	Pakistan AKRSP
What	Federate vs. Non Federate	NF	F	F
	Sustainability of groups as primary objective	---	Yes	Yes**
	Micro/self help (warm) vs. outside funding (cold)	Warm	Warm & Cold	Warm & Cold
	Grant vs. Revolving Fund	Grant & RF	RF	Grant & Credit
	Investment vs. Community Infrastructure	Investment	Investment	Infrastructure
	Marketing	Yes	---	Yes
	Reduce Migration of Labor	---	Yes	Yes
	Channel for Government Programs	Watershed & CFM	---	Social Action Program
	Become contractor for Government	---	---	Yes**

Who	Coverage: National vs. State	State	State	Northern Areas
	Coverage: Universal vs. Geographic	Geographic	Geographic	Geographic
	Selection of Districts	Tribal Districts	Poor Districts	Remoteness
	Choice of households: Wealth ranking vs. PIP	Scheme based	WR	Poverty based
	Beneficiaries: Women only vs. men and women	Men & Women	Women	Women & Villagers

		Madhya Pradesh	**Andhra Pradesh**	**Pakistan**
		DFID RLP	**UNDP SAPAP**	**AKRSP**
	Common Interest Group vs. Self Help Group	CIG	SHG	SH Womens Organization
	Village Fund (Gram Kosh)	DFID seed capital	---	---
	Community Investment Fund	Credit for SHG	Credit	Credit & Grant
	Incentive fund for Village Organization	---	---	---
	Gram Panchayat Fund	---	---	---
How	Innovation Fund for Livelihood interventions	For Livelihood Promoters	---	---
	Linkage with Local Government (i.e. PRI)	In Panchayat Department	---	---
	Linkage with Line Ministries	Yes – sit on VDC	---	---
	Role / autonomy of implementing agency	Some	Yes	Yes
	Strengthen Local Institutions (CBO)	Yes	Yes	Yes
	Facilitation: PFT vs. NGO vs. CC vs. CRP	PFT	CV, CC, NGO	CF
	Assets or Capacity Enhancement	Both	Both	Both

APPENDIX 6: REFERENCES

Bhatia, Mukhmeet. 2003. *Social Funds: A Review of Public Sector Management and Institutional Issues.* (Draft). Washington, DC: World Bank.

Binswanger, Hans B. and Swaminanthan S. Aiyar. 2003. *Scaling up Community-Driven Development.* World Bank Policy Research Working Paper 3039, May 2003. Washington, DC: World Bank.

Chambers, Robert. 1983. *Rural Development: Putting the First Last. London: Longman.*

Chambers, Robert. 1997. *Whose Reality Counts? Putting the First Last*. London: Intermediate Technology Publications

Coirolo, Luis, Keith McLean, Mondonga Mokoli, Andrea Ryan, Melissa Williams. 2001. 63 "Community Based Rural Development: Reducing Rural Poverty from the Ground Up." World Bank Rural Strategy Discussion Paper 6. Washington, D.C

Das Gupta, Monica, Helene Grandvoinnet and Mattia Romani. 2003. *Fostering community-driven development: what role for the state*. Word Bank Policy Research Working Paper 2969, January 2003. Washington, DC: World Bank.

Dongier, Philippe, Julie Van Domelen, Elinor Ostrom, Andrea Rizvi, Wendy Wakeman, Anthony Bebbington, Sabina Alkire, Talib Esmail, and Margaret Polski. 2002. "Chapter 9: Community-Driven Development." in Poverty Reduction Strategy Sourcebook. Washington, DC: World Bank.

Isham, Jonathan, Deepa Narayan, and Lant Pritchett. "Does Participation Improve Project
Performance: Establishing Causality with Subjective Data." *World Bank Economic Review* 9(2): 175–200.

Grootaert, Christiaan. 2001. *Does Social Capital Help the Poor?* Local Level Institutions Working Paper No. 10. Washington, DC: World Bank.

Mansuri, Ghazala and Vijayendra Rao. 2003. "Evaluating Community Based and Community-Driven Development: A Critical Review of the Evidence." Development Research Group. Washington, DC: World Bank.

Narayan, Deepa. 1998. *"Participatory Rural Development." In E. Lutz, H. Binswanger, P. Hazell and A. McCalla (eds.). Agriculture and the Environment. Washington, D.C.: World Bank.*

Olson, Mancur. 1973. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, Mass.: Harvard University Press.

Ostrom, Elinor. 1990. *Governing the Commons: The Evolution of Institutions for Collective Action*. New York: Cambridge University Press.

Pritchett, Lant. 2002. "It Pays to be Ignorant: A Simple Political Economy Model of Rigorous Program Evaluation." Harvard University, Kennedy School of

Government, Cambridge, Mass. Processed.

Pritchett, Lant and Michael Woolcock. 2004. "Solutions When the Solution is the Problem: Arraying the Disarray in Development." *World Development,* 32 (2), 191- 212.

Rawlings, Laura, Lynne Sherburne-Benz and Julie Van Domelen. 2004. *Evaluating Social Funds: a Cross-country Analysis of Community Investments*. Washington, DC: World Bank.

Scott, James. 1998. *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*. New Haven, Conn.: Yale University Press.

Sen, Amartya K. 1985. *Commodities and Capabilities.* Amsterdam: Elsevier.
———. 1999. *Development as Freedom.* New York: Knopf Press.

Wassenich, Paul and Katherine Whiteside. 2004. "CDD Impact Assessment Study: Optimizing Evaluation Design Under Constraint." Social Development Papers No. 51. Washington, DC: The World Bank.

World Bank. 2005. "The Effectiveness of World Bank Support for Community-Based and -Driven Development: An OED Evaluation," Washington, D.C: World Bank.

__________.2004. "India: Scaling-up Access to Finance for India's rural Poor," Finance and Private Sector Development Unit, Washington, D.C: World Bank.

__________. 2004. "Community Driven Development" Chapter 9 in the *PRSP Sourcebook*.

__________. 2004. "Measuring Empowerment: an Analytic Framework", World Bank PREM Empowerment Team.

__________. 2003. *World Development Report 2004 Making Services Work for the Poor*, Washington DC, World Bank and Oxford University Press

__________. 2002. *Social Funds: Assessing Effectiveness*. Operations Evaluations Department, Washington, D.C: World Bank.

__________. 2001. *Project Appraisal Document for Andhra Pradesh District Poverty Initiative Project*, Washington, DC: World Bank.

__________. 2001 *Project Appraisal Document for Madhya Pradesh District Poverty Initiative Project*, Washington, DC: World Bank.

__________. 2001. *Project Appraisal Document for Rajasthan District Poverty Initiative Project*, Washington, DC: World Bank.