Social Funds: Accomplishments and Aspirations
Proceedings of the Second International Conference on Social Funds, June 5-7, 2000

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World Bank
Foreword

Thirteen years since the Bank financed the first social fund in Bolivia, social funds have taken root in 50 countries. They are supported by US$3 billion of World Bank investments and an additional US$3 billion from other sources. Branching out from their origin as emergency employment and social infrastructure programs, social funds now finance initiatives as diverse as women’s literacy projects, HIV/AIDS education, and disability rights campaigns, while maintaining their core mission of alleviating poverty through provision of social infrastructure and services in a demand-driven, participatory manner.

The growing importance of social funds has created an important opportunity as well as an obligation to bring together social fund managers and experts for a second international social funds conference to take stock of where we stand, what we know and how to chart a further course. The three-day conference held in Washington June 5-7, 2000 proved both exciting and fruitful.

While buoyed by the promising preliminary results from impact evaluations, the conference participants heeded admonitions not to rest on their laurels. Instead, they discussed, in a spirit of collegial rigor, how to improve the social fund model in the face of international and national development realities. More than a conference of practitioners, this meeting exemplified the power of social capital, becoming a gathering of friends that solidified bonds between social fund supporters around the world.

With budding evidence of the efficacy of social funds, the World Bank is proud to extend its continued support to social funds and to their regional networks. Social funds should continue to provide an important plank in the World Bank’s efforts to assist nations to eradicate poverty.

We hope this report of the conference proceedings inspires both enthusiasm and introspection, helping to nurture new growth for social funds as they strive to meet the development challenges of a new century.

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# Table of contents

Foreword .................................................................................................................. p. i

Outline of contents .................................................................................................. p. iv

Acknowledgements ................................................................................................. p. v

1 Overview and Recommendations ........................................................................ p. 1
   Backdrop to conference p. 1
   Second international social funds conference p. 3
   Challenges and recommendations p. 4

2 Poverty Alleviation Backdrop ........................................................................... p. 9
   Keynote address p. 10
   World Development Report 2000/1 p. 17
      Three-pillar framework p. 17
      Human development perspective p. 20

3 Evaluating Social Fund Performance Across Countries .................................. p. 23
   Findings from the study p. 24
      Preliminary findings p. 25
      Do not become complacent p. 37
      Discussion points p. 38

4 Policy Context ...................................................................................................... p. 41
   Decentralization p. 42
   Social risk management p. 51
   Community-driven development p. 61
   Institutional sustainability p. 69
   Donor participation p. 71

5 Marketplace ......................................................................................................... p. 73
   HIV/AIDS p. 74
   Vulnerable groups p. 76
   Cultural assets for poverty reduction p. 78
   Gender p. 80
   Monitoring and evaluation (MIS) p. 81
   Post conflict/post-disaster reconstruction p. 82
   Social capital p. 84
   Microfinance and income generation p. 86
   Corruption and governance p. 88
   Community contracting p. 90

6 Regional Networks .............................................................................................. p. 93
   Africa (ASIFNET) p. 94
   Eastern Europe and Central Asia (ECAnet) p. 95
   Middle East and North Africa (MENANET) p. 96
   Latin America and the Caribbean (Red Social) p. 97

Appendices ............................................................................................................... p. 101
   1: List of participants p. 101
   2: Agenda p. 114
   3: Relevant websites p. 118
This Report records the proceedings and findings of the Second International Conference on Social Funds: Evolving in the New Millenium held in Washington, D.C. from June 5-8, 2000. Convened by the World Bank's Social Protection Unit and the World Bank Institute, the Conference brought together 277 government officials, social fund managers, development experts and academics from 61 countries. They took stock of 13 years of experience in implementing social funds and debated strategies to improve and expand the social fund model.

The Report begins with a brief overview of the history of social funds and of the two international social fund conferences. Describing the backdrop against which social funds operate, the Report next highlights the keynote address by World Bank President James D. Wolfensohn then outlines varying perspectives on general poverty alleviation strategies presented by one of World Bank's World Development Report 2000/1 co-directors and a representative from the United Nations Development Programme.

Sharing preliminary findings from a landmark impact assessment of social funds, the Report conveys empirical evidence that details the success and shortcomings of social funds. Research found that social funds reach poor communities and often the poorest households, produce significant positive impact on some social indicators, sustain infrastructure better and, in some but not all cases, complete projects for less money.

Despite their historic success, social funds must contend with a transforming policy environment. This Report details discussions and recommendations about the implications of decentralization, the importance of developing social funds within a broader social risk management framework, the promises and pitfalls of community-driven development, the need to develop institutional sustainability, and strategies to secure and manage donor participation.

To complement the plenary meetings and strategic sessions, the conference held a “Marketplace” comprised of 10 workshops on various thematic and operational issues. Overviews of these workshops, on HIV/AIDS, vulnerable groups, gender, post-conflict/post-disaster reconstruction, social capital, microfinance and income generation, corruption/governance, cultural assets, community contracting, and monitoring and evaluation are presented.

The Report concludes with a brief description of the meetings and recommendations of the four regional social fund networks covering sub-Saharan Africa, Eastern Europe and Central Asia, Latin America and the Caribbean, and the Middle East and North Africa.

Three appendices provide a list of participants, the conference agenda and relevant websites.

This Report, as well as Conference background documents and other related resources, is available on the social funds website which can be accessed from www.worldbank.org/sp.
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*Principal conference coordinators*
1 Overview and Recommendations

Convened to provide a forum to share new evidence on the impact of social funds and to spark discussions about future strategies for social fund evolution, the Second International Conference on Social Funds met in Washington, D.C. from June 5-7 2000. Day-long meetings of the social fund regional networks followed. The conference met against the backdrop of the increasing global importance of social funds and of the evolving challenges they face. This introduction describes the evolution of social funds and outlines the conference’s goals and recommendations.

Backdrop to conference

History of social funds

Social funds directly finance small community-managed projects, helping to empower the poor and vulnerable by allowing them to become actively involved in their own development. With social fund financing and technical assistance, communities identify their own development priorities, hire contractors, manage project funds and implement and sustain the projects. Because social funds often operate outside traditional government bureaucracies, they disburse funding and implement projects more quickly than traditional development mechanisms.

Initiated as a temporary measure to alleviate economic distress in Bolivia in 1987, social funds are currently active in more than 50 countries, serving at the forefront of the World Bank’s community-driven development agenda. The World Bank has committed US$3 billion to social funds to date; with additional investment from other agencies and governments, social fund commitments total approximately US$6 billion.

Since their inception, social funds have financed more than 100,000 small-scale community interventions, ranging from infrastructure and social services to training and micro-enterprise development. Social funds led the reconstruction effort in the wake of Hurricane Mitch in Honduras and Nicaragua. They are also helping to rebuild torn societies in Kosovo, Rwanda and East Timor and are supporting long-range decentralization strategies in Bolivia and Nicaragua.

Construction and repair of schools and health facilities and the creation of water supply infrastructure constitute 80 percent of social fund projects. Social funds also initiate community training programs, establish micro-credit agencies, invest in erosion control and irrigation, and sponsor programs for vulnerable groups like the aged, people with disabilities and AIDS sufferers.

Evolution of social funds

Originally conceived as emergency measures, social funds have become part of many governments’ long-term poverty alleviation strategies. Some social funds are now in their third or fourth phase of implementation, having moved beyond their original role as vehicles for providing emergency relief to taking a place in long-term strategies for reducing poverty. Social funds are innovative, pioneering best practices in community-
driven development. While continuing to pursue their core mission of supporting infrastructure development, social funds are dynamic and evolving. In some areas, they are assisting local governments to develop the capacity to take a more prominent role in governance and community service provision through training and technical support.

In other areas, they are financing the development of social capital and community capacity to resolve the most pressing problems of the poor. The first social funds discovered that promoting community participation is an effective means to ensure that projects impact communities more and cost less. Going beyond this original insight, social funds are increasingly working directly to empower communities as an end in itself. These social funds are setting themselves the explicit goal of training community members and increasing their ability to organize and stake claims.

First International Conference on Social Funds, May 1997
The Second International Conference on Social Funds took place three years after the first international conference held in May 1997. Two hundred delegates attended the first Washington conference to assess the first 10 years of social fund implementation, to establish a consensus on achievements, weaknesses and risks, and to facilitate the integration of newly-established regional networks of social funds.

The proceedings of the first conference are collected in the volume *Social Funds and Reaching the Poor: Experiences and Future Directions*, edited by Anthony G. Bigio, and published in 1998 as part of the World Bank, EDI Learning Resource Series. (*The proceedings are available on the World Bank’s social funds website.*)

**Recommendations**
Delegates to the 1997 social funds conference agreed to three broad recommendations.

*Integrate social funds better with national economic policies*—Social funds should complement government initiatives while seeking to institutionalize their role. They should not duplicate or overlap other national initiatives, but rather reach out to isolated, marginalized groups. Wherever possible, social funds should delegate project funding to local municipalities, focusing on supporting community efforts to identify and manage projects.

*Focus on capacity building*—Social funds should pay more attention to developing sustainable communities and local organizations and to building their capacities. Social funds should work with more flexible menus that respond to community needs as they evolve over time and should promote sustainable local economic development. They should work with NGOs in project design, not only of subprojects, but of social funds themselves.

*Mainstream innovations throughout public sector*—Social funds should help introduce demand-driven development principles to all public sector endeavors. Social funds should publicize their successes to national policy makers and promote them with the legislative and executive branches.
Second international social funds conference

Conference objectives
Following the international conference in 1997, four regional conferences solidified the development of bonds and linkages between social funds. Regional networks met in Armenia in November 1998, in Egypt in December 1998, in Zimbabwe in April 1999 and in Mexico in November 1999. (Chapter 6 describes the regional networks in greater detail.) By the year 2000, the proliferation of social funds, particularly in regions such as Eastern Europe and Asia, as well as the changing face of social fund objectives, created a motivation for gathering the community of social funds together again to take stock and chart a future course, and to encourage information sharing between social funds from around the world. The conference was designed to spur participants to probe the experience and continuing evolution of the social funds model. The agenda took participants from an initial consideration of the overarching realities of international poverty and the evolution in global poverty alleviation strategies, to more detailed discussions of operational issues.

Outline of the conference
The conference, held in Washington from June 5-7, brought together 277 delegates representing governments and social funds from around the world as well as academics and representatives from development agencies. (Appendix 1 contains a full list of attendees.) Sponsored by the World Bank’s Social Protection unit and the World Bank Institute, the conference was one of the World Bank events celebrating Social Development Month as a follow-up to the Geneva Summit on Social Development. A day of consultations by the regional social fund networks, representing Africa, Latin America and the Caribbean, the Middle-East, and Eastern and Central Asia, followed the conclusion of this conference.

In a collegial atmosphere peppered by exuberant reunions, conference participants heard preliminary findings from the impact assessment study and discussed strategies for solidifying and enhancing the benefits of diverse social fund activities. The conference
also convened a “marketplace” during which participants chose to attend two of 10 smaller discussions about specific issues such as HIV/AIDS and gender. (*Appendix 2 reproduces the conference agenda.*)

**Challenges and Recommendations**

**Challenges**

The last three years have seen not only an expansion of the social fund model, but also some important successes in some of the issues raised during the first international social fund conference. Immediate concerns about the sustainability of the community-level investments have been met with a greater emphasis on training communities to take on maintenance responsibilities, a closer coordination with line ministries and local governments, and experimentation with new financing mechanisms like earmarked maintenance funds and performance contracts. Many social funds have successfully developed procedures to align their work within national sectoral strategies. The need to find ways of transferring experience to central offices of line ministries and NGOs appears to be superseded in many countries by the rise of local actors, particularly local governments, and the need to build good local governance as a longer-term strategy.

Despite this forward movement, social funds face increasing challenges, in part because the bar has been raised on what is expected of them and in part because the challenge of improving the living conditions of the poor remains daunting. During the conference, participants engaged in broad debate on how to expand social fund operations to reach people living in poverty better. They also considered how social funds can navigate the political and social constraints around them.

Among other aspects of this problem, participants considered the complex interactions between social funds and governments, especially as decentralization initiatives gather force around the world. They debated the appropriate role for social funds to play in helping people manage risk, and in assisting especially vulnerable communities. They considered how social funds can learn from and enhance the drive toward community-driven development.

**Recommendations**

While they did not sign any formal conference declaration, participants discussed and agreed to recommendations after hearing plenary presentations and engaging in break-out sessions on various themes. The *Policy Context* chapter (Ch. 4) details specific recommendations that flowed from discussions about decentralization, social risk management, community-driven development, institutional sustainability, and donor participation and fundraising. In general, conference participants called for better integration of social funds with national policy and practice, for continued support of good local governance, for greater focus on enhancing the communities’ ability to
manage development on their own, for formal recognition of the central role social funds can play in spurring innovation, and for new assessment mechanisms.

These recommendations outline a bold new agenda for social funds. Social funds will have to balance this new agenda with the political pressure they face from governments and donors to deliver results on the ground. Supporting political reform, local governance, capacity building and innovation will likely slow the completion of projects, at least in the short-term. To mitigate this pressure and ensure their institutional sustainability, social funds must effectively articulate the necessity of their expanded agenda.

**Integrate with national development agenda**

As they had three years earlier, social fund managers continue to wrestle with the issue of how to institutionalize the community-driven development approach. Beyond the effect they can have in communities that implement subprojects, social funds can improve overall governance if they can inspire national and local governments and other agencies to adopt their principles of participation and direct engagement with communities. To do this, social funds must be conceived as integral parts of national poverty alleviation strategies, must work effectively with government agencies and must promote appropriate policy reform.

The conference raised the issue of the increasing demographic pressures of poverty, the continued lack of voice and effective participation by the majority of the world’s poor, and the economic and social barriers to their taking control of their own destinies. Against this backdrop of great needs and opportunities, social funds will function best when the government conceives of them as part of a broad national poverty alleviation strategy, rather than as a unique and novel disbursement tool. The challenges of going to scale, having their experience inform national policies and sectoral strategies, and of driving more systemic reforms like further decentralization or the creation of vibrant civil societies lie in the future. To fulfill this potential, social funds must work in collaboration with a host of other actors and the local and national levels. This will require them to balance their operational autonomy with clear strategies to engage in the broader poverty alleviation agenda.

**Strengthen local governance**

The importance of decentralization in the conference agenda was a testament to the real shift in recent years to a greater role for local authorities. Recognizing the international trend toward the devolution of government authority to local municipalities, social funds need to be part of a broader decentralization vision. This vision has two aspects, centered on building good local governance: directly supporting local governments to identify and manage community-level investments effectively, and strengthening community capacity to interface with local governments.

Social funds can help build the capacity of local governments by including local authorities in needs identification, project planning and helping to transfer knowledge and appreciation of the community-driven development model. The conference saw several examples of social funds moving to put greater responsibility and accountability in the hands of local government. Social funds can also facilitate coordination among local governments, sectoral agencies, donors, community-based organizations and other development partners.
A key challenge in promoting good local governance will be in facilitating better interaction between local governments and the communities they serve. By enhancing communities’ ability to organize and articulate their claims, social funds can support the formation of an active and engaged citizenry that constitutes a prerequisite for successful decentralization. In many cases, this may mean extending the successful model of community contracting—in which community groups directly plan interventions and manage resources—that several social funds have pioneered in various regions. This also means supporting the active engagement of the community in monitoring and evaluating local investments, creating an environment for greater transparency and accountability. In addition, social funds should continue to push for the inclusion of marginalized groups, particularly the vulnerable and excluded, within the local governance framework.

Support communities’ ability to manage development
The impact assessment of social funds shows that communities tend to maintain and use the infrastructure built by social fund subprojects. While this evidence is a welcome refutation of the notion that social fund-financed infrastructure is not sustainable, for community-driven development to succeed in the long run social funds must assist communities to develop the broader skills necessary to identify, manage and maintain their own development. In large measure, this has been based on a ‘learning by doing’ approach with capacity often seen as a spill-over benefit. To capture the opportunities to have a more lasting impact, social funds will need a more focused strategy that aims to leave behind not only viable basic services, but communities and individuals capable and empowered to continue solving their own problems.

To do this, social funds must provide effective human capital development, that improves the skills and expertise of individuals, and social capital development, that enhances the ability of communities to act collectively to pursue common interests. To promote human capital development, social funds should finance and support literacy and numeracy programs and the transfer of technical and managerial skills. Social funds should also train facilitators, implementing agencies and community leaders in community mobilization and project management and organization. To promote social capital development, social funds should ensure that their operating procedures support the ability of communities to work collectively to identify and prioritize their needs and to implement and manage small-scale interventions.

Social funds should explicitly incorporate such capacity-building assistance into their goals and budgets for subprojects. They should ensure that communities have accurate and timely information, not only on the opportunities available through the social fund, but also the broader rights of communities and the opportunities available for all members of a community, especially members of vulnerable and marginalized groups. Finally, social funds should build community capacity by facilitating alliances among communities with common interests.

Nurture innovation
From microfinance initiatives in Yemen to community management of investments in Malawi, social funds are pioneering new development tools around the world. This innovation function is often understated in the basic objectives of social funds, even though they have in general been much better at piloting innovative approaches than
many traditional line ministries. This report is replete with examples of social funds that are supporting innovations, such as those that are protecting vulnerable groups through community-based safety nets, exploring opportunities for using cultural assets to reduce poverty, and assisting governments to implement HIV/AIDS prevention programs.

Social funds should embrace the explicit goal of nurturing such innovations. Governments should use social funds to foster innovation by building into the social fund’s operating principles explicit learning mechanisms that allow the social fund to pilot, test, evaluate, adapt and replicate innovations.

**Develop assessment methodologies that reflect the broader objectives**

The findings presented at the conference on the impacts from social funds across countries showed the relative strength of a community-centered approach in improving the quality of social services and the well-being of poor households. This focus on impacts rather than outputs—for example not only monitoring the construction of a health center, but its increased utilization, improved maintenance and better health status of the people using the center—needs to be embedded within each social fund. This will require more widespread collaboration with national governments conducting household surveys, as well as better information gathering by the social funds themselves. Social fund managers specifically called for tools that will allow them to measure the impacts of their interventions systematically.

Furthermore, the enhanced agenda, outlined in the above recommendations, requires new assessment methodologies. Despite the recent useful experiences in measuring social fund impacts among poor households, capturing some of the broader societal impacts is still largely uncharted territory. Accurately assessing how social funds are impacting the social fabric of a community, including their ability to engage in development initiatives and effectively interface with local governments, will require an even greater investment in monitoring and evaluation and better management of project information. In developing new mechanisms to assess their new agenda, social funds will have to strike an appropriate balance between the accountability that short-term monitoring requires and the capturing of broader developmental impacts over the long-term.
2 Poverty Alleviation Backdrop

After decades of international development initiatives, the direct empowerment of poor communities is increasingly recognized as both a crucial goal and effective strategy to reduce poverty. As a pioneer of community-driven development, social funds serve as important exemplars of the promises and pitfalls of community-based strategies.

To consider the overarching policy backdrop against which social funds operate, the conference’s first session outlined the evolution of poverty alleviation strategies. Delivering the keynote address, World Bank President James Wolfensohn reconfirmed the World Bank’s commitment to assisting countries to develop and implement community-driven development strategies. He urged participants to consider how to improve social funds as a tool for community-driven development.

Keynote address

Describing his passion for community-driven development, World Bank President James D. Wolfensohn outlined the stark pressures that population growth and urbanization will place on development projects in the next 25 years. He urged participants to address the alienating nature of poverty that the World Bank’s seminal Voices of the Poor study conveys and called conference participants to consider how to improve the social fund model as part of an effort to scale-up community-driven development initiatives to help the world’s poor rise out of material and social poverty.

Empowering the poor through community-driven development

James D. Wolfensohn, President, World Bank

…This is, in fact, my first public event in my second five-year term in Washington. I just got back from the weekend, and I could not be more pleased that it is on the subject of community development, which is something that I have really warmed up to in the last few years. What I would like to do this morning is to tell you why this area of work is so important to me and also to express some hopes for what happens in the next few days.

Two aspects of poverty
Let me start with the fundamental proposition that I guess all of us are concerned with, which is the issue of poverty, and two aspects which are affecting my thinking as I look forward to my coming term in the next five years.

Scale of the operation
The first is the scale of the operation that we are dealing with. I guess all of you are familiar with the numbers, but it is probably worth reminding ourselves of them as we start three days of meetings.

The planet now has six billion people on it. We have three billion people living under $2 a day, and 1.2 billion under $1 a day. However, we have seen some considerable achievements in what we have done collectively as a community and as governments and as individuals over recent years in terms of life expectancy, infant mortality and maternal mortality, and education.

Nevertheless, we still face daunting challenges, as of today, where too many kids are out of school, not enough people have access to water and to sewerage, and where there is really a deep fissure within the international community, which hopefully we are getting over, as to how it is that we are addressing these problems and in determining who is at fault.

International turmoil
We, as an institution, have recently seen demonstrators outside our building accusing us of killing babies and creating all the mess in the world, which I must say I find a little difficult to bear given that I think most of us are trying to do exactly the opposite. There is not sufficient understanding between international institutions and some NGOs, and a lot of citizens are very worried about the structure of the international system, the
priorities in the international system, and about globalization as we look ahead and move forward. This concern is being reflected in all sorts of ways.

So we meet at a time today that, compared with three years ago, bears a lot more turmoil rather than a lot less turmoil in the international system, and that is a fact. That is something that one needs to deal with, and as I travel around the world having been to 104 countries, I now find that the internet has effectively changed our global environment, and therefore, its potential is great, if used effectively, to reverse this pervasive sentiment of pessimism.

I have just been in Turkey and I have been in Gaza and I have been in Israel and I have been in the Hague and in Prague, where we are having our next Annual Meetings. Everywhere that I go there are people riddled with these feelings of angst about the international system and the way that it is functioning.

Population growth and urbanization
Well, that would not be so bad, possibly even bearable if the challenges were as we describe it today, but in the next 25 years we will add another two billion people to the planet. And so the problem is not a static problem. It is a problem which could be compounded by population increase and demographic shift as we move from six billion to eight billion.

And of the two billion that are added, 97 percent of them will go to the developing world. So the 4.8 billion people that are now in the developing countries will become 6.8 billion. And the other dynamic is that over that same period, two billion people will move into cities and towns. So we have changing demographics. You will have 26 cities of 10 million or more by 2020. By 2025, you will have 500 cities of a million or more,
presenting all sorts of new challenges about how you operate with that sort of dynamic and how you conduct yourself from the point of view of management.

So that is one backdrop that you have to have for the conference, because that is the world in which we are operating. And this is a chance to stand back and look at the utility and the effectiveness of community-driven development. So you have that as one very, very significant element.

**Voices of the poor**
The other element is that we have just done a study called *Voices of the Poor* in which we interviewed 60,000 poor people in 60 countries. And the fascinating thing about the *Voices of the Poor* study is that poor people are the same everywhere in the world. They are the same as we are. Not surprisingly, they want to have a sense of well-being. They want to feel safe. They want to be able to bring up their kids in a secure environment. They want to have opportunity. And they are very concerned about the current state that they are in.

For women, in whatever country, there is a huge issue of female violence, violence against females, and also a huge question about opportunities for women. It is interesting that today we are doing “Beijing Plus Five” [the follow-up to the 1995 United Nations conference on women held in Beijing] in New York, but the question of women’s rights and the developmental force in relation to women is still clearly not addressed in many countries. And as women take on more and more economic responsibility, there are fewer and fewer changes in the house about what is expected of them. As a result, a lot of this is, according to our studies, erupting into frustration and violence, which is not great.

The second thing is that most people in poverty do not know who to trust. It is clear that they do not trust governments. Many say that they do not know who to trust between the police or the criminals. And this is not just an idle statement that is made by one or two people. This is consistent across the spectrum. There is no belief in legal and judicial systems protecting poor people, and the police as agents of protection is something that is far from the truth in most poor communities.

But the third thing which is very significant and extremely common is the lack of a voice, the lack of participation, the lack of the ability to make public, as an individual, what you want known. They feel that they do not have a franchise; they do not have a voice. And that is a consistent theme throughout these studies.

There are many other themes that come through that may interest you that you could look at in terms of how the poor feel, but the one I wanted to point out was this question of voice, this question of being able to determine your own future.

I have these two sorts of images in my mind, two things which have really had a big impact on me: firstly, the scale of the problem and the difficulties which we face today, amplified significantly by the fact that in the next 25 years, whatever problems we have today are bound to get worse or certainly larger—hopefully not worse but larger—and secondly the feeling of abandonment amongst poor people and the lack of voice, the lack of being able to represent themselves. …
**Paradigm shift to community development**

Now, why have I given you this background? Because what I have concluded, from my exposure and experience, is that the big paradigm shift we have to make is not to look at the poor as the problem, but to look at them as the asset on which to build and try to address this problem. And it seems to me that what community development does, as I have seen it and as I would hope, is that it says “if you have got problems of poverty, do not try and make the decisions in Washington or London or Paris or in some UN agency or at the World Bank. Trust the people who know what they need. Engage people so that they become the owners and drivers of development. Do not treat them as objects of pity. Treat them as assets.”

And I must say that my own experience in over 100 countries that I have visited is that the best people you meet are in slums and villages. They know a hell of a lot better than I do, than we do, about what is needed to meet their needs. I have yet to meet a farming group in a village who does not know, with some help, what it is that they want.

Last week I was in eastern Anatolia in Turkey with a bunch of farmers who have increased their output four times with some help from extension services. They are still negotiating. They are still on top of it. They are absolutely in control of their destiny. They know precisely what they want. They are fantastic negotiators. They make me feel very guilty every time I go to these villages, as I am sure that they know precisely what is needed. And if you give them the chance to be participants, you can usually be damn sure of several things: first, that the money is not wasted; secondly, that they own the project; thirdly, as you know, that they contribute between five and 20 percent to the projects; and, fourthly, if they do the project, that it will be there when you go back 10 years from now. And if they build a school, it is their school. If you give them a red brick schoolhouse, three years later it is a stable.

I mean, all of you are experts in this, much more than I. But the impression that I come away with is that the key for us—and I speak now of the Bank—is to really think of the current challenge as being one where we have to change the impetus to engaging poor people, both in rural and increasingly in urban areas. Remember, two billion more people are going into cities and towns. So it is not just a rural issue. It is an issue which we are going to have to face differently in both contexts.

**Scaling up**

If you can engage the communities, this may be the key that will make all the difference in terms of both enfranchising—the sense of good will that people want to have—but also in allowing the opportunity of scaling up. Because if you make the conceptual decision that you are going to trust the communities and you roll out these programs, then if there are 80 million new people a year, or whatever it is, you have a chance of scaling it up because you have a system which is not providing for them but using them in terms of being part of the asset base that will allow for the addressing of the questions of poverty and development.

Now, you may say that's all pretty high-flying stuff, but it is what I have sort of observed as I have gotten around. And I have become extremely enthusiastic about the potential for community-based development, whether it be in programs that affect their physical
surroundings, or microcredit schemes, or organizations of women, or the communal ownership of education programs, or dealing with questions of water, or dealing with issues of getting economic activity going in slums, or educational programs, or the use of computers, this latter element being new in terms of some of the community developments that I have seen. All of this is where the excitement lies.

Conference challenges
Now, what I am really looking forward to, as a result of these meetings, is the prospect of people in this room for two or three days standing back and examining whether or not these insights or these impressions are right. And if they are not, where is it that we should take them?

We must stand back, and, in a critical rather than self-serving manner, really examine what works. It sounds great, but what are the problems? What are the opportunities? How effective is it? How long does it go on? How capable are we to scale up? What are the things that we should learn? What are the differences that exist between projects? As we move forward, what is the flexibility that we should build in? How can we link ourselves now as part of a digital community so that we can keep in touch with each other before the next conference three years from now?

And we are, in fact, as an institution, moving steadfast into putting together what we call a Global Gateway, which is a computer base of information that is interactive. And this meeting cries out for us to link up with a website that will allow us to exchange ideas on an ongoing basis because what we decide today will have changed six months from now or 12 months from now.

What I would hope for as a result of these meetings is that we, of course, be self-congratulatory, but that we go far beyond that and really take a look at identifying the problems. What is it in this that really can make a difference? How central is this to the question of development? Is it the key to dealing with the additional two billion people in the next 25 years? What about sustainability? Key question. What about the long-term effects? What is it that we can together deduce from our experience that can give us a real strategy and a real program going forward? And how can we connect with each other so that we form a real community using the Internet, linking up with each other, exchanging ideas so that these ideas, which I guess all of us here feel are important, can become central to the whole development process?

I wish I could be with you for the extent of the meetings, but for various reasons I cannot. But I did want to come down and express the fact that for me the agenda is really critical, and that I would urge you to be self-critical, and to really try and come out with dynamic programmatic initiatives that you think make sense.

Wide open door
And I want to say to you that so far as the Bank is concerned in working with our brother and sister organizations in the international community, NGOs and communities themselves, there is a wide open door here to try and see how we can be supportive both in terms of intellectual contribution and in terms of money. We are very, very keen to
give this cooperation a very big push, but I would like your help to make sure that we are pushing it in the right direction and not over a cliff. This is what I hope you might be able to help us with over these next days.

As an institution, we approach this issue in a very modest way, you will be surprised to hear. We really feel that in this room there is the knowledge that we need, and we are looking forward to a very interactive engagement. You might think that you are going to get lectured from us on how to do it, but that is not what the next three days is going to be about. It is really set up as a dialogue, and I wanted to come and welcome you all and say I am personally very much committed to this, and I hope very much that within the framework of community development we will come up with one of the very, very important keys to meeting the challenge of a peaceful world. And I think community development provides a crucial backdrop for promoting a positive approach to upcoming challenges to ensure that our children inherit a peaceful world.

Thank you all very much.

Questions and answers

Dimitar Matev, the Bulgarian Ministry of Labor and Social Policy official responsible for the social investment fund in Bulgaria, asked Mr. Wolfensohn to discuss examples of successful community-based development projects and to explain whether all social funds should follow a single pattern of success, or whether differences in national context dictate difference in social fund strategy.

Mr. Wolfensohn’s response:

First of all, there is no doubt that there are differences, both within the United States and in the different areas of the world that you describe. However, my understanding of community-based development is that its first and greatest strength is that since it entails going into the community to find out what it is that they need, your new collective effort encompasses the internal differences. You start in the community. You do not start the implementation of programs from Washington or from some aid agency externally.

My understanding of community-based development is that the consultative process with the people in the community is the absolute basis for the construction of community programs. So whether in Bulgaria or in Harlem in New York, community development starts with the community. And, frankly, I have had experience in this country in community-based development, and I must tell you that I find many similarities between these types of poverty programs and those in Africa or in other parts of the world.

So I hope that after three days you might come up with a second element, concerning the countries that have had centrally planned economies, which is the open-minded approach of harnessing the knowledge and experience of the people rather than just the central planners. My experience is that that is probably worthy of very careful exploration, but it
is not easy in some parts of the former Soviet Union or in the Eastern bloc because they have had the notion that they know better. I am not saying that critically, but that was the nature of the system.

And if you go to the Nordic countries or the Scandinavian countries, you will witness a mixture of social programs and community-based development, and you will, I am sure, meet with some of the representatives here who can highlight some of the main differences. So in reference to your fourth question about the pattern, I think the first pattern is that you have to trust the people. The second part of the pattern is that, according to my experience, if you work with and within communities, the issue of corruption, which I have not yet mentioned, is, in fact, diminished not increased.

My observation, though far from a scientific test, is that you have a much greater chance of losing out on the corruption question with centrally-imposed solutions than you do with community-based solutions, because communities watch each other to dissuade corruption while promoting a greater level of equity in terms of access to services and attaining results. But that is for you to decide after you have discussed it with the people here.

I am not suggesting that community-based development is the answer to every conceivable problem in poverty alleviation. But I must repeat that it appears to be an extraordinarily effective tool and that in terms of the direction of this institution, we should be encouraging a growth in community-based development more than we have done in the past. That is my hypothesis.

But I hope that as a result of these meetings we will be able to refine that, and you can contest what I am saying as nonsense or support it or view in relative terms the use of community-based development as advantageous in certain circumstances but not in others. For example, community-based development to build a hydroelectric dam or to extend a 20-kilometer bridge over a river is probably not such a great idea. But in other areas such as managing the school system or promoting local communal activity or credit schemes or looking at how you are managing water: there are a hundred areas where I think it can be very, very useful. So I hope that you will hear a better answer from people here over the next two or three days than what I have given you.

To wrap up, I think that the notion of community-based development is very flexible and can encompass different communities, but there are some fundamental principles, and underlying patterns, if you like, that are there, and they involve trust, community outreach and accountability. You have to have trust, and if you have trust, our experience has been that it generally gets repaid and therefore you can rely on most of the community developments. While not a given in every case, if you treat people with trust, there is a pretty good chance that they will respond.
**World Development Report 2000/1**

At the dawn of a new century, the World Bank’s annual World Development Report focuses on poverty, assessing the successes and failures of the previous 10 year’s poverty alleviation strategies and charting a new course for the following decade’s efforts. This session sought to provide an overview of this year’s World Development Report, and to consider what the implications of its findings are for the operations of social funds.

Nora Lustig, the World Development Report 2000/1 co-director, described the Report’s framework of poverty alleviation based on the three pillars of promoting opportunity, facilitating empowerment and enhancing security. She then outlined how social funds can support this framework. Selim Jahan, from the United Nations Development Programme acknowledged that this year’s Report represents a welcome evolution in the World Bank’s thinking about poverty. He outlined five of these advances, but also described five general weaknesses. Finally, he too discussed the role social funds can play in the broader poverty alleviation strategy.

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**Three-pillar framework of poverty alleviation**

Nora Lustig, World Development Report 2000/1 co-director

**Evolution of anti-poverty strategy**

The strategy to combat poverty has evolved over the past 50 years. During the 1950s, 1960s and the early 1970s, the strategy focused on promoting economic growth. In light of the debt crisis and the disparate success of various regions, the strategy shifted during the 1980s with more people regarding the creation and sustenance of human capital as the hallmark of effective poverty alleviation programs.

The World Development Report 1990, which also focused on poverty as its main theme, synthesized these two approaches in a two-part strategy. The Report called for developing countries and their supporters to implement policies that would promote both growth and investment in human capital.

**World Development Report 2000/1**

**Building on old strategy**

The World Development Report 2000/1 takes a broader view of poverty and its causes, incorporating the lessons from five decades of interventions. The roles of economic growth and of education and health continue to be at the core, but the Report emphasizes the institutional basis of poverty reduction and calls on the state and other institutions of society to be more responsive to poor people. Likewise, the Report stresses the need to reduce vulnerability and improve security. Finally, with the new global context at the turn of the century, the Report places a greater emphasis on global responsibility.

**Causes of poverty**

Poverty is about people, the human beings behind the statistics. In preparation for the Report, the World Bank conducted 60,000 interviews with poor people around the world. These interviews powerfully revealed how poverty is not an outcome of economic forces alone. Rather it is an outcome of economic, social and political processes that interact with each other and frequently reinforce each other in ways that exacerbate the state of
deprivation in which poor people live. Poverty encompasses material deprivation, insecurity and powerlessness and vulnerability.

Economic growth can only lead to poverty alleviation where inequality, in access to resources and to power, is low. Reducing poverty thus requires adequate institutional change, as well as economic growth. In a world where political power is distributed unequally and often mimics the distribution of economic power, the ways that institutions operate also may harm the poor. The access to markets and power, as well as the workings of the state, are thus important determinants of poverty.

**Exclusion and vulnerability**

Around the world, poor people repeatedly describe how poverty is about powerlessness. Poor people are cheated and exploited both economically and physically at the hands of the institutions of state and society and encounter violence, extortion and intimidation. Arbitrary bureaucratic power hampers their ability to raise their voice, leaving the state unlikely to be accountable to poor communities.

Adverse shocks often force poor people to carry out survival strategies in the short-term that trap them in long-term poverty. More vulnerable to such shocks in general, they are especially powerless to take on the added risks that global economic and environmental developments can precipitate.

**Framework for action**

Beyond the bleak descriptions of deprivation, talking with poor people also shows that

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**Voices of the poor**

*In preparation for the World Development Report 2000/1, the World Bank asked 60,000 poor people in 60 countries to describe their experiences of poverty. Their responses, collected in the volume *Voices of the Poor*, indicate the multi-dimensionality of poverty. These four quotes exemplify how material insecurity, vulnerability and disempowerment plague poor people.*

Don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at the utensils and the clothes I am wearing. Look at everything and count what you see. What you see is poverty.

*Kenyan man*

We face a calamity when my husband falls ill. Our life comes to a halt until he recovers and goes back to work.

*Egyptian woman*

Poverty is humiliation, the sense of being dependent on them, and on being forced to accept rudeness, insults and indifference when we seek help.

*Latvian man*

At first I was afraid of everyone and everything—my husband, the village sarpanch, the police. Today I fear no one. I have my own bank account. I am the leader of my village’s saving group. I tell my sisters about our movement and we have a 40,000 strong union in the district. Today I fear no one.

*Indian woman*
effective policies can increase the accountability of those in power to poor communities and decrease the vulnerability of the poor. Economic growth remains at the center, but reducing inequality in access to assets, services and markets, reforming governments and reducing vulnerability and powerlessness are also crucially interconnected with reducing income inequality.

Recognizing the multi-faceted nature of poverty, the World Development Report 2000/1 details a three-pillar framework for promoting growth and ensuring that its benefits are more widely enjoyed.

These pillars involve government, civil society and the business community. Recognizing that developing countries cannot succeed on their own, the framework also calls for more sharing of global wealth and innovation and for a more responsible stewardship of the global environment. Specifically, the three pillars of the poverty alleviation strategy call on governments and citizens to:

**Promote opportunity**—Poor people must have the opportunity to benefit from global markets and to take manageable risks to secure a sustainable livelihood for themselves. Poverty alleviation strategies must also build up the assets and expand the market opportunity of poor people.

**Facilitate empowerment**—Poor people must be able to overcome the social and political marginalization that currently delineates much of the portrait of global poverty. Poverty alleviation requires the transformation of state institutions to be more responsible, responsive and accountable to poor people. Supporting social networks and removing social barriers is also crucial.

**Enhance security**—Poverty alleviation requires reducing and mitigating the risks that threaten poor people and enhancing mechanisms to help them cope with adverse shocks.

**Role of social funds**

In situations where governments are weak and unable to support development initiatives adequately, social funds will continue to be an important vehicle for the international community to build the three pillars of the development framework.

**Social funds and the three pillars**

Beyond these conditions of civil conflict, strife or war which make social funds especially useful, social funds can buttress each pillar of the social development framework:

**Opportunity**—Social funds can play an important role in building up the assets of poor people. For example, building schools, health post and roads increases the assets of poor communities. Providing employment and income opportunities during the project’s construction phase can also directly enhance household income.

**Empowerment**—Social funds can facilitate empowerment of poor communities by increasing the access of poor people to mechanisms that ensure equal treatment before the law. Social funds can also help communities monitor development projects and can remove social barriers by targeting the incorporation of women and ethnic minorities.
Security—Essentially conceived as coping mechanisms, social funds should renew their concentration on providing a safety-net. Especially in response to natural disasters and other large-scale emergencies, social funds are especially effective because they can disburse assistance quickly. Social funds can also help in implementing risk reduction and coping schemes.

Assessment from a human development perspective
Selim Jahan, United Nations Development Programme

**Evaluation of the World Development Report 2000/1**

*Advancements in World Bank thinking*
A comparison of the World Development Report 2000/1 with the previous Report on poverty in 1990 illustrates that the World Bank has advanced in its understanding of development in five aspects:

*Multi-dimensionality of poverty*—The World Development Report 2000/1 treats the multi-dimensionality of poverty more seriously and intensely. This Report does not focus on income poverty and then add concerns like health and education as peripheral issues. Rather it attempts to view impoverishment from a multi-dimensional perspective. It also raises the issue of the importance of designing a measure of multi-dimensional poverty and attempts to do so for a few countries.

*Disaggregation*—Impoverishment is not a blanket term and it implies different things for different groups of people. The face of poverty cannot be truly seen unless deprivations are viewed from a disaggregated perspective. By disaggregating poverty in categories including regions, gender, ethnicity, income groups and rural-urban divide, the Report has provided a more in-depth picture of poverty.

*Integration*—The Report has analyzed poverty, and the policy implications for overcoming it, at all levels—macro, meso and micro. It also integrates policies at the macro level with institution building at the meso level with initiatives at the micro level.

*Inequality and vulnerability*—Inequality and vulnerability are two important dimensions which are closely linked with poverty but which have distinguishing features themselves. The Report has described inequality and vulnerability well, both as independent phenomena and as the intertwined constituents of impoverishment.

*Voices of poor people*—The Voices of the Poor survey presents first-hand accounts of how poor people view poverty. These accounts bring a valuable perspective to this year’s World Development Report.
Counterpoints
While these aspects of the Report mark a landmark advancement in World Bank thinking, from a human development perspective, the following five issues deserve more attention in the World Development Report 2000/1:

Poverty cast in a human rights perspective—Poverty is a denial of human rights. Treating poverty from a rights perspective has both substantive and operational implications. In terms of substance, the moment poverty is cast in a human rights perspective, one cannot take a victim approach to poor people, and overcoming poverty becomes a rights issue rather than a charity question. From an operational point of view, the issue of realization of rights would become associated with duty-bearers of rights. If poverty remains persistent, a rights approach allows us to identify duty-bearers, including communities, states, or the international community, and to hold them accountable for their inaction.

Poverty in the North—Poverty is no longer a Southern phenomena. If there is a North in the South, there is also a South in the North. When one in every 10 people born today in the North is not expected to survive to age 60 despite an average life expectancy of more than 75 years, when one in every five adults in some developed countries is functionally illiterate and more than 13 percent of people are income poor, poverty and deprivation are very much present in the North. A poverty report today should not ignore impoverishment in the North altogether.

Environmental degradation—While the Report generally treats vulnerability well, one of the major sources of vulnerability omitted in the Report is that from environmental degradation. More than half a billion people live on ecologically fragile land. An analysis of the nexus of environmental degradation, poverty and vulnerability would have been helpful.

New issues—With regard to poverty and deprivation, cutting-edge issues such as HIV/AIDS, conflicts, time use and the feminization of labor are critically important. The Report would have been more useful had it covered some of these new issues and discussed how they are changing the face of poverty.

Growth and redistribution in a global economy—The quality of growth is as important as its quantity. People do not want jobless, futureless, rootless and ruthless growth. In considering the nature of the global economy, the Report should have gone beyond an examination of international development assistance to issues of fairness in opportunities in global trade and investments, the structures of global governance and the rules of global finance and administration.

Implications for social funds
Social funds can help countries to fulfill many of the recommendations in the World Development Report 2000/1. Specifically, social funds can assist in five general areas of social development that the Report recognizes as central to poverty alleviation:

Social sectors—Social funds should be used to invest in social sectors such as health and education to build human capabilities.
Social capital—Social capital is important during conflict situations and in development. Social funds can help build social capital, particularly in terms of bridging capital at the community level.

Social safety nets—Social funds should be used to build social safety nets for those who are vulnerable and cannot protect themselves.

Social mobility—Social mobility is not only a result of development but also a factor in fostering development. Social funds can enhance social mobility.

Social space—Social funds can help create both political and democratic space for poor people to voice their concerns and to hold government accountable.

Discussion points

Inequality
Carlos Noguera Pastora, Executive President of the Nicaragua Emergency Social Investment Fund, stressed that economic growth does not necessarily reduce the numbers of people in poverty. Reducing inequality must be the focus of poverty alleviation efforts, he said. Picking up the theme of inequality, Seydou Nourou Sow, a consultant with the World Bank, argued that poverty arises from inequality, not deprivation. Tackling poverty requires redistribution of global resources, rather than the creation of vast new stores of wealth.

In response, Nora Lustig explained that states too rarely exercise their redistributive power sufficiently. Specifically, states should use their budgets and policies to redistribute income and assets such as land, create appropriate regulatory policy that does not undermine production and entrepreneurship and ensure that markets function. Selim Jahan described the need for people to focus on equitable growth rather than growth distributed equitably. He agreed with Lustig’s emphasis on the role of the state, explaining that development supporters tend not to hold states accountable for poverty. He stressed the connection between micro-level intervention and the macro-level policy framework.

Empowering poor people
Anek Nakabutara, the Executive Director of the Thai Social Fund Office called attention to the potential of poor communities. Focusing on social capital, rather than material indicators, he argued, poor communities are often actually quite rich.

In response, Nora Lustig explained that the World Development Report 2000/1 sees poor people as the primary actors for change, and reaffirmed that poor people must be the center of development projects. Efforts to determine the extent and incidence of poverty must consider not just those people currently experiencing income poverty, but also those who are vulnerable. The largest segment of the poor are people who fall into poverty.
3 Evaluating social fund performance across countries

The increasing prevalence and importance of social funds has inspired widespread conventional wisdom about their benefits and drawbacks, but few systematic impact assessments have been carried out to test these hypothesis. To address this gap, the World Bank carried out a cross-country study to examine the poverty targeting success of social funds, their impact on living standards, their sustainability and their cost efficiency. This study marks the first cross-country, quantitative assessment of the impact of social funds.

The preliminary results from the study found, contrary to popular misconceptions:

- Social funds do reach the poor.
- Social funds build infrastructure that is relatively well staffed.
- Social fund-financed infrastructure is maintained.
- Social funds have long-term impacts.
- Social fund investments may or may not be more efficient than other programs—they tend to have lower costs than comparable projects when community participation is relatively high.

Despite this success, Steen Lau Jorgensen, the Sector Manager of the World Bank’s Social Protection Unit, warned social fund managers and supports against complacency, instead urging them to improve their performance and embrace new challenges.
Findings from the Study

Objectives of the Study

Why conduct the study?
Originally conceived as emergency measures, social funds have become long-term strategies, with some now in their third or fourth phases. Increasingly widespread and well-funded, social funds are operating in 50 countries, with resources to date totaling US$3 billion from World Bank loans and twice that amount with other sources of financing included.

Dynamic and evolving, many social funds are supporting not only traditional infrastructure projects, but also local government and NGO capacity building, microfinance and social assistance programs. Despite the success and increasing importance of social funds, there exists little knowledge of their direct impact on households or facilities.

To address the lack of quantitative evidence, the World Bank Social Protection Unit began a study of social fund programs in six countries in 1998. This study examined social funds in six countries to assess their poverty targeting success, their impact on living standards, their sustainability and their cost efficiency. Building on on-going work, the assessment collaborated with social funds and World Bank teams in Armenia, Bolivia, Honduras, Nicaragua, Peru and Zambia. (The data on Armenia was not available at the time of this presentation but will be incorporated into the final impact assessment report.) The study examined those countries in which interest was high and/or household surveys were already planned and financed.

The evaluation involved broad participation by many partners. World Bank participants included members of the Human Development and the Poverty Reduction and Economic Management networks, the Impact Evaluation and the Social Funds thematic groups, and members of the Africa, Eastern and Central Europe, and Latin America and Caribbean regional groups. In each of the surveyed countries, local social fund officials, national statistical offices, consulting firms, universities and NGOs participated in designing the evaluations, collecting the data and analyzing results. Among many other multilateral and bilateral partners, the Norwegian Trust Fund provided resources for the overall study.

Methodology

Data and surveys used
The study used primary data collected in national surveys, facilities surveys and beneficiary assessments. This data included household surveys, facilities surveys, qualitative assessments and a cost-efficiency study.

Household surveys—The study used results from household surveys, often adding additional modules to a living standards survey, oversampling social fund beneficiaries and creating comparison groups from a sample of non-social fund households.
Facilities surveys—The same basic framework was adapted to each country (except Peru) and applied to social fund (treatment) and non-social fund (comparison) facilities. The study used separate surveys for each type of intervention, for example, schools, water supply systems and health centers.

Qualitative assessments—Several country cases applied qualitative assessments to complement the quantitative data collected through household surveys.

Cost efficiency study—The study compared social fund projects to similar projects carried out by other agencies to assess the unit costs of social fund projects.

Preliminary findings

Poverty targeting
This evaluation work provides the first opportunity to examine the poverty levels of households receiving social fund investments. The question of whether social funds are able to reach poor households has been a subject of debate, particularly because of the inherent tension between social funds’ demand-driven investment allocation mechanisms that often favor better organized communities and social funds’ mandate to target the poor.

The poverty targeting section of the study set out to answer the following questions:

• Are social funds reaching poor communities and households?
• Does targeting vary by type of subproject, such as latrines or schools?
• Does targeting improve over time?

Targeting mechanisms
Social funds employ four basic tools to target poor communities and households:

Geographical targeting through poverty maps—With the availability of data to quantify the extent of district-level poverty, social funds can allocate resources to projects in communities located in poor areas. Many countries use weighted allocations that ensure more social fund resources are available in high-poverty districts.

Self-targeting through menu choice—Limiting the menu of subprojects to projects that primarily poor people would want to undertake creates a self-targeting mechanism. If, for example, social funds only finance basic infrastructure, then communities that already have access to latrines, water or roads will not use the social fund.

Ex-ante social assessment—To prevent leakage of social fund resources into communities that are rich enough to fall outside the target, social funds screen proposals based on field visits to confirm poverty conditions before they undertake subprojects.

Outreach—Greater outreach by the social fund in the poorest communities increases the likelihood of redistributive outcomes from social fund disbursements. Social funds are increasingly establishing regional offices to conduct the necessary outreach to assist poor communities in securing social fund financing.

An inherent tension exists between social funds’ demand-driven nature that often favors better organized communities and social funds’ mandate to target the poor.
How to Evaluate Targeting Results

Geographic—To assess the effectiveness of geographic targeting, the study calculated how the allocation of social fund resources by district compared with the poverty levels in different districts. Specifically, the study determined the proportion of social fund resources being spent in poor districts. (See the chart below.)

Household—This study marks the first cross-country analysis of household-level targeting by social funds. In Peru, where social fund projects are so widespread that the national household survey could collect data on their allocation, the study drew on this survey directly. In the other countries, the researchers over-sampled households in areas with social fund projects, then compared income levels in those households to national or regional averages, and/or to households in areas with similar projects undertaken during the same period.

The poverty measurement methodologies varied from country to country, depending on the survey being applied. For example, the study used income-based measures in Honduras to coincide with the national measures established in the Honduras income and expenditure survey, whereas the study applied consumption-based poverty measures in the countries which use a type of Living Standards Measurement Survey.

As the figures in Chart 1 show, the study provides evidence that social funds do reach the poor districts. In almost all cases, the amount of resources spent in poor districts is greater than their share of the population, though some projects were more redistributive than others. Across all countries, targeting has improved over time. For example, in Nicaragua between 1991 and 1998 the relative share of resources going to the very poorest municipalities tripled—from 11 to 34 percent.

Chart 1: Do Social Funds Reach Poor Districts?

This table shows what percentage of social fund disbursements were spent in the poorest districts. In each case, the social funds spent a greater proportion of their total disbursements (left column) in poor districts. The results from Nicaragua highlight how targeting improved over time. Also, compared to other funds in the sample, Peru allocates relatively more of its resources to the poorest districts.
Evaluating Social Fund Performance

Impact evaluation
A good impact evaluation asks the question: what would the status of the beneficiaries have been without the program? In considering how social funds have changed people’s condition, the study considered three aspects of the intervention:

- change in quality of facilities and services
- change in coverage and utilization of services
- impact of interventions on recipients’ education and health status

Impact evaluation methodology
Impact evaluations assess the effect of an intervention by constructing counterfactuals that allow a comparison between the beneficiaries’ current condition and the status the beneficiaries would have achieved without the program. In this respect, the study

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determines not only the extent of infrastructure that was built, but also its household-level impact. For example, the study considers not only how many classrooms were renovated, but also what impact those renovations had on educational attainment.

Researchers usually construct counterfactuals by comparing communities who received the intervention to similar communities who did not, referred to as the comparison group. In the case of assessing social funds, a creative approach was necessary to determine appropriate comparison, or control, groups for each country. Each country assessment used different evaluation methodologies depending on the timing and availability of survey data and the impact evaluation design. In Honduras and Zambia, for example, communities that have social fund projects in the pipeline, but not yet completed, were used as part of the control groups.

The research used a mixed-method approach, incorporating data from household surveys, facilities surveys and qualitative assessments. The research focused on the subproject categories that receive the majority of funding. In each country, this focus strengthened the potential for cross-country insights by examining a combination of education, health, water and sanitation subprojects.

**Issues for further discussion**

*Improving evaluation capacity*—This study marks the first step toward developing an in-depth understanding of the global impact of social funds. Increasing evaluation capacity and knowledge about social funds will require the collection and use of baseline data in future social fund evaluations and the sharing of knowledge, innovations and models of successful ventures.

**Summary of findings**

Preliminary findings for the health, education, water and sanitation sectors follows. These findings support the assertion that social funds build infrastructure that is relatively well-maintained, staffed and used. However, especially in health projects, where social fund investments have often led to changes in utilization but not to improvements in beneficiaries’ health, social fund practitioners must consider how to organize social fund projects better to achieve their desired outcomes. For example, in Bolivia, the one case in which health outcomes noticeably improved, an emphasis on outreach complemented the upgraded infrastructure.
### Table 2a: Social Funds Impacts in Health at a Glance

<table>
<thead>
<tr>
<th>Quality of facilities</th>
<th>Social fund health facilities have access to</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing</strong></td>
<td></td>
</tr>
<tr>
<td>Nicaragua</td>
<td>More doctors and nurses—1.4 per facility compared to 0.5 at other facilities</td>
</tr>
<tr>
<td>Honduras</td>
<td>Half the medicine that should be available—similar to other facilities</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>75% of medicines that should be available, compared to 69% in other facilities</td>
</tr>
<tr>
<td>Bolivia, Nicaragua, Zambia</td>
<td>More furniture and basic medical equipment</td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td></td>
</tr>
<tr>
<td>Nicaragua</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td></td>
</tr>
<tr>
<td>Nicaragua</td>
<td></td>
</tr>
<tr>
<td>Bolivia, Nicaragua, Zambia</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Utilization</th>
<th>Social fund health facilities are used more often, with</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>17 consultations/day compared to 14 at other facilities</td>
</tr>
<tr>
<td>Honduras—Urban areas</td>
<td>54 consultations/day compared to 34 overall</td>
</tr>
<tr>
<td>Honduras—Rural areas</td>
<td>9.4 consultations/day compared to 9.2 overall</td>
</tr>
<tr>
<td>Zambia</td>
<td>Child attendance, deliveries and total hours open increasing in social fund facilities while declining in other health posts</td>
</tr>
</tbody>
</table>

**On the household level, social fund investments resulted in**

| Honduras             | 10% increase in sick people seeking medical attention (from 41-51%) |
| Bolivia              | Significant increases in pre-natal control and number of attended births |
| Nicaragua            | Positive impact on health-post use by children under 6 with diarrhea |
| Zambia               | Greater use of local health-posts instead of hospitals |
|                      | Higher number of children vaccinated for diptheria and polio |

<table>
<thead>
<tr>
<th>Health outcomes</th>
<th>Communities with social fund health facility investments had</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>Significant reduction in under 5 mortality</td>
</tr>
<tr>
<td>Nicaragua, Honduras, Zambia</td>
<td>No clear measured impact on health outcomes</td>
</tr>
</tbody>
</table>

Social fund investments in health also have a clear, positive impact on infrastructure quality and services provided. They are usually accompanied by an increase in the availability of key non-infrastructure inputs such as medical equipment and staff, although the levels of these inputs, especially medication, remains low in social fund facilities as well as non-social fund facilities compared to sector norms. The general, positive, significant impact on health facility utilization is not accompanied by observable, significant changes in health outcomes, except in Bolivia, where such investments significantly reduced child mortality (under 5 years of age).
### Table 2b: Social Funds Impacts in Education at a Glance

<table>
<thead>
<tr>
<th>School infrastructure</th>
<th>Social fund provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua (1991-99)</td>
<td>49% of public education investments</td>
</tr>
<tr>
<td>Honduras (1994-97)</td>
<td>58% of new schools</td>
</tr>
<tr>
<td>Peru (1992-98)</td>
<td>61% of new classrooms</td>
</tr>
<tr>
<td>Zambia</td>
<td>10,000 education projects worth US$12.2m school rehabilitation projects that reached 16% of school stock</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>School quality</th>
<th>Social fund schools had better</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua and Zambia</td>
<td>access to piped water and electricity</td>
</tr>
<tr>
<td>Bolivia and Nicaragua</td>
<td>access to sanitation services</td>
</tr>
<tr>
<td>All countries</td>
<td>desks</td>
</tr>
<tr>
<td>All countries</td>
<td>(or equal) access to textbooks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Staffing</th>
<th>Student-teacher ratios in social fund schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>stayed constant, but rose in other schools</td>
</tr>
<tr>
<td>Zambia</td>
<td>were similar to other schools, with more teachers per school</td>
</tr>
<tr>
<td>Bolivia</td>
<td>fell, while they increased slightly in other schools</td>
</tr>
<tr>
<td>Honduras</td>
<td>were in line with national average</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enrollment</th>
<th>Enrollment in schools receiving social fund investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>increased by 20%, while declining slightly in other schools</td>
</tr>
<tr>
<td>Zambia</td>
<td>increased by 17%, while declining by 2% in other schools</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In communities receiving social fund investments, enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
</tr>
<tr>
<td>Peru</td>
</tr>
<tr>
<td>Zambia—urban areas</td>
</tr>
<tr>
<td>Rural Zambia, Honduras, Bolivia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education impacts</th>
<th>Age-for-grade improved by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>15%</td>
</tr>
<tr>
<td>Honduras</td>
<td>1-5%</td>
</tr>
<tr>
<td>Zambia—rural areas</td>
<td>4%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>No impact on achievement as measured by math and language tests</td>
</tr>
</tbody>
</table>

Social fund investments in education have a clear, positive impact on the quality of infrastructure and the services provided. In most cases, social funds were a significant player in terms of the coverage of the national infrastructure stock. These infrastructure investments are usually accompanied by an increase in the availability of non-infrastructure inputs such as teachers and textbooks. Education investments result in positive changes in enrollment, attendance and other outcome indicators such as age-for-grade and drop-out rates, though not in all countries. For example, Honduras, Bolivia and rural Zambia enrollment impacts were not discernable.
Table 2c: Social Funds Impacts in Water at a Glance

<table>
<thead>
<tr>
<th>Quality of facilities</th>
<th>Water from social fund projects available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>25 days/month on average compared to 18 in non-social fund projects</td>
</tr>
<tr>
<td>Honduras</td>
<td>At desired levels in 50% of social fund projects, 79% in other projects</td>
</tr>
<tr>
<td>Bolivia</td>
<td>With 4-10% increase in frequency</td>
</tr>
</tbody>
</table>

| Water quality | Bolivia | After training, social fund projects reduced fecal contamination from 55%-13% |

<table>
<thead>
<tr>
<th>Water utilization</th>
<th>Social fund projects resulted in a net increase in water coverage in social funds versus comparison group areas by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honduras</td>
<td>5%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>10% in Chaco, 18% in Resto Rural</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Time and distance to water source decreased by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honduras</td>
</tr>
<tr>
<td>Bolivia</td>
</tr>
<tr>
<td>Nicaragua</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impact on health</th>
<th>Social fund water investments resulted in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>Reduction in duration of diarrhea and in under-5 mortality</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Reduction in incidence of stunting (height-for-age deficits) among children under 5 from 25%-14%</td>
</tr>
<tr>
<td>Honduras</td>
<td>No observable impact on the incidence of diarrhea</td>
</tr>
</tbody>
</table>

Social fund investments in water have increased access to water, raising coverage and reducing time and distance to the nearest water source. They have resulted in significant improvements in health outcomes in two of the three cases that had water components (in Bolivia and Nicaragua, but not in Honduras).

Table 2d: Social Funds Impacts in Sanitation at a Glance

<table>
<thead>
<tr>
<th>Investment quality</th>
<th>Connections rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In social fund areas</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>64%</td>
</tr>
<tr>
<td>Honduras</td>
<td>40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>In social fund areas compared to comparison group areas, net increase in households with access to</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Latrines</th>
<th>Sewerage connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>19%</td>
</tr>
<tr>
<td>Honduras</td>
<td>65%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>NA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Health outcomes</th>
<th>Investment in sanitation facilities resulted in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latrines</td>
<td>Sewerage</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>no impact drop in diarrhea in children under 6:</td>
</tr>
<tr>
<td></td>
<td>9% in social fund households, 22% in comparison group areas</td>
</tr>
<tr>
<td>Honduras</td>
<td>Reduction in diarrhea of 7% in social fund areas, 10% in comparison group areas</td>
</tr>
<tr>
<td></td>
<td>no impact</td>
</tr>
</tbody>
</table>

*Latrines*—Social fund investments in latrines have improved access to sanitation and resulted in positive impacts on health outcomes in one of the two cases studied (in Honduras, not in Nicaragua).

*Sewerage*—Social fund investments in sewerage have increased access to sanitation although the connection rates remain low. In one of the two cases studied (Nicaragua, not in Honduras) this increased access resulted in positive impacts on health outcomes.
Sustainability
Going beyond previous beneficiary assessments, this study more deeply probed the role of the community in developing and maintaining social fund projects. Through its questionnaires, the study analyzed the effect of community cohesiveness and support on project sustainability, the likelihood that the completed project will continue to perform its desired role.

Priorities, participation and social capital
The study examined three main variables that impact sustainability:

• The extent to which the investments reflect community preferences and priorities
• Community participation in the identification, execution and maintenance of the project
• The level of social capital and community capacity for collective action

Community preferences and priorities
Previous beneficiary assessments found that social fund investments overwhelmingly reflected the felt needs of poor communities. This impact evaluation study used new evidence to explore the degree to which the project chosen was the one most wanted by the community.

Nicaragua—Community members consistently designated social fund projects as the most beneficial projects received by the community with 71 percent of interviewees reporting that the social fund project was the most beneficial, while only seven percent reported that the chosen project offered less benefits than alternatives.

Honduras—Water, health and education projects represented the communities’ expressed priorities, receiving more votes than other projects. However, sewerage and latrine projects were often undertaken despite community support for other projects. In communities that undertook sewerage projects, only four percent of the community ranked sewerage projects as their most pressing need.

Participation
The table on the following page shows the results from the study’s examination of the extent to which community members participated in the identification, execution and management phases of social fund projects. The results show that, compared to similar projects undertaken by other agencies, social fund projects tend to involve community members more in all phases, though participation is highest in the identification phase, and lower in many aspects of the operation and maintenance phase.

Identification phase—Not surprisingly, participation was highest in the identification phase and varied across sectors and countries. In Honduras, for example, households were consulted far more widely on sanitation projects than water projects.

Execution phase—Participation was lower in the design and execution phases, but still usually higher than in the same phases of comparable projects undertaken by other agencies.
Operations and maintenance phase—Social fund projects were generally better maintained than control group facilities. Social fund-financed infrastructure also led to more active fund-raising and support by the community to pay for upkeep. As with other projects, however, the fees were often inadequate to meet the financial burden of operation and maintenance.

Does participation matter?—In the Peru case study, the only one that focused on participation, higher levels of participation in the selection, design and operation of a project are associated with increased utilization and a higher probability of project success. A survey of the beneficiaries and participants of two rounds of completed social fund projects in Peru (totaling 570 projects) showed that increased community participation raised the probability of success in all social fund projects, with the greatest impact in water and sanitation projects.

Overall in Peru, participation by community members with more education is more important to improve the probability of project success, and less poor communities show a greater return on participation. However, training and effective project management can help overcome the inherent weakness of poor communities.

<table>
<thead>
<tr>
<th>Identification phase</th>
<th>Percentage of community members participating</th>
<th>Social fund</th>
<th>Other projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua School infrastructure</td>
<td>66</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>Honduras Overall</td>
<td>73</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Honduras Water</td>
<td>66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honduras Sewerage</td>
<td>85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honduras Latrines</td>
<td>86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honduras Overall</td>
<td>73</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Honduras Water</td>
<td>66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honduras Sewerage</td>
<td>85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honduras Latrines</td>
<td>86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Execution phase</td>
<td>Zambia Rural</td>
<td>64</td>
<td>57</td>
</tr>
<tr>
<td>Execution phase</td>
<td>Nicaragua Overall</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Execution phase</td>
<td>Nicaragua Health</td>
<td>Higher in social fund projects</td>
<td></td>
</tr>
<tr>
<td>Execution phase</td>
<td>Nicaragua Water and sewerage</td>
<td>Low or non-existent</td>
<td></td>
</tr>
<tr>
<td>Execution phase</td>
<td>Zambia Overall</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Execution phase</td>
<td>Zambia Health</td>
<td>Higher in social fund projects</td>
<td></td>
</tr>
<tr>
<td>Execution phase</td>
<td>Nicaragua Overall</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Execution phase</td>
<td>Nicaragua Health</td>
<td>Higher in social fund projects</td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance phase</td>
<td>Zambia Schools</td>
<td>Higher payment of PTA fees</td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance phase</td>
<td>Nicaragua Schools</td>
<td>More active fundraising</td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance phase</td>
<td>Honduras Schools</td>
<td>More active fundraising</td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance phase</td>
<td>Nicaragua Schools</td>
<td>More active fundraising</td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance phase</td>
<td>Honduras Health</td>
<td>Greater likelihood of maintenance committee (50% vs. 14%)</td>
<td></td>
</tr>
<tr>
<td>Operation and maintenance phase</td>
<td>Nicaragua Health</td>
<td>Twice the level of community volunteers</td>
<td></td>
</tr>
<tr>
<td>Insufficient fees</td>
<td>Honduras Water</td>
<td>83% of communities</td>
<td></td>
</tr>
<tr>
<td>Insufficient fees</td>
<td>Nicaragua Water</td>
<td>50% of communities</td>
<td></td>
</tr>
<tr>
<td>Fees collected insufficient for upkeep in</td>
<td>Participation increases usage rates from</td>
<td>Honduras Latrines</td>
<td>55% to 81%</td>
</tr>
<tr>
<td>Fees collected insufficient for upkeep in</td>
<td>Participation increases usage rates from</td>
<td>Nicaragua Water</td>
<td>78% to 99%</td>
</tr>
<tr>
<td>Fees collected insufficient for upkeep in</td>
<td>Participation increases usage rates from</td>
<td>Bolivia Health</td>
<td>83% to 96%</td>
</tr>
<tr>
<td>Fees collected insufficient for upkeep in</td>
<td>Participation increases usage rates from</td>
<td>Nicaragua Health</td>
<td>Increased use of health services, including pre-natal care</td>
</tr>
</tbody>
</table>
Social capital
Social capital is the ability of individuals to secure benefits as a result of membership in social networks or other social structures. Social capital takes three distinct forms:
- Bonding—strong ties connecting family members, neighbors, and close friends
- Bridging—ties connecting individuals to work colleagues, fellow members of religious or civic organizations and business associates
- Linking—vertical ties between the poor and people in positions of influence in formal organizations such as the state

Role of social capital—The analysis of the data on social fund projects in Peru found that bonding and bridging social capital did not affect project success. Communities with more informal community groups did not have a significantly increased likelihood that their social fund projects would succeed.

Linking social capital had a strong effect on project success. The number of local institutions, such as judges, mayors or religious leaders, that a community had strongly increased the probability that its social fund projects would succeed. For communities with a relatively high number of such institutions, adding even more linking social capital had a diminishing impact on social fund success.

Do social funds create social capital?—Without adequate control groups and baseline data, the Peru case could not determine whether social fund communities had more community groups or institutions than other communities.

In the Zambia case, household surveys asked whether social fund interventions left the community with a greater sense of ‘community togetherness,’ a proxy for social capital. In rural areas, but not in urban areas, social fund interventions tended to increase the reported feeling of togetherness.

Cost-efficiency
Countries use many delivery mechanisms to finance small-scale infrastructure, from social funds to line ministries, NGOs and local governments. Within the realm of social funds, programs use different technical designs, procurement and contracting systems, quality of materials and levels of community participation. Considering the varied social fund programs and projects, the complicated collection of goals that social funds set for themselves and their spin-off benefits, comparing the cost efficiency of social funds is difficult.

Cross-country analysis
Methodology—To assess the cost efficiency of the social funds in this study, engineers in each country reviewed the unit costs and technical parameters of the social funds and of similar investments. Using data from field visits, social fund management and information and program files, researchers also analyzed social funds’ administrative costs. As work got underway in this component of the study, the unexpected complexity of assessing cost-efficiency became clear.
Two problems with these types of assessments made comparison difficult:
- Lack of comparators—Finding valid comparators is difficult because of the unique work that many social funds undertake, and the fact that in many sectors, the social fund may be ‘the only game in town’. Social funds tend to build more complete infrastructure, utilities, external works and sanitation facilities. This makes comparing their costs difficult.
- Lack of information—Many of the agencies to which the study compares social funds do not keep systematic records of all their costs, while others do not make that information accessible. Comparing costs across programs is also especially difficult due to the different accounting systems each uses.

The study analyzed the cost efficiency of social funds on two levels:
- Subproject level—cost efficiency of social fund investments compared with other delivery mechanisms in terms of unit costs (such as per m² of construction, per classroom, per litre of water delivered) or cost per beneficiary
- Program level—administrative efficiency of social funds as measured by the percentage spent on overhead (personnel, equipment, other operating costs, etc.) versus investments

The evidence gave some indication that either where community contributions were higher and/or the community directly managed contracts, unit costs were lower (Peru, Armenia, Zambia). In the Zambia case, the study explicitly assessed community-based approaches (including the social fund) versus contractor-based approaches in nine

<table>
<thead>
<tr>
<th>Country</th>
<th>Comparator</th>
<th>Type of project</th>
<th>Social fund costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Government agencies, NGOs</td>
<td>School construction, School construction, Irrigation, Water Construction</td>
<td>Lower, Lower, *Higher</td>
</tr>
<tr>
<td>Peru</td>
<td>Central school agency</td>
<td>School construction, Health post construction, Water, Irrigation</td>
<td>Lower</td>
</tr>
<tr>
<td>Zambia</td>
<td>Contractor approach</td>
<td>School construction</td>
<td>Half as expensive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administrative efficiency</th>
<th>Overhead costs (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>6</td>
</tr>
<tr>
<td>Honduras</td>
<td>13</td>
</tr>
<tr>
<td>Armenia</td>
<td>10</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>12</td>
</tr>
<tr>
<td>Comparable programs</td>
<td>10-46</td>
</tr>
</tbody>
</table>

*Social fund projects are typically more complex and therefore difficult to compare to other agencies.
national school infrastructure programs. Unit costs were quite similar among the various community-based programs. The contractor-based approach was more than twice as expensive but delivered infrastructure faster.

**Insight into findings**
The study revealed the large variations in unit costs and costs per beneficiary between programs, and even between projects within a program. Data also showed a high degree of variability in the technical quality of different projects, though few projects were of outright poor quality. In certain social funds, like Honduras and Nicaragua, cost escalation during construction is an important element in raising the price of those projects that reported higher unit costs.

**Recommendations**

*Promote community involvement*
This study found a general indication that closer community involvement and greater community responsibility generally reduce costs. Where community involvement is lacking, projects are more likely to encounter escalating costs as the project progresses. In light of these findings, social funds should consider mechanisms for promoting community involvement as a means to improving cost-efficiency.

*Standardize accounting*
Administratively, social funds should improve the transparency of their accounting and should standardize accounting methodologies. This would not only facilitate future cross-country assessments, but also enable social funds to share experiences and best practices more easily.

*Share information*
At the national level, social funds should share technical and cost information better.
Response to impact findings: do not allow success to breed complacency
Steen Lau Jørgensen, sector manager, Social Protection Unit, World Bank

The myths about social funds
Speculation about social fund performance has often cited the risks that:

- Social funds do not reach the poor.
- Social funds build infrastructure that is not staffed.
- Social fund-financed infrastructure is not maintained.
- Social funds have no long-term impact.
- Social fund investments have lower costs than comparable agencies.

The impact evaluation results presented at the conference refute the first four of these myths and prove inconclusive in addressing the fifth.

Swiss watch or Swatch?
In response to the impact assessment’s positive conclusions about social funds’ relative efficacy, social fund practitioners could easily succumb to the temptation to rest on their laurels. Like the Swiss watch industry, they could decide to continue working as they have in the past because of the praise they receive for doing so.

In place of such complacency, Steen Jørgensen urged delegates instead to acknowledge their successes, but move on and build from them. Like the Swatch watch company, they should maintain their comparative advantage but nonetheless innovate to improve their work.

Five challenges for social funds
In seeking to improve their work, social funds should consider how to broaden their initial success. Specifically, social funds should embrace the challenges to:

- Reach the marginalized and the voiceless.
- Build local capacity to manage risk.
- Ensure that social-fund financed capital is maintained.
- Foster the long-term development of sustainable local organizations.
- Continue to be fast, agile and efficient.
Discussion points

From assessment to improvement
Magatte Wade, Director General of AGETIP (Agence d’Execution des Traveux d’Interet Public) in Senegal began the discussion session by pointing out that social funds carry many non-quantifiable benefits not measured in traditional impact assessments. Specifically, he mentioned that social funds change people’s perception of their own efficacy. In Senegal, for example, women ask the social fund to invest in literacy programs. World Bank Operations Officer Anush Bezhanyan echoed Wade’s sentiments, explaining that in the former Soviet Union social funds have effectively reintroduced a culture of entrepreneurship and community action whose benefits are not quantified in these type of impact assessments.

Hala Omar, from the Egyptian Social Fund for Development and Assefa Biru, from the Ethiopian Social Rehabilitation and Development Fund added that while impact evaluations of social funds are useful, social fund practitioners need to know why certain funds and projects succeed better than others, not simply that social funds are effective. Ian Walker, the researcher who compiled the report on Honduras specifically wanted to know whether research had shown how the model of social fund administration affected outcomes.

Orajitt Bumroongsakulsawat, from the Thai Social Investment Fund Office offered insight from the Thai experience in assessing their social fund. Without baseline data, assessing the poverty impact of social fund projects has proven difficult, Bumroongsakulsawat explained, forcing her office to draw conclusions from largely qualitative data and to introduce a system to collect baseline data.

Finally, consultant Piet Goovaerts suggested that the cross-country evaluation did not provide information that is useful in all countries because different country contexts impose different parameters for social fund management.

In response, Julie Van Domelen explained that this study did not seek to answer general questions about social fund management, but specific questions about their success. She added that understanding the reasons behind why certain programs succeed is subjective and difficult to quantify scientifically. While further research may not be able to provide a blue-print for successful social fund management, Van Domelen hoped that the current research at least spurs social fund managers to consider how they can improve the performance of their social funds.

In terms of assessing specific social funds, Laura Rawlings praised the Thai social fund’s method of collecting baseline data during the social fund appraisal process. She also told delegates about the project evaluation handbook available on the World Bank’s social funds website.

Debate about how to measure the success of social funds continued during the next session as well. Abdou Touray, National Coordinator of the Strategy for Poverty Alleviation in The Gambia, challenged participants to define better the goal of social funds and create a better methodology for measuring their success. Sidney Gozho Mhishi,
Evaluating Social Fund Performance

the Director of the Zimbabwe Social Development Fund, added that social funds create community assets that are not easily accounted for in measures that focus on household-level assessment of wealth. Kamal Hyat, the Chief Executive of the Pakistan Poverty Alleviation Fund, also argued that the World Bank places too much emphasis on disbursement levels in assessing social funds.

In response, Cosmas Mambo, the Project Coordinator of the Zambian Social Recovery Project, rejected the idea that concentrating on disbursement levels is an inappropriate way to assess social fund performance. While disbursements are only one indication of a social fund’s success, low disbursement levels do indicate low levels of impact and efficiency in the social fund administration. Carlos Noguera Pastora, the Executive Director of the Nicaraguan social fund, however, warned against focusing on investment levels without considering how effectively the investment is targeted. Social funds must be more selective in their disbursements to ensure that resources reach the poorest of the poor, he argued.

**Poverty targeting**
Conference participants debated the emphasis on poverty-targeting as a criteria for considering social fund success. While praising the World Bank study for lending credibility to social funds, Rene Rodriguez, from the Central American division of the Kreditanstalt fuer Wiederanufbau said that in countries in which the vast majority of people live in poverty, the social fund should aim to improve the standard of living overall, not to focus narrowly on people living below the poverty line.

Ian Walker argued that changing the subproject menu to deter the non-poor from participating in the social fund is harmful to all social fund beneficiaries. Instead of limiting choice for all recipients, the social funds should directly ensure that the non-poor cannot participate. Dmitar Matev, the National Coordinator of the Bulgarian Regional Initiatives Fund asked whether further research would consider explicitly the poverty alleviation impacts of social funds.

In response, Julie Van Domelen explained that because social fund subprojects are undertaken on the community, not the household, level, some leakage to non-poor households living in poor communities is inevitable. Lynne Sherburne-Benz and Laura Rawlings added that without any single definition of poverty, and without reliable baseline data in most countries, assessing the social funds’ impact on poverty with any more certainty or clarity than in this, and other, qualitative studies will be difficult. That social funds disbursements are pro-poor in most cases is heartening considering how recently most governments began targeting their social programs to poor areas.

**Gender impacts**
Saleha Abdulla Al-Nahdi, the World Bank’s NGO/Gender coordinator asked whether the study had disaggregated the education outcomes by gender.

In response, Laura Rawlings explained that results, such as the increase in the incidence of pre-natal care in social fund communities in Bolivia and the increase in female enrollment in social fund schools in Nicaragua, do indicate that social fund projects provide specific services benefiting women and girls.
Opportunity cost

Finally, Arhan de Haan, a social development advisor to the Department for International Development pressed the researchers to consider not only the impact of social fund programs on their beneficiaries, but also their impact in other areas, such as line ministries. Getahan Gebru, from the World Bank’s Ethiopian office also asked for information on whether social funds are becoming a model for government administration in other sectors.

In response, Van Domelen explained that, in assessing the social fund’s impact on other programs or, more broadly, whether funding social funds is the best investment for governments, the main problem is identifying valid programs with which to compare the social funds. Finding appropriate comparison groups will continue to be a major challenge in future evaluation of the impact of social funds. An upcoming assessment by the World Bank’s operations evaluation department will consider some of these institutional issues more closely.
4 Policy context

Implemented in varying political and logistical conditions, social funds must all be sensitive to the local, national and international policy backdrop against which they operate. This chapter addresses five of the broad policy issues that constitute this backdrop. The chapter considers each of the following issues in turn:

Decentralization—With countries increasingly decentralizing government authority to the local level, social funds face the challenge of not only working closely with local government, but also finding ways to improve local governance over the long-term.

Social risk management—As most governments cannot create safety nets for all their citizens, assisting poor people to manage risk better must be a central plank in the new framework for social protection. Social funds can play an integral part in assisting poor people and communities cope with, mitigate and manage risks.

Community-driven development—The concept of giving money directly to poor communities to undertake and manage development projects is gaining greater international support as a key development strategy. As a pioneer of such initiatives, social funds can learn from and enhance experiences of the promises and pitfalls of community-driven development.

Institutional sustainability—Ensuring that both social fund subprojects, and the social fund programs themselves, remain viable in the long-term requires social funds to balance their need for independence with their need to institutionalize their programs.

Donor participation—Innovative and difficult to evaluate, social funds must consider how to attract and maintain donor support. Effective monitoring and evaluation and setting realistic goals are crucial to ensuring donor participation.

The first three sections include overviews of the presentations made during plenary sessions, followed by the recommendations stemming from break-out groups. The final two sections, for which there were no plenary discussions, report only on the recommendations from the break-out groups.

*Background papers for these presentations are available from the World Bank's social fund website which can be accessed from www.worldbank.org/sp.*
Decentralization

Considering the increasing international trend toward decentralization of government service and administration, social funds must operate in ways that strengthen local governance. Paul Smoke, from the Massachusetts Institute of Technology’s Department of Urban Studies and Planning, began this session by describing the problems associated with decentralization and the lessons that can be drawn from successful decentralization efforts. He highlighted issues in the interaction between social funds and decentralizing governments. Cosmas Mambo, the Project Coordinator of the Zambian Social Recovery Project, described how the Zambian social fund works to enhance government efficiency at the community, local and national levels. Executive President of the Fondo de Inversion Social de Emergencia (FISE) in Nicaragua, Carlos Noguera Pastora outlined FISE’s Municipal and Community Strengthening Program that seeks to complement government’s decentralization efforts. Finally, conference participants recommended that social funds work in partnership with local governments to strengthen their capacity to undertake decentralization while entering into collaborative micro-planning processes.

Problems and promise of decentralization
Paul Smoke, Massachusetts Institute of Technology

The 1999 World Development Report showed that many efforts to decentralize are currently underway. For social funds to succeed, they must consider how best to complement and flourish with the reality of decentralized local administration. Recognizing that each country’s experience with decentralization is unique, the following presentation generalizes from the successes and failures of various decentralization efforts to outline the problems and potential of decentralization efforts as they interact with social funds.

Problems with decentralization
Many efforts to decentralize have encountered problems and failures from which we can draw insight. These failures tend to stem from one or more of the following six broad problems:

Poor planning
Often originating during crises, decentralization strategies tend to focus on desired outcomes derived from other countries’ experiences rather than considering the importance of negotiation between stakeholders to develop trust and accountability in a specific country context.

Systemic mistrust and complacency
Central governments tend to mistrust local authorities, while complacency leads local officials to defer to the central government and citizens to expect subsidies and service provision from the central government.

Misaligned organizations, inappropriate procedures and complexity
Complex, fragmented central bureaucracies lack incentives to coordinate with each other to oversee decentralization. Coupled with a common deficit in capacity, this lack of incentives hampers attempts to initiate decentralization.
Inappropriate structure of strategy
Many decentralization strategies are either unworkably comprehensive or too limited and technical, focusing, for example, only on local government budgeting procedures. These structures tend to treat all classes of local government as if they are the same and sometimes foster rivalries between ministries competing for control of the decentralization agenda.

Lack of local democracy and accountability
A central government tradition of overriding local decision-making bodies can undermine decentralization and the accountability of decentralized administrations. Weak electoral processes and inequality in local government structures also undermine accountability.

Incompatibility with donor agenda
Though this problem is improving, international donors still tend to prefer to fund large, capital-intensive projects. When they do fund decentralization efforts, they often do not provide adequate capacity-building support. Furthermore, their inability to coordinate with each other and the appeal of concrete, visible successes, often reinforces destructive competition between ministries.

Lessons from successful decentralization
Successful decentralization efforts reveal the importance of following the procedural and conceptual recommendations outlined below to overcome the problems discussed above:

Focus on process
Rather than focusing on the outcome, decentralization efforts should instead consider the importance of establishing a process that can promote consensus and compromise.

Differentiate local governments
Decentralization strategies should treat each local government differently, tailoring its obligations to its technical capacity and its willingness to participate in the decentralization drive.

Negotiate reform
The explicit participation of local governments in the design of decentralization efforts will increase their commitment and accountability. Central governments should openly negotiate the commitments and obligations that each local government will take on.

Expand central government’s role
More than simply becoming the enforcer of technical standards, the central government should actively educate citizens to hold local governments accountable. Especially in Latin America, governments are increasingly recognizing the role they can play in collaboration with NGOs to empower citizens.

Improve incentives for local government
The decentralization strategy must include appropriate reform of the performance incentives and the work environment for local government employees.
Integrate components of reform
An integrated program of comprehensive reform is necessary to combat the tendency of reform to be fragmented. For example, local administrations must reform service delivery and revenue collection policies together.

Implement strategically
The decentralization strategy should be implemented in incremental steps. Reforming first those areas of administration that will offer visible improvements in service provision is a basis for future expansion of the decentralization program.

Link policies
For decentralization to work, the central government must use its resources and policy prerogative to bring together all components of government and civil society necessary to implement the different aspects of decentralization.

Dilemmas and problems for social funds
Some countries in which social funds operate currently do not have local governments. Even in those countries where decentralization may gather force in the future, and certainly in the countries in which decentralization is already taking hold, social funds should consider six key issues in their interactions with increasingly powerful local governments:

Local governments or broader institutions?
Decentralization requires the coexistence of both strong civil society and strong local government. In order to ensure that they do not undermine either, social funds must not fuel a struggle between the NGO community and local government.

Social relief vs. capacity building
Social funds must seek to balance the need for efficient delivery with the need to ensure sustainability. A trade-off exists between quickly delivering physical results, such as the renovation of a school, and building processes that allow for the sustainability of both the infrastructure and the social fund itself.

Problem of projectizing social funds
Because of the project-driven nature of social funds, they too often do not develop human capital sufficiently. Social funds should ensure that other government ministries and organizations take on their model of efficient and accountable public administration.

Position in government
To be sustainable in the long term, social funds must position themselves within a higher-level bureaucracy, where national-level authorities will support the work of the social funds, but where the funds will not spur conflict with ministries overseeing decentralization.

Different demands
The social fund must be more sensitive to balancing their support for different types of projects and to the different demands that different development projects entail. Specifically, different approaches are required to provide and maintain private and public services.
Adaptability
Conceived as temporary emergency measures, social funds are now often perceived of as a panacea for development and empowerment for all countries, regardless of the public sector capacity in the country where they operate. However, social funds may only be appropriate when the formal public sector is under-developed. Instead of seeking to follow a single model in different national contexts, social funds must adapt to fit into the evolving context of national administrative structure and capabilities.

Complementing local government
Cosmas B. Mambo, Executive Director, Zambian Social Recovery Project

Around the world, social funds operate in very different environments in which local governments have varying capacities and authority. Social funds therefore support or push forward different levels of decentralization. In Zambia, the social fund operates against the backdrop of a supportive national administration that has acknowledged that it lacks the resources to meet all of its citizen’s development needs directly. Committed instead to support and complement the people’s own development initiatives, the government recognizes and encourages the social fund’s efforts to promote community agency.

Three levels of partnership
Social funds can enhance the decentralization process because they strengthen links between the community, local and national levels of government. They can facilitate development by helping to support and implement national government programs at the local level.

Community (micro) level
Social funds enhance community self-reliance, increasing the sense of agency, which leads to a greater sense of ownership, and therefore better sustainability of projects. At the community level, the social fund works in partnership with community-based organizations and NGOs to decide which projects to undertake and to take responsibility for their completion. The social fund assists these partners by providing skills and capacity.

Local (meso) level
At the local, or district, level, the social fund promotes sustainable processes and procedures through enhanced coordination and capacity building. The social fund can enhance the decentralization process through planning and information transfer. The Zambian social fund works in partnership with district teams comprised of representatives of the District Council, the sector ministry, the line department staff and NGOs. These teams coordinate development, implement policy and monitor and evaluate development initiatives.

Especially in those sectors in which the government ministries do no planning at the local level, the social fund plays a crucial role in assessing needs and planning intervention. The social funds’ district appraisal meetings also offer an opportunity to facilitate information flows between the national government and the communities.
The Zambian Social Recovery Project also supports the decentralization effort financially. Viewed by many local administrations as a source of funds for the local level, the social fund generates political support and practical success for decentralization efforts.

**National (macro) level**

At the national level, the social fund links national policy makers with communities and promotes policy reform. In Zambia, the social fund works in partnership with policy makers, planners, and NGO representatives who serve on social fund boards or steering committees. These boards and committees guide policy direction and formulation, monitor and evaluate policies and programs and coordinate government activity.

In their role as the implementers of government policy, the social funds are uniquely placed to pass on information to line ministries through the boards or committees. The Zambian social fund produces poverty profiles that national government ministries can use. It also ensures that information flows from the community to the national level. The social fund can also facilitate policy reform. Zambia’s Maintenance Policy is an example of a government reform the social fund initiated and promoted through the national boards and steering committees.

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**Strengthening communities and municipalities**

Carlos Noguera Pastora, Executive President, FISE, Nicaragua

The decentralization process should be gradual with municipal strengthening, citizen participation and decentralization initiatives all working together. In the short-term, the most important task is to create alliances between the various stakeholders at the local, regional and national levels.

**Municipal and Community Strengthening Program**

In Nicaragua, the Fondo de Inversion Social de Emergencia (FISE) social fund has initiated a Municipal and Community Strengthening Program to transform its service delivery and to complement the government’s broader decentralization efforts. This Program aims to address the major challenges facing the social fund in the wake of decentralization. The Program seeks to strengthen local communities and local capacity to manage processes and resources. Reinforcing community participation and social control of resources, the Program intends to increase transparency in targeting the poorest. Finally, the Program will provide local governments with tools to coordinate actions of various groups, and will increase

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**Community participation in Nicaragua**

| Municipalities completed planning | 60 |
| Planned projects | 7000 |
| Planned financing (34% from FISE) | US$350m |
| Workshops held | 728 |
| Workshop participants | 24,887 |
| Community leaders elected (32% women) | 9,724 |
| Project Supervision Committees | 1,539 |

Source: FISE
competition among local stakeholders in the identification, administration and maintenance of public works projects.

In each community, the Strengthening Program is built on tri-annual plans of municipal investment that bring together the local government, communities, delegates from respective organizations, ministries and local development or civil society programs. A preventive maintenance fund provides co-financing for the maintenance of primary health and education infrastructure. Local governments manage resources, while local committees select and execute maintenance projects.

Decentralized administration and management system
The administrative system designates each project in one of three administrative levels, reflecting the municipality and complexity of the project. Level 1 projects, characterized by decentralized project cycles, cost less than US$100,000. They are currently being piloted in nine municipalities. Level 2 projects, costing less than US$50,000, are being piloted in 15 municipalities. Level 3 projects, costing more than US$100,000, are more centrally managed and govern projects in the remaining 126 municipalities.

The installation phase at Level 1 oversaw evaluation and training, the convening of participatory meetings to determine projects and the compilation of lists of contractors. Municipal technical units developed training procedures and undertook an economic diagnosis of the capacity of each unit.

Monitoring and evaluation
The work of the Program will be evaluated annually through a qualitative assessment of beneficiaries and every three years through an impact evaluation. Each project will include the implementation of a system to monitor the quality of the works and infrastructure. Finally, the Program includes a key performance indicators system that evaluates in real time the principal objectives and goals of the program at each phase of the project cycle.

Challenges
The greatest challenge to decentralization and the work of the social fund is the lack of financial and human capacity at the local level. Only five of the country’s 147 districts have the requisite technical capacity to manage project cycles completely. Many communities also lack the appropriate instruments for carrying out local development. The new municipal technical units have not proven their sustainability or ability to perform. Politically, electoral turnover, lack of complementarity with areas of local government and delays in institutionalizing the decentralization initiatives all complicate negotiation over social fund projects.

### Community training in Nicaragua

| Supervision committees trained | 3,125 |
| School maintenance             | 674  |
| Health clinic maintenance      | 563  |
| Committee members trained      | 17,923 |

Source: FISE

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### FISE-supported projects

- Education: 32%
- Health: 15%
- Environmental protection: 2%
- Water and sanitation: 25%
- Social assistance: 7%
- Community and municipal services: 17%
- Special projects in indigenous communities: 2%
Discussion points

At the close of the formal presentations, conference participants asked the panelists to discuss in further detail two main areas of tension inherent in the interaction between social funds, governments and citizens.

Revenue generation and taxation

Qaiser Khan, Senior Economist at the World Bank, and Opoku Agyemang, Executive Director of the Ghana Social Investment Fund, both asked the panelists to detail how decentralization can be compatible with centrally-based taxation. Curtis Greer, Executive Director of the West Indies Poverty Reduction Fund, also reiterated the need to educate poor communities about why taxation is necessary to maintain services.

In response to these inputs, Paul Smoke explained that all local governments rely on some degree of central spending, as central taxation and disbursement is the key mechanism for redistribution. Social funds can take the lead in some instances in promoting local revenue generation and initiating a culture of payment. Local government can also make revenue collection more politically feasible by negotiating with the local community to deliver better services in return for higher taxes. Carlos Noguera Pastora added an example from Nicaragua, where tax reform laws that have made municipalities responsible for tax collection have greatly strengthened local government.

Politically tenuous position of social funds

Kamal Hyat, the Chief Executive of the Pakistan Poverty Alleviation Fund, sparked a discussion about the appropriate level of political independence for social funds by asking how closely social funds should be connected to the government. Aram Grigoryan, of the Armenian Social Investment Fund, asked whether the local government’s involvement in social fund projects creates tensions between local, regional and national government branches.

In response to these questions, Cosmas Mambo explained that social funds are inherently political because they are created by the governments. People look to the social funds to implement the development agenda of the government, not to be a parallel government. To preserve their independence, social fund managers must communicate openly with government officials. Specifically, they should explain that their role is mandated by the working documents signed at the fund’s conception. The personal disposition of the social fund leader is crucial in securing a productive relationship with government officials. Carlos Noguera Pastora added that while the social funds cannot be divorced from the macroeconomic policy of the government, they can influence government by becoming a model for new ideas and practices.
Recommendations
Participants of the break-out session on decentralization made the following recommendations.

Context
Social funds should not seek to support all aspects of decentralization. Social funds should instead

- incorporate an understanding of the local context in devising policies. For example, a social fund project engaging refugees will be different than one dealing with poor people;
- plan, approve and finance investments jointly with communities and local governments;
- incorporate the local government in promoting social funds and in community outreach; and
- involve the local government in the supervision of the subprojects that constitute a local public good.

Capacity building
Social funds should encourage and facilitate long-term capacity building for local government. To implement this recommendation, social funds should

- assist local governments in planning their development initiatives;
- provide training and technical assistance to local government and community members; and
- transfer managerial capacity to local governments in all aspects of the project cycle.

Gagik Khachatryan, ECANet President, Charles Mandala from the Malawi Social Action Fund, Ed Mwale of the Zambian Social Recovery Project, and Anek Nakabutara, the Executive Director of the Thailand Social Investment Fund Office (left to right) discuss the policy issues that affect social funds during one of the break-out sessions.
Coordination and partnering
Social funds should facilitate coordination among local governments, sectoral agencies, donors, community-based organizations and other development partners. Specifically, social funds should

- diagnose the existence and efficacy of local institutional structures including grassroots organizations and traditional authorities;
- define their responsibilities with respect to groups with specialized needs not addressed by local governments; and
- identify agencies other than local governments and accord them specific responsibilities for project operation.

Micro-planning
A micro-planning process that includes the local authorities should be part of the project cycle. To undertake a micro-planning process, social funds should

- train facilitators to manage micro-planning meetings;
- develop clear and simple procedures to govern the micro-planning process;
- ensure that the micro-planning process includes excluded groups such as women and other members of marginalized groups such as people with disabilities or the elderly; and
- create realistic expectations about the amount of resources that will be available to undertake a subproject.
**Social Risk Management**

Considering the increasing liberalization and global integration in financial and social life, communities around the world face new opportunities and challenges. This new reality demands a new understanding of social protection that takes as its premise the need to assist people in better managing risk.

The sector manager of the World Bank’s Social Protection unit, Steen Lau Jørgensen, outlined the social risk management approach to social protection. Abdulkarim Al-Arhabi, Managing Director of the Yemen Social Fund for Development then described how the Yemen social fund is using the social management framework to assess its interventions. Finally, Anek Nakabutara, the Executive Director of the Thailand Social Investment Fund Office described how the Thailand social fund operates its social welfare program as a safety net for people hurt most by the Thai financial crisis.

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**Social funds in the social risk management framework**

**Steen Lau Jørgensen, World Bank**

Liberalization in trade, politics and technology have led both to increased opportunity and increased risks. More people are susceptible to being excluded from power, while the distribution of power and access to opportunity is increasingly inequitable. Considered in a social risk management framework, social funds can serve an instrumental role in helping the poor manage risk better.

**Social risk management**

**New definition of social protection**

In the past, social protection was defined as a group of public programs such as pensions, labor market interventions and safety nets. The traditional view perceived social protection as the creation of safety nets to catch those people falling into deep poverty.

A new definition takes into account the role of social protection in a comprehensive social risk management perspective. The new definition sees social protection as public interventions

- to assist individuals, households and communities better manage risk, and
- to provide support to the critically vulnerable.

This new definition recognizes that taking risk is good as long as failure does not lead to destitution.

The social risk management perspective recognizes that social protection should also consist of a springboard that will allow those poor people with some capacity to bounce into productive lives. Social protection initiatives should endeavor to create an environment in which people can take risks without having to rely on informal safety nets, such as gift-giving schemes that are very expensive.

**Benefits of the social risk management framework**

*Causes not symptoms*—Unlike the traditional view of social protection, the social risk management framework attacks the causes of poverty, not its symptoms. Social
Social Funds: Accomplishments and Aspirations

protection should help address the main constraints that inhibit people from bouncing out of poverty such as the inability to engage in higher-yield but riskier activities and to avoid high-cost informal risk sharing mechanisms.

Socio-economic development—The social risk management framework highlights social protection as an integral part of socio-economic development, not a costly luxury. Social protection is an investment in human capital formation, recognized as one of the pillars of development in the forthcoming World Development Report 2000/1. Social protection initiatives should enhance people’s voice, security and opportunity.

Taking account of reality—Two realities motivate a new understanding of social protection that goes beyond the provision of public safety nets. First, less than 25 percent of the world’s six billion people have access to formal safety nets, and less than five percent can use their own financial assets against income risk. The majority of those without access to safety nets are women. Second, with a poverty gap between five and 15 percent of GDP, most poor countries do not have the budgetary capacity to reduce poverty through transfers.

Main features of the social risk management concept
A community’s or individual’s capacity to handle risk depends on the sources and forms of the risk. For example, the risk associated with contracting HIV/AIDS are different from the risks of a mudslide.

Social risk management arrangements fall into three categories:

- **Informal**—family- or community-based arrangements
- **Market-based**—banking systems and insurance policies
- **Public**—public pensions, transfers and some labor regulations

Social risk management strategies also fall into three categories:

- **Prevention**—lowering the probability of a down-side shock
- **Mitigation**—lowering the impact of potential down-side shocks, through, for example buying into a health insurance scheme
- **Coping**—alleviating the impact of a down-side shock once it has occurred

Social funds and social risk management

Guiding principles
Social funds are only one element of effective social risk management. They are not a panacea. Recognizing the limitations of social funds, the guiding principles for social risk management can still be applied to social funds, to maximize the fund’s effectiveness in complementing other social risk management strategies.

Holistic approach—Social risk management policies should be considered together. Social funds can assist people to undertake public, market and informal strategies.

Match instruments and risks—Social funds should not deal with all risks, but should remain flexible and allow open menus to facilitate risk management.
Nobody is perfect—While an effective risk management strategy must recognize that markets are not perfect, social funds should also apply this principle as a motivation to work with many different groups, not just NGOs or government.

Decentralized—Social protection should take place through local programs just as social funds should work through local authorities.

Participatory—Social funds must remain community driven while probing how to help people do what they do better.

Emerging directions
Four emerging developments in the evolution of social funds show the potential for social funds to take a substantial role in a comprehensive social risk management strategy.

Impact and flow of services—Focusing on the impacts of projects rather than considering projects as discrete outputs allows for the integration of social fund projects into a risk management framework. When infrastructure building is understood as asset creation, then construction becomes part of a risk mitigation strategy. The services that flow from infrastructure, such as health services, clean water or education, can also serve risk reduction, mitigation and coping purposes.

Beyond poverty targeting—Currently most social fund investments are self-targeting with some pro-active correction for demand bias through mobilization grants, pre-investment and the reduction of transaction costs. Social funds that are more concerned with social

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<th>Strategies</th>
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<td>Informal / personal</td>
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<td><strong>Risk reduction</strong></td>
<td>Learning a trade</td>
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<td>Investment in human, physical and real assets</td>
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<td>Selling of physical and real assets</td>
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<td>Intra-community transfers/charity</td>
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<td>Transfer/social assistance</td>
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</tbody>
</table>

This matrix shows the interaction between the three sets of risk management strategies and the three sets of risk management arrangements. Social funds can provide innovative assistance in each box of the matrix, though they have historically focused on the bottom-right corner.
risk management, can change their funding criteria to include risk factors, create sliding scales of community contributions and develop model projects for vulnerable groups.

*Expanding the menu*—Social fund menus can be expanded to include projects, such as legal assistance and property rights protection, that directly help the vulnerable manage risk. In Yemen, Chile and Albania, social funds are also including community economic development projects that help communities manage risk.

*Participation and capacity building*—Social funds can make social capital creation and learning an explicit objective instead of a side benefit. In doing so, however, social funds must consider the extent of the trade-off between the principle of community-driven development and the need to strengthen local government.

### Social funds in the social risk management framework

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Informal / Personal</th>
<th>Formal / Market-based</th>
<th>Publicly provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk reduction</td>
<td>Community development</td>
<td>Decentralization</td>
<td></td>
</tr>
<tr>
<td>Risk mitigation</td>
<td>Social assistance</td>
<td>Infrastructure</td>
<td></td>
</tr>
<tr>
<td>Risk coping</td>
<td>Employment</td>
<td></td>
<td></td>
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</tbody>
</table>

*Social funds originated as employment programs to help communities cope. Increasingly, they are assisting communities with risk reduction and mitigation strategies through developing informal assistance mechanism (moving up and to the left in this matrix).*

### Social risk management in the Yemen social fund

**Abdulkarim Al-Arhabi, Managing Director, Yemen Social Fund for Development**

**Backdrop of poverty**

Yemenis live in a very vulnerable environment. They are scattered around 100,000 settlements, mostly in marginal, high-altitude climates. Providing services such as roads to many of these communities is impossible. The average annual per capita income is less than US$300 while the population growth rate is the highest in the world.

Poverty assessments based on the 1992 and 1998 Household Budget Surveys revealed a consistent deterioration in living conditions, especially in rural areas. Various external shocks, including the civil war and the reduction of foreign aid led to increased unemployment and high inflation.
Charactersitics of poor communities
A 1998 social protection participatory survey covered approximately 500 people from 30 very poor communities. Their average income puts them in the bottom decile of income distribution.

Following the social risk management framework, the communities in which these people lived were characterized in three groups:

Destitute—Urban fringe communities comprised of returned workers displaced by the Gulf War, families from rural areas, akhdam communities and others. These communities lack extended family networks or neighbors from whom they can borrow. They do not have the basic skills necessary to take advantage of programs such as microfinance.

Precarious—Mostly rural communities that are very close to lapsing into poverty. Intensive short-term intervention can prevent them from becoming destitute. These communities have access to some agricultural and human resources and good informal support systems. Microfinance, linked to training in specific small-scale enterprises and marketing, could prove valuable to these communities.

Almost making it—Mostly rural communities that possess agricultural or other production capacities but need assistance to target agricultural extension services to deal with land shortages and water supply better. These communities are distinguished by access to credit from traders and/or informal borrowing networks and poor to fair access to government services.

How the poor cope
The survey also determined the various borrowing mechanisms used by poor Yemenis. More than half of the respondents indicated that they were in debt due to borrowing. Women borrowed small amounts for subsistence while men borrowed larger amounts for micro-investments with higher anticipated returns. Almost 90 percent of those surveyed borrowed either from relatives and neighbors or traders.

Social risk management
The survey revealed the reliance of poor people on informal risk mitigation mechanisms. Community-driven development initiatives can enhance and supplement these mitigation efforts, providing more reliable and less expensive sources of credit and encouraging risk reduction efforts.

The government established the Yemen Social Fund for Development in 1997 to mitigate the side effects of the structural reform program and to combat poverty. Engaging in community development, the Social Fund helps rejuvenate the Yemeni self-help tradition and increases solidarity and initiative within communities.
### Table 2: Social risk management framework applied to Yemen

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Informal / personal</th>
<th>Market-based</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk reduction</td>
<td>Diversified production</td>
<td></td>
<td>Labor market policies</td>
</tr>
<tr>
<td>Risk mitigation portfolio</td>
<td>Multiple jobs</td>
<td>Investment in multiple assets</td>
<td>Education and training</td>
</tr>
<tr>
<td>insurance</td>
<td>Marriage/family</td>
<td>Old-age annuities</td>
<td>Multi-pillar pension system</td>
</tr>
<tr>
<td>hedging</td>
<td>Community arrangements</td>
<td>Disability/accident/fire</td>
<td>Mandated insurance for certain risks</td>
</tr>
<tr>
<td>Risk coping</td>
<td>Extended family</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Labor contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Borrowing from neighbors/family</td>
<td>Borrowing from banks</td>
<td>Public transfers</td>
</tr>
<tr>
<td></td>
<td>Selling assets</td>
<td></td>
<td>Social assistance</td>
</tr>
<tr>
<td></td>
<td>Charity</td>
<td></td>
<td>Public works</td>
</tr>
</tbody>
</table>

### Managing risk
Various programs that the social fund undertakes serve to mitigate, reduce or help people cope with risk.

*Education*—Increasing literacy among the rural poor (from the current levels of 72 percent of men and 28 percent of women) reduces risk by allowing people to switch to less vulnerable professions or diversify their income sources.

*Water harvesting*—Having identified villages that depend on collecting rainwater for more than 95 percent of their water, the Social Fund launched a program to rehabilitate, expand and improve cisterns.

*Micro-enterprise and saving*—The microfinance and income-generating programs help diversify income risks. They have created self-employment opportunities for about 3,000 people and indirect employment for a further 1,000. Providing saving services reduced the vulnerability of 2,000 women to external shocks.

*Targeting vulnerable groups*—In its second phase, the Social Fund will also increase the proportion of subprojects designed to support groups that are especially vulnerable, such as destitute women, street children, prisoners and orphans.

### Assisting vulnerable communities to cope

**Anek Nakabutara, Executive Director, Social Fund Office of Thailand**

The financial crisis that struck Thailand in mid-1997 necessitated the implementation of new measures to alleviate social and economic suffering. Intent to solve their problems themselves, and adhering to the principal that local communities must choose development priorities, the government joined with civil society to launch the Social...
Investment Fund in September 1998. Its broad aims are to transform the crisis into an opportunity by supporting demand-driven development, decentralization, better governance and development partnerships between elements of civil society.

Social welfare assistance
Providing immediate assistance to the communities devastated most by the financial crisis constitutes one of the social fund’s largest programs. Targeted people who receive this “Category 5” support include the indigent poor, homeless children, HIV/AIDS patients and other people with chronic illness, and the aged and people with disabilities who need care providers.

By June 2000, the Category 5 subprojects had disbursed US$53.4 million to projects benefiting 3.5 million people. With new institutions proliferating in the wake of the financial crisis, the social fund has worked with 500 community networks and 50,000 volunteers in all 76 provinces.

Administration of Category 5
National community organization networks—The social fund uses existing capacity in national networks of community organizations to identify and implement subprojects. National networks, as opposed to community-based groups themselves, have stronger membership bases and greater experience articulating members’ views. These networks coordinate their member organizations’ funding proposals.

Provincial task forces—Task forces comprised of social fund officials and volunteers assess funding proposals and screen and rank projects. They also assist organization networks in proposing and implementing subprojects.

Regional committees—Comprised of provincial task force members, regional-level community leaders and multi-sector experts, regional committees compile criteria and funding for subprojects.

Social fund office—The social fund arranges participatory meetings and signs project development contracts. The social fund also determines provincial ceilings for funding based on poverty indicators and signs project-development contracts with network intermediaries.

Successes
New development model—The social fund model for delivering welfare assistance quickly to the most needy people has succeeded in Thailand and initiated new thinking about how the provision of money as a safety net can be used as a means to empower
Social Funds: Accomplishments and Aspirations

Communities rather than just as an end in itself. The social fund has also revealed the potential and commitment of mid-level civil servants.

Transparency—Transparency and community accountability has diminished the corruption associated with welfare provision. The “people sector” management of the project budget has also led to a more efficient allocation of resources.

Capacity building—By staging community meetings around the country, the social fund has facilitated an exchange of ideas between diverse populations. These meetings, and the implementation of subprojects, have also established lasting area- or issue-based networks and fostered cooperation and collaboration between various agencies and organizations. Finally, the social fund has emboldened many people in poor and vulnerable communities to take an active role in improving their lives.

Problems in implementation
Patronage—Civil society organizations and the concept of holding community meetings to raise awareness are new in Thailand. To succeed, the social fund must combat an entrenched culture of patronage in many areas.

Limited capacity building—With the demand for projects exceeding administrative capabilities, the social fund office must balance the imperative to undertake many projects with the goal of using the project process to enhance the capacity of local people and local and provincial-level organizations.

Threats to the social fund
Political intervention—Especially during this election year, the social fund is wary of succumbing to political influence and manipulation.

Volunteer system—Due to its reliance on volunteers, the social fund has difficulty in sustaining enthusiasm and in maintaining administrative performance. Especially in the long-term, the reliance on volunteers places a burden on the social fund managers to ensure the staff remains committed.

Social turmoil—The financial crisis has resulted in widespread social turmoil at the grassroots level. Riots, protests and other manifestation of community anger and alienation threaten the social fund’s ability to operate.

Recommendations for other countries
Existing social safety nets—Social funds that attempt to provide social safety nets should consider their efforts as complementary to existing safety nets provided by family and other networks.
Beneficiary involvement—Social funds should provide poor and vulnerable people with the opportunity to devise safety-net projects themselves.

Transparent bloc grants—Central governments should use transparent procedures to provide bloc grants for safety-net projects that are then administered by decentralized structures at the provincial level.

Emergence of women—Women’s groups should play an important role in the implementation of the social safety net.

Social/public controls—Transparency allows the community members to assist in the oversight of projects. By establishing procedures of accountability and transparency such as regular progress reports and disclosure of funds, the social funds can decrease corruption and mismanagement.

Recommendations

In formulating their recommendations on social funds and social risk management, the participants in the break-out session on social risk management addressed the question “What are the practical recommendations for improving, shifting or expanding the scope and scale of social funds to help poor communities manage risk better?”

Innovation

Social funds should explore community-based innovative approaches to risk management by

• piloting innovative programs that address risk;
• improving targeting mechanisms to reach particularly at-risk/vulnerable groups;
• supporting pro-active programs for potentially at-risk groups; and
• fostering partnerships with community groups.

Social capital

Social funds should consider the need to build social capital as a key objective. To fulfill this objective, social funds should

• provide training and capacity building for community-based organizations and communities;
• facilitate the creation of networks of groups linked by social, economic, or political concerns; and
• encourage bonding and linkages between individuals, communities and community groups.

Measurement

Measurement of the success of social funds should include assessments of both the quantity of projects and their impact. Specifically

• social fund objectives should be defined in terms of risk management;
• project appraisal should define both process and outcome indicators;
• verifiable indicators to measure social capital should be developed; and
• indicators should focus on outcomes, not outputs (e.g., focusing on the change in school attendance not just the addition of more classrooms).
Opportunity and risk analysis management
Social funds should help communities identify and analyze the risks and opportunities they face. Specifically, social funds should
- identify existing community-based prevention, mitigation and coping strategies;
- improve community access to information about markets and risks;
- act as a catalyst for diagnosis of risks and resources; and
- focus on medium- and long-term impact of projects.

Infrastructure
Social funds should finance the construction of multi-purpose infrastructure including infrastructure that improves access to information and to markets. Specifically, social funds should support the creation or restoration of
- multi-purpose structures such as community assembly halls that can serve health, education and security purposes;
- social and economic infrastructure such as storage facilities, irrigation schemes, marketplaces and other enterprise zones; and
- infrastructure to improve transport, communication or energy such as feeder roads, satellite dishes and solar panels.

Policy
Social funds should identify their appropriate role in policy formation, and specifically seek to influence policy, such as labor regulations, that can assist vulnerable groups.

Social protection
Social funds should improve their integration in the national safety-net plan. To do so, social funds should
- create action plans that link contingency funding to social funds;
- identify and enhance the role the social fund plays in the country’s safety net; and
- explore the use of microfinance as a mechanism to foster better social protection.

Inclusiveness and partnership
To improve their impact, social funds need to strengthen their partnerships and coordinate better with service providers at the local- and national-level and with other institutions and community organizations. Social funds should communicate the concerns of the poor to these partners. In addition, social funds should
- acknowledge that they cannot improve services without the collaboration of others including government and civil society;
- embrace their potential to play a major role as a catalyst and broker linking communities with the rest of society; and
- concentrate on the impacts they are able to make, not on disbursements and project quantity.
Community-driven development

In his keynote address, World Bank President James D. Wolfensohn reiterated a growing international recognition of the importance and potential of community-driven models of development. As a pioneer of community-driven development, social funds experienced both the benefits and hardships inherent in empowering communities directly.

In this session, Kevin Healy, from the Inter-American Foundation, described the lessons he has garnered from research into local federations in Latin America. He outlined the virtues and vices of local federations and advised funders to take a long-term, holistic view of community-driven development initiatives. Sam Kakhobwe, Executive Director of the Malawi Social Action Fund, described the Malawi Social Action Fund’s operational principles and achievements working directly with communities. The Executive Director of the Moldova Social Investment Fund, Boris Papadiuc, highlighted efforts to establish a culture of community agency in the post-Soviet context in Moldova. Finally, participants in the break-out session on community-driven development offered recommendations for social funds to enhance their role in supporting the community-driven development model.

Virtues and vices of local federations
Kevin Healy, Inter-American Foundation

Local federations
A tremendous groundswell of civil society organizations focused on development has emerged in recent years in the developing world. While some intellectuals bemoan the loss of social capital in the United States, in the rest of the world social capital is flourishing in the form of community organizations and local federations.

Understanding the virtues and vices of local federations—organizations that link groups of poor communities—is important to the context in which social funds operate at the community level. The following observations emerge from a study of eight community federations in Bolivia during a 12 to 20 year period.

Two examples of successful development initiatives undertaken by local federations are the promotion of quinoa, the Andean “super grain,” and the revitalization of the llama as a major source of food and income for Latin American farmers. Both cases reveal the promise and pitfalls of local federations and the importance of taking a long-term view in assessing their impact.

Virtues of local federations
Mobilizing resources locally—Local federations are excellent at mobilizing resources within communities by setting up micro-credit schemes, regulating prices and gaining political access to generate resources and other forms of support.

Providing human capital—Local federations provide human capital to poor communities that otherwise lack the basic organizational skills and motivation to set up development initiatives.
Reaching the poorest—Operating in socially and physically remote areas, local federations create mechanisms to reach the poorest of the poor who are often outside the scope of government assistance.

Reforming social institutions—By giving collective voice to political concerns, local federations can influence national- and local-government policy.

Empowering the marginalized—Many local federations create space for historically marginalized groups, such as women and indigenous people, to organize and press for their demands. They also wage campaigns for cultural revitalization, securing developmental resources for previously shut-out communities.

Spearheading innovations—Federations can combine resources of local communities to create new actors and institutions to support innovations such as the revitalization of the llama or quinoa industries.

Changing laws and policies—Federations sometimes generate spillover benefits for entire regions or nations by affecting regional or national-level policy.

Building alliances—Local federations are also good at building alliances between groups of communities. These include alliances between communities and local government as well as other NGOs.

Vices of local federations

Inadequate management skills—The harsh social and physical climates in which they operate, coupled with the legacy of education systems that undermined the ability of many people to engage in analytical managerial thinking, has left many local federations unable to manage their organizations. This inability often results in inefficient use of resources and ineffective strategic development.

Personal ambition—The personal ambitions of individual leaders precipitates splits, feuds and cleavages in local federations. This in-fighting often undermines the collective work ethos, leading to debilitating demoralization.

Weak accountability—Weak accountability mechanisms further mar many federations. Rotation of leaders can help address this problem.

Non-linear development—Given the human and physical constraints under which they operate, many local federations do not move along a linear path of success. Instead, they are marked by shocks and interruptions that require maturity and patience on behalf of funders to allow federations to work out the difficulties themselves.

Ragged administrative structures—Many federations are organized in loose administrative structures that lead to inefficiencies and that may appear unworkable. In the long-term, however, these structures may allow the federation to meet its goals.

Advice for funders

Danger of supply-driven culture—Funders must ensure that their support for community-driven development does not create a distortive supply-driven culture. Suffering as they do from low human capital, federations can be overwhelmed by the bureaucratic interests
of funders. The welfarism of too much funding undermines the principle of self-reliance upon which the concept of community-driven development rests.

**Sensitivity to complexity**—Funders must be sensitive to the complexity of interactions that determine the success or failure of local development efforts and the impact of any intervention. Funders should have the necessary social science background to understand how local power structures and the concentration of power and wealth impacts on development and distribution.

**Long-term perspective**—Given the non-linear nature of the progress of local federations, funders should not make continued support contingent on the federation’s ability to meet narrow, short-term goals. Changing context can transform an apparently failing federation into a successful engine for community development.

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**Community-driven development in Malawi**

Sam Kakhobwe, Executive Director, Malawi Social Action Fund

**Malawi Social Action Fund (MASAF)**

**Social fund’s genesis**
The Malawi Social Action Fund originated from the new government’s commitment to poverty alleviation in 1995. The government set up a team in the Ministry of Economic Planning and Development to develop mechanisms to implement a Poverty Alleviation Program that would stress empowerment instead of charity. The team conducted client consultations to determine what poor people needed and how best to meet that need. These client consultations considered four main issues:

- beneficiaries’ own experiences and perceptions of poverty
- communities’ institutional and organizational capacities for development
- attitudes towards participation in local development
- availability of technical capacities for implementation at the local level

Many skeptics assumed that communities lacked the organization and skills to implement their own development initiatives. Instead, the consultative process revealed the communities’ potential and led the government to adopt a demand-driven component that became the Malawi Social Action Fund (MASAF). The social fund operates against the backdrop of the Local Government Act and the Decentralization Policy of 1998 that present new opportunities and challenges.

**Procedure**
Recognizing that communities have different capacities to access and convey information, the social fund in Malawi undertakes a vigorous information, education and communication program. Once aware of the social fund, each community elects a project management committee that assumes legal and contractual responsibility to prepare and manage the subproject implementation. For the purposes of participating in social fund
programs, communities are self-defined by groups of people who form together to take on a specific project.

Twelve zone managers of the social fund covering all 26 districts oversee the project management committees. The social fund uses the district executive committees, convened under the government decentralization program, for appraisal and supervision.

Operational principles
The social fund operates under four principles that stress the goal of empowering communities to manage their own development.

Effective participation—Providing community members with the opportunity to direct development projects is the social fund’s core operating principle.

Direct financing—The social fund deposits money for projects directly into community project bank accounts. Communities then control project budgets, procure goods and hire contractors directly, a first in post-independence governance in Malawi.

Participatory checks and balances—Considering the importance of accountability that stems from the direct financing principle, the social fund strives to uphold management procedures that ensure participatory checks and balances and transparency in fund expenditure.

Partnership and collaboration—Initially received coldly by civil society which viewed the social fund as competition, the social fund has successfully pursued collaboration with local government officials, NGOs and community-based organizations and political leaders.

Achievements
The Malawi Social Action Fund has found considerable success in meeting its key objectives of providing grants to communities and building capacity. The social fund has disbursed US$30 million to 1,500 subprojects in four years. Beyond the material success, the Fund has also succeeded in transforming the attitudes and behavior of many people who now cherish and safeguard their own development.

Community empowerment—The proliferation of social fund projects has accorded citizens with a renewed sense of their own potential. People now speak of “doing our own MASAF” as a colloquial reference to directing and managing projects themselves. Another spillover benefit has been that communities now demand accountability from officials in public office such as chiefs and politicians.

Unifying force—The ability of the social fund to remain free from partisan political wrangling has allowed it to provide a unifying force in Malawi politics. Support for the social fund transcends party lines.

Capacity building—Social fund projects have assisted in creating and strengthening a core of enlightened people with the ability to articulate and represent their communities’ interests in accessing public or external development assistance.
Pacesetter—No longer viewed as competition by other government ministries and NGOs, the social fund provides strategic leadership for other community-based development interventions. Others turn to the social fund for assistance in designing outreach programs, funding approaches and institutional management structures. Other departments and agencies have adopted the social fund model of direct financing with regional arrangements and field offices.

Challenges
In attempting to perform and to expand its reach, the social fund faces challenges that result from limitations in the design of the program and from limitations in community and managerial capacity.

Design limitations—The demand-driven approach initially failed to reach vulnerable social groups that could not organize themselves such as people living with HIV/AIDS, street-children and the elderly. Now, efforts to correct this failure, and the social fund’s general popular appeal, have led to a backlog of approximately 3,000 projects. Inadequate sectoral support and the confusion that arises from multiple donors with often-conflicting approaches adds an additional challenge.

Community capacity limitations—In the face of economic hardship, communities often lack the resources to provide community contributions to projects or exhibit dwindling volunteerism.

Operational limitations—The dearth of human and physical capital hampers social fund projects. The difficulty in finding literate and numerate committee members leads to inefficiencies, especially when committees must deal with unscrupulous traders and contractors. Furthermore, poor roads in many areas raise material transportation costs.

Lessons learned
The social fund approach to development is an effective and efficient way of providing immediate infrastructure services to the people. Even more importantly, it is a means of developing the human potential needed for creating self-reliant communities.

An enabling policy environment that respects the principle of giving public resources directly to ordinary citizens is imperative. Operating principles must be robust and transparent with information widely shared in order to ensure accountability and to reduce corruption.

The social fund also needs a measure of autonomy in its institutional and management structure to remain responsive to the practical realities of a people-centered development approach. Finally, the social fund must build on existing cultural values and indigenous institutional strengths in order to legitimize participation. In Malawi, for example, social fund managers recognize the chief as the inevitable entry point to a community.

Way forward
Its continued popular appeal and its ability to impact the community it serves will shape the future of the Malawian Social Action Fund. The social fund hopes to continue serving as a model to government and other agencies as it supports the participatory operational framework under the national government’s decentralization initiative. Finally, the social
Social Funds: Accomplishments and Aspirations

fund will continue to learn, reflect and refine its procedures through dialogue with stakeholders.

Sparking a culture of community agency
Boris Popadiuc, Executive Director, Moldova Social Investment Fund

Moldova Social Investment Fund
The financial crisis that followed the dissolution of the Soviet Union precipitated drastic reductions in income and social capital in Moldova. Especially in rural areas, the government could not maintain infrastructure such as schools and hospitals, while many people’s annual incomes fell below US$400.

To address this crisis, the Moldova Social Investment Fund was launched in late 1997 with an annual budget of US$20 million supported by an International Development Association loan of US$15m. The social fund aims both to build infrastructure for the poorest citizens and to build their capacity to further their own development. The social fund focuses on small grants of less than US$75,000.

Involving communities
Overcoming Soviet legacy—Administering a social fund in Moldova requires overcoming the legacy of the Soviet era which quashed any tendency to self-governance. In contrast to this tradition of central control and local compliance, the social fund holds town hall meetings in which local people determine projects and their allocation. Communities, commonly villages, then appoint their own legally accountable representatives to administer the projects.

Community financing—The community is responsible for preparing the subproject, determining the extent of their co-payment and raising money to cover it. Too poor to raise the co-payment in cash, many communities undertake fundraising schemes for the project.

Combating corruption—Communities hire contractors to take on their projects through a national competitive bidding system. The communities then appoint a project implementation unit while continuing to coordinate and supervise the work. This community involvement greatly reduces corruption and provides strident quality control. Social fund staff members regularly visit villages to enhance the transparency and oversight of projects.

Training—As part of their efforts to build the social capital required to undertake community-driven development, social fund staff train and retrain implementation units. People who oversee the projects as well as those contracted to build the infrastructure receive training.
Recommendations
In formulating their recommendations, participants in the break-out session on community-driven development considered the question “What are practical recommendations for social funds to support community-driven development better in the next five years?”

Funding partnerships
Social funds should build funding alliances that will allow for leveraging more grant funding, increasing funding from the World Bank for community-driven development and improved donor coordination.

Linkages
Social funds should build, or facilitate the building of, alliances between communities, local governments and the media.

Capacity building
Social funds and donors should ensure that adequate time and funding are available for development of community capacity. Specifically, social funds should
• train their staff in participation skills;
• train community representatives to build capacity;
• ensure community participation in all phases of projects including post-project evaluation and maintenance; and
• delegate more control to ensure that the community is “the boss.”

Networking
Social funds should ensure the strengthening of timely and accessible information sharing between social funds and communities. They can achieve this by
• providing for direct community inclusion throughout the project cycle;
• utilizing community programs;
• increasing the participation of the community-based development network; and
• facilitating exchange between the social fund and stakeholders.

Monitoring and evaluation
Social funds should improve monitoring and evaluation to measure impacts, not just outcomes. Specifically,
• social funds should incorporate community-based indicators as a focus in project assessment; and
• World Bank country reports should include social indicators and documentation of the social fund process.
Policy alignment
Social funds should promote the inclusion of community-driven development in policy discussions. They should promote community-driven development by
- inputting grassroots perspectives in policy discussions; and
- brokering cross-sector agreements between banks and governments on sector strategies and governance.

Flexible menus
Menus should be open, flexible and dynamic. Specifically, they should
- focus less on infrastructure;
- be more supportive of processes, not just projects;
- ensure access by the most vulnerable and remote;
- respond rapidly; and
- adapt to evolving needs and promote innovation.

Operating mechanisms
Social funds should create operating mechanisms that ensure permanence and autonomy. Specifically, they should promote
- financial autonomy; and
- a legal basis and framework for the social fund.

During the break-out session on community-driven development, the workshop facilitator stresses that recommendations should be practical.
Institutional sustainability

Despite their apparent short-term success, social funds cannot be complacent about their long-term sustainability. Ensuring the long-term existence and success of social funds requires social fund managers, government officials, community members and donors to strike a fine balance in various areas of social fund management. For example, social funds must maintain independence from other government agencies and donors; they must also institutionalize themselves in national and international development strategies. Similarly, social funds must empower communities to manage subprojects and to influence the social fund itself; they must also monitor corruption and evaluate their overall impact. In a break-out sessions, participants discussed these, and other, dilemmas. Their recommendations for how social funds could ensure the sustainability of their investments and the social fund concept follow.

Recommendations

Partnership
Social funds should strengthen partnerships with key stakeholders to ensure mutual understanding and cooperation. To pursue this recommendation, social funds should

- enter into clear partnerships with beneficiaries and recognize the potential of collaborating with civil society;
- ensure that social fund programs become replicable by governments;
- promote the integration of social funds into national policy; and
- forge partnerships with the media to assist in disseminating information about social funds to poor people.

Capacity building
Social funds should recognize that capacity building is one of the keys to increased institutional sustainability. In promoting capacity building, social funds should

- promote capacity building through skills development;
- draw on the existing strengths within communities;
- involve all stakeholders; and
- focus on the community level.

Funding for operations and maintenance
Social funds should explore alternative sources of funding for recurrent expenditure. Potential sources of alternative funding include

- user associations to promote community co-financing; and
- local government.

Project design
Project design should take into account the importance of

- better targeting to ensure the inclusion of vulnerable groups and the poorest of the poor;
- increased community ownership;
- clear procedures that facilitate transparency; and
- decentralized participatory decision making.
Social Funds: Accomplishments and Aspirations

Development
Social funds should not only emphasize individual micro-projects but expand this view to encompass community, area and municipal development. To broaden their focus in this manner, social funds should

- develop area, community and municipal development plans;
- encourage the participation of community, area and municipality representatives in the social fund project process; and
- finance both ‘hardware’ and ‘software’ projects.

Impact evaluation
Impact evaluations should focus on long-term results that consider

- the processes developed and implemented; and
- the impact on social indicators, not just disbursements.

The conference convened five break-out sessions during which participants formulated recommendations on key policy issues. In one of these sessions, World Bank Operations Officer Anush Bezhanyan discusses strategies for ensuring the institutional sustainability of social funds.
Donor participation and fundraising

While increasingly regarded as an efficient strategy for undertaking development, giving money directly to communities is still regarded skeptically by some governments and donors. Overcoming skepticism, and ensuring that social funds remain demand-driven despite the involvement of influential funders, are crucial tasks for social fund managers. Effective social funds must also coordinate donor strategies and benefit from donor expertise. Finally, social funds must develop both methods to diversify funding sources and the capacity to manage resources effectively.

This breakout session addressed the dilemmas of donor participation and fundraising. Participants in this session, including social fund managers, World Bank officials and representatives from other funding organizations, made the following recommendations.

Recommendations

Local partnerships and governance
Social funds should establish mechanisms to promote good governance and strong local partnerships to ensure long-term sustainability.

Operating procedures
Social funds should establish sound, clear procedures to run in a transparent, efficient and accountable way with positive results.

Long-term strategies
The social fund’s long-term strategies and policies should correspond to local and national needs and match donor priorities, ensuring coordination at all levels.

Macro-environment
Social funds need to have an enabling macro-environment for long-term sustainability.
New directions and innovations

To complement the discussions of policy frameworks and broad strategic issues, small-group sessions met during the conference’s “Marketplace.” The Marketplace allowed participants to delve more deeply into operational issues and to share their experiences. With their topics chosen to respond to the popular demand expressed in a pre-conference questionnaire, the Marketplace sessions discussed the following themes:

- HIV/AIDS
- Vulnerable groups
- Gender
- Post conflict/post-disaster reconstruction
- Social capital
- Microfinance and income generation
- Corruption/governance
- Cultural assets for poverty reduction
- Community contracting
- Monitoring and evaluation (MIS)

While participants in the Marketplace did not make formal recommendations, this chapter highlights their discussions and observations about how each of these issues impacts the work of social funds around the world.
Social Funds: Accomplishments and Aspirations

HIV/AIDS

The rampant spread of HIV/AIDS in the developing world has dire implications for efforts to promote economic development. With their community-level focus, social funds are uniquely placed to assist in AIDS prevention and mitigation efforts.

Participants in this session, moderated by Bachir Souhlal, from the World Bank’s Aids Campaign Team for Africa (ACT Africa), discussed the appropriate role of social funds in complementing national AIDS strategies. Following a presentation by ACT Africa’s Keith Hansen, the participants shared information about AIDS programs in their social funds, but insisted that social funds should not be conceived as a panacea that can single-handedly undertake anti-AIDS campaigns.

Presentation

AIDS—a development issue
Keith Hansen began the session by detailing the extent and spread of HIV/AIDS globally. More than a public health problem, HIV/AIDS is a fundamental development issue, reducing life expectancy, killing adults in the prime of their lives and destroying social capital and the social fabric.

When HIV rates are below five percent, impact on economic growth is negligible. Once HIV rates cross this ‘threshold of tragedy,’ however, HIV/AIDS devastates a country’s economic prospects, reducing savings, productivity and investment in education and overwhelming the health sector.

Social funds’ role in solution
Fortunately, HIV/AIDS is relatively easy and cheap to prevent. While appropriate national government regulation is necessary, effective AIDS-prevention programs must take place at the community level where they can have the most credibility and the greatest potential to change behavior. The community-development model that social funds support is well-placed to help communities inoculate themselves with a ‘social vaccine’ of awareness and support.

Awareness without empowerment for behavior change is not enough. Social funds must also foster societal change that can help reduce the risk of AIDS, such as providing women with more economic opportunity, keeping girls in school longer and helping communities cope with drop-offs in remittances or the proliferation of orphans.

Discussion

Appropriate assistance
Social funds are well-placed to assist in anti-AIDS campaigns because these campaigns work best when they are community-driven. Communities are also in the best position to
care for the infected and the effected. However, social fund practitioners participating in the session expressed their reservations at the idea that social funds should take a lead role in the battle against HIV/AIDS. Instead, they argued, social funds should work in partnership with other government agencies and NGOs better prepared to undertake AIDS awareness campaigns and other activities.

The Malawi Social Action Fund, for example, offers officials from the government’s AIDS secretariat the opportunity to address communities at meetings convened to discuss social fund projects. Through this mechanism, the social fund can assist in AIDS education without attempting to design AIDS education programs itself.

**Community driven development**

One important issue for social funds to consider is to what extent they should push for communities to take on AIDS-related subprojects? Like other vulnerable groups, people living with AIDS and those caring for them often do not have the capacity to apply for social fund support. Furthermore, in cases where communities are unaware of their AIDS infection rates and the extent of the devastation that AIDS will cause if it is not addressed, communities do not name AIDS-related projects as one of their priorities.

If they actively promote these programs by reducing co-payments or other mechanisms, then social fund managers must consider how much they are willing to undermine the principle that communities should decide upon their own priorities.

One way to remove obstacles blocking social funds from supporting AIDS projects is to extend the menu options to include education and awareness projects. However, tensions between people living with AIDS and others in the community are likely to arise, as they have in Zimbabwe, over whether limited funding will go to prevention campaigns or to ameliorate the suffering of those who have already contracted HIV/AIDS.

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**AIDS in Africa**

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<th>Percent of global total in Africa</th>
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<tbody>
<tr>
<td>Children living with HIV/AIDS</td>
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<tr>
<td>Women living with HIV/AIDS</td>
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<tr>
<td>Men living with HIV/AIDS</td>
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<tr>
<td>AIDS orphans</td>
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<tr>
<td>AIDS deaths to date</td>
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<tr>
<td>21 countries with the highest</td>
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<td>HIV/AIDS prevalence rates</td>
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Data current as of 1 December 1999
Vulnerable groups

Because many vulnerable communities are unable to mobilize to apply for funds themselves, social funds must balance the, often divergent, principles of remaining demand driven and supporting vulnerable groups. In light of this tension, the session examined how social funds can better serve vulnerable groups while maintaining their demand-driven nature.

Bona Kim and Maurizia Tovo outlined the World Bank's child labor program while World Bank Social Protection Unit member Dinah McLeod, the session leader, provided an overview of research of social funds and disability. (This research can be accessed from the World Bank social funds website). Magette Wade, Director General of the Senegalese Agence d'Execution des Travaux d'Intérêt Public, described the highly successful Senegalese program that targets pregnant mothers and young children. Participants then discussed how social funds can best serve vulnerable groups through appropriate targeting and other innovations.

Dinah McLeod presented an overview of recent research on disability and social funds. One-third of the managers who responded to a survey reported some disability-related subprojects within their social fund. Suggestions for including people with disabilities better in social fund projects include modifying subprojects to ensure persons with disabilities can use them, funding public information and outreach campaigns on disability issues, adjusting eligibility requirements and building NGO capacity.

Who are vulnerable groups?
Participants agreed that the definition of vulnerable groups should not only encompass “traditional” groups such as elderly people, socially marginalized people, children and women at risk and people with disabilities, but also those who have been made vulnerable due to catastrophic events, such as natural disasters or economic crises.

Poverty vs. vulnerability
Debate focused around the distinction between vulnerability and poverty. One participant argued for the need to distinguish between social and economic vulnerability, recognizing that the poor and the vulnerable are not always the same. Other discussants noted that poverty and vulnerability are part of a single cycle.

Targeting the vulnerable
Vulnerable groups are hard to target and require special outreach because they are often socially or physically isolated and do not have a strong voice. Community development or the provision of safety nets can both ameliorate vulnerability. Participants concluded that, when feasible, community-based development that integrates members of vulnerable groups into community projects is the best mechanism to reach them effectively.

Many social funds mentioned revenue-generating activities as being particularly effective in reaching vulnerable groups. Examples included microfinance programs for street children and revenue-generating activities for vulnerable women. To reach children, social funds must also target mothers through projects such as health interventions and preventative programs.

Working with NGOs—Lacking the capacity to represent themselves, vulnerable groups often have intermediary organizations make claims on their behalf. Participants agreed that NGOs can be effective bridges to vulnerable groups as long as the social fund also directly consults beneficiaries.
Limited role of social funds
One participant noted that, considering the fiscal restraints on the operating budget of the social funds, ensuring widespread participation by vulnerable groups could cost too much. Social funds also do not traditionally undertake the prevention activities that are an essential part of the social risk management framework.

For both these reasons, social funds alone cannot solve the problems of vulnerable groups. They must rather work as part of an integrated government and policy framework. Partnerships with government and civil society are essential. Social funds should ensure that they do not duplicate existing supports for vulnerable groups.

Empowerment and inclusion
Members of vulnerable groups should not be considered victims. They have the capacity to empower themselves if given the resources and opportunity. Listening to them directly when designing interventions is imperative. However, social funds should not “ghettoize” vulnerable groups but rather seek to support efforts to mainstream all people in community-level services and through services that support families caring for relatives. For example, regular schools should allow access to children with disabilities.

Examples of social fund activity
Malawi—Realizing that certain groups were excluded from social fund activities because they lacked the capacity to approach the social fund, the social fund created a special program for vulnerable groups. The fund sponsors NGOs that work with the target populations (orphans, street children, people living with HIV/AIDS, the elderly, people with disabilities) and supports networking activities among community-based NGOs.

Honduras—The social fund is developing a separate fund that can only invest in projects targeting specific vulnerable populations that reach set outcomes. Disbursements will be community-driven.

Cambodia—The social fund undertook outreach among the poorest of the poor, those communities living at the border in the jungle. The social fund assisted the illiterate population in developing project proposals and coordinated with other donors, the government and NGOs to provide more comprehensive services.

Zambia—The social fund uses community-based approaches and attempts to integrate vulnerable groups into existing programs when possible. The fund has also enacted separate programs specifically targeted at vulnerable groups.
**Cultural assets for poverty reduction**

If designed appropriately, social funds are well-placed to enable communities to pursue sustainable livelihoods while honoring their cultural traditions. Katrinka Ebbe and Krezentia Duer from the World Bank’s Social Development Department, described how culture can be a development asset for communities to reap. Highlighting experiences from various social funds, participants formulated recommendations of how social funds can harness cultural assets to assist communities implement poverty reduction subprojects.

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**Background**

**Culture as a development asset**

Cultural capital can help address the problems of poverty and globalization, both by energizing and empowering people, and by opening new opportunities to them. Social funds can support groups, associations and communities to undertake activities that speak to who they are and what they value in life, such as setting up community-based radio stations for public information and cultural programming or supporting the conservation of sites with deep meaning to them. By undertaking these kinds of projects, social funds can energize poor groups, help them organize, and encourage their creativity and self-confidence. Social funds can also help groups access the global market that, starved for uniqueness, offers a promising venue for the sale of products produced by local communities and associations.

**Discussion**

Participants discussed social funds in Yemen, Bolivia, Guatemala, Tanzania, and Romania that are helping communities to improve their services and to create income-generating opportunities by drawing on their values and cultural strengths, skills, knowledge and traditions.

**Lessons learned**

Social funds that were not designed to enable cultural subprojects struggled to combine the task of enhancing cultural assets with poverty reduction. Too inflexible to accommodate cultural subprojects, social funds tended to ignore demand. Communities also did not have the capacity to access the social fund without pre-investment outreach. Finally, income-generating projects such as community-based tourism and artisanal enterprises that lacked market links were unsustainable.

**Conclusions and Recommendations**

*Promote public awareness raising*—Social funds must address misconceptions about the limited range of projects they will support and should promote creative thinking about possible projects. Social funds should use the mass media and community entertainment, such as theater or song, to publicize examples of subprojects in which communities can draw on their values, skills and traditions to improve their lives.
Facilitate community participatory planning—Social funds should build on their strengths in training community members. They should help groups of people to
- think openly about what they value and want to be part of their lives;
- assess their own strengths, specifically their skills, knowledge, traditions and identity, on which they can build opportunities; and
- identify not only their needs, but also the appropriate responses to these needs that confirm what they value in life and that mobilize their strengths.

Identify assistance and strengths—During the projects’ preparatory stages, social funds should identify broad areas and sources of assistance to respond to likely demand. This preparation should include diagnoses that identify possible cultural enterprises, community educational activities and other culturally-based projects for which demand is likely. Preparation and follow-up should identify sources of expertise, such as trade and professional organizations, and determine their interest in participating in social fund projects. Examples include the Adventure Travel Society, which is credible in the development of community-based tourism, or the BBC and Radio Netherlands, which can provide technical support for community-based radio stations.

Organize appraisal assistance—The social funds should not appraise “unconventional” subprojects themselves but rather contract out such appraisal to people more familiar with the field of development through cultural assets.

Enhance Social Fund roles—The role of social funds should be expanded, including support for:
- training facilitators in communities on participatory planning;
- giving communities two opportunities to get technical assistance funding, both to develop feasible proposals and to get advice for implementation;
- helping communities to network and form associations to work with markets; and
- contracting out for business brokerages to help communities develop market links. Credible trade associations and networks operating in international niche markets can organize business brokerage between screened companies in their markets and communities with relevant subprojects.

Future networking
Participants in this session agreed to set up an email list to encourage learning and the sharing of information between people working on social funds that include cultural assets. To join this list, please email Katrinka Ebbe at kebbe@worldbank.org
Gender

Social funds projects cannot meet community need unless all members of a community are equally able to participate in all stages of a social fund project. World Bank gender specialist, Susan Razzaz presented findings from research of beneficiary assessments that showed evidence of a lack of participation by women in project selection. World Bank community development specialist Wendy Wakeman then led discussion of how social funds can promote the empowerment and participation of women and men.

Presentation

**Gender bias in community-level selection**

Susan Razzaz presented the results of her study of beneficiary assessment studies. Rather than focusing on gender issues in project outcomes (that have been discussed previously) she focused on the community-level selection of projects.

The beneficiary assessments find that women rarely participate in project selection. They often do not attend community meetings because they lack information about meetings, believe they are not invited, or because work in the home prevents their participation. Even when women do attend selection meetings, they tend to remain on the fringes, having a physical presence but no voice. The beneficiary assessments also identified that because men’s and women’s roles are different, the projects they identify as priorities tend to differ.

The rationale for including women in project selection is the same as the rationale for community-level selection itself: poverty reduction needs are best understood by those most directly effected. The staff of social funds can play an important role by assisting in the identification of the varied needs of the community (including those associated with women’s roles) and by mediating between priorities which conflict.

Discussion

Wendy Wakeman led the session participants in a small-group exercise in which groups discussed difficulties they have faced incorporating gender issues into social funds and the types of actions they have used to overcome these difficulties. Report backs from these groups raised the following points.

- Analyzing the specific social and economic roles of women and men is necessary to understand the different needs of women and men in a community.
- Efforts to make women more active in decision making must be sensitive to the difficulties many women have in making decision if they were not raised to play that role.
- In seeking to include women, social funds should not marginalize men.
- Participatory processes for needs assessments and priority setting must be culturally specific to ensure the comfort of women and men.
Monitoring and evaluation

Monitoring and evaluating social funds is crucial both to determine their efficacy and to justify their continued funding. Margaret Goodman, from the Inter-American Development Bank, described the importance of clear objectives and impacts. Participants then reaffirmed the need to transform the focus of evaluation from outcomes to impacts and discussed how to implement information gathering and management systems.

Presentation

Evaluation of social funds is important partly to provide evidence that international lenders and donors can use to justify their support. Currently, evaluation tends to focus on traditional measures of success such as disbursements, job creation and infrastructure development. Instead, evaluation should focus on the holistic, long-term results in poverty alleviation and safety-net enhancement.

In supporting social funds, international agencies seek to promote four goals:

- Decentralization, with social funds and communities that are independent from political influence and democratically elected local governments;
- Human capital creation marked by fruitful interaction with NGOs;
- Inequality reduction, through redistribution, job creation and project integration; and
- Environmental improvement through community training and technology sharing.

Discussion

Criteria for evaluating social funds

Session participants agreed that determining the criteria on which to assess social funds is crucial and complicated. While speed of disbursement is an important indication of a social fund’s efficacy, social funds should also seek a more long-term perspective in assessing the impact of their projects. The interaction of social fund projects with other interventions complicates the task of measuring the social fund’s success. In general, seeking too many indicators makes evaluation unnecessarily difficult.

Impact not outcome

Social fund evaluations tend to focus on project outcomes. Instead, participants called for evaluations of project impacts in the short-, medium- and long-term. Such evaluations, however, require community surveys years after subproject completion which few social funds currently administer.

While taking a longer-term perspective, social funds should also consider broader criteria for evaluation. Indicators should measure both process and impact and should continue from pre-program assessment to evaluations several years after program completion.

Information collection: early and often

The current proliferation of various standards for evaluating and monitoring need to be balanced with the development of country and program-specific indicators. Early investment in the creation of information systems is crucial to facilitate evaluation. Social funds should start evaluation before a project begins by developing clear indicators that the social fund can monitor throughout the project cycle.
Post-conflict/post-disaster reconstruction

With a proliferation of violent conflicts enveloping the developing world, social funds increasingly operate in conflict or post-conflict reconstruction situations. Recognizing the complex interaction between development interventions and conflict resolution, social funds can help restore and maintain peace by fostering social cohesion. Social funds should also be sensitive to the special considerations necessary for effective service delivery in a post-disaster setting.

Nat Colletta, the manager of the World Bank’s post-conflict reconstruction unit and author of the recently-released book *Violent conflict and the transformation of social capital*, opened this session with an overview of the Bank’s evolving understanding of its role in conflict resolution. Participants then debated the appropriate role of social funds in conflict and post-disaster situations, warning against the danger that social funds can exacerbate conflict.

The World Bank was originally created as an institution to support reconstruction. With the explosion of civil strife in the 1990s, the promotion of reconstruction and conflict resolution is again taking a prominent place on the development agenda. No longer considering only post-conflict reconstruction, the World Bank and other development agencies have now accepted the central role that development can play in resolving conflicts and supporting peace initiatives. New World Bank operational guidelines recognize that development projects must consider marginalization, inequality and the importance of history and identity.

Social funds in a conflict environment
In a conflict environment, social funds can assist in promoting each of the four stages in the peace-building cycle: security, governance, economic recovery and social stability. However, social funds have historically overlooked the importance of building social cohesion by delivering projects in heterogeneous communities.

Social capital
Building bridging social capital, the cross-cutting connections between different groups in society and between communities and institutions of power, is crucial to resolving conflict and maintaining peace. Social funds must balance the need to deliver material success quickly with the more arduous and amorphous goal of enhancing social capital to promote sustainable peace. Two pilot studies, in Rwanda and East Timor, are currently pioneering social fund projects in which community cohesion is an explicit goal.

Discussion points
Discussion about the appropriate role of social funds in conflict resolution touched upon the complex tensions inherent in using the community-driven social fund model to promote development and peace. Some participants expressed opposition to the idea that social fund interventions should self-consciously set out to promote collaboration among formerly warring, or isolated communities. Colletta argued that social fund managers and other people concerned with ensuring long-term peace must accept that perpetuating the social order that existed before the conflict will only lead to a renewal of conflict in the future.

Ellen Beattie from the Colombian social fund agreed that reconstruction efforts cannot await a peace settlement. If, as in the case of Colombia, lack of confidence in government
efficacy fuels a civil war, than waiting for a peace settlement before empowering the
community with development assistance will only exacerbate a destructive cycle. In the
case of Columbia, the social fund can promote peace by enhancing the government’s
legitimacy.

In response to a question from Ilham Manzly, deputy chief of the Azerbaijan Department
on Refugees and Internally Displaced Persons, Colletta also explained that a return to the
pre-conflict economic relations is often impossible in the face of destroyed infrastructure
and social capital. Reconstruction efforts must consider new and innovative ways to
restore economic viability as well as stability.

**Social fund interventions can exacerbate tension**

Through various methods, social funds can attempt to spur the creation of the cross-
cutting social bonds that can inoculate a community against a return to
conflict. By insisting that project implementing committees be comprised
of representatives from various ethnic groups or neighborhoods, social
funds can exemplify the benefits of collaboration and forge new
partnerships. Focusing exclusively on promoting collaboration, however,
can lead to the implementation of redundant or ill-conceived projects.

Furthermore, social funds can actually foster the divisive separation that
fuels conflict. The Kosovo social fund, for example, has received requests
from communities to fund projects, such as new schools, roads or
marketplaces, that will assist communities to segregate themselves.
Colletta explained that the World Bank is developing a conflict impact
assessment to force funders to consider the impact of any development
intervention on potentially violent social relations in a country.

**Consideration for a demand-driven model**

During conflicts, or in their wake or the aftermath of natural disasters, many communities
lack the capacity to organize and undertake social fund projects. Social funds must be
sensitive to the increased need for assisting communities to take advantage of the social
fund and to implement their projects successfully.

**Collaboration with NGOs**

Considering the strains of operating in conflict and disaster situations, social funds must
collaborate effectively with non-governmental organizations. Improved donor
coordination is also crucial to facilitate speedy responses that can help solidify peace and
development initiatives. Specifically, participants agreed that collaboration on joint
assessments of community needs and potential is the appropriate first step to ensuring
fruitful collaboration.
Social capital

Social capital is about the formal and informal social relationships that give people the capacity to mobilize, organize and trust each other in order to solve problems collectively. Deepa Narayan, lead social development specialist in the World Bank’s poverty reduction program, gave an overview of research into social capital and offered insights about the complementary role social funds can play in social capital development. Participants then discussed how social funds can not only create, but also destroy social capital. Social fund projects must be sensitive to the tensions they can exacerbate and the unproductive incentives they can induce in the attempt to spur social capital formation.


Presentation

What is social capital?
Social capital is about the formal and informal social relationships that give people the capacity to mobilize, organize and trust each other in order to solve problems collectively. Social capital creates bridges between groups and between groups and institutions such as the state.

The World Bank publication, Bonds and Bridges: Social Capital and Poverty, lays out a matrix that describes the necessity of both state capacity and different forms of social capital to facilitate successful economic development. Even in the presence of an effective state, the existence of bonding social capital that unites people within groups such as family is not adequate; the cross-cutting cleavages of bridging social capital are necessary to ensure comprehensive and equitable development.

Social capital and social funds
Social capacity building is necessary to ensure the sustainability and success of social fund projects. Only communities in which people work together effectively will be able to implement and maintain social fund projects. At the same time, social funds are potentially the best instrument to develop local organizational capacity.

To support social capital development, social funds must have open menus that recognize the long-term benefits of projects such as recreational facilities or community halls that are not necessarily directly economically productive. Social funds must also accept the challenge of managing the unpredictability inherent in programs that seek to build social capital. Finally, social funds must work as one part of a comprehensive development strategy, taking into account not only the immediate impact of their projects on a particular sector, but also their ability to contribute to fostering a rich network of cross-cutting ties within society and between society’s informal and formal institutions.

Discussion points

Importance of social capital
Social fund practitioners agreed that social capital is necessary to support poverty alleviation. Social funds can both encourage the development of social capital and provide a bridge that allows communities to use existing social capital productively.
Charles Mandala, the Director of Community Subprojects in the Malawi Social Action Fund, described the proliferation of community organizations that emerged in response to the social fund’s requirement that such social capital had to be evident for a community to gain social fund investment. Anek Nakabutara, the executive director of the Thailand Social Investment Fund Office, explained that while poor communities in Thailand lack economic resources, they have strong social capital networks. The social fund provides resources that allows them to use those networks productively.

Countries in transition from authoritarian or totalitarian regimes face a unique problem in developing social capital. In attempting to encourage community participation and collective action, social funds must overcome the legacy of previous political leaders who actively destroyed or distorted concepts of collective action and community agency. Christina Vladu, project officer of the Romanian Social Development Fund, explained the need for the social fund to undertake leadership exercises to reestablish trust in communities. In Moldova, the social fund has given communities renewed faith in their ability to implement projects themselves—an important component in the transition from the Soviet era.

**Social funds can undermine social capital**

Political pressure from donors and governments limits social funds’ ability to promote social capital development. Both Abdou Touray, national coordinator of the Strategy for Poverty Alleviation in The Gambia, and Latin American expert, Rene Rodriguez, warned that the focus on disbursement levels and project completion rates leaves many social funds without time and resources to invest in building social capital.

When they overcome this limitation, social funds can enhance social capital by promoting the formation of community groups to implement subprojects and by giving groups resources. But, if poorly designed, social funds can undermine existing social capital in various ways. One of the greatest dangers is that social funds can increase tensions between groups within a community. Giving relatively large sums of money to poor communities, social funds create great incentives for groups and community organizations to compete.

Sidney Mhishi, the director of the Zimbabwe Social Development Fund, also warned that when the formation of community organizations is a prerequisite for social fund investment, opportunistic people or groups will spring up claiming to represent community interests. This form of hollow community organization can undermine legitimate efforts to build social capital.

**Better social fund design**

Program design can ameliorate the potential negative effects of social funds. Social funds can mitigate the tensions that sudden infusions of cash into communities cause by providing more gradual funding flows. Investment in resources to distinguish legitimate examples of social capital from opportunistic, hollow groups, can decrease the negative impact of the incentives that social funds create for opportunism. Finally, social funds should devise simple ways to track the capacity of local organizations, both to assess their capability to administer projects and to monitor the social fund’s impact on social capital.
Microfinance and income generation

While subprojects such as school renovation provide a valued community benefit, poor communities also need parallel interventions that increase household income. Microfinance has proven effective in raising household income and forms a component of social fund work in many countries.

In this session, led by the World Bank’s Yasser El-Gammal, representatives from Yemen, Benin and Egypt each gave presentations about the microfinance and income generation initiatives their social funds have undertaken. William Steel, a lead specialist in the World Bank’s microfinance and small enterprise section in the African region office, then described the World Bank’s main guidelines for microfinance and income generation projects.

New, three-tiered microfinance strategy
Past government-supported microfinance projects tended not to succeed, suffering from poor recovery, high cost, unsustainability and a high reliance on subsidies. This poor record led the World Bank to devise new guidelines for microfinance projects. The new guidelines recommend a three-tiered strategy to create sustainable microfinance institutions that can wean themselves from reliance on donor funding:

Access to financial services—Rather than establishing credit lines that can distort market incentives and add costs, the new strategy calls for the creation of microfinance institutions that can provide loans, insurance, savings accounts and other services to poor communities.

Building social capital—Social funds are well-placed to provide basic skills in managing income-earning activities. Social funds can provide grassroots management training, establish and manage solidarity groups in association with a microfinance institution and can develop local organizations that can facilitate storage, marketing and partnerships with private firms.

Provide economic and social infrastructure—Social funds can directly raise income potential through projects such as building market facilities or small-scale irrigation. Social funds can also indirectly improve economic opportunities through health and education projects. These programs work best in conjunction with projects that directly increase market skills and access.

Operational considerations
In the Yemen experience, the social fund is well placed to implement a microfinance project because it is well respected and has direct access to communities. Considering the fundamentally different task of a lending institution, however, microfinance projects are often best administered when they are separated from the social fund.

Rather than attempting to replace the private financial sector, social fund microfinance projects should seek to provide a bridge for poor communities to access the private market. In all operational considerations, the social fund should aim to phase out its own involvement in a microfinance institution that should ideally become self-sufficient, eventually establishing sustainable links to the private finance sector.
In Benin, the social fund assists poor communities gain access to credit without providing the credit directly. Instead, the social fund serves an intermediary role, providing technical assistance and working with NGOs to connect poor communities to formal and informal financing structures. The social fund also works to strengthen the capacity of the informal financial sector.

Participants added insights from the experience of microfinance provision in social funds in The Gambia, Pakistan and Peru. In The Gambia, the microfinance component has increased household income and also helped create employment. Furthermore, the microfinance wing of the social fund can potentially fund social fund projects.
Corruption and governance

Corruption and poor governance both undermine economic development efforts and further impoverish poor people who bear a disproportionate cost. Preventing corruption leakage in social fund projects and fostering a national climate of good governance are both important goals for social fund managers and funders. Following a demonstration of the World Bank’s main governance survey module, Daniel Kaufmann, the manager of the World Bank Institute’s governance and anti-corruption center, described the extent, causes and impacts of global corruption. Participants then discussed their country-specific concerns and experiences.

Documents relevant to this presentation can be found in the governance and anti-corruption section of the World Bank Institute’s website at www.worldbank.org/wbi

Background
The interactive session began with Pablo Zoido-Lobatón, from the World Bank’s governance program, leading participants through survey questions from the World Bank’s main survey on corruption. In their responses, participants stressed the economic damage that corruption wreaks by reducing economic growth and investment and by hampering access of poor people to public services. The majority of participants highlighted the need for the World Bank to strengthen procurement rules in order to reduce corruption in the projects it sponsors.

Daniel Kaufmann, senior manager of the World Bank governance and anti-corruption team, followed by detailing new evidence on global corruption. With cross-country evidence on 160 nations collected from 15 sources, the new data allows for tentative comparisons of governance around the world that shows that corruption is not limited to any region or set of nations.

Costs of misgovernance
Standard measures of governance take into account six key elements:

- corruption
- the extent of the rule of law
- the regulatory framework
- the effectiveness of the bureaucracy
- voice and accountability
- crime, violence and political stability.

Poor performance in any of these six categories impacts heavily on socioeconomic indicators such as adult literacy and infant mortality. Poor governance also reduces economic investment.

Causes of corruption—incentives not individuals
Corruption does not stem from individual, or cultural tendencies, but from the incentives given individuals in the public and private sector. Rampant corruption is a symptom of the fundamental weaknesses of the institutions of the state and of other institutions.

Combating corruption
Because corruption results from incentives, not innate avarice, effective anti-corruption campaigns that change incentives can therefore have unexpectedly rapid results, transforming a country in a decade or less.
**Anti-corruption strategy**
The three main components of an effective anti-corruption strategy are spreading information and knowledge, political leadership and collective action. Citizens must be informed of their rights and given opportunities to find recourse against corrupt practices. Political leadership, both within a country and internationally, must be mustered to combat corruption. Finally, all the key stakeholders must work together, rather than focusing on any single branch of the public or private sector.

**Comprehensive, country-specific strategies**
Any approach to combating corruption must be tailored to the unique circumstances of the country in which it will be implemented. Strategies must also comprehensively address all the incentives that cause corruption while promoting the concept of collective responsibility that includes the participation of civil society alongside government in combating corruption.

**Discussion points**

**Community-level interventions**
Participants in this workshop sought to probe the impact on corruption of programs like social funds that channel resources directly to communities. Kaufmann explained that global studies examining the nexus between decentralization and corruption have proven inconclusive. In some cases, leakage due to corruption decreased when money was disbursed directly to municipalities, in other cases it increased.

In terms of the appropriate level at which to tackle corruption, when central government officials lack the political will to take on corruption, then local-level anti-corruption initiatives are appropriate. Local level interventions are best at defining the scope and nature of the corruption problem. However, the most successful anti-corruption campaigns have been driven by committed national leaders.

**Education and awareness**
Based on the premise that incentives determine the level of corruption, education campaigns intended to increase the moral character of a population are unlikely to succeed alone. Education campaigns should instead focus on informing citizens of the extent of the damage wrought by corruption and of their rights and recourses. The dissemination of information about who is engaged in corrupt activities is an important tool to stigmatize corrupt people and organizations.

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**Corruption does not stem from individual, or cultural tendencies, but from the incentives given individuals in the private and public sectors**
Community contracting

Determining the most effective method through which social funds can both empower communities to manage projects themselves and ensure that projects do not cost too much is an important task for social fund managers. This session, chaired by Samantha de Silva from the World Bank’s social protection unit, examined the application of community contracting principles to social fund management. De Silva began by describing the general lessons from community contracting experience. The World Bank’s Jean-Jacques Raoul followed with a presentation about the operational principles in implementing community contracting. Finally, Christine Kamwendo, from the Malawi Social Action Fund, described the experience of community contracting in Malawi.

Presentations

General lessons from community contracting experience
Community-based contracting is procurement by, or on behalf of, a community, defined as all the people that make direct use of the subproject. Different social funds employ a range of community contracting models, from channeling funds directly to a community, to paying a contractor chosen by a community, to working through intermediaries such as NGOs.

Through experiences with community contracting, social funds have learned general lessons applicable to various stages of a social fund’s operations. Among these are:

Planning and accountability—Social funds should undertake community assessments to determine the local capacity for community contracting, while publicity campaigns should target all stakeholders, including contractors. Community contributions should be collected up front, while the implementing committee should be accountable to the community, not just to the social fund.

Disbursement—Disbursements should occur in stages based on completed work. Social funds should also train implementing committees in basic banking procedures.

Procurement—Goods should be purchased in stages to ease storage and security. To prevent local shortages in supplies, social funds should also ensure that suppliers know which communities have received funding approval.

Monitoring and evaluation—In addition to internal and external audits, a social audit should assess the community’s performance and drive future funding decisions.

Implementing community contracting
Community participation benefits projects because it enhances community ownership and skills, provides for quicker, cheaper procurement, generates economic activity, reduces the burden of the implementing agency and facilitates the achievement of project objectives. The principles of procurement design should be to enhance economy and efficiency, provide for equal opportunity, develop domestic industries and ensure the transparency of the process.

The particular plan for community procurement should be described in legal agreements that specifically delineate the roles of the executing agency, the community and any
intermediaries. Social funds can assist communities by providing them with model contracts, and setting minimum eligibility criteria for community contracting. Those communities that fail to meet the minimum requirements can work with intermediaries to undertake social fund subprojects.

**Community contracting in Malawi**

In Malawi, the principle of community contracting helps foster the social fund’s community empowerment goals. After assessing the community capacity to manage the subproject as part of the appraisal criteria, the social fund trains the project management committee members in accounting and book-keeping.

The social fund also assists the committee by providing a Bill of Quantities that details reasonable prices for each element in the project and by providing quality assessment support. In order to decrease the likelihood of corruption and theft, the social fund widely publicizes all social fund transactions and blacklists unscrupulous traders.

**Discussion**

**When is community contracting appropriate?**

While agreeing that the community contracting and indigenous capacity building can be complementary, session participants debated the extent to which the community contracting model is appropriate. Participants agreed that community contracting is not ideal for projects demanding the coordinated effort of many communities, or for technically-complex projects. In Malawi, for example, in borehole drilling projects, the social fund pays contractors directly, with communities choosing contractors from a pre-screened list.

**Role of intermediaries**

Participants debated the appropriate role of NGOs or other intermediaries to assist in projects where communities lack the capacity to manage the projects themselves. In Burundi, NGOs are involved in various levels of the project design and implementation. In Ethiopia, the dearth of NGOs led the social fund to collaborate with local government.

**Information assistance and oversight**

Social funds should assist communities in procurement by compiling databases of reasonable prices in a timely manner and ensuring that these lists are accurate estimates of prices in the area the project will be implemented.

Demanding that communities produce receipts to cover all disbursements is cumbersome for the community and social fund administrators. Instead, social funds should move toward an outcome-based oversight system that holds implementing committees accountable for producing the desired project outcome. Allowing committees to save any money they have not spent will also give them an incentive to be more efficient.
6 Regional networks

Five regional networks facilitate coordination and information sharing among social funds in sub-Saharan Africa (ASIFNET and AFRICATIP), Eastern Europe and Central Asia (ECANet), the Middle East and North Africa (MENANET), and Latin America and the Caribbean (Red Social). Reflecting the differing levels of institutionalization of social funds in their regions, the networks differ in age, ambition and scope. They range from Red Social, the seven-year old network covering Latin American and the Caribbean, to MENANET, the network for the Middle East and North Africa currently finalizing its founding articles.

The second international social funds conference set aside one day after the conference’s formal conclusion to host meetings of four of the regional networks. While the World Bank provided venues for the meetings, translation services and other technical support, the networks devised their own agendas and used the opportunities to hold regional consultations. This chapter records a brief overview of each of the regional meetings.

Debate on global network

Among the diverse issues they addressed, each regional meeting considered a proposal from the World Bank Institute for the formation of a global network of social funds. While supporting the idea in principle, the regional networks chose not to form a global network in the immediate future. Representatives from the sub-Saharan African and Latin America and Caribbean networks specifically pointed out the problems inherent in forming networks of social funds from countries in which different languages are spoken. Both groups agreed to focus on solidifying the regional networks before attempting to set up an international network. Participants in the meeting of ECANet, the regional network of social funds in Eastern Europe and Central Asia, argued that the best way to reinforce global sharing and cooperation is to strengthen regional networks. They promoted the concept of using the regional networks to host exchanges and information sharing between regions rather than developing a global network.
ASIFNET

The Africa Social Investment Funds Network (ASIFNET) emerged from the first international conference on social funds. Representatives from sub-Saharan African social funds and other poverty relief programs who met during the regional consultations at the 1997 international social funds conference agreed to create a network to facilitate the sharing of experiences both between social funds within Africa and between African and Latin American and Caribbean social funds. ASIFNET formally took shape after the first regional social funds conference in Zimbabwe in April 1999.

Proceedings of meeting

Presentation on HIV/AIDS

This meeting of the ASIFNET network began with a presentation by the World Bank’s ACT Africa team about the impact of HIV/AIDS on development prospects in Africa. Representatives from various countries shared experiences of integrating AIDS education programs into their social fund projects. Participants then discussed the World Bank’s forthcoming commitment of US$500 million for AIDS programs. ASIFNET committed to assist collaboration between its members and the World Bank’s AIDS program.

Procedural matters

Constitution—Members adopted a constitution for ASIFNET.

Executive committee elections—Members elected a new executive committee. Representatives from the following countries will serve two-year terms:

- **President**: Mali
- **Secretary General**: Ghana
- **Member**: Tanzania
- **Member**: The Gambia
- **Member**: Malawi
- **Member**: Benin
- **Member**: Burundi

The former leaders of ASIFNET, Sidney Mishi, the director of the Zimbabwe Social Development Fund, and Cosmas Mambo, project coordinator of the Zambian Social Recovery Project, were named *ex officio* members of the executive committee.

Future action

The Executive Committee will meet in September 2000 to prepare a two-year program of action. This program will include the following goals:

Formation of sub-regional offices—To overcome the communication problem between members from English-speaking and francophone countries, ASIFNET will create regional sub-offices, one to cover West and Central Africa, and the other to cover East and Southern Africa.

Facilitation of information sharing—ASIFNET will create an internet site to allow social funds to communicate better and share information. Beyond its internet initiative, ASIFNET will organize meetings and exchanges to facilitate information sharing between African social funds.
ECANet

Comprised of 12 member social funds, ECANet was established in November 1998 during a regional consultation of social funds in Armenia. The network facilitates information sharing between social funds working in the transition economies of the Eastern Europe and Central Asian region.

More information on the network’s objectives, and the full text of its founding declaration, is available on the ECANet website at http://www.rif.applet-bq.com/investar/.

Proceedings of meeting

Information exchange
Representatives from the ECA region social funds, development organizations and government officials used the regional consultation to share their experiences and to consider specific issues facing the regional social funds. The regional meeting began with a keynote speech by Annette Dixon, the Director of the World Bank’s ECA Human Development Sector. Gagik Khachatryan, President of ECANet, followed with an overview of the evolution of social funds in the ECA region.

In the meeting’s second session, two World Bank representatives discussed specific issues for regional consideration and new directions that social funds can take. Michael Rutkowski, the ECA social protection sector manager, described how social funds can serve as part of a social protection system. Alexandre Marc, the ECA social development sector manager, outlined how the regional social development agenda impacts the work of social funds.

Finally, in a parallel session that took place during the ECANet member’s meeting, representatives from eight of the region’s social funds gave presentations on their achievements, lessons learned and new challenges. Representatives from Albania, Armenia, Bosnia and Herzegovina, Bulgaria, Georgia, Kosovo, Moldova and Romania discussed issues including their capacity-building strategies, interaction with local governments, community-based social service delivery, employment generation and how social funds operate in post-conflict conditions.

ECANet developments

New members—During the network’s business session, ECANet welcomed 5 new members, bringing to 12 the total number of regional social funds represented in the network.

Declaration reconfirmed—The representatives reconfirmed ECANet’s founding declaration that commits network members to promote information sharing and exchanges with members and with other networks and social funds from other regions.

Workplan adopted—Participants discussed the two-year workplan for the regional network. The work will center around preparation for a conference to be held in the ECA region during April 2001.
The creation of a regional network comprised of the social funds from the Middle East and North Africa was first proposed during the initial regional consultation held at the first social funds conference in Washington in 1997. Participants at that consultation, including officials from the social funds in Yemen, Egypt and Algeria and from governments and NGOs, agreed unanimously to create a regional social fund network along the lines of those already established in Latin America and the Caribbean, and in Africa. The Egypt Social Fund for Development then sponsored a December 1998 MENANET conference in Cairo. During this second international conference, delegates from the Middle East and North Africa took further steps toward a formal creation of MENANET.

**Proceedings of the meeting**

**Drafting of organizational statutes**

The meeting’s main objective was to review draft proposals for the statutes for the organization and operation of the network. Discussion of these drafts focused on the network’s objective, membership and structure. While deferring final writing to a drafting committee, delegates agreed to the following overall themes:

*Objective of the network*—MENANET is a network for the exchange of information and experiences among member organizations. Activities of the organization should focus on furthering these objectives.

*Membership*—MENANET will start out as a small network of social funds in the region that includes Arab countries, Iran, Turkey and Pakistan. While the network may expand in the future to include other organizations, the initial focus on only including social funds reflects the need for the relatively few social funds in the region to have a space to network.

*Structure*—The participants agreed that MENANET should maintain a simple, clear structure to address the specific objectives and limited resources of the network as it sets out to strengthen networking between regional social funds. The finalized statutes will reflect the network’s need to retain flexibility.

*Drafting committee*—A drafting committee will revise the proposed statutes based on the discussion held during this regional consultation. The drafting committee will also consult with other organizations in the region before finalizing the statutes. Laila Gad, from the Egypt Social Fund for Development, will head the drafting committee, whose other two members are Rafiq El Amrani from the Moroccan government and Kamal Hyat from the Pakistan Poverty Alleviation Fund.

*Regional meeting*—A regional meeting will be convened in September to discuss the drafting committee’s recommendations.
Red Social (Latin America and the Caribbean)

The oldest regional social fund network, the Red Social de América Latina y el Caribe grew out of a series of consultations that culminated in the network launch in Costa Rica in 1993. Participants in the consultations recognized the need for an organization to enhance the collaboration and coordination of regional poverty-relief endeavors. The Red Social currently includes representative organizations from 31 governments. More information about the regional network is available on the Red Social website at http://www.ciateq.mx/redsocial/redsocial/objetivos.html.

General discussion

The meeting allowed social funds within the Latin America and Caribbean region to analyze their work in a global context. However, the great disparities among the member social funds, in terms of age, needs and capacity, necessitates more country-specific analysis.

Role of social funds—Discussing the issue of poverty reduction and program evaluation, participants agreed that social funds in the Latin American and Caribbean regions were not created just to reduce poverty, but to improve overall living conditions. With some of the older social funds now in their third or fourth generation, their activities have branched out considerably from infrastructure construction. Many social funds work as a pretext for triggering broader social development in poor communities.

Permanence of social funds—While agreeing that poverty alleviation must be a fundamental, long-term government imperative, participants disagreed about whether social funds should be temporary, emergency mechanisms or should strive to become permanent parts of government poverty alleviation strategies. Participants decided that this issue must be resolved on a national, not regional, level.

Blanca Lilia García López, Executive Director of the Red Social, leads the discussion of the regional network’s future direction.
World Bank study—Recognizing the importance and benefit of the preliminary findings from the cross-country impact assessment presented at this conference, the members of Red Social called on the World Bank to extend their study to the social funds in the network not covered in the initial report.

Network developments
Improvements—The members of Red Social acknowledged their need to improve in three fundamental areas. They must improve communication between members, connect better with governments and use their website more effectively. Better use of the website and other internet technology will help the network improve communication. Meanwhile, each country representatives has been mandated to approach their counterparts in relevant government ministries to solidify ties between the network members and their governments.

Network financing—Members agreed to pay an annual fee of $5,000 per member to support the network’s operational costs and development.

Internships—The members committed to develop a more comprehensive program to support internships between member organizations, aimed at strengthening cooperation and sharing expertise and experience between social funds.

Annual meeting—Participants agreed to hold a regional annual meeting at the end of this calendar year.
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## Appendix 2: Agenda

### Monday June 5, 2000

**Venue:** H Auditorium  
**Languages:** English/French/Russian/Spanish

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
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| 09:30-10:30 | **Opening session**  
  Chairs: Eduardo Doryan/John Middleton, World Bank  
  Overview: Steen Jørgensen, World Bank  
  Keynote address: James D. Wolfensohn, President, World Bank |
| 10:30-11:00 | Break |
| 11:00-12:00 | **Poverty Alleviation from the World Development Report 2000/2001 Perspective: Implications for Social Funds**  
  Chair: Azedine Ouerghi, World Bank  
  Presenters: Nora Lustig, Deputy Director, WDR  
  Selim Jahan, UNDP  
  *Empowerment, Security, Opportunity and their importance for poverty alleviation*  
  *The WDR2000/01 and the Human Development Perspective* |
| 11:40-12:00 | Discussion and Q&A  
  Lunch |
| 13:00-14:50 | **Session 1: Decentralization**  
  Moderator: Azedine Ouerghi, World Bank  
  Presenters: Paul Smoke, Associate Professor, Massachusetts Institute of Technology  
  Cosmas Mambo, Project Coordinator, Zambia Social Recovery Project  
  Carlos Noguera Pastora, Nicaragua Emergency Social Investment Fund |
| 14:50-16:10 | **Session 2: Social Risk Management**  
  Moderator: Steen Jørgensen, World Bank  
  Presenters: Abdulkarim Al-Arhabi, Managing Director, Yemen Social Fund for Development  
  Anek Nakabutara, Executive Director, Thailand Social Investment Fund |
| 16:10-16:40 | Break |
| 16:40-18:00 | **Session 3: Community-Driven Development**  
  Moderator: Julie van Domelen, World Bank  
  Presenters: Kevin Healy, Inter-American Foundation  
  Sam Kakhobwe, Executive Director, Malawi Social Action Fund  
  Boris Popadiuk, Executive Director, Moldova Social Investment Fund |
| 18:15-20:00 | Reception at the H 6th floor Mezzanine |

### Tuesday June 6, 2000

**Venue:** H Auditorium for plenary only  
**Languages:** English/French/Russian/Spanish

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
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| 09:00-9:30 | **Social Funds’ performance across countries: new evidence:**  
  Results from Impact Assessment in: Armenia, Bolivia, Honduras, Nicaragua, Peru, Zambia  
  *Opening remarks:* Steen Jørgensen, World Bank |
Appendix 2: Agenda

09:30-10:00  Poverty Targeting Results
Lynne Sherburne-Benz, World Bank

10:00-10:45  Impact Results in Education, Health and Water Sanitation Projects
Laura Rawlings, World Bank

10:45-11:00  Discussion, Q&A

11:00-11:15  Break

11:15-11:45  Sustainability, Participation and Social Capital
Julie van Domelen, World Bank

11:45-12:00  Cost Effectiveness
Julie van Domelen, World Bank

12:00-12:05  Closing remarks and next steps
Steen Jørgensen, World Bank

12:05-12:30  Q & A

12:30-14:15  Lunch

Marketplace: New Directions and Innovations

14:15-16:00  Concurrent workshops I

  HIV/AIDS
  Session leader: Bachir Souhlal, World Bank
  Room: H4-290
  Language: English

  Addressing the need of the most vulnerable Groups
  Session leaders: Dinah Mcleod and Pamela Dudzik, World Bank
  Room: H Auditorium
  Languages: English/French

  Gender
  Session leaders: Karen Mason, Wendy Wakeman and Susan Razzaz, World Bank
  Room: One Washington Circle hotel, Conference Center (lower level)
  Languages: English/Spanish

  Post conflict/Post-disaster reconstruction
  Session leader: Nat Colletta, World Bank
  Room: H1-200
  Languages: English/Russian

  Social Capital
  Session leader: Deepa Narayan, World Bank
  Room: H Auditorium
  Language: English

16:00-16:30  Break

16:30-18:15  Concurrent workshops II

  Microfinance & Income Generation
  Session leader: Yasser El-Gammal, World Bank
  Room: One Washington Circle hotel, Conference Center (lower level)
Social Funds: Accomplishments and Aspirations

Languages: English/Spanish

**Corruption/Governance**
- Session leader: Daniel Kaufmann, World Bank
- Room: H Auditorium
- Languages: English/Russian

**Cultural Assets for Poverty Reduction**
- Session leaders: Kreszentia Duer and Katrinka Ebbe, World Bank
- Room: One Washington Circle hotel, Presidential Board Room (main level)
- Language: English

**Community Contracting**
- Session leader: Samantha de Silva, World Bank
- Room: H1-200
- Languages: English/French

**Monitoring and Evaluation (MIS)**
- Session leader: Margaret Goodman, IDB
- Room: H Auditorium
- Language: English

**Wednesday June 7, 2000 Break-out sessions**

09:00-10:30 Concurrent Break-out sessions: Feedback on June 5 afternoon sessions

Decentralization
- Focal Points: David Warren, World Bank + Facilitator
- Room: H Auditorium
- Language: English

Social Risk Management
- Focal Points: Ana-Maria Arriagada, World Bank + Facilitator
- Room: One Washington Circle hotel, Presidential Board Room (main level)
- Language: English

Community-Driven Development
- Focal Points: Philippe Dongier, World Bank + Facilitator
- Room: H Auditorium
- Languages: English/Spanish

Institutional Sustainability/Building
- Focal Points: Anush Bezhanyan, World Bank + Facilitator
- Room: H1-200
- Languages: English/Russian

Donor participation/Fundraising and Financing Strategies
- Focal Points: David Steel, World Bank + Facilitator
- Room: One Washington Circle hotel, Conference Center (lower level)
- Languages: English/French

10:30-10:45 Break

10:45-12:30 Continuation of the concurrent break-out sessions

12:30-14:30 Lunch
Appendix 2: Agenda

14:30-15:30  Reporting from break-out session, wrap-up and New Directions
Chairs:  Steen Jørgensen and Azedine Ouerghi

   Decentralization
   Social Risk Management
   Community-Driven Development
   Institutional sustainability/building
   Partnership/donor participation/fundraising

Venue:  H Auditorium
Languages:  English/French/Russian/Spanish

15:30-16:00  Evaluation

16:00-16:30  Coffee

Thursday June 8, 2000  Global Dimensions of Social Fund Networks (members only)

09:00-10:30  Concurrent meetings of regional networks of Social Funds

Social Funds in the Middle East and North Africa: MENANet
   Session leader:  Abdulkarim Al-Arhabi, MENAnet
   Venue:  H6-348
   Languages:  English/French

Social Funds in Europe and Central Asia: ECANet
   Session leader:  Gagik Kachatrian, ECAnet
   Venue:  H1-200
   Languages:  English/Russian

Social Funds in Sub-Saharan Africa: ASIFNet
   Session leader:  Cosmas Mambo, ASIFnet
   Venue:  One Washington Circle, Presidential Board Room (main level)
   Languages:  English/French

Social Funds in Latin America and the Caribbean: Red Social
   Session leader:  Blanca Lilia Garcia Lopez, Red Social
   Venue:  H Auditorium
   Languages:  English/Spanish

10:30-10:45  Break
10:45-12:30  Continuation of the concurrent meetings of the regional networks
12:30-14:00  Lunch
14:00-16:00  Continuation of the concurrent meetings of the regional networks
16:00-17:00  Break
17:00-18:00  Wrap-up session involving all Networks: towards a Global Network of Social Funds
   Chair:  Azedine Ouerghi
   Recommendations of meetings:
   MENAnet  Laila Gad
   ECAnet  Gagik Kachatrian
   ASIFnet  Sekou Maiga
   Red Social  Blanca Lilia Garcia Lopez
   Venue:  H Auditorium
   Languages:  English/French/Russian/Spanish
Conference background documents and other relevant resources are available on the World Bank’s social funds website which can be accessed from:

http://worldbank.org/sp

Armenia Social Fund
http://www.armeniasfund.org/

Bulgaria Regional Initiatives Fund

Eastern Europe and Central Asia Regional Network of Social Investment Funds
http://www.rif.applet-bg.com/investar/

Egypt's Social Fund for Development
http://www.sfdegypt.org/

Georgian Social Investment Fund
http://212.72.130.138/index_ie.htm

Red Social from Latin America and the Caribbean
http://www.ciateq.mx/redsocial/

Romania Social Development Fund
http://frds.org.ro/

Zambia Social Recovery Project Web Site
http://www.srp.org.zm