The End of Charity
How Social Funds Empower Communities
Social Protection is a collection of measures to improve or protect human capital, ranging from labor market interventions and publicly mandated unemployment or old-age insurance to targeted income support. Social Protection interventions assist individual, households, and communities to better manage the risks that leave people vulnerable.

Cover Photo: Daniel Nkalamo

Working on the Hillside Primary School rehabilitation project in Lusaka, Zambia. The project is supported by Zambia Social Action Fund.
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New Book: 
East Asian Labor Markets and the Economic Crisis

The recent financial crisis in East and South East Asia had sudden and painful consequences for millions of workers and their families. The World Bank and the International Labour Organization (ILO) collaborated to explore ways in which they could support the region’s governments, employers, and workers in their response to the difficult social and economic situation. The collaboration will culminate in the publication of East Asian Labor Markets and the Economic Crisis: Impacts, Responses, and Lessons early this fall. This joint study addresses the labor market impacts of the crisis and government response in the Republic of Korea, Indonesia, Malaysia, the Philippines, and Thailand. It identifies needed labor policy reforms for the longer run particularly in the areas of unemployment benefits, active labor market programs, support for vulnerable groups, and social dialogue. The book will be a valuable resource not just to policymakers and researchers, but to everyone interested in a world where economic crises are a fact of life, and where unfamiliar labor market conditions pose a new set of challenges.

“From Safety Net To Spring Board”
The World Bank's New Social Protection Strategy

On September 7, 2000, the World Bank’s Board of Directors approved the Bank’s new Social Protection Strategy, “From Safety Net To Spring Board.” The new strategy argues for the development of social protection programs that not only act as safety nets to help the poor cope with the results of downturns. By using a proactive approach, the new strategy will provide these people with a springboard that will lift them out of poverty by giving them the opportunity to increase their income and reduce their vulnerability to different kinds of risk. The strategy has been developed by a team of technical specialists under the guidance of the Social Protection Sector Board. Robert Holzmann, director of Social Protection Sector, and Steen Lau Jorgensen, former Social Protection sector manager, presented the strategy to the World Bank’s Executive Directors and President James Wolfensohn who all expressed their excitement about the strategy and its new social risk management (SRM) framework. After the meeting Holzmann thanked the SP team, but made clear that the approval by the board was not the end of the process — only the beginning.

An official workshop to launch the new strategy is scheduled for early 2001.

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A New Millennium Bug

In early June, the World Bank was hit by a new millennium bug. It was not the Y2K, and it did not spread through computers. It was the Social Fund Bug. It brought 277 representatives of governments, social funds, NGOs, the private sector, and foundation to Washington to the Second International Social Funds Conference. At the conference, the bug spread through discussions and exchange of ideas and new ground-breaking analysis and from there to all corners of the world. Even World Bank President James D. Wolfensohn got it. Read more about the conference on page 17.

Luckily, the Social Fund Bug is a good bug. It makes people better off — especially the poorest of the poor. It allows them and their communities to manage their own development. This issue of SPectrum is devoted to spreading the Social Fund Bug even further.

We hope that the articles you are about to read will infect you with the same kind of enthusiasm that we in the World Bank’s Social Protection Sector (SP) feel about social funds, as we present to you the latest findings from a cross-country impact assessment. Do social funds reach the poor? Are they sustainable? What is the role of community-driven development? How do social funds fit into countries’ decentralization strategies?

We also invite you to come with us to visit social funds in Zambia, Malawi, and Yemen and to hear from “social funders” from Latin America, Asia, and Eastern Europe. After having read the articles on these most amazing people, who on a daily basis create small miracles, I hope you will understand why we believe strongly in this community-driven approach to development. This is not charity: this is globalization from below, giving the poorest of the poor a real chance to play a part in the 21st century.

Steen Lau Jorgensen, who has been Sector Manager here in SP since the sector was established in 1996, has been one of the driving forces behind the spread of the social fund bug. In the interview you will read on page 4, you will see why he will carry the bug around for the rest of his life.

For our Social Protection Sector it was a mixed blessing when Steen was recently appointed Director of the World Bank’s Social Development Sector. We all congratulate him, but we will miss him. It is hard to say goodbye to a person who is a leader on social issues with a track record full of results from projects around the world. Add to that his excellent people skills with both staff and clients, and you will understand our loss.

Good luck from all of us, Steen!

Yours truly,

Robert Holzmann, Director
Social Protection Sector
The World Bank
The
Since the first social fund — the Fondo Social de Emergencia in Bolivia — was established in 1987, the world has seen an explosion in this empowering approach to development. Today, social funds exist in 57 countries. As the world at large has moved towards more open markets and political systems, social funds have spread to all corners of the globe.

“It is important to stress that the spread of social funds has been driven by demand — it is not a World Bank concept that has been forced onto these countries,” says Steen Jorgensen. Jorgensen was until recently Sector Manager of the Social Protection Sector (SP) of the World Bank. In September, he was appointed Director of the Bank’s Social Development Sector.

Jorgensen was on the World Bank team that helped support the first social fund back in the 1980s. For more than a decade he has played a key role in this innovative method to reaching out to the poorest of the poor. He is now known around the world as “Mr. Social Fund.” Of course, the tall and unassuming Dane hates to have this mentioned.

What is a social fund?

“Social Funds allow poor people and communities to actively manage their own development. The funds do it by supporting small projects ranging from infrastructure and social services to training and micro-enterprise development that have been identified by the communities themselves, presented to the social fund for financing.” says Jorgensen. These small projects are then implemented by an independent agency selected by the community itself.

Good examples of such projects can be a rural village in Africa where a community might decide to build a health clinic because the nearest doctor lives 20 kilometers away, where the sick often die on the way to get treatment because they have to walk. A school is another typical project for a community to decide to take on, because their kids are being educated under a tree — not the best place to learn to read and write during the rainy season. It can also be a micro-finance project, giving a poor woman in Yemen a small loan to start her own business, or it can be setting up a day-center for children with disabilities in Romania.

The Social Fund portfolio of the World Bank is now over US$3 billion. How do social funds differ from traditional development aid?

“Social funds bring a business mentality into development. Social funds ask the communities how the social fund can participate in the implementation of the communities’ ideas. Traditionally, we, the donors, have often done it the other way around: we show up with our program and ask the communities to participate in our programs. There is a tremendous difference between the two approaches. Social funds also tend to be more concerned about transparency than traditional aid projects when it comes to costs and the decision-making process. This helps prevent funds disappearing in the bureaucracy and corruption. Some NGOs such as OXFAM and WorldVision have been involved in similar community-based development programs for years, but it is a relatively new approach for the World Bank. I guess you can say that if the World Bank is traditionally known for doing wholesale, social funds represent retail,” says Jorgensen.

Do social funds create sustainable development?

“Yes. For example, in Bolivia, for every 10 kids born, four more will now survive to the age of five in the villages where the social funds have helped the community to build a health clinic. To me this clearly indicates that the impact of the social funds is being sustained. We know that the schools built by the communities not only have more kids in them, they also employ better teachers and often get more supplies...
than other schools. This is not surprising. Parents who build a school with their own hands care more about the school and their children's education and will make sure that the authorities live up to their obligations," he says and confirms that to him, this is sustainable development.

"Whether social funds are sustainable institutions, is a different question. The pragmatic answer is that so far no social fund has been closed, so they seem to be as sustainable as other government agencies," says Jorgensen.

"What can be discussed is if the organization of the communities is sustainable. This is an area we need to pay much more attention to. There are many players in the world of development, and as more of them make communities form their own committees for specific projects and programs this will be a real problem. I know an example of a village in Ghana which had 10 different committees. This is not sustainable," he continues.

Do social funds manage to reach out to the poorest of the poor?

"Yes. If we define the poorest of the poor as the 10 percent with the lowest income, our evaluation studies show that we are reaching them. These results have been a very pleasant surprise," says Jorgensen, who admits that even he did not believe that social funds would manage to reach the very poorest.

The funds have also been successfully targeted to reach women and other marginalized groups — often challenging traditional cultural norms that discourage women from decision-making. Women are often part of the leadership in the projects and in many cases the projects are geared to improving the lives of women. For example, if a village is provided with clean water, then the women no longer have the burden of spending hours fetching water every day — and if the girls have been doing this job, they now get the opportunity to attend school instead.

Social funds obviously have an impact in villages and slums, but what impact do they have on other institutions?

"When you compare social funds to the traditional public sector, you often find that they are like two islands. You could argue that there has been too little knowledge sharing between the two. Most social funds were designed as temporary instruments, but there has been little success in training and transferring the positive aspects of social fund experience to line ministries. Over time, I have, however, personally become convinced that social funds should not transfer their approach to the ministerial level but focus on closer cooperation with local authorities," says Jorgensen.

"One of the key aspects of social funds is that they are multi-sectoral, and so are local authorities — while ministries by definition are not. The local authorities can provide local expertise, the same can rarely be said of ministries. Our experience in the Zambian social fund, which has been working closely with local governments, shows that this is the appropriate level. In addition, as local governments are strengthened through this cooperation with the social funds, this has turned out to have a positive effect on the decentralization process in these countries," Jorgensen continues.

A good example of this is the decentralization law passed in 1994 in Bolivia. The experience of the social fund was important in showing the central government that the local level could effectively handle investments — leading to a decentralization reform considered one of the most progressive of its kind.

According to Jorgensen, social funds have also had an impact on national construction standards. In Romania, standard costs of building a rural road is now one ninth of what is used to be before the social fund was established. In Malawi, the costs of building a school is one tenth of what is used to be, as a result of the efficiency of MASAF, the Malawian social fund.

Can the social fund concept help the poorest of the poor move from simple survival to greater a level of social security?

"In the area of Social Protection, we look beyond poverty as a static phenomenon. We look at vulnerability and recognize that our work is about helping households and communities manage risk better. Social funds are an important instrument in achieving this. The community-driven projects allow the poor communities — through joint efforts — to move from just coping with immediate crises to managing their risk. One of the most important things about social funds is that the people and communities who have worked with the social funds have been empowered. They now make demands — and they are participating in building schools, health clinics, and roads, getting clean water and sanitation etcetera —
all kinds of different ways that make them less vulnerable. So far, over 100,000 communities have seen that if they combine their efforts, they can achieve results. This is globalization from the ground up,” says Jorgensen.

“Social funds should, however, not be thought of as the ‘magic bullet’ when it comes to poverty reduction and social risk management,” Jorgensen stresses. The numbers can sound impressive. But it is only the social fund in Nicaragua that spent more than one percent of its country’s GDP and only the social fund in Chile that spent more than $10 per poor person.

“Thus, thinking of social funds as the final solution to poverty is simply not realistic. The challenge is to transfer their techniques to and to make them interact with other agencies,” says Jorgensen.

As mentioned, social funds have only limited resources while their successful experiences have overwhelmed them with project applications. Is it possible to bring the social funds to such a scale that they can meet this demand?

“I believe that if social funds got the sufficient resources, they could go to scale. But I do not think that it is desirable. If a social fund was suddenly brought to scale too quickly, it would easily become a target of political manipulation at the highest levels. I think it is more important to aim at getting the social fund structures incorporated into local governments and bring them to scale this way. This is the appropriate level where we need to build stronger capacity. But this takes time. We could easily, say, double the size of projects, but it is important that we do not overwhelm the communities. We must let them grow at their own speed, so that they can stay in control of their own development. The good news is that they learn quickly. When a community has managed a simple project such as repairing a school, they are ready to move on to more complex projects, both technically and managerially.”

Where do you see social funds in 10 years from now?

“My dream is that the funds will be fully absorbed by accountable local governments. Realistically, that will, however, probably only happen in two or three countries. More realistically we will see communities play an ever-growing role in implementing projects and an increase in income-generating and social services activities financed by social funds. I believe social funds will still be a successful model that will help create capacity and sustainable organizations through learning by doing,” says Jorgensen.

“Once you have got the social fund-bug, it will not let you go. Once you have seen the community proudly managing its own well or school, see the children drinking the clean water, you will understand why,” he says. ▲
Dr. Zulu, one of the two doctors at the new health clinic in Mphango, tending to a sick boy who was brought in by his father.

A typical village in the Zambian bush, Mphango has no modern facilities such as electricity and sanitation.
The community of Mphango is situated in the African bush, outside the district of Chongwe, 60 kilometers east of Lusaka, the capital of Zambia. After having made a turn off the highway, no road leads here. There are no modern facilities here. No electricity. No sanitation. No water except from a few bore-holes. No money. Now and then you see a small group of traditional mud huts made of clay and straw. The air is hot and dry. It is very quiet here — as if Mphango has been frozen in time for centuries.

But it has not. Today, we are going to visit the newly opened health clinic in the village. Headman Mallius Chilikwela, one of the traditional leaders of Mphango, and some of his colleagues, welcome us and show us around.

The center is staffed with two doctors sent from the Ministry of Health in Lusaka. They live in neat little brick houses nearby. Electricity is provided by solar power. A radio keeps the center in contact with The Flying Doctors and the local doctors in Chongwe in case of emergencies. Until earlier this year, the local people would have to walk up to 20 kilometers on foot to get to the nearest doctor if they got sick. Not surprisingly, many died on the way.

**A strong sense of ownership**

As he shows us around, Headman Chilikwela makes it clear to us that this center is not the government's, nor the social fund's, nor the World Bank's, nor any other development organisation. It belongs to the people of Mphango. They wanted it. They built it. They maintain it. Zamsif, the Zambian Social Investment Fund, and the World Bank simply helped finance it, and gave technical advice.

The Mphango Health Center has achieved the most important goals of a successful community managed project. It has targeted poor and vulnerable groups, built capacity and created basic social infrastructure based on a strong sense of ownership in the community. The people of Mphango have met and decided how to plan and implement the project, and Headman Chilikwela and his project committee has managed the project and have had to account for every dollar spent in a completely transparent process.

“The Health Center became our priority after we had asked our people what they wanted. And they were concerned about the health situation,” says Headman Chilikwela. The community started preparing for the health clinic in 1996. 860 people attended the first meeting — an overwhelming number in Mphango. It was decided that the community should prepare its mandatory contribution of 25 percent of the project costs by burning bricks and providing sand and stones. When they had enough bricks and other materials, the local headmen went to Zamsif in Lusaka to apply for financing. Their project was approved in March 1998 at a total cost of US$ 95,800.

Now the health center offers free treatment for all. The only cost patients have to pay is a registration fee of 500 Zambian Kwacha (US$ 0.15). The patients and their relatives can stay at the center up to one week. If there are no signs of recovery, they are moved to a hospital in Lusaka.

**Communities learn fast**

The health center is not the first project the people of Mphango have implemented with the assistance of Zamsif. They had already successfully constructed a school for their children. Taking on the task of a health clinic was, however, a much more complex assignment, proving that people in these communities learn fast “by doing”. Giving them the needed skills to plan, manage, and maintain their own development is good investment that pays off in efficiency and lower project costs.

Before we leave, headman Chilikwela explains that his people are happy with the clinic and that patients now come from far away, even from the other side of the mountains rising in the horizon to get treatment in the clinic. “They cross the mountain on foot,” he explains. Headman Chilikwela is concerned about that. As with any development, it leads the way to going even further. And already headman Chilikwela has realized that the health center is not adequate and will need to be extended soon. He is already talking about the next project being a mini-hospital.
“We were willing to do this work for the future of our kids.”
The demanding task of building a primary school from scratch with their hands has only re-vitalized the community of Madzimoyo.

In Zambia, particularly in the rural areas, a large proportion of children do not have access to education, and poor attendance is widespread. Madzimoyo, a small, isolated and poor but well-organized community in Eastern Zambia was no exception, and in late 1998 the community decided that it wanted to do something about this problem. The people of Madzimoyo wanted to build a school and they set up an ambitious plan for themselves. Community members knew they had to contribute 25 percent of the project cost in order to be approved for funding from Zamsif, the Zambian Social Investment Fund. So they set their targets. The first target was to burn 160,000 bricks — this was the men's job. The second target was for the women to provide sand, water, and stones. Each woman had to fetch 60 liters of water and 50-100 kilos of sand from the river one kilometer away from the building site. Just to put the amount of work this required into perspective: a woman can carry approximately ten kilos on her head at one time. In total, the women collected 190 tons of sand. It was also their responsibility to provide the stones — in total 168 tons — which the men then would crush by hand to turn them into building material.

In July 1999 the project got approved by Zamsif and the building of the school started. In May this year, the Johannie Cronje Primary School — named after a Dutch missionary who was the first to start teaching in Madzimoyo — and four new staff houses were opened. Under the leadership of the local head teacher, Mr. C. H. Ngoma, the people of Madzimoyo had managed to implement this impressive project in less than a year. The project also included a bore-hole to provide water, but due to technical problems this is unfortunately not in place yet. But it will be. This will give more girls the opportunity to go to school. Right now, they have to spend much of their day fetching water from the river.

Working for our kids
“"We were willing to do this work for the future of our kids." says Mary Banda, one of the mothers who participated in the work.

The community’s efforts are already paying off. The Ministry of Education has inspected the new facilities and instantly upgraded the school to a secondary school that can teach up to 9th grade. Mr. Ngoma’s good reputation is attracting young teachers who want to work with him in the new school, and other communities are now coming to ask for his advice on how to do projects.

The Madzimoyo project is a good illustration of the findings of a recent World Bank study undertaken in four countries, including Zambia, which finds that schools assisted by a social fund are performing better when it comes to enrollment, grades, and fees paid by parents, than schools that are not supported by a social fund. The quality of the education is also better. Such schools also benefit from improved community participation.

A revitalized community
For the people in Madzimoyo, this is just the beginning. Instead of exhausting the community, the school project has re-vitalized them, and they are proud of the results they have achieved by working together. "We are not tired. Now we have experience to do new projects," says Willison Mwanza, one of the fathers who participated in the work.

It is obvious that the community feels empowered. Indeed, parents feel that they too are getting a second chance. Many of the men and women who participated in building the school have never received any form education themselves. Now they want to learn to read and write. So, on top of the list of the Madzimoyo community is a project that will install electricity in the school building. This will give them the possibility to attend evening classes — and help make their community grow even stronger. ▲

Head Teacher Charles H. Ngoma of the Johannie Cronje Primary School is proud of the new school built by his community in less than a year.
The Zambia Social Investment Fund supported the Jenda Road Project. Before the road and the bridges were built, this place was impossible to access by car or even bicycle.
What happens when a devoted businessman leaves his high-powered job in a multinational firm to work for the poorest of the poor? Cosmas Mambo tells his story.

For 15 years, Cosmas Mambo worked in high-level jobs for multinational firms. His eye was always kept firmly fixed on the bottom line.

"My education had taught me how to make corporations go forward. I never looked beyond making my work team deliver on target," says Mambo. Then one morning about 10 years ago, an ad in the newspaper caught his eye. A newly established social investment fund was looking for a person with a strong background in finance; the job description matched Mambo's qualifications. He became curious and decided to apply — just to see what such a job had to offer.

During the interview for the position as financial controller, he found the challenge of the job intriguing, and he started looking at the whole spectrum of a social fund. He found to his surprise that he was interested in every aspect of it. He took the job and quickly advanced to the top position of Coordinator of the Social Recovery Project (SRP), the forerunner of the Zamsif, the Zambian Social Investment Fund, which is now considered one of the most successful in the world. He is now the Zamsif Program Director. His job is still to look at the bottom line, but his experience has taught him that it is important to look beyond that, to see whether you are making a positive difference in peoples' lives. And to his great satisfaction, the experience he acquired in the world of business and brought to the management of the social fund is now helping people to shift from helplessness to self-help and sustainability.

In establishing the Social Recovery Project, the Zambian Government worked with the World Bank and learned from the Bank's experience in Bolivia. There, macro-economic adjustment had had a very negative effect on the infrastructure of the country. But the Social Fund turned out to be an efficient tool in cushioning these undesirable effects.

"We wanted to build on that idea and make the Zambian Social Recovery Project an instrument with the support of which people could do something for themselves," says M ambo. "Over time, however, it turned out that it was a bad idea to completely bypass the Ministries and local authorities when supporting community based projects. In fact, it was very important to have them on board. Line ministries and local authorities did not take kindly to being brought into the picture only when there was a problem at a project site, and were therefore not willing to help us. They felt we had ignored them in the early stages and only contacted them when we had run into some kind of trouble. Now they are involved in the project from the beginning and very positively so. As we began to have a constructive cooperation, it became clear that we worked so well together that we could actually get ahead of the government's plan of decentralization," says M ambo.

The local authorities' new, greater sense of responsibility has since lead to the inclusion of a District Investment Fund component in the Zamsif that supports training of local governments in strategic development, technical, management and financial capacity. In addition, it supports district investment projects, such as district markets or improvements of district hospitals, that benefit more than one community.

Cosmas Mambo, director of the Zambia Social Action Fund, is now using his multinational business experience to support the poorest of the poor.
Business Background Adds Credibility

But what does a successful financial specialist with experience from multinational companies have to offer a social fund that deals with the poorest of poor in Africa, working in communities where people live without water, sanitation, electricity or other modern facilities?

“In the private sector, my job was to produce a budget that would have to be achieved within a given period. I had an ability to meet people's expectations on time and I had accountability. People trusted me. The shareholders in the private sector want to see that their resources are used properly and produce a profit. In the SRP and Zamsif, the shareholders are the Zambian people, the Zambian government and the World Bank. I am accountable to them and they expect the same from me as my private shareholders did,” says the UK and Zambian-educated director.

He also thinks that his years in multinational business taught him to be open minded and receptive to criticism. “In the business world, if people are criticizing your product and you do not improve it, you will lose your market and your business is destined to close down. I have brought this knowledge with me to SRP and Zamsif. My project must meet the communities’ needs and the financiers’ expectations. I must deliver in a manner that people appreciate and accept,” he continues.

Credit to Our Critics

His method to achieve this is through evaluations and beneficiary assessments. “This is how we learn if we are not delivering. The worst thing we could do would be to continue doing what we have been doing without any evaluation. We would keep failing and never know why, even though the solution could be right there.” M ambo thinks that the key to SRP’s and Zamsif’s success is built on the fact that he has tried to implement the recommendations everywhere possible. “Credit should go to our critics. They have made us realize our true potential,” he laughs.

He can easily come up with several examples on where the evaluations helped turn SRP in a new and better direction. Women's participation in projects is the first thing that comes to his mind. “Beneficiary Assessments showed that initially we did not give the women a chance to express their needs. We found out that they would not speak up in a meeting with men. In order for them to express their needs, they had to be separated in a group of their own. The same thing with the youth. Male adults tend to be domineering and can, and do, get what they usually want through bulldozing the communities generally,” says M ambo.

He also mentions that SRP improved the quality of its projects by following the recommendation that technical experts were needed to supervise the work on-site. M ambo is also aware that Zamsif may not always be the best equipped organization to deal with every situation. In such cases, it is important for Zamsif to create partnerships with the organizations which have the expertise.

Photo: Daniel Nkalamo
A Recognized Leader

Mambo’s leadership qualities have not only been recognized in Zambia. When the African Social Investment Funds Network (ASIFNET) was created in 1997 in Washington, D.C., he was elected chairman, a post he held until recently. He also played a crucial role in the establishment of MASAF, the social investment fund in the neighboring country of Malawi.

World Bank President James Wolfensohn, himself a successful businessman, has also recognized Mambo’s achievements. Because Wolfensohn is deeply convinced that community-driven development offers great potential in the Bank’s fight against poverty, he invited Mambo to a personal discussion earlier this year when Mambo visited Washington, D.C., to address the joint IMF/World Bank Spring Meetings. Later in a personal letter to Mambo, Wolfensohn confirmed his commitment to upscaling community-driven projects in World Bank operations.

Mambo hopes that the business community in the future will take on more social responsibilities and make resources available for the social fund.

“This will improve their corporate image, as well as create national support for both their products and their services,” says Mambo. Once again driving home the point that looking beyond the bottom line makes good business sense.

Zamsif’s overall goal is to improve the life quality of poor Zambians through community-driven development. Zamsif consists of three components.

- A Community Investment Fund (CIF) will finance community-driven projects. The keywords are empowerment, capacity-building, ownership and maintenance. The communities are required to contribute 15 percent of the needed resources and they will at the same time be made responsible for the project from the first early stages of identifying what is needed to the maintenance of the finished project.
- A District Investment Fund (DIF) will improve local governance and administration through training and support projects in the local authority areas which benefits more than one community, e.g. market places and district hospitals.
- Poverty Monitoring and Analysis (PMA) will provide a framework for poverty monitoring and analysis activities and will enhance the linkages of these activities to policy making.
“The big paradigm shift we have to make is to not look at the poor as the problem, but as the asset.”

James Wolfensohn, president of the World Bank, delivers the keynote speech at the Second International Conference on Social Funds.
Following the first international conference held in May 1997, a second international social funds conference met in Washington from June 5-8, 2000 to take stock and chart a future course for social funds. The conference brought together 277 government officials, social fund managers, development experts and academics from 61 countries. They assessed over a decade of experience in implementing social funds and debated strategies to improve and expand the social fund model. After the three-day conference, delegates met in day-long meetings of four regional networks of social fund managers, representing Africa, Latin America and the Caribbean, the Middle East, and Eastern and Central Asia.

Co-sponsored by the World Bank's Social Protection unit and the World Bank Institute, the conference was one of the World Bank-sponsored events celebrating Social Development Month as a follow-up to the Geneva Summit on Social Development. The conference aimed to spur participants to probe the experience and continuing evolution of the social fund 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.

Challenges
Recognizing the need to better expand social fund operations to reach people living in poverty, participants engaged in broad debate on how to improve the social fund model. They also considered how social funds could recognize and navigate the political and social constraints around them.

World Bank President James Wolfensohn opened the conference with a keynote address in which he celebrated the success and potential of community-driven development to lift people out of poverty. He also warned of the rapidly growing scope of the poverty problem. Community-driven development mechanisms, of which social funds are a pioneer, must respond to increased need for effective poverty reduction strategies by becoming more adaptive and efficient, he said.

“The big paradigm shift we have to make is to not look at the poor as the problem, but as the asset” Wolfensohn said, offering conference participants a “wide open door” at the World Bank to support their future initiatives.

Most effective when they comprise one part of a comprehensive national poverty alleviation strategy, social funds must interact with internal and external political and social forces. This has proven especially difficult for social funds because they operate outside traditional government bureaucracies while giving money directly to poor communities.

Among other aspects of this issue, 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 also discussed more specifically how social funds could learn from and enhance the drive toward community-driven development.

Conference 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 decentralization, social risk management, community-driven development, vulnerable groups, institutional sustainability and donor participation and fundraising.
Heeding admonitions not to rest on their laurels, conference participants called for:

▲ greater integration of social funds with national economic and administrative policy. 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 the national and local governments, and other agencies, to adopt their principles of participation and direct engagement with communities.

▲ more constructive collaboration with local governments. Specifically, social funds should include local authorities in project planning and should promote the long-term capacity building of local government, by helping to train local officials and to transfer a knowledge and appreciation of the community-driven development model. They can also benefit from collaboration with local governments in publicizing the social fund.

▲ a shift in assessment to focus on the long-term change in development outcomes rather than on infrastructure provision. Following the report of the preliminary findings from the cross-country impact assessment of social funds, conference participants debated how social funds should be monitored and assessed. While recognizing the importance of disbursement levels as an indication of program vitality, they recommended that social funds should focus on creating long-term impacts in social and economic indicators. Shifting from assessments based on outcomes to impacts will require a greater investment in monitoring and evaluation and better management of project information.

They also agreed that for community-driven development to work in the long run, social funds must assist poor communities to develop the skills necessary to identify, manage and maintain their own development. Community-driven development requires more than the presence of human capital; it requires social capital, the ability of communities to work collectively to identify and prioritize their needs and to implement and manage projects. Both indirectly, through effective subproject design, and directly, through information campaigns, training and project financing, social funds can help build social and human capital.

Beyond the strategic and operational insights gained through shared experience, conference participants also valued the opportunity to nurture the international sense of community that social fund managers enjoy.

“The greatest thing I’m taking back is that there is so much solidarity,” explained Kamal Hyat, chief executive of the Pakistan Poverty Alleviation Fund. “When you are alone in your own country, you find that the problems are enormous.”

The conference proceedings report, published in September 2000, is available on the Social Funds website which can be accessed at www.worldbank.org/sp

Red Social: The oldest regional social fund network, the Red Social de America Latina y el Caribe (Red Social), 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. Red Social currently includes representative organizations from 31 governments. More information about the regional network is available on the Red Social website at www.ciateq.mx/redsocial/redsocial/objetivos

ASIFNET: The Africa Social Investment Fund Network emerged from the first international conference on social funds, where representatives from sub-Saharan social funds and other poverty relief programs agreed 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. ASIFNET is in the process of developing a web-site.
The Challenge of Language

The language barrier is overwhelming. This was the conclusion as four regional networks of social funds met in Washington, DC, a day after the formal conclusion of the second international social funds conference, and decided that they were not ready to form a global network.

The four regional networks are: ASIFNET, representing sub-Saharan Africa, ECANet, representing Europe and Central Asia, MENANET, representing Middle East and North Africa, and Red Social, representing Latin America and the Caribbean.

“Like the other networks, I support the idea of a global network in principle. We can learn a lot from international cooperation. We must, however, recognize that even on the regional level we are experiencing the problems inherent in forming networks of social funds from countries in which different languages are spoken,” says Blanca Lilia Garcia Lopez, president of Red Social, the oldest of the four networks.

Even though Red Social is the most advanced, the network is experiencing problems in communicating efficiently among its members. “Mechanisms for translation are very important,” says Garcia Lopez.

ASIFNET, which was also facing a communication problem between English-speaking and francophone countries, used the meeting in DC to overcome this by creating regional sub-offices, one to cover West and Central Africa, and the other to cover East and Southern Africa.

In spite of the language challenges, the regional networks are becoming important for a for exchange of ideas for the social funds. “The first important step for a networks is to create a spirit of community. We need to have solidarity in order to be able to enhance each others qualities,” says Garcia Lopez. The exchange of Ideas in Red Social is formally carried out through web-sites, seminars, workshops, visits and internships organized in cooperation between the different social funds. But equally important is it, that the meetings create strong personal ties and informal information sharing — like picking up the phone and calling your partner in a different country and hear if he can offer some advice. The other three networks are developing along the same lines.

“It has been a pleasure to witness the creation of the regional social networks. The energy of the nets is a basis for the future and represents a capital force for the development of nations,” says Garcia Lopez.

Laura Frigenti, Lead Specialist in the World Bank’s Africa Region, sees the networks as an opportunity for the social funds to share views and learn from each other outside the World Bank. “They provide a source of information that has not been filtered by the World Bank,” she says. A review she has done on African Social Funds shows that the funds area often influenced by the World Bank in their choices. “We want them to make their own educated choices. In that process it is critical that they get access to information. Especially Africa where cutting edge options do not get as fast as in other regions,” says Frigenti.

“I believe that we will eventually see a Global Network take place. But right now, I think it is important that the networks focus on the issues specific to their own region,” she says.

**ECANET:** Comprised of 12 social funds, ECANet was established in 1998 during a regional consultation of social funds. The network facilitates information sharing between social funds working in the transition economies of Eastern Europe and Central Asia region. More information available on ECANets website: [www.rif.applet-bg.com/investar](http://www.rif.applet-bg.com/investar)

**MENANET:** 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. During the recent second international social funds conference, delegates from the Middle East and North Africa took further steps toward a formal creation of MENANET. A drafting committee is in the process of revising a proposed statute.
http://world
Before launching the Social Funds web-site, task team leaders and others used to look for documents in many different places, sometimes unable to find what they were looking for. The purpose of the Social Funds web-site is to have a central repository of information that is accessible to all users.

Whether you are in the World Bank headquarters or in the country offices, you can always check what is going on in the Social Funds Thematic Group (SFTG). From the main page you can go to “What’s new” and learn about new resources or upcoming meetings and seminars. The SFTG business plan, meetings and minutes are always available under “Social Funds Thematic Group”. There you can also find information on how to join the SFTG mailing list whether you are a World Bank staff or not.

The “Social Funds Database” is one of the most frequently updated resources on the web-site. In one central database you can find an up-to-date list of all 58 Social Funds projects, AGETIPS and Social Funds-like projects. The database is also available in an Excel file format for those who wish to manipulate the data or sort it according to various criteria. For every Social Funds project the database contains full project ID, project status, task manager, implementing agency and its contact information. It also has funding figures broken down between World Bank funding, other donors and local funding. Each project has links to related documents from the World Bank’s Image Bank/World Development Sources document repository systems.

As multi-sectoral, demand-driven investment mechanisms, Social Funds face an array of cross-cutting issues. Some of the most important themes are listed under “Themes” each theme will take you to selected readings and lessons learned as well as interesting links related to that theme. Some of these themes, to name a few, are Decentralization, Impact Evaluation and Beneficiary Assessments, Micro-Enterprise, and Poverty Targeting.

To learn more about issues related to contracting, procurement, management information systems in Social Funds or any other issue related to social fund project design and implementation, you can go to “Social Funds Design and Implementation.” On this page there are several design and implementation links as well as access to operational manuals, project appraisal documents and implementation completion reports.

To access the Social Funds Web-site go to http://worldbank.org/sp then click on “Social Funds.” The site is under continuous change and improvement, your comments, feedback and contribution will help us build a comprehensive and informative web-site.
“Some women think that it is not good for them to work. Let me tell them that my work has made me proud.”
Eida Gaber Saeed, a 45-year old mother of seven children from the coastal city of Hodeidah, Yemen, is living proof that micro-finance can be a powerful development tool. In 1998, she was one of the first to get a small loan from the Hodeidah Micro Credit Program, a program managed by the local branch of Yemen Women Union.

The Hodeidah Micro Credit Program was established with the assistance of the Small Enterprise and Micro Enterprise Development Program (SMED), one of the components of the Social Fund for Development (SFD) of the Republic of Yemen. In total, SMED has developed 8 Micro Enterprise Programs.

Eida Gaber Saeed used her first credit of 10,000 Yemen Rial (US$ 62.00) to start a now-successful micro enterprise, selling string at the local markets of one of the poorest districts of Yemen. Like many poor people, she did not have any assets or valuables to use as guarantee for the credit. Instead, she formed a solidarity group with three other women, one who wanted to sell clothes and one who wanted to sell food. In the group they would be mutually responsible for each other’s repayments.

One afternoon two years ago, the three women went to the office of the Hodeidah Micro Credit Program Program in the hope that they would get a micro credit. The office is situated in the local health center in walking distance from their homes. The program always uses the local health centers for their offices, as this is a central and well known place that at the same time gives the program high visibility among the poor.

At the meeting, the credit officer explained the program to the women, and they introduced him to their plans. As the plans sounded sustainable, the credit officer immediately granted each of them a credit of 10,000 Yemen Rial (US$ 62.00). If a proposal sounds less likely to be profitable, the officer will assist the client with a market survey and technical assistance to secure that the project will be worthwhile.

Proud of Her Work
Eida is still more than surprised about how easily she got started.

When the credit was repaid, she received a second credit of 20,000 Yemen Rial (US$ 124.00). When that had been paid back, she got a third loan, and so on. She is now on her fifth credit of 50,000 Yemen Rial (US$ 310.00). With the credits she has developed a successful micro enterprise, she has even managed to constantly stay ahead of her repayment schedule. Her income is large enough to enable her to send her kids to school and to buy them new clothes.

“We are careful to pay respect to the Koran,” says Fawzi Fans Altewei, manager of the Hodeidah Micro Credit Program, in describing the use of the traditional Islamic method of banking.
Yemen is a Muslim country where women traditionally do not work outside the home. Eida Gaber Saaed had also never worked before. Today, this is her perspective: “Some women think that it is not good for them to work. Let me tell them that my work has made me proud. I thank God every day that I got the credits from the program,” she says.

The provision of credit to small and micro-entrepreneurs is a new phenomenon in Yemen. The Social Fund for Development is the first organization in Yemen that has the mandate to support the development of small and micro-enterprises. At the beginning, the program was faced by the lack of local expertise in the field, but by building on international experience, SMED has managed to provide financial services tailored to the needs of entrepreneurial poor. The design of SMED-projects is characterized by international best practice:

- Small, usually short-term credit
- Streamlined, simple borrower and investment appraisal
- Alternative approaches to collateral
- Quick disbursement of repeat loans after timely repayment
- Above-market interest rates to cover the high transaction cost inherent in micro-finance
- Convenient location and timing of services.

From January 1998 to end of June 2000, the Hodeidah Micro Credit Program has disbursed 5465 credits, 21 percent to women, 79 percent to men. The distributed credit adds up to a total of 169,885,701.00 Yemen Rial (US$ 1,053,300.00). The repayment rate has been 99 percent. All SMED-projects, including the program in Hodeidah, are actively targeting women as it has been recognized that in programs that provide service to both sexes, women most of the time end up being marginalized.

Even though it is still too early to assess the impact of SMED-projects, there are many examples like Eids of micro-entrepreneurs who have been able to improve their asset situation by borrowing and investing. According to a recent World Bank study, experience around the world with programs like SMED shows that the poor are willing to pay a premium for quick, reliable and convenient financial services. Successful micro-finance institutions like Hodeidah Micro Credit have also demonstrated that, when managed in a business-like manner, banking with the poor can be profitable and sustainable.

Respect for the Koran
In a Muslim country like Yemen, SMED has been careful to show respect for the Koran. “SMED designs its programs so that they respond to the needs of local societies. In Hodeidah, for example, we do not grant loans in cash, but use Murabaha, an Islamic method of banking,” says Fawzi Faras Altewai, manager of the Hodeidah Micro Credit Program. She also mentions that loan collateral required from clients differ from one program to another. In one of the programs a written note is enough, and in another program a mortgage agreement is required. “The bottom line is to have collateral that is locally accepted and effective,” she says.

There are basically three methods used in Islamic banking:

- Murabaha: In this method the lender purchases the items needed by the borrower, adds a margin and resells to the borrower. The borrower pays the price in installments according to a schedule agreed upon.
- Musharaka: In this method the borrower and the lender participate in financing the activity. The borrower is usually managing the activity and both parties set an agreement to share both profits and losses.
- Mudharaba: This is a special case of Musharaka. The only difference is that the borrower does not participate in financing the activity. The borrower participates in the activity with labor and gets a share of the profits or bears part of the losses.

These methods are used in response to the fact that in some places in Yemen, like in the rest of the Muslim world, charging interest rates is considered to be against Sharia, the code of law based on the Koran.

“Our experience is that the poor people we work with are now receptive to the services we provide. People are willing to participate in financing the activities, pay their installments on time, and pay the service charges,” says Fawzi Faras Altewai.

Extending the Outreach
The problem of micro-finance is no longer to prove that it works; rather, it is to extend its outreach — in Yemen and the rest of the Middle East and North Africa region as well as in the world. In the Middle East and North Africa at least US$ 1.4 billion is needed to reach the region’s roughly 4.5 million entrepreneurial poor who require access to small loans. One would think that it is possible, considering that this amount represents less than one percent of deposits in the region’s banking system.
Micro-enterprises not only raise the living standards of the poor and the self-employed. They also provide jobs and contribute to GDP and economic growth. Providing financial services to entrepreneurial poor increases household income, reduces unemployment, and creates demand for other goods and services — especially nutrition, education, and health services. In the report “Women’s World Banking” from 1995, it is argued that providing poor with access to financial services may be the single most effective means to address poverty and create broad-based economic growth.

Eida Gaber Saeed and Hodeidah Micro Credit Program are powerful examples that banking with the poor can be rewarding for everyone.

Yemen is located in the southwest corner of the Arabian Peninsula.

Capital: Sanaa. (Since 1984 declared as “World Heritage of Mankind” by UNESCO)
Population: 16.6 million
GNP per capita: US$ 350
Life expectancy (1998): 56 years

Source: World Development Indicators Database.
A street in Sanaa — one of the places in Yemen where the Social Fund for Development is working to empower women.
Yemen is one of the poorest countries in the Middle East and North Africa Region, yet with World Bank support Yemen has against all odds developed a successful community-driven development and sustainable micro-finance project. Even more impressive is the fact that 49 percent of the project’s beneficiaries are women.

Yemen has been going through some tough times since 1990, when the capitalist North merged with the then—Communist South. The country experienced international isolation during and after the Gulf War. In 1994 the country was thrown into a civil war. The political climate has, however, started to improve since 1996, when parliamentary elections were held. Yemen's relations with Western Europe and the US have since improved considerably.

The Social Fund for Development (SFD) of Yemen was established in 1997 as one of the measures to reduce the negative effects of government fiscal reforms on poor and vulnerable groups. SFD has from the beginning drawn on international experiences of social funds, but developed its own policies and procedures, taking into account the local context. This approach is one of the secrets behind SFD’s success.

Today, even in the most remote corners of this mountainous country small community projects are being implemented. As of July 31, 2000, SFD had received applications from all of the districts in the country and contracted projects in 95 percent of them.

SFD not only finances community-driven sub-projects; its staff also works with members of the community to ensure the sub-project is really the community's top priority. Special care is taken to assure that the more marginal members of a community are consulted.

The fund has three main components:
1. Community Development Services and Labor-intensive Works. The objective of this component is to improve the living conditions of the poor. In addition, emphasis is placed on strengthening project management capabilities in poor communities.
2. Small And Micro-enterprise Development (SMED). The objective is to develop local capacity to deliver advisory services and credit to small and micro-enterprises in a cost effective and sustainable way.
3. Capacity Building focused at helping local groups to initiate, implement, operate and maintain community development projects, including income-generating activities.

During its establishment year, the SFD was originally expected to implement just five projects. Yet, it was decided that better learning could be achieved by implementing the highest possible number of projects in a variety of sectors and regions. Thus, 50 sub-projects were contracted out that year. By July 2000, 990 projects had been contracted with close to two million direct beneficiaries. The projects were in different sectors such as education, health, water, environmental activities, capacity building, roads, sewerage, and income generating activities and micro-credit projects. One of the challenges SFD is now facing is the huge demand for its services, and now nearly 7000 project-financing requests are on the waiting list for implementation.

The success of the SFD is apparent all over Yemen. In remote mountain villages, the SFD has worked with the communities to restore traditional water-harvesting systems and to increase girls’ school enrollment. In some communities, the SFD has supported new health facilities and in others has helped improve access by supporting road projects. No wonder the SFD was picked to be presented to the Ministers of Finance attending the Spring Meetings of the World Bank earlier this year.
Social Funds have proved to be an important instrument for supporting innovative community-based strategies that give communities a greater degree of control over project design and implementation. To achieve sustainability, many social funds have realized that they must incorporate institutional mechanisms such as community contracting to ensure community involvement beyond subproject identification.

Community contracting has been defined as procurement by or on behalf of the community. Some pioneering work has been undertaken in this area by a number of social funds in countries as varied as Argentina, Malawi, Yemen, Romania, Peru, and Zambia among others. Community contracting in these social funds usually makes community groups directly responsible for managing funds and procuring local goods and services. This devolving of authority to community groups is important for capacity building at the local level. It also ensures community participation during the implementation process as well as ownership of the asset after completion. There is also growing evidence that using community contracting lowers investment costs over traditional central procurement systems.

The community contracting model has been used to fund a variety of subprojects in community infrastructure (e.g., water supply and sanitation, electrification, local roads improvement, small bridges), social services (e.g., day care centers, orphanages, schools, health posts) and productive subprojects (e.g., small-scale community agro-processing, communal tractors and minor irrigation schemes).

Today, there are a range of community contracting models being implemented by social funds depending on the political, institutional, and social context of the country. For example:

1. **Social Fund to community.** Funds are managed entirely by the community (e.g., Malawi Social Action Fund, Zambia Social Recovery Project);
2. **Social Fund to contractor.** The community participates in all phases of identifying and selecting a contractor but funds are channeled from the social fund to the contractor. The contract agreement is signed by the community, the contractor and the social fund. This model is used primarily in countries with weak banking structures (e.g., Moldova Social Investment Fund);
3. **Social Fund to an intermediary.** An intermediary agency may submit a proposal on behalf of the community, and the social fund enters into a financing agreement with the intermediary as well as an elected community project management committee (e.g., Ethiopia Social Rehabilitation and Development Fund);
4. **Combination approach.** A combination of approaches is used depending on the capacity of the community (e.g., Eritrea Community Development Fund).

Some of the key lessons learned of these experiences include:

**In the area of project planning and preparation:**
- Need to assess local capacity for community contracting as part of project preparation
- Information, communications and education (IEC) campaigns should educate communities throughout the project cycle and target specific stakeholders

**In the area of subproject implementation**
- Project management committees should be inclusive (including women and marginalized groups) and accountable to the community (through reporting and open books, regularly scheduled progress meetings with the broader community, etc.),
- Community contributions should be collected up front, as much as possible
- Disbursements should be in tranches based on work completed and must be timely.
Communities may need support in working with the formal banking structure. Where no such structure exists, payment vouchers may be considered.

In procurement, local shopping enables savings and better access by local contractors.

The procurement system should also build in incentives for efficiency — for example by letting communities apply any savings to additional investments.

Communities may need active support on information about prices and quality to assist them in negotiating with suppliers.

Budgets for transport of materials and some administrative costs should be included to facilitate community management.

Transparency in procurement can be heightened by rotating functions of committee personnel, informing the broader community of the general procurement plan and any problems arising, and requiring references for contractors.

The social fund should use simple standard contracts that include warranty and penalty clauses, as well as clear and simple guidelines for arbitration of disputes.

Some degree of legal formality to community user associations is important, though formal registration usually acts more as a barrier to entry.

In terms of subsequent operations and maintenance, a maintenance committee should be elected during project planning, training and maintenance manuals should be provided during execution, and eventual insurance coverage should be explored.

In the area of capacity building:

- Training should be tied to project delivery and can be contracted to NGOs or firms.
- Capacity building should include community-based knowledge sharing, particularly between communities with more experience and newcomers to the procedures.

In the area of monitoring and evaluation:

- Frequent participatory audits should be conducted that include an evaluation of the process by which communities participate in the various stages of the project cycle.

It must be noted that the community contracting model is by no means a standard solution for achieving efficiency and sustainability for all types of development projects. It is most appropriate for community-level projects, where users are a clearly identifiable group of households in the same community. It has been found to be less relevant in small town projects or for complex, multi-community projects, where community-management is complicated. It also requires that the social fund invest substantially in building the technical as well as the organizational capacity of communities.

Honduras is the third poorest country in Latin America and the Caribbean, with a GNP per capita of $760 (1999). The Bank's Poverty Assessment estimates that over half of Honduran households live in poverty, of which almost one third live in extreme poverty. The situation was compounded by Hurricane Mitch, which had a devastating impact on the country, its economy and its people.

Since the early 1990s, the Honduras Social Investment Fund (FHIS) has been supporting the government's poverty reduction and social sector development strategies. Most of the FHIS's US$35 million average annual investment finances the rehabilitation and expansion of basic social infrastructure — particularly schools, health centers and water supply systems. FHIS is currently seeking to diversify from this 'hardware' into more 'software' investments geared to the most vulnerable groups.

In Search of Innovation
To encourage innovative approaches to solving "old" problems, the Social Assistance Innovation Fund (FIDAS) is being created. The fund will be available to NGOs, community groups, churches etc. who will be invited to compete for funding. Unlike many previous programs, the FIDAS will not define a positive or negative list of programs or projects that it is willing (or unwilling) to finance. Instead, organizations will compete for funding for project ideas targeting specific beneficiary groups in society, to achieve pre-defined outcomes for these. The identified target beneficiary groups include:

1. Children and youth at high-risk (0-18 years)
   (including street children, working children, sexually exploited children and adolescent mothers, malnourished children 0-6)
2. Disabled children and adults in extreme poverty
3. Families in extreme poverty
4. Elderly in extreme poverty, and
5. Ethnic minority communities

To define "desired outcomes" for the fund, the social fund to ask the beneficiaries themselves. In order to benefit from the first-hand knowledge and experience of the beneficiaries, two workshops using participatory methodologies were held in Tegucigalpa. One workshop focused on children and adolescents, while the other focused on adults. The objectives of the workshops were (i) to identify effective and trusted institutions present in communities, (ii) to identify the biggest problems faced by different beneficiary groups, and (iii) to generate possible solutions to these problems. Based on the results of these workshops, a set of desired outcomes for each beneficiary group was defined. It was indeed discouraging to hear the teenage mothers in the workshops talk about violence in the family or the threat of incest or to hear the disabled children talk about a general lack of love in their lives. At the same time, however, it was very encouraging to see the degree of creativity when it came to suggesting ideas for how to solve some of the problems.

Some of the "desired outcomes" identified include, for example (i) improved employment opportunities for the disabled and the families in extreme poverty, (ii) improved education opportunities for teenage mothers, disabled children and adolescents, (iii) reduced risks and provide alternative activities for children and youth, especially for street children, children involved in commercial sex and the working children.

T he success of FIDAS will rely heavily on how well the fund attracts organizations with innovative ideas and how well the "rules" of the fund are understood. The first months will therefore focus on an intense promotion campaign of the Fund to key stakeholders in all parts of the country. This will be repeated before every competitive funding cycle throughout the project. Recognizing the limited capacity in many of the smaller NGOs and other community organizations, the Fund is also set up to build capacity in these organizations in how to prepare proposals, how to conduct a simplified baseline study and how to carry out monitoring and evaluation of their projects.

There will be two competitive funding cycles per year, each targeting one specific beneficiary group. A Consultative Board (Mesa de Consulta) — consisting of representatives from FHIS, the Government Child and Family Welfare Ministry (IHNFA) and one representative from each of the Honduran umbrella NGOs — will be responsible for evaluating and prioritizing proposals. To guarantee transparency, the evaluation is based on a pre-defined set of criteria. The program provides incentives for organizations to come up with proposals that are innovative, that actively involve the community in design, implementation and evaluation, that build capacity in the communities and that enhance collaboration between different organizations. It is expected that the FIDAS will be up and running in September this year and will allocate around $1 million for proposals per year. Other donors have shown interest in the fund and may complement the funding in the future.
Lunch at a shelter construction project for orphaned and homeless teenagers, supported by the Malawi Social Action Fund.
Social funds that respond to demand-driven community-based projects often end up inadvertently excluding the disadvantaged and vulnerable groups that they were created to include. The reason is that vulnerable groups are often not able to organize themselves.

This was the case of MASAF, Malawi's Social Action Fund. In 1998, a midterm review revealed that MASAF did not reach groups such as orphans, street children, HIV/AIDS infected and affected people, the aged, and people with disabilities. To put an end to this problem, MASAF in 1999 made it one of its primary goals to strengthen and enhance the capacity of marginalized groups. The answer was to fund intermediary agencies already working with these groups. This became the now successful Sponsored Sub-Project (SSP) component.

In designing the new component, MASAF first had to define the marginalized groups and find out who could represent their needs.

When MASAF approached the communities, it became clear that support to vulnerable groups was rarely identified as a priority. However, nearly all women's groups mentioned the AIDS epidemic and its impact on the community as the biggest obstacles they face on a day-to-day basis. "Caring for the AIDS-infected and an increasing number of orphans, including orphans infected with HIV, as well as providing for the elderly whose children had died of AIDS, put an enormous strain on the community, both economically and socially," says Sam Kakhobwe, Executive Director of MASAF.

MASAF also discovered that the need of disabled children and their families had never before been raised as an issue in the community setting. In most communities there was no information as to what type of services were available for the people with disabilities. Parents were unaware that many disabled children could be trained to fend for themselves. "This is not surprising. In general there is very little data about handicapped in Malawi. Furthermore, there is only one primary school that is accessible for disabled and there is no secondary school in the country with the same facilities," says Kakhobwe.

In designing the SSP component, MASAF, with the assistance of the World Bank, developed a structure that was quite similar to the traditional community-based projects. SSP did, however, eliminate the many levels of local government involvement. Instead, project-selection and monitoring would be done by Advisory Committees that have now been established in each region of Malawi to ensure close proximity to the projects being evaluated. The Advisory Committees are made up of representatives of N G O's, MASAF staff, representatives of the Ministry of Women, Youth and Community Services, and beneficiaries.

To ensure that the SSP is based on strong community orientation, a sponsoring agency must prove to have not only a minimum of two years, professional experience in the relevant field, but also demonstrate its ability to work in the community. In order for an organization to be eligible for funding under the SSP component, it must also declare its status and be a registered not-for-profit N G O. It must be transparent and accountable and have the needed institutional capacity to effectively implement projects. Finally, the organization should be able to produce at least 20 percent up-front contribution of the total project costs.
In order for a project proposal to be approved, it must reflect a need identified as a priority for a marginalized group and directly benefit this group and include a capacity-strengthening component for the beneficiaries. The implementation period should not exceed one year.

The amount available for the SSP component is up to US$ 10,000. The average MASAF project is around US$ 45,000. “As we can only offer this relatively small amount, we are at the moment looking more towards smaller community based organizations. The larger, more traditional NGOs tend to look for big money for big projects,” says Kakhobwe. As there is a big need for this type of projects, it is, however, his hope, that he will soon be able to raise the sum available for individual SSPs.

Malawi Social Action Fund (MASAF) was launched in 1996. It was designed to finance self-help community projects and transfer cash through safety net activities. It thus depends primarily on the people’s commitment for its success. Although a government sponsored body, MASAF is nonetheless an autonomous body.

The primary beneficiary groups MASAF is targeting are poor communities, individual households, vulnerable and disadvantaged social groups in both rural and urban areas. In the first phase, 99 percent of the MASAF projects were in rural areas, only one percent was in urban areas. Under MASAF II the target is to have minimum 25 percent of the projects in urban areas.

Since its launch, MASAF project communities have built approximately 2000 class rooms, sunk 2000 boreholes, constructed a number of health centers and postal stations, and built 120 modern market facilities.
Reaching the Most Vulnerable:
MASAF-Sponsored NGO Helps AIDS Orphans in Malawi

Friends of Orphans Community Care Center (FOCCC) is a community-based NGO in Malawi which is taking on one of the most daunting tasks on the African continent today — to care for the growing number of orphans. Malawi is hard hit by the AIDS epidemic. More than one million of the nation’s 11 million people are HIV positive and more than 30 percent of Malawians in urban areas are infected. Most of the Malawians dying of AIDS are between the ages of 20 and 49. It is estimated that at least 600,000 Malawian children are now orphaned. As the social fabric of Malawi cannot sustain the pressure, more and more of these kids are left on their own.

Orphans are a typical example of a marginalized group that is usually not able to self-organize or voice their needs through the usual community priority setting mechanisms used by the Malawi Social Action Fund (MASAF). Recently, MASAF introduced the concept of Sponsored Sub-Projects (SSP), making it possible to serve this group through a sponsoring agency such as the FOCCC, one of the first such agencies to get financing from MASAF. In this case FOCCC applied for a project supporting orphans and their caregivers in the outskirts of Blantyre, the business capital of Malawi.

Until recently, AIDS/HIV initiatives had focused only on AIDS sufferers, not on the broader community of people adversely impacted by the crisis. “For Malawian society to be able to meet this immense challenge, it is extremely important that the communities unite to take care of these orphans. The best way for these children to get a chance in life is to keep them and support them in their own environment,” says Sam Kakhobwe, Executive Director of MASAF.

The FOCCC headquarters are located in the small village of Sumani, outside Blantyre. It also serves as an orphanage. When you enter, given the bleakness of the problem, you are a little scared of what to expect. Luckily laughter is in the air in the offices and the yard where the kids play. 28 orphans live here and another 56 come here for day-care. The kids will eventually be adopted. On average, it takes about two years to find them a new family.

The core of the work of FOCCC is not to run an orphanage but to try to get communities to care for the orphans, so that they can avoid leaving their familiar surroundings. FOCCC is so far active in 27 villages. At the moment, MASAF is supporting the work in ten of these — or a total of 1230 orphans. The total cost of the project including FOCCC’s contribution is US$11,265, with MASAF providing approximately US$6000.

One of the most important functions of FOCCC is to train caregivers in raising orphans. For poor families, taking on the responsibility of more children can easily over-stretch a family’s resources. They can simply not feed everyone. One component of the project aims to prevent this situation by setting up community gardens to promote food security for these households. Older orphans are given skills training.

FOCCC is also active in creating awareness of AIDS. “Only when people understand the disease can we expect the number of orphans to drop,” says George M. Lapozo, a representative of FOCCC.
In recent years, the World Bank and other donors have increased their focus on local governance and are now supporting initiatives that allow local institutions to play a much greater role in the planning, design, implementation, and operation and maintenance of small-scale investment projects. Two important ways that the Bank supports local governance initiatives are through social funds, and support to government decentralization initiatives. In ‘Promoting Good Local Governance through Social Funds and Decentralization,’ authors Andrew Parker and Rodrigo Serrano examined the interaction between social funds and decentralization in seven countries at different stages of decentralization: Bolivia and Honduras (advanced decentralization), Peru and Zimbabwe (some decentralization) and Cambodia, Malawi and Zambia (little or no decentralization).

This study, which was jointly financed by the World Bank’s thematic groups on decentralization, municipal finance and social funds along with the United Nations Capital Development Fund and the Government of Switzerland, found that social funds maximize impact on local governance when key national decentralization policy reforms are in place, and when the social fund is aligned with these reforms. When designing a social fund, policymakers should therefore take great care to define the social fund’s program goals within the context of the country’s decentralization framework, and tailor the project to suit this framework. Otherwise there may be negative impacts on local governance. In the absence of a formal decentralization policy, social funds can still play a positive role in enhancing local governance and at the same time support decentralization initiatives.

Transferring Social Fund Responsibilities to Local Governments

Social funds can be an important instrument of these broader efforts to support decentralized local government. Social funds in the study, in particular Bolivia and Honduras, are using gradual approaches to transferring functions to municipal governments, first piloting and learning from experience before expanding to a larger number of municipalities. Other mechanisms to enhance the capacities of local governments include providing technical assistance (Bolivia and Zambia), supporting the formation of associations of municipalities that can collaborate for specific purposes (Honduras), and by financing municipal representatives whose salary can be progressively taken over by the local government (Zimbabwe). Social funds that transfer responsibilities to local governments will need to reengineer their organizations from agencies specializing in managing the direct implementation of projects to agencies specializing in supporting the creation of local institutional capacity.

Increasing Allocative Efficiency

The authors note that one of the goals of both social funds and government decentralization initiatives is to increase allocative efficiency — that is, to provide public services and goods that best suit local preferences and needs. Social funds aim to improve allocative efficiency by delivering public goods and services in a way that fits local preferences better than centrally-controlled and implemented programs. At the local government level, a local planning system also increases allocative efficiency by encouraging all communities within a district to express their preferences, rather than only those few...
communities that a social fund might reach. It also allows the local government rather than the social fund headquarters to plan development in their area. Social funds should aim to support this local planning process. The ability of social funds to support decentralization through local planning, however, depends on the capacity of local governments to undertake local planning, and on the country's progress in decentralizing authority to local governments.

Creating effective local financing mechanisms

To understand social funds' contribution to good local governance, Parker and Serrano argue, the analysis of social-fund financing must be placed in the broader context of an overall system of intergovernmental and local development financing. In all the seven countries studied, social funds represent one of the few central government programs that is intended to provide a consistent source of funding for local investment. However, in doing so they often end up dominating the aggregate pool of resources available for local development. One way to integrate social funds into a broader fiscal system is for central governments to use social fund resources as matching grants to give an incentive to local governments to invest in central governments' priorities. In Bolivia, for example, social funds operate in a context where local governments have considerable own-resources from automatic, revenue-sharing agreements. Through the use of a matching-grant approach, the social fund has successfully redirected local government spending toward the social sectors.

Releasing Funds and Handling Procurement

Parker and Serrano further note that decentralized contracting of subprojects — that is, letting the community itself handle procurement and financing of their subproject — can provide greater benefits in terms of effective supervision, accountability, local capacity building, and production efficiency. Decentralized arrangements for contracting, however, should be careful to match project size and complexity to existing local capacities. Once communities and local governments demonstrate their ability to manage financial resources effectively, there is no reason why social-fund resources should not be decentralized to them. In countries with functioning local governments (such as the three Latin American cases), many local governments are already contracting projects of a similar or greater complexity than the ones funded by the social funds.

Applying the participation and accountability

The study also points out that there are many lessons to be learned by governments in the process of decentralization, particularly in the areas of participation and accountability. Through the use of participatory techniques (for example, calling community meetings to discuss development priorities; or requiring women to be represented on the project implementation committee), social funds can increase the participation of the community at large in choosing these goods and services.

Social fund techniques for increasing accountability are also being used to increase local government accountability, an essential part of the decentralization process. For instance:

- by requiring local governments to prepare development plans using participatory procedures, social funds aim to reorient mayors to pay less attention to their political "clients" and more to broader community needs. (Honduras)
- by teaching mayors that if the agreements between levels of governments were not followed, sanctions would be applied (Bolivia).
- by openly including communities in the project cycle, they have helped rebuild some community faith in public institutions to provide essential services, and communities appreciate their own role and responsibilities in these activities (African cases).
- by using transparent and objective criteria to fund projects, social funds foster accountability by reducing discretion and establishing clear rules of the game that can be enforced. (e.g., the objective, ex-ante allocation formula used in Honduras to allocate funds to municipalities)
- by demonstrating the benefits of the social funds methodology, social funds have encouraged greater responsiveness in some local governments, even in countries where the social fund has minimized their role (Peru).

Project Sustainability: an outstanding issue

Finally, the authors note that real development impact comes only from the sustained provision of basic services over many years. But factors outside the immediate control of social funds or local governments often determine whether or not social fund investments will have a lasting impact. The specific division of maintenance responsibilities between communities, local governments and line ministries varies across countries. The degree of sustainability hinges on forging effective collaborative arrangements between these different groups and agencies. While the record on sustainability has been mixed, two necessary conditions associated with good performance are: (i) to involve local governments early in the planning process and in the provision of the investment (though not necessarily in its production); and (ii) to ensure there is an institutional strengthening strategy to help local governments increase their revenue-raising capacity and thus fulfill their maintenance commitments. Although it is not necessarily social funds' responsibility to provide this institutional strengthening themselves, it is in their interest to encourage it to happen. ▲
Bolivia is the social funds pioneer. After the short-term, multi-sectoral Emergency Social Fund (ESF) closed in 1991, a series of funds were established to carry on the work of financing local investments, but with longer-term objectives and more sectoral focus. These funds include: the Social Investment Fund (FIS) to carry on the work of the ESF in the areas of basic social infrastructure (health, education, water and sanitation), the Rural Development Fund (FDC) to finance productive activities and economic infrastructure, the Regional Development Fund (FNDR) to provide credit for larger urban and regional infrastructure projects; and eventually an National Environmental Fund (FONAMA) to finance environmental initiatives.

With the approval of the Popular Participation and Decentralization laws in 1994, which granted much broader responsibilities to municipal governments and decentralized 20 percent of the national budget to them, the context within which these funds operated in Bolivia changed. Funds began serving as transfer mechanisms for co-financing with municipalities. In light of the broader municipal mandate, project proposals could only be submitted by municipalities and no longer directly from other groups such as NGOs, community-based organizations, local line ministry representatives, or religious institutions, although these groups often still remained involved. The various funds offered a menu of projects to the municipalities who selected projects which best reflected the priorities of the communities they served. Today, the funds continue to operate on this basis, but this will radically change over the next 12 months.

In December 1999, the Bolivian Government merged the Boards of Directors for the various social funds (FIS, FDC, FNDR, and FONAMA) into one body, the Unified Board of Directors (Directorio Unico de Fondos or DUF). As well as the regular functions of a Fund Board, this Board has under its charge, the improved coordination among funds and the development of consistent rules for co-financing investments with municipalities. However, in the process of developing such rules, it became evident that these would not be sufficient for equalizing compensating for poverty conditions. This would require a more radical reform in the way investment decisions were made. Therefore, the DUF began developing a National Compensation System. This system establishes a set of relative prices for different types of investments which are a function of: 1) the level of priority the government assigns to the various sectors in its poverty reduction strategy currently being developed based on the results of the second National Dialogue Process, and 2) the poverty level of the municipality. The system, which is expected to be launched by early 2001, aims to provide incentives to local governments to invest in poverty reducing investments and thus play an important role in reducing overall poverty in Bolivia.

The National Compensation System is being developed in the context of the government's efforts to consolidate the decentralization process. The Funds will continue to execute transfers to municipalities but with a new set of rules to the game. In order to simplify this process and facilitate a “one window” offer to municipalities for all types of productive and social investments, the government has decided that, in addition to merging the Board of Directors of the Social Funds, it will merge national and regional offices of the Social Investment Fund, the Rural Development Fund, and the National Environmental Fund into one larger, and more decentralized, Social Investment Fund. This will begin to take place around December 2000, through the current Social Investment Fund's gradual absorption of the activities of the other Funds, including their externally and internally financed projects. A transparently selected new management team will effect the institutional changes required as a result of the merger and deepening of the decentralization process. The Regional Development Fund, which finances municipal investments through credit, will continue to remain separate.

In the first stage of execution of the National Compensation System, subprojects for municipalities will continue to be co-financed based on a defined menu of projects. However in the second stage, this menu is expected to be expanded, investments would be made with more explicit sectoral conditionality and financing would eventually be based on direct transfers to municipalities versus co-financing with the funds. As municipalities develop their own management capabilities, the role of the Social Investment Fund in larger municipalities is likely to disappear. However, as there are many small municipalities in Bolivia (314 for 8 million people), it may not make sense for each municipality to invest in the capacity needed to appraise and supervise projects. In that case, the Social Investment Fund may still exist to provide services to these smaller municipalities, particularly if the private sector does not view the provision of similar services to be sufficiently profitable to become involved. Thus, after over ten years of experience in Bolivia, the role of the social funds continues to be highly adaptive and will no doubt continue to evolve over the coming years.

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Evaluating Organic Farming Project in Huanccochapi, Peru, supported by FONCODÉS — the Peruvian National Fund for Social Compensation and Development
Data from Armenia, Bolivia, Honduras, Nicaragua, Peru and Zambia reveal how social funds are doing in the areas of poverty targeting, impacts, sustainability and cost efficiency.

By the late 1990s, the social fund model had extended to over 50 countries in all regions of the developing world. Ample evidence had been gathered in many countries showing that social funds were highly successful operational mechanisms for financing small-scale investments at the community level. Demand far outstripped resources, as social funds took on a growing presence on the social investment frontier — reaching millions of beneficiaries and reporting significant numbers of interventions ranging from classrooms constructed, kilometers of road improved, micro-credits issued, water systems implemented, and training courses undertaken. At a more qualitative level, beneficiary assessments showed a high degree of satisfaction by community members and a perceived positive impact in the lives of those affected by social fund investments.

However, measuring the actual impacts of these small-scale investments had proven illusive. Skeptics charged that such small-scale investments were just pouring money down the drain, with no tangible impacts on poverty. Moreover, though social funds purported to operate largely in poor areas, there was scant evidence if in fact poor households within these areas were benefitting, or whether they were being edged out by the local elite? Critics claimed that these investments were bound to be unsustainable, since once social fund financing ended, communities, local governments and ministries were left responsible for operations and maintenance — and there was a pretty poor track record of operations and maintenance in most countries. There was very little systematic evidence available as to whether in fact teachers were assigned to new classrooms, health centers were receiving drugs, water actually flowed from boreholes and wells.

Against this backdrop, the World Bank initiated a study that was a joint effort between the Human Development Network’s Social Protection Unit, with their experience in best practice dissemination among social funds, and the Poverty Reduction and Economic Management Network’s Poverty Group, with their expertise in poverty impact analysis, drawing on or initiating work in the regions. Since analytically rigorous impact evaluation work is complex, expensive and relatively difficult to carry out, the approach was to choose a selected number of case study countries where interest was high and/or impact evaluations were planned or underway. Because of the variety in country conditions and potential data sources, the study experimented with different analytical approaches — aiming not only for evidence on impacts but also insights into the options for doing these evaluations.

Six countries were included as case studies: Armenia, Bolivia, Honduras, Nicaragua, Peru, and Zambia. In each country, a large group of people and organizations participated in the design, data collection and analysis of results. Staff and managers from the Armenia Social Investment Fund (ASIF), the Bolivia Social Investment Fund (FIS), the Honduras Social Investment Fund (FHIS), the Nicaragua Emergency Social Investment Fund (FISE), the Peruvian Fund for Compensation and Social Development (FONCODES) and the Zambia Social Recovery Project (SRP) have been actively engaged in the study, providing financing, technical advice and logistics support at the field level. Additional financial support was provided by the Government of Norway for the cross-country study and numerous multilateral and bilateral agencies for the country-level studies.
A Brief Word on Methodologies

A good impact evaluation asks the question: What would the status of the beneficiaries have been without the program? 'Counterfactuals' are usually constructed through the use of control/comparison groups. In the country cases, control/comparison groups were created using different techniques depending on timing and the availability of survey instruments. This type of analysis is essential where there is no baseline data — true for all cases, except Bolivia. The general evaluation design is a matched comparison between social fund communities or beneficiaries and others with similar characteristics that did not implement a social fund project.

The data included:

- **Household surveys**— The study used results from household surveys, often adding additional modules to an existing national survey, oversampling social fund beneficiaries and creating comparison groups from non-social fund households.
- **Facilities surveys**— Surveys on the staffing and operation of schools, health centers, water and sanitation systems. The study used separate surveys for each sector.
- **Qualitative assessments**— Several country cases applied qualitative assessments to complement the quantitative data collected through household surveys.
- **Cost efficiency studies**— The study compared social fund projects to similar projects carried out by other agencies to assess the unit costs and processing efficiency.

Findings on Poverty Targeting

Social funds use a variety of techniques to try to get resources to poor communities and households. Of the case study countries, Bolivia, Peru, Honduras and Nicaragua use poverty maps to allocate resources. All social funds do active promotion campaigns to inform poor communities. They also limit the menu of eligible investments to those types of investments that benefit the poor (for example focusing on primary education and basic health care over university and hospital improvements). Most funds screen individual project proposals to make sure they serve the poor. So with these mechanisms in place, what does the evidence on targeting resources to the poor show?

- **Geographic targeting is usually good, and typically better than other government programs.** In almost all cases, social fund resources went disproportionately to poorer districts and municipalities, with some variation between social funds. Looking at those districts or municipalities ranked the poorest that accounted for 40 percent of the population, Peru's FONCODES allocated over 80 percent of resources, Honduras over 50 percent, and Zambia 47 percent. Reaching the very poorest districts and municipalities was more difficult — by comparison in Peru the poorest 20 percent got half of FONCODES resources, 27 percent of Honduras social fund resources and 22 percent of Zambia program resources. In most cases, there is a wide variation between districts, where some of the poorest areas have been adept at accessing resources while others have lagged far behind. However, all social funds analyzed improved their poverty targeting over time. For instance, in Nicaragua between 1991 and 1998 the relative share of resources going to the very poorest municipalities tripled — from 11 to 34 percent. In comparison to other programs, the social fund in Peru reached poor districts (and households) far better than other school construction and school lunch programs.

- **Household targeting to the poor is even better.** In many cases, social funds are reaching the extreme poor, although not for all project types. To answer the question of whether, in fact, the poor within the various districts are able to access the benefits of social fund investments, you need household level data. Data from household surveys found that these community-driven investments disproportionately benefit poor households. For example, 30 percent of social fund resources in Honduras went to the benefit of households in the lowest 10 percent of the income distribution — certainly the extreme poor by any measure. These results tended to vary by the type of project involved, with similar results across countries. Latrines, health interventions and school projects were typically more 'pro-poor'; water supply had generally positive targeting results; but sewerage investments tended to benefit the better-off. In the case of Zambia, the social fund was more successful in reaching the poor in rural than in urban areas.
Findings on Impacts of Social Fund Investments

**Education:** In the education sector, the impact evaluation considered changes to the quality and quantity of infrastructure as well as effects on enrollment, drop-out rates and other indicators of improved student performance. In all country cases, social funds are major national contributors to expanding access to school infrastructure. Compared to schools that did not receive social fund interventions, ex-post evaluations showed that social fund investments have a positive impact on the quality of school infrastructure, including better access to water and sanitation, improved provision of desks, and equal or better access to textbooks than students in non-social fund schools. In terms of teachers, schools that received social fund support tended to have staffing patterns similar or better than other schools — showing that the concern over ‘empty’ classrooms has been largely unfounded. In fact, in case studies of schools carried out in Nicaragua and Zambia, having a social fund investment significantly raised the number of teachers at a school.

These improvements in infrastructure often translated into improvements in enrollment. Schools in Nicaragua and Zambia that received social fund support saw their total enrollment increase by an average of 20 and 17 percent, respectively, while enrollment at comparator schools was stagnant. To understand whether this increase was due to students switching schools or to households deciding to send their previously not enrolled children to school, the study looked at data from the household level. The general primary school enrollment rate for children increased as a result of social fund investments in Nicaragua, Peru and urban Zambia, but had little net effect in Bolivia and Honduras. Besides enrollment, social fund investments made it more likely for children to be enrolled in the right grade for their age in Honduras, Nicaragua and rural Zambia and reduced the drop-out rate in Bolivia.

**Health:** In the health sector, results on the quality of health infrastructure after a social fund intervention were similar to the results for schools. The quality of the facilities improved in terms of furniture, medical equipment, and access to water, sanitation and electricity. However, even though access to basic services were superior to that found in other health posts, in some cases there were still deficiencies in the reliability of water and electricity. Similarly, in terms of personnel and medical supplies, health centers that received social fund support saw the number of doctors and nurses increase, but basic medicine supply was either irregular or lacking in most health centers across the board — revealing the underlying weaknesses of many of the Ministry-managed supply systems.

What effect did this improved infrastructure have on the poor? First, in some countries social fund health centers saw a significant increase in utilization rates overall, and more use of prenatal visits and attended births. Again, looking at the household level, this increased tendency to use health services...

"Well, I think that the children study today in a better environment and because they are in a nice classroom, they put more care into learning; they are freer to do that. Before, they used to walk in tight groups and now they move about more freely and go out happily to play. The classroom looks nice and it stands out in the community. It is a good piece of work, yes…. In the old school there were a lot of dropouts among the older kids, now all the children are still coming. About 30 adults are attending the literacy course" (President of the Patronato, community of La Empalizada) Ex-Post Evaluation of the Honduras Social Fund, ESA Consultores, July 1999
For me, things have changed. Before this health post, we had to go to Jinotega to the health post, even for little things and children’s small illnesses.

San Antonio de Sisle, Jinotega

Qualitative Beneficiary Assessment, IDEAS, Nicaragua, 1998.

“…”

You know that water is part of health. In the past, the children here suffered from chest infections and malaria. Sometimes you made a small well and as soon as you hit water you used it and that was not good water. Now (today) children do not suffer anymore, there is water for even taking a bath. Well, yes, we have seen a change.”

(Per president of the Patronato, community of Subirana) Ex-Post Evaluation of the Honduras Social Fund, ESA Consultores, July 1999

Water Sector: In the water sector, social fund investments resulted in a net increase in access to water. This increase in access is matched with a decrease in distance to water sources and less time spent collecting water. Despite the improved availability, water systems in some cases still experienced performance problems, with half of the systems in Honduras reporting low production and half of the systems in Nicaragua reporting rationing.

This increase in access usually translated into improvements in the health of community members. In Bolivia, the impact on duration of diarrhea and the impact of under 5 child mortality of water and sanitation investments was significant and positive. In Nicaragua, water investments reduced stunting (height for age) in children under 6 from 25% to 14%. However, in Honduras there was no measurable impact of water investments on health outcomes, perhaps because the FH15 focuses on rehabilitating existing systems and the low productivity of many of these systems.

Sanitation: In the sanitation sector, social funds invest in both latrines and sewerage. Impact results were different between the two. In terms of sewerage, the systems generally operate without serious difficulties. However, connection rates tend to lag, with only 61 percent of potential beneficiaries in Nicaragua and 44 percent in Honduras actually making the investment to tap into the sewerage system constructed by the social fund. The slow connection rates are explained by the high costs of households to make the necessary expenditures to create indoor facilities. Effects on health outcomes appear to be higher where connection rates are higher. For example, in Nicaragua sewerage investments significantly lowered the incidence of child diarrhea; whereas there was no discernable effect in Honduras. As for latrines, social fund investments have increased access to sanitation services. This has resulted in positive impacts on health outcomes in one of the two cases studied (Honduras, not Nicaragua).

Are These Impacts Sustainable?

Most of the projects assessed were completed between 1 to 3 years prior to the impact evaluation, with the exception of Bolivia that measured impacts over 4 to 5 years. The basic evidence shows relatively better staffed and better functioning social investments after social fund interventions. The short to medium term sustainability of these services appears positive, with the caveat that certain systems — like essential drug supply in health centers — continue to suffer from deficiencies in many countries. Long term sustainability will depend on a host of factors. Some of these are whether the investments reflect felt needs of communities, whether communities are actively engaged in implementation and operation and maintenance, whether people in fact use the services and whether enough resources can be generated locally to finance basic maintenance often neglected by central authorities.

Qualitative assessments have found that social fund projects reflect community priorities, with some variation across sectors. In Nicaragua, FISE projects were consistently deemed to be the most beneficial one received by the community — 71% of interviewees believed that the project was the most beneficial; only 7 percent felt the benefits of the project chosen were less than other alternatives. In Honduras, for communities that implemented water, health and education projects, these project types received far more ‘votes’ than any other type of project. But, sewerage and latrines often did not correspond to community priorities — in sewerage projects, only 4% of respondents ranked it the highest need in the community.
Social funds attempt to actively engage communities in the identification, implementation and maintenance of these small-scale investments. Some do this much better than others. But in general, the findings showed higher participation rates than in other types of similar investments. For example, in Honduras, 58 percent of households participated in some way in FHI5 projects versus 30 percent in other agencies’ projects (mainly donations of labor, money, materials). In Nicaragua, overall only 31 percent of respondents participated in construction, but this varied by sector, with participation very low in the execution of water and sewerage projects. In Peru and Bolivia, higher participation rates were directly linked to higher utilization rates and, in Peru, a greater likelihood of project success.

Nicaragua, social fund schools were more active in fundraising and social fund rural health posts had over twice the level of community volunteers than other rural health posts. However, on a more troubling note, even though more fees are collected in social fund projects, the absolute level is often insufficient to cover costs, particularly in water and sanitation.

Findings on Cost-Efficiency
Countries use many delivery mechanisms to finance small-scale infrastructure (social funds, line ministries, NGOs, local governments). Programs use different technical designs, procurement and contracting systems, quality of materials, approaches to community participation and so on. To look at the relative efficiency of social fund investments versus comparator programs, engineers reviewed unit costs and technical parameters of a sample of social fund projects and “similar” investments made by other agencies. They also carried out analysis of process efficiency and administrative costs.

Such comparative analysis is rife with difficulties. When social funds are the only major source of community-level investments in a given sector — as is often the case — finding valid comparisons may not be possible. Many programs keep poor records or may restrict access to cost information. Moreover, there are often hidden or implicit costs not presented in basic budget information making cross-program comparability difficult. Examples include tax exemptions on imported materials for certain NGOs, use of ministry or local government personnel to design and supervise not counted as an administrative cost, and an accurate accounting of the value of community contributions in the form of labor and materials. In addition, this type of analysis begs the question is a lower unit cost “better”? Is a faster process “better”? In many instances, cheaper may not be better, particularly when sub-standard materials and designs are used.

The results were highly variable across countries and sectors. For example, in Armenia the social fund tended to have lower unit costs of construction than other central government agencies and NGOs, especially in schools. In Peru, social fund unit costs were much lower in school construction than the other central school construction agency, but influenced by the urban focus of the latter. Health posts were about one-quarter the unit cost of other central government programs. Cost per beneficiary in water projects was slightly lower than NGO comparators. And in irrigation findings were inconclusive compared with other national program (depends on year and
In both Nicaragua and Honduras, unit costs of social fund investments were found to be higher than other central and local governments in most sectors. However, in both countries most comparator programs focused on much smaller-scale rehabilitations, while the social fund built more complex and 'complete' investments (e.g. schools that included external walls and water and sanitation, not just classrooms).

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

Policy Implications
At a policy level, the study points to several general areas of action, including:

At the social fund level:
- Greater attention not just to successful project implementation, but to the impacts from those investments, including involvement of communities in the up-front identification of expected impacts.
- Reworking management information systems and evaluation strategies to capture more baseline information, as well as routine systems for follow-up information on operations and maintenance.
- Greater emphasis on community training in the areas of management and administration of facilities (formation of users groups, collection of fees, etc.).
- For some funds, exploration of a greater community role in the financing and contracting of small-scale investments.

At a country level:
- Sharing of information on investment approaches and cost efficiency among programs — to develop coherent national strategies.
- Development of national information systems, including household surveys, that can be used for individual program evaluation and better poverty targeting.
- Coordination of policies on community counterpart requirements and operations and maintenance responsibilities among programs.

At a Bank level:
- The development of toolkits and training on how to implement impact evaluations of social funds — including improvements to existing management information systems.
- Promotion of learning across different types of interventions and programs.

In addition to the various country level reports (some currently available), the cross-country analysis will be published by the end of the year and will incorporate household survey data from Armenia — currently being processed.
<table>
<thead>
<tr>
<th>Region</th>
<th>Number of WB projects supporting Social Funds</th>
<th>Number of Countries</th>
<th>World Bank Funding (US$million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>31</td>
<td>20</td>
<td>904</td>
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<tr>
<td>East Asia &amp; the Pacific</td>
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<td>4</td>
<td>362</td>
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<tr>
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<tr>
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</tr>
<tr>
<td>Middle East &amp; North Africa</td>
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<td>582.5</td>
</tr>
<tr>
<td>South Asia</td>
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<td>3</td>
<td>186.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td><strong>58</strong></td>
<td><strong>3511.6</strong></td>
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</tbody>
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Source: Social Funds Database
Social Protection Discussion Papers related to Social Funds:

Beneficiary Assessment Manual for Social Funds
Social Protection Discussion Paper No. 9930; Publication Date: 12/99

Causalities Between Social Capital and Social Funds
Social Protection Discussion Paper No. 9908; Publication Date: 03/99

Coordinating Poverty Alleviation Programs with Regional and Local Governments: The Experience of the Chilean Social Fund - FOSIS
Social Protection Discussion Paper No. 9933; Publication Date: 12/99

Getting an Earful: A Review of Beneficiary Assessments of Social Funds
Social Protection Discussion Paper No. 9816; Publication Date: 12/98

Helping the Poor Manage Risk Better: The Role of Social Funds
Social Protection Discussion Paper No. 9934; Publication Date: 12/99

Including the Most Vulnerable: Social Funds and People with Disabilities
Social Protection Discussion Paper No. 0023; Publication Date: 9/00

Guidelines for Management Information Systems in Social Funds (available English, French and Spanish)

Promoting Good Local Governance through Social Funds and Decentralization

Second International Conference on Social Funds Conference Proceedings

Forthcoming Papers:

Evaluating Social Fund Performance Across Countries: Recent Findings and Impact Evaluation Results

Please note that all SF papers and related publications are now available online on the social funds website at: http://www.worldbank.org/sp then click on “Social Funds.”

Questions and requests for free copies of publications concerning the World Bank’s work in Social Funds and other Social Protection issues may be directed to:

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