NGO Involvement in World Bank-Financed Social Funds: *Lessons Learned*

Carmen Malena

May 1997
# Environment Department Papers
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NGO Involvement in World Bank-Financed Social Funds: Lessons Learned

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Abstract

The purpose of this paper is to review the involvement of nongovernmental organizations (NGOs) in World Bank-financed social funds (SFs). The paper is intended for Bank staff, social fund staff, borrowing governments and NGOs who collaborate or seek to collaborate in social fund activities. The paper identifies key issues and outlines lessons learned. It concludes that NGO involvement can bring important potential benefits to the achievement of social fund goals and makes a number of recommendations for improved collaboration with NGOs.
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Executive Summary

The purpose of this paper is to review the involvement of nongovernmental organizations (NGOs) in World Bank-financed social funds (SFs), to outline lessons learned and to make recommendations for improved collaboration with NGOs. The paper is intended for Bank staff, social fund staff, borrowing governments and NGOs who collaborate or seek to collaborate in social fund activities.

For the World Bank and borrowing governments, social funds represent an innovative model for financing small-scale, demand-driven and participatory development projects. For NGOs and community-based organizations (CBOs), social funds represent one of the most promising mechanisms for accessing World Bank funds in order to support community level development activities.

The quality and skills of individual NGOs varies greatly and not all NGOs are appropriate candidates for participation in social funds. Those NGOs with suitable skills and experience (such as ties to local communities, technical expertise and participatory development skills), however, can play a number of important roles both during the design and implementation of the social fund itself and in the preparation, implementation and evaluation of subprojects financed by the fund. NGO participation in social funds is not sought as an end in itself, but rather because of the potential benefits that NGO involvement can bring to the achievement of social fund goals, such as sustainable, demand-led development and enhancing the active participation of poor communities.

Potential forms of NGO involvement include:

- seeking advice/assistance from NGOs during the design of the social fund;
- NGO participation in SF governance structures (e.g., representation on the board);
- NGO administration of a pilot phase;
- contracting NGOs to provide training/technical assistance to SF staff, communities and/or implementing agencies;
- NGOs involvement in the appraisal, supervision, or monitoring of the SF;
- NGOs transmitting information to communities (either formally or informally);
- NGOs submitting subproject proposals (or assisting communities in preparing and submitting subproject proposals);
- NGOs as subproject implementors or financial intermediaries, and;
- NGOs co-financing subprojects or supporting complementary activities.
NGO involvement in social funds can potentially serve to:

- promote pluralism (by enlarging the pool of eligible subproject applicants and implementors);
- provide alternative perspectives on policy issues (for example, through NGO representation on the board);
- contribute local knowledge (NGOs with close community ties may be able to provide valuable information on local conditions and community needs, in particular, during the design of the subproject menu);
- improve project design (NGOs with relevant operational experience can provide useful tips on targeting strategic subprojects, selection criteria, coordination among local actors, monitoring mechanisms, etc.);
- extend project reach to poor and isolated communities (in particular those which lie beyond the scope of government programs and/or require assistance preparing subproject proposals);
- enhance community participation (through processes of NGO intermediation, social mobilization and participatory project planning and implementation), and;
- contribute to subproject sustainability (as a result of improved community participation or by supporting subsequent activities which complement or reinforce the SF-financed subprojects).

NGOs have demonstrated specific comparative strengths in:

- working with particularly poor and/or remote communities;
- assisting communities in the preparation of subproject proposals;
- facilitating subprojects that are highly dependent upon active community participation;
- providing skills and services that are lacking in the public and for-profit, private sector (particularly in the fields of human resource development, basic needs and micro-credit);
- addressing issues related to subproject sustainability (for example, by promoting community participation and/or helping to ensure adequate provisions for staffing, equipment and long-term maintenance).

Some of the key risks associated with NGO involvement in social funds include:

- limited NGO capacity;
- diversity in the levels of legitimacy and competence of individual organizations;
- weak or difficult NGO-State relations;
- the challenge of identifying and assessing NGOs with relevant skills and experience (for example, those with participatory skills and links with poor communities).

The extent of NGO involvement in individual social funds varies greatly. It is estimated that, on average, NGOs sponsor or implement between 15 and 20 percent of total SF-financed subprojects, and that approximately fifteen percent of total social fund disbursements are channeled through NGOs. It is further estimated that NGOs play an informal role (such as assisting communities in identifying needs and preparing subproject proposals) in as many as 45 to 50 percent of subprojects. These
informal roles are rarely officially recorded, however, and NGOs normally receive no financial compensation from the SF for the assistance they provide to communities in an informal capacity.

The level of NGO involvement in a given social fund is dependent upon a number of "supply-side" and demand-side" factors including the capacity and skills of the NGO sector, the nature of NGO–state relations, and the policies and procedures of the social fund itself (in particular, types of eligible subprojects, emphasis on community participation and the availability of funding for preinvestment activities). Based on current evidence, it is not possible to ascertain whether "supply-side" or demand-side" factors play a greater role in determining levels of NGO involvement. The situation varies from country to country and, in almost all cases, a variety of factors are at play. The evidence does, however, suggest that: (i) SF expectations regarding NGO roles do not always correspond with NGOs' own perceived roles and comparative advantages; and (ii) a number of characteristics of SFs can be identified (both at the level of policy and procedure) that may serve to limit NGO involvement or lead to an underutilization of existing NGO capacity.

Where NGO–state relations are difficult, NGO wariness to become involved in a social fund can be reduced through: early NGO involvement in the design of the social fund; ensuring autonomy and transparency in the operation of the social fund; guarding against political patronage in the selection/approval of subprojects; assurances that there will be no government interference in internal NGO affairs; and, by recruiting social fund managers and staff that have experience in the NGO sector and/or are open to working with NGOs. The Bank can also play an important role in working with government on an ongoing basis to foster better understanding of NGO roles and to create greater space for NGO activities and NGO–government collaboration.

During the preparation of a social fund, it is important to begin with a realistic assessment of existing NGO skills, experience and capacity. Some factors that should be taken into account in selecting individual NGO partners include:

- credibility — acceptable to both stakeholders and government, legally constituted, politically neutral;
- representativeness — community ties, accountable to members/beneficiaries, gender equality;
- governance — sound internal management, transparency, financial accountability, efficiency;
- competence — relevant skills and experience, proven track record; and,
- institutional capacity — sufficient scale of operations, facilities, and equipment.

It is important to point out, however, that selection criteria must be based on the specific NGO roles envisaged. For example, the characteristics of NGOs chosen to serve on the social fund board will differ from those of an NGO selected to implement a subproject. These distinctions are discussed further in section III.C.

Social funds have a potentially important role to play in contributing to the institutional development and capacity-building of NGOs. This can be achieved, for example, by providing direct training to
NGOs, devoting a portion of the core social fund budget to capacity-building activities, creating a “training” or “institutional development” category of subprojects, allowing a percentage of individual subproject budgets to go towards capacity-building purposes or by promoting partnerships between larger, stronger NGOs and smaller, weaker ones. Social funds can also play a role in disseminating information about successful NGO projects, thereby increasing levels of public and government awareness and improving possibilities for replication.

Promoting active community participation in subproject preparation, implementation and maintenance remains a key challenge for social funds. Although social funds are commonly described as “demand-driven” and “participatory,” there is growing evidence that SFs may be less successful in promoting community-level participation than was previously believed. A recent review of the Bank’s SF portfolio, for example, found that only about one-third of SFs identify community development as a project objective or invest in the capacity-building of community-level groups. (World Bank, March 1997). Although NGO involvement does not, in and of itself, ensure participation and although not all NGOs are participatory, experience suggests that given certain prerequisites (careful selection of NGO partners, appropriate “pro-participation” policies and procedures), NGOs can potentially play an important role in promoting effective community participation in SF-financed activities.

Experience has shown that merely requiring subproject proposals to be submitted by communities does not guarantee community participation, nor does it necessarily ensure community acceptance or awareness of the subproject. In situations where community-level organization is strong, fair and effective, the need for NGO intermediation may be less important. Not all community-level organizations are representative or democratic, however, and special measures may be necessary in order to ensure the effective participation of poor or marginalized groups (including women, the landless, ethnic and religious minorities, etc.).

Experience has shown that successful and sustainable subprojects are frequently dependent not on any one actor but rather on the coordinated effort of a number of actors. It is not always easy, however, to establish operational partnerships and to coordinate relations between multiple actors. When selecting operational partners, social funds should consider the specific skills and comparative advantages of different types of organizations (e.g., CBOs, NGOs, local government, private sector firms), seek to promote “partnerships” among organizations with complementary attributes and encourage coordination among the full range of actors responsible for project sustainability.

Although NGOs have been broadly supportive of social funds as a mechanism for channeling multilateral resources to community-level development projects, they have raised certain concerns and criticisms - both, at a general level regarding the basic concept and impact of social funds, and on more specific issues, in particular, regarding obstacles to effective NGO involvement in social funds (including insufficient mechanisms for dialogue between SFs and NGOs; lack of funding for preinvestment activities; bureaucratic procedures and delays; and, a lack of emphasis on income-
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generating and “process-oriented” sub-

A review of the strengths and weaknesses of various aspects of social funds (both with and without NGO involvement) suggests that strong and diverse NGO involvement can help social funds become more effective instruments of poverty alleviation. In order to achieve improved NGO collaboration in social funds, the report makes the following recommendations.

Recommendations for Social Funds.

- Establish clear policies and guidelines concerning community participation in social fund-financed subprojects.
- Establish clear policies and guidelines concerning NGO involvement in the social fund.
- Early on during project design, conduct an NGO sector assessment in order to (i) identify those NGOs that have links with poor communities, expertise in participatory development and a proven track record in relevant sectors; (ii) assess the overall potential for NGO involvement in the social fund and; (iii) identify NGO capacity-building needs. (This assessment can be carried out through interviews, field visits, beneficiary assessments, or in coordination with an umbrella organization.)
- Based on social fund goals and the findings of the NGO sector assessment, identify and elaborate potential roles for NGOs throughout the project cycle.
- Once potential roles for NGOs have been identified, establish selection criteria specific to each role. It is essential that selection criteria are taskspecific, since different NGO roles (for example, as a consultant to the SF, a board representative or a subproject sponsor) will obviously require very different sets of skills, capacity and experience.
- Assess NGO training/capacity-building needs and consider ways in which the SF might assist in addressing these (for example, through an “institutional development” subproject category or core training events).
- Share all relevant project documentation and consult with NGOs during project design.
- Devise a strategy for communication with NGOs (including, for example, information-sharing sessions, the dissemination of a SF newsletter, the establishment of a “public information center”, mechanisms for systematic consultations on both operational and broader issues).
- Consider establishing a joint SF-NGO working group on operational issues.
- Include NGO representatives in SF study tours. (In Sri Lanka, for example, NGOs participated in visits to other Asian social funds).
- Include NGO representatives on the board of the SF.
- Use a pilot phase to test NGO capacity, evaluate operational procedures, etc.
- Make efforts to demonstrate to government officials the value/benefits of involving NGOs (particularly in situations where there is no history of government-NGO collaboration).
- Establish an NGO database and use computerized management information systems to keep NGO-specific statistics.
NGO Involvement in WB-Financed Social Funds

(in order to facilitate monitoring).

- Offer technical seminars to participating NGOs on the preparation of subproject proposals, procurement procedures, etc.
- Develop appropriate, simplified documents and implementation manuals.
- Adapt procurement and disbursement procedures to facilitate NGO/community involvement.
- Where appropriate, make provisions for advance payments and alternative arrangements for NGOs and communities who are unable to secure bank guarantees.
- Take steps to ensure timely and efficient subproject processing mechanisms. In particular, aim to avoid delays in subproject approvals and disbursements.
- Assess (in collaboration with NGOs) realistic resource requirements for ensuring effective community participation/social mobilization.
- Where appropriate, support the funding of preinvestment costs (related to subproject preparation).
- Early on, establish (in collaboration with NGOs) a methodology for systematic evaluation of NGO performance (through subproject evaluations, beneficiary assessments, etc.).
- Encourage NGOs, CBOs, local governments, private sector firms, and others to form operational partnerships.
- Recruit staff who have worked in the NGO sector or who understand and are respected by NGOs.
- Recruit staff with expertise in participatory approaches to development.
- Organize training for social fund staff on community participation, social mobilization, working with NGOs, etc.
- Ask NGOs to organize field visits, orientations for senior social fund staff.
- Consider secondments or staff exchanges between social fund and NGOs.
- Consider the appointment of an NGO liaison officer or the identification of one staff member as the official NGO contact. (Where NGOs play a multitude of different roles, it may be preferable to place emphasis on sensitizing all SF staff to NGO-related issues rather than appointing one contact person).
- Assess overall NGO performance on an ongoing basis throughout the life of the project cycle and share these findings with the NGO community, World Bank, and other project stakeholders.

Recommendations for NGOs (and/or NGO umbrella organizations)

- Elect representatives or form a committee to ensure regular communication with the social fund.
- Establish contact with relevant government and Bank staff early on and become involved in the design of the social fund (decisions such as which activities will be included on the menu of eligible subprojects, for example, are key).
- Assist the social fund in identifying potential NGO partners with relevant skills and experience.
- Learn as much as possible about the project as a whole (overall goals, appli-
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cation procedures, selection criteria, etc.) and not only NGO-specific issues.

- Bring problems and concerns to the immediate attention of social fund (and/or government or Bank staff). Suggest solutions and request a specific time-frame for the resolution of problems.

- Request relevant project documents and propose mechanisms for ongoing information-sharing.

- Share experiences and lessons learned with other NGOs involved with the social fund or working in similar sectors.

- Before taking on operational responsibilities, ensure your organization has all the required capacity and skills. If not, consider choosing a partner with complementary skills.

- Before becoming involved in the social fund, consider potential implications for your organization’s current portfolio, priorities and goals, political autonomy and community ties. Weigh potential benefits and risks.

- Establish clear policies and guidelines concerning community participation in social fund-financed subprojects (in collaboration with the government/social fund).
1. Introduction

NGO involvement in Bank-financed projects has increased significantly in recent years. While the credibility and competence of individual NGOs varies greatly and not all NGOs possess knowledge and skills relevant to the Bank’s work, experience has shown that collaboration with NGOs (particularly those with direct community ties and expertise in participatory development) can contribute to the quality, sustainability and effectiveness of Bank-financed projects.¹ The Bank acknowledges the potential benefits of working with NGOs and actively promotes increased NGO input into project identification, design, implementation, monitoring and evaluation.² As the Bank places growing emphasis on “demand-led” and “participatory” development, the particularly valuable role that NGOs can play as intermediaries between the Bank and its ultimate “beneficiaries,” helping to ensure that poor people themselves play an active role in shaping and implementing development projects, becomes increasingly important. As a result, the Bank aims, in particular, to expand its relations with those NGOs that work directly with poor communities or that represent the interests and views of poor people. As the Bank gains more experience in working with NGOs, it seeks to extract lessons from these interactions and to apply this learning in order to facilitate and enhance future collaboration.

One of the most important and promising mechanisms for World Bank-government-NGO collaboration are the numerous social fund-type projects financed by the World Bank. Since supporting the (now well-known) Bolivia Emergency Social Fund in 1986, the World Bank has channeled over $1.3 billion to more than 30 social funds in Latin America, Africa, Asia and, more recently, Eastern Europe. Social funds are designed as rapid, demand-driven funding mechanisms which channel resources to community-level development projects according to a set of predetermined selection criteria. They do not implement projects themselves, but finance subprojects proposed by other public, private and voluntary (formal and informal) organizations.

Given that they are demand-driven, provide funding in the form of grants (as opposed to loans) and finance small-scale projects in many of those sectors in which NGOs are most active (e.g., health, education, sanitation, micro-credit), social funds represent one of the most accessible forms of World Bank financing for NGOs. At the same time, because social funds are dependent upon other actors to design and implement the subprojects they finance, because they target poor communities (which often lie beyond the scope of government services) and because they seek to
promote active community participation, NGOs (particularly those that work directly with communities and have expertise in small-scale participatory projects) are natural and valuable partners of social funds. In addition to "using" NGOs in the implementation of SF-financed activities, a number of the more recent social funds recognize the intrinsic value of a strong local NGO sector and seek to support the development and capacity-building of NGOs as an explicit project aim.

The purpose of this paper is to examine social funds as an example of World Bank-government-NGO collaboration, to assess current levels of NGO involvement and to seek lessons learned based on experience to date. The paper is based on a desk review of Bank and non-Bank documents regarding approximately 20 social funds. In addition, the paper reflects the findings of two recent workshops which brought together NGO, social fund, government and World Bank representatives to discuss issues related to NGO involvement in social funds. Numerous NGO, social fund and Bank staff also generously contributed information through interviews and personal communications.

This first section of the paper provides a general introduction and some brief background information about social funds and NGOs. Section two outlines the various potential roles that NGOs can play in social funds, the benefits and risks of such involvement and the actual extent of NGO involvement in Bank-financed social funds to date. Section three identifies a number of key issues and lessons learned, while section four outlines some of the principal criticisms and concerns voiced by NGOs. Finally, section five provides recommendations for improved NGO involvement in Bank-financed social funds. Throughout the paper, a number of "boxes" provide specific examples and case-studies. Summary information on NGO involvement in selected social funds as well as examples of NGO-related project documents, contracts and selection criteria are included in the annexes.

Social Funds

While the specific objectives of individual SFs vary, social funds typically aim to:

- mitigate the social costs of structural adjustment reforms or respond to emergencies such as natural disasters or wars;
- improve the living conditions of poor people through the speedy provision of basic economic and social services and/or;
- promote decentralized service delivery by building local capacity and supporting local (governmental and nongovernmental) organizations that are responsive to local needs (Carvalho, 1994).

As mentioned above, SFs neither design nor implement individual subprojects themselves. Instead, they provide funding to a potentially wide range of partner organizations (including community-based organizations, NGOs, religious organizations, private sector firms, local, regional and central government agencies, etc.) on a demand-driven basis. Key roles undertaken by the SF itself include promotional activities (informing communities and potential operational partners about the SF); designing the subproject menu (identifying and defining which types of activities will be eligible for funding); appraising
subproject proposals for funding (based on predefined selection criteria); and supervising the implementation of subprojects and monitoring their effectiveness.

Social funds typically finance small-scale activities in the sectors of:

- health (e.g., construction and rehabilitation of health facilities and provision of essential medicines and equipment);
- education (e.g., construction and rehabilitation of schools and provision of teaching supplies);
- water and sanitation (e.g., construction and rehabilitation of water supply facilities, solid waste disposal);
- basic needs;
- social programs;
- micro-credit/micro and small enterprise development;
- roads, and;
- irrigation.

Social funds are typically set up as autonomous institutions (either as an independent government institution that reports directly to the President or Prime Minister or, in some cases, as a private nongovernmental institution). The autonomy of social funds is considered essential in order to avoid political patronage and to facilitate fast and efficient procurement and disbursement procedures. Social funds normally recruit staff from the private sector and are exempt from public sector salary caps. Most social funds use sophisticated computerized management systems aimed at ensuring speed, and efficiency and ongoing access to up to date operational data. All social funds employ poverty targeting mechanisms, and give priority to projects in low-income communities. Communities are normally expected to participate actively in project implementation and maintenance and to share a portion of project costs.

Particular strengths associated with social funds include: rapid disbursement, flexibility in responding to demand from a large number of sectors and implementing agents, community participation and the distribution of resources to the poor. Some identified weaknesses of social funds include trade-offs between demand-drivenness and targeting the poorest, trade-offs between rapid implementation and capacity-building and limited capacity to address fundamental issues of poverty reduction and social development.\(^7\)

**NGOs and CBOs**

The term NGO embraces a myriad of different types of organizations. At its broadest, it refers to any group or institution that is independent from government and has value-based (humanitarian or cooperative) as opposed to profit-oriented goals. For the purposes of this paper, a distinction is made between NGOs (intermediary organizations created to serve others) and community-based organizations or CBOs (formal or informal local associations formed to serve the interest of their own members or community). As discussed below, both NGOs and CBOs have important potential roles to play in social funds. Because social funds finance community-level development projects, there is by definition some form of interaction with a CBO (whether pre-existing or created in the relation to the subproject itself) in almost every case. One key role of NGOs in SFs is to support CBOs or to directly assist “communities” in organizing
to prepare and implement subprojects. The legitimacy and quality of individual NGOs varies greatly, as do their particular development mandates and areas of expertise. For example, among NGOs working in the development field, a distinction can be made between operational NGOs - whose primary purpose is to design and implement development projects; and advocacy NGOs - who concentrate their efforts at the policy level. Among operational NGOs, some organizations emphasize and excel in participatory approaches (working directly with communities and stressing local capacity-building), while others function in a more traditional service delivery mode (based on particular technical skills or sectoral expertise). While emphasis is usually placed on the role of NGOs as promoters of community participation, there are a wide variety of potential roles that NGOs (with different skills and areas of expertise) can play in SFs. Given the enormous diversity that exists among individual NGOs, it is extremely difficult to make generalizations about the sector as a whole. The following, however, are some general strengths and weaknesses commonly associated with the NGO sector at large (Clark, 1991):

**Strengths**
- Direct community links and proximity to target populations
- Field-based development expertise
- Flexibility and innovation
- Participatory methodologies and skills
- Emphasis on sustainability
- Cost-effectiveness.

**Weaknesses**
- Limited management and financial skills
- Limited institutional capacity
- Low levels of self-sustainability
- Susceptibility to donor-driven agendas
- Limited coverage and small-scale interventions
- Isolation/lack of coordination
2. NGO Involvement in Social Funds

Potential Benefits and Risks of NGO Involvement in Social Funds

Not all NGOs are effective development practitioners, nor legitimate representatives of the poor. In some countries only a minority of existing NGOs may have relevant skills, capacity and experience. Experience has shown, however, that collaboration with such NGOs can bring important potential benefits, during both the design and implementation of social funds. Box 1 summarizes some of the identified benefits of NGO participation in the Honduran social fund.

During social fund preparation, NGOs engaged in policy research and socio-economic advocacy activities can sometimes provide valuable alternative perspectives on issues regarding poverty reduction and social development strategies. NGOs that work directly with poor communities can be a valuable source of first-hand information about the needs and priorities of target populations (for example, providing useful input during the design of the subproject menu). Including NGO representatives in consultations, planning activities and decision-making processes can help to strengthen civil society support for the social fund (in addition to government and private sector support).

At the operational level, NGO involvement in the preparation and implementation of SF-financed subprojects can promote pluralism (by enlarging the pool of potential project applicants and implementors). NGOs can also promote community participation (through social mobilization and participatory development techniques), contribute specialized skills lacking in the public and private for-profit sectors (e.g., expertise in the delivery of micro-credit and alternative financial services for the poor), extend project reach (e.g., by assisting very

Box 1

Benefits of NGO Involvement in the Honduras Social Investment Fund

“The benefits to the Honduras Social Investment Fund of NGO participation are several, namely: NGO-executed subprojects mobilize more technical and financial resources than subprojects executed by private contractors; the government can expand social service delivery by contracting NGOs, whereas private contractors do not provide such services; NGOs support the normative and supervisory role of the state; the costs of NGO-executed subprojects are lower than those of private contractors; NGOs implement subprojects more efficiently and effectively than the traditional public sector; and NGOs help generate more employment in the productive sector. For NGOs, the benefits of participating in the social fund are employment opportunities generated by the new source of financing, expansion of NGO activities and substantial institutional strengthening.”

NGO Involvement in WB-Financed Social Funds

Box 2
Limited NGO Involvement in Senegal’s AGETIP

“In Senegal, NGOs have been excluded from the AGETIP which has increased their opposition to the government and its programs. While the AGETIP program has been successful from an efficiency and transparency viewpoint, it has been far less successful at reaching the most marginalized groups. The AGETIP works primarily through local governments, which are all part of the governing party (the opposition boycotted the 1990 municipal elections in protest against purported fraud in the 1988 national elections). It has limited contact with NGOs. As a result, it is resented by many groups who perceive the program to be “of the system” despite the transparent nature of its operations. By relying solely on government-linked organizations for project proposals, the AGETIP has limited its ability to reach out to groups and actors traditionally marginalized from state policy benefits.”


The specific benefits that NGO involvement can bring to a SF depend largely upon the nature of collaboration, the specific roles which NGOs are requested/allowed to play and the stage at which NGO involvement is sought. The following section describes a variety of the different roles that NGOs can potentially play both during the design and implementation of the social fund itself and in the preparation and implementation of SF-financed subprojects. A summary of these roles is provided in Box 3.

NGO Roles in the Design and Implementation of the Social Fund

Box 3
A Summary of potential NGO Roles in Social Funds

**Design & Implementation of the Social Fund**

- Consulting with NGOs during design
- Hiring NGOs as consultants
- NGO participation in SF governance structures
- NGO cofinancing
- NGO administration of a pilot phase
- Contracting NGOs during the implementation of the SF (to provide training/technical assistance to SF staff, to undertake subproject appraisal, supervision, monitoring, etc.)
- Independent NGO studies/evaluations

**Preparation and Implementation of SF-Financed Subprojects**

- Communication/information-sharing activities (formal or informal)
- Subproject applicant (or “requesting agency”)
- Assisting communities in preparing subproject proposals (formally or informally)
- Implementing agency
- Financial intermediary
- Subproject cofinancing/financing complementary projects
- Training/technical assistance to communities and/or implementing agencies

Some of the key risks associated with NGO involvement in social funds include: limited NGO capacity; diversity in the levels of legitimacy and competence of individual organizations; weak or difficult NGO-State relations, and, the challenge of identifying and assessing NGOs with relevant skills and experience (for example, those with participatory skills and links with poor communities). These issues and others are discussed in section III of the paper.
Consulting with NGOs during design

In recent years, the World Bank has placed increased emphasis on broad-based stakeholder consultation during the identification and design of the projects and programs it supports. Such consultation is particularly important in the case of social funds given their demand-driven nature and the fact that they depend upon the active involvement of a wide number of different actors (to prepare and submit proposals, implement subprojects, ensure ongoing maintenance, etc.).

NGOs can serve as important sources of information concerning local-level priorities and needs during the design of a social fund. NGOs that are engaged at the community level can frequently provide first-hand information about existing social conditions, levels of community organization and realistic estimates of absorptive capacity. Based on their own operational experience, NGOs can often provide tips on identifying quality contracting at the local level, working through local banking systems, coordinating with local government and other community-based organizations, targeting specific groups (the poorest, women, female-headed households, etc.), and monitoring small-scale projects in difficult environments. They can offer advice as to what has and hasn’t worked in the past and what types of activities stand to have the strongest poverty reduction impact. This type of input can be particularly helpful in identifying and prioritizing categories of eligible subprojects, establishing selection criteria and defining operational procedures. In Madagascar, for example, NGOs provided useful input during the preparation of the social fund Operational Manual.

Consultation with NGOs also serves to ensure that the sector is well-informed about the social fund, helps to build broad-based support for the project and improves the chances for effective NGO involvement during implementation. The final report from a 1990 workshop on Poverty Alleviation, Basic Social Services and Social Funds in Central America, states that “local communities and NGOs should from the beginning be associated with the planning and setting up of social funds...as this improves the structure of the social funds and enables them to get into action quickly and efficiently” (World Bank, 1990, p. 24). Consultation with NGOs can take many different forms. It might involve, for example, meeting informally with one or more NGOs to seek advice on a specific issue, calling a more formal meeting/workshop to share information and seek feedback from the NGO community at large, circulating draft project documents to NGOs for their comment and/or establishing a joint “NGO Committee” to ensure ongoing consultation and dialogue. Box 4 describes steps taken to consult with NGOs during the preparation of the Jamaica Social Investment Fund.

Broad-based consultation with NGOs in early stages does pose certain risks. For example, the process may take time and there is no guarantee that consensus will be achieved, particularly in situations where NGOs and the government hold highly divergent views or where there is no history of NGO-State collaboration. In Guatemala, for example, attempts to involve NGOs in consultations during the design of the SF proved extremely complex and time-consuming (PACT, 1990). Box 5 describes some difficulties encountered in Ecuador, for example. The exercise may prove counterproductive if NGOs do not see concrete results from their input. In coun-
Box 4
Consulting with NGOs in Jamaica

The Jamaica Social Investment Fund (JSIF) was approved by the Board of the World Bank in October 1996. From the earliest stages, the project team recognized the importance of a transparent and participatory approach and sought mechanisms to ensure the active involvement of CBOs and NGOs, as well as the government and private sector. To this end, a workshop on Social Investment Funds and NGO Participation was held in Kingston in December 1995 (funded in part by a grant from the Fund for Innovative Approaches to Human and Social Development). This workshop was attended by representatives from 36 Jamaican NGOs and CBOs, the Managing Director (designate) and members of the JSIF Project Preparation Management Unit as well as World Bank project staff and resource persons. SF and NGO representatives from four other countries (Bolivia, Nicaragua, Zambia and Guyana) were invited as resource people to share their experiences concerning NGO involvement in SFs.

The objectives of the workshop were to inform the Jamaican NGO/CBO community about the upcoming social fund; learn from previous experiences of NGO involvement in SFs in other countries, and consult with the Jamaican NGO/CBO community regarding their participation in the design and implementation of the JSIF. The workshop was purposefully held early on in the project cycle in order to allow NGOs the opportunity to influence the preparation process. Principal themes of discussion included: potential roles for NGOs/CBOs in the design and implementation of the JSIF; mechanisms for ensuring effective community participation in subprojects; the comparative advantages and capacity-building needs of the NGO/CBO community, and; mechanisms for ensuring the sustainability of JSIF subprojects. Recommendations resulting from the workshop included the creation of an NGO/CBO advisory committee to ensure continued dialogue with the JSIF, the development of a comprehensive communication strategy, provisions for the JSIF to support strategic technical assistance to NGOs/CBOs and other community groups and NGO/CBO involvement in the definition of criteria to ensure the sustainability of subprojects.

...
NGO Involvement in Social Funds

(e.g., communities, local governments, private sector firms) are also consulted. 

**Hiring NGOs as consultants**

Individual NGOs have frequently been contracted to provide specific services during the design of a social fund. These might involve: conducting community needs studies, household surveys, poverty assessments and other targeting exercises, or assisting in the development of sub-project selection criteria or evaluation indicators. In Cambodia, for example, a locally-based international NGO was contracted to establish eligibility criteria for water and well projects. This NGO was chosen due to its combined technical expertise and excellent understanding of local conditions. NGO staff were hired as consultants to prepare the Burundi social fund which reportedly went a long way towards creating support for the fund among the NGO community and facilitating collaboration with NGOs during implementation.

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**Box 5**

Consulting with NGOs during Social Fund Design: Difficulties Encountered in Ecuador

In 1989, the World Bank and the government of Ecuador began to discuss the creation of a social fund. From the outset NGO involvement was perceived as an important element. Although a significant number of NGOs were active in Ecuador at the time, the majority of these were young and small and there was little coordination among the sector as a whole. As a result, the World Bank undertook efforts to support the institutional development of NGOs during the preparation of the social fund in order to promote effective NGO participation once the fund became operational. This included a series of seminars on strategic planning techniques aimed at helping NGOs better coordinate among themselves, establish long-term goals and enhance their dialogue with the government. Although many NGOs were initially suspicious of government and hesitant to become involved, in the end, an NGO working group on participation in the social fund was formed. The Bank also commissioned a local intermediary NGO to undertake an assessment of the NGO sector and provided funding for a trilateral government-NGO-Bank seminar to discuss potential NGO roles in the SF and appropriate operational arrangements.

Prior to the finalization of the social fund, however, a change in government occurred and, as a result, a number of changes were made to the SF which generated resentment and confusion on the part of NGOs. Expectations had been raised and many NGOs were disappointed and disillusioned with the final design of the SF. Project staff point out that NGOs and the social fund did not share a common understanding of the purpose of consultations. The social fund was most interested in technical inputs from NGOs (assistance in developing evaluation criteria, for example) while NGOs were mainly seeking to promote procedures and subproject categories that would facilitate their participation. In the end, neither group’s expectations were satisfied. Although a significant number of “technically-oriented” NGOs have since participated in the SF, the involvement of those more “process-oriented” NGOs that participated in earlier discussions has been limited. These NGOs attribute their lack of involvement, in part, to the SF’s focus on “infrastructure” projects and the fact that no reimbursement is available for project preparation costs. It is interesting to note that although CBOs were not involved in the process of social fund design (neither by social fund staff nor by NGOs) they have been active participants in subproject implementation.
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NGOs can be cost-effective as consultants and often possess local language skills and valuable knowledge of local conditions. In some cases, NGOs may have specific skills or experience (e.g., participatory research methods, understanding of indigenous technologies) not found in the public or private for-profit sectors. The competence and quality of individual NGOs varies greatly however. Not all NGOs are professional or participatory and many local NGOs may have limited capacity and be unable to take on large-scale responsibilities.

Recommendations

- Carefully assess potential NGO partners to ensure suitability, relevant skills and experience (e.g., technical expertise, local knowledge, community ties, participatory skills and adequate capacity). Tips on assessing NGO capacity are outlined in section III.B.
- Establish clear selection criteria and ensure maximum transparency in selecting NGO consultants.
- Take precautions to guard against potential conflict of interest (such as engaging an NGO to develop selection criteria that may wish to apply for funds later on).

NGO participation in social fund governance structures

Most Bank staff, SF staff and NGO representatives interviewed felt that it is important and beneficial to have NGO representation on the board of the social fund (specifically in those cases where NGOs are expected to play an important role) in order to ensure broad stakeholder views and promote strong social fund-NGO relations. Potential risks include government reluctance to include NGOs, differences and divisions among NGOs, the possible risk of creating diverging views and increased conflict among board members, the risk of NGOs seeking to promote their own self-interests (as opposed to those of poor communities) and the difficulty of identifying an appropriate NGO representative (especially in cases where NGOs are divided into political or ideological camps or where the sector is dominated by a few powerful politicized or partisan personalities). Special care should be taken to ensure a democratic and transparent process in selecting NGO representatives to the board. Ideally, NGOs should be allowed to elect or nominate their own representatives (where possible through existing NGO associations or umbrella organizations).

The majority of those social funds reviewed have NGO representatives on their board, and a smaller number have named NGOs to subproject selection committees. While these experiences have generally been judged favorably by both social funds and NGOs, in a few cases NGOs have complained that their presence on the social fund board is merely symbolic and that they are excluded from certain activities and decision-making procedures. In other cases, NGOs have not been invited to sit on the board but rather to “advise” the board. In the case of Sri Lanka, for example, an NGO Advisory Committee was established. NGOs felt, however, that they lacked real authority and influence in this capacity and have since been granted representation on the board of the fund.
Recommendations

- Work through NGO umbrella organizations (where they exist) in identifying NGO representatives.
- Be aware of and sensitive to existing divisions among NGOs (or groups of NGOs) and avoid exacerbating these.
- Where feasible (where a sufficient level of coordination amongst NGOs exists) consider allowing NGOs to elect or nominate their own representative(s) to the board. This may reduce the danger of the SF being perceived as selecting “favorites” and can serve to promote more effective representation and information-sharing among the broader NGO community.
- Take steps to ensure that the board enjoys maximum political autonomy.
- Ensure that NGO representatives are granted the same status as other board members.
- Take precautions to guard against potential conflict of interest (such as involving an executing NGO in project approval).

NGO cofinancing

Most social funds mobilize support from a number of multilateral and bilateral donors. In some cases, larger international NGOs have participated as cofinanciers. In Bolivia, for example, Save the Children donated funds to the Emergency Social Fund. In the case of Honduras, the head of the social fund traveled to Washington to seek financial support from the international NGO community. Such participation, although rare, can serve to strengthen the Bank’s (and borrowing governments’) relations with international NGOs and to promote donor coordination and mutual learning.

NGO administration of a pilot phase

A growing number of more recent social funds have employed a pilot phase in order to identify obstacles and test operational mechanisms and procedures. Particularly in situations where the social fund office is not yet fully in place, NGOs can play an important role in designing, supervising, implementing and evaluating pilot sub-projects. In the case of the Armenia social fund, an international NGO with local linkages, was selected to administer the pilot phase. It has since continued to undertake capacity-building activities with local NGOs in parallel with the main phase of the project. See Box 6. In the case of the proposed Palestinian NGO Project, an NGO (or group of NGOs) will be selected through a process of international competitive bidding to manage the entire fund. See Box 7.

Contracting NGOs during the implementation of the social fund

In a number of countries, social funds have contracted NGOs to appraise, supervise and monitor subprojects or to provide training and/or technical assistance to social fund staff. Khadiagala (1995) points out that subproject supervision is often a weak link in social fund operations due to limited staff resources. Sub-contracting such responsibilities to qualified NGOs can allow social funds to ensure adequate supervision while controlling administrative costs. In Egypt, for example, the social fund successfully bundles together sets of projects and contracts out their supervision to NGOs (Khadiagala, 1995, p. 19). Box 8 describes various responsibilities contracted out to international NGOs in Guinea. In other cases, NGOs have been contracted by social funds to monitor subproject implementation, undertake participatory evaluations of subproject impact or train social
Box 6
An NGO as an Administrator of a Pilot Phase in Armenia

The Armenia Social Investment Fund (one of a limited number of World Bank “Participation Flagship” projects) began operations in February 1996. The preparation of the ASIF included a pilot phase, jointly administered by the Armenia Assembly of America (AAA) and a small governmental unit. The AAA is a Washington-based NGO which supports development projects in Armenia and promotes public understanding and awareness of Armenian issues in the U.S. The pilot phase, during which 13 pilot subprojects were implemented, proved extremely useful in testing methods and procedures to encourage community and small contractors participation. The pilot flagged potential problems and provided information about local capacity and needs. Because of lack of credibility of city councils and local governments (still operating in a very top down fashion inherited from the Soviet Union) and “high levels of learned dependency and distrust of Government” among the local population, it was decided during the pilot that sub-projects should be managed by subproject committees directly chosen by the beneficiaries and working in collaboration with local governments. The pilot also helped in developing procurement procedures that would promote the participation of communities and small contractors and served to test different mechanisms for community financial contribution. Based on these and other findings, project staff were able to foresee problems, obstacles and opportunities and modify the design of the social fund accordingly. At the time it was implementing the pilot phase, the AAA was also the designated coordinating body of NGOs which helped in providing information about the ASIF to the NGO community. The AAA representative in Yerevan is now a Board member of the ASIF which helps in ensuring continuity between the pilot and the main phase of the project.

Recommendations

- Ensure clear terms of reference for contracted NGOs.
- Ensure a thorough assessment of NGO capacity, track record, financial/managerial skills, etc. (tips on assessing NGOs are outlined in section III.B.).
- Make provisions for regular communication and close coordination with NGOs contracted to perform key social fund functions.

Independent NGO studies/evaluations

NGOs have carried out a number of independent studies concerning the effectiveness and impact of Bank-financed social funds, some of which are described in Box 9. Although these studies are sometimes critical of social fund operations and their
**Box 7**

**Palestinian NGO Project**

This project, currently under preparation, is expected to become operational in FY97. The project design resembles that of a social fund, however, the project is unique in that it would be financed using IBRD surplus and net income. Project funds will not pass through government channels and will not be repaid. Although the Palestinian Authority has been closely consulted during design, has included the project in its list of core priorities and will sit on the project’s Governance Committee (along with donors, NGOs and other representatives), its role in the project is secondary. It will neither receive project funds nor participate directly in project implementation. The project, which will channel grants to NGOs for poverty reduction activities, will be managed by an NGO, selected through a process of international competitive bidding. The managing NGO (or NGOs) will be responsible for managing the fund and approving and monitoring grants. The Governance Committee, made up of NGO, donor, government and other representatives will establish policy, oversee the project and seek to ensure coordination and complementarity with other government and donor-sponsored activities.

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**NGO Roles in the Preparation and Implementation of Subprojects**

*Communication/Information-sharing activities*

NGOs can play an important role in ensuring that communities are well informed about social fund operations. In most cases, this “promotional” role is undertaken informally, by NGOs sharing information about social fund operations with the communities with which they work. Although no statistics are available concerning the extent to which NGOs are responsible for informing communities about SF opportunities, there is general agreement that NGOs have made a significant contribution in this area in a number of countries. The role of NGOs in spreading news about social fund activities can be particularly beneficial when they are in contact with otherwise isolated, poorly informed communities. There is, however, a risk of NGOs disseminating inaccurate information and/or raising undue expectations as to what types of activities are eligible for social fund support. In some cases, NGOs may also be concentrated in urban areas and not necessarily have a presence in those communities that are poorest or most remote.

**Recommendations**

- In order to avoid misinformation, ensure that NGOs have up-to-date and accurate information about the SF (for example, by disseminating a SF fact sheet or newsletter, holding information workshops, speaking at NGO-organized events, etc.).

- Seek advice from local NGOs on the most effective ways to disseminate information directly to communities (e.g., popular radio programs, village...
Initially Guinea’s Socio-Economic Development Program was conceived as a fast disbursing SF along the lines of the Bolivian model. In the first 18 months of operation, however, only four subprojects were approved, largely due to the weak capacity of local NGOs and CBOs and their limited ability to prepare acceptable project proposals. As a result, the Guinean fund abandoned the initial idea of a fast-disbursing operation and focused on a slower process of improving the quality of project submissions and seeking ways to build NGO capacity. At the same time, the social fund itself lacked the capacity to provide adequate assistance in the preparation of subproject proposals and to ensure timely approval. (On average, there was a delay of nine months between subproject application and approval, and delays of up to 20 months before project implementation). In order to achieve faster, more flexible and efficient project preparation and approval, the social fund introduced a system of contracting out certain responsibilities to a limited number of international NGOs (the two most important being the Adventist Development and Relief Agency, ADRA, and the Centre Canadien d’Études et de Coopération Internationale, CECI). A “standing offer” for a given amount was established with these organizations ($1 M worth of subprojects in the case of CECI, for example) who then acted as intermediaries in identifying communities, providing support and assistance in subproject preparation and approval as well as ensuring ongoing maintenance and supervision (in collaboration with communities). Intermediary NGOs could claim approximately 12% of total subproject cost for these services. Over 50% of total subproject funds were disbursed in this manner.

Source: Voyeur, 1995
Box 10
Regional Seminar on NGO Involvement in Central American Social Funds

In November 1995, a seminar on the subject of "NGO Involvement in Central American Social Funds" was held in Roatan, Honduras. The seminar was attended by Honduran government officials, staff members from social funds in Honduras, Nicaragua, Guatemala, El Salvador and Panama, NGO leaders from each of those five countries (as well as from Costa Rica and Belize) and representatives from the World Bank, IDB, KfW and Ruta Social.

Topics of discussion included:

- mechanisms for improved SF-NGO collaboration.
- potential roles for NGOs in the SF project cycle and NGO partnerships with other organizations (e.g., local government, private sector firms).
- the role of NGOs and the SF in promoting effective community participation and local capacity-building.
- recommendations for improving the sustainability of SF-financed projects.

In order to improve SF-NGO Collaboration, it was recommended that:

- subproject sustainability is dependent upon effective community participation and ensuring adequate measures for ongoing maintenance and support.
- more emphasis should be placed on social impact assessments.
- in order to achieve genuine community participation, there is a need for a clearer understanding of the concept of "participation" as well as more resources and better tools to promote and measure participation throughout the project cycle.

The Seminar concluded:

- SFs should maintain an NGO database.
- joint SF-NGO committees should be created at the country level.
- in-country seminars and workshops for SFs and NGOs (on operational issues and broader questions such as participation, poverty reduction, etc.) should be organized on an ongoing basis.

It is desirable that subproject proposals be submitted by beneficiaries themselves or by that level of organization in closest proximity to ultimate users/beneficiaries. A number of social funds only allow community-based organizations (CBOs) or communities themselves to submit subproject proposals. Where communities (or CBOs) lack the capacity, however, to prepare and submit proposals, or where subprojects (such as credit programs or road construction) involve more than one community, other actors such as NGOs, local governments and private sector firms may play the role of subproject applicant—normally on the condition that they provide evidence of community endorsement and involvement.

In such cases, social funds can be an important source of financing for local NGOs, allowing them to broaden and diversify...
NGO Involvement in WB-Financed Social Funds

their funding base, expand their experience, improve the quality of their interventions and increase their level of interaction and influence with government. The involvement of NGOs as subproject applicants offers a number of potential benefits to the SF. Allowing NGOs to apply for subproject funding can promote pluralism by expanding the pool of potential applicants and ensuring that funds are not continually channeled to a small number of politically connected contractors. In some sectors, NGOs may be the only existing institutions with required skills and experience. In the case of Honduras, for example, NGOs were virtually the only organizations with expertise in microenterprise development. NGOs carried out 80% of urban informal sector credit projects and 90% of rural credit programs. Without their participation, the social fund would have been unable to undertake these programs.

Evidence also suggests that NGO involvement as subproject applicants may, in some cases, contribute to improved targeting, community participation and project sustainability. While NGOs are not always present in the poorest regions of a country, it is sometimes the case that they do have links with poor or isolated communities that lie outside the scope of government structures and services. In the case of Bolivia, for example, social fund staff indicate that “the main reason for the involvement of NGOs within the scope of SF’s work was to reach areas where the State had no presence.” (Lema, 1995) Although the evidence is mixed, experience has also shown that, generally speaking, NGO applicants are more likely to emphasize community participation and invest more effort towards ensuring the long-term sustainability of subprojects than for example the private sector, or for-profit firms. (For more on NGOs and community participation, see section III.F.).

Recommendations

- Regardless of the applicant, all subproject proposals should require evidence of community participation and endorsement (prior to approval).
- Where a number of different actors are eligible subproject applicants, take into consideration that the same procedures, criteria, communication strategies, etc. may not work equally well with each different group (e.g., the information and technical assistance needs of CBOs, NGOs and private sector firms are likely to differ).
- Offer training to NGOs (and other potential applicants) on SF procedures, how to prepare subproject proposals, etc.
- Assess the comparative strengths and weaknesses of different types of subproject applicants (e.g., communities, NGOs, local government, private sector) and try to promote complementary forms of collaboration and partnership.

Assisting communities in preparing subproject proposals (formally or informally)

Probably the most significant contribution that NGOs currently make to social funds is the assistance they provide to communities (both formally or informally) in preparing and submitting subproject proposals. Under some social funds, NGOs that support communities in preparing and implementing subprojects may be formally recognized as subproject “sponsors” and may be eligible to claim some percentage of total project cost to cover their time and expenses. In most cases, however, NGOs
provide assistance to communities on an informal basis - meaning that they receive no payment for these services and the social fund may not even be aware of their involvement. Such intervention on the part of NGOs can be particularly important in the case of very poor communities that lack the required capacity and skills to prepare a proposal on their own and, in situations where social funds lack the necessary staff, to be able to provide such support. (Issues related to the current lack of funding for these “preinvestment activities” are discussed in section IV. B.)

**Recommendation**

NGOs often face serious resource constraints and the time and energy they invest in assisting communities to prepare social fund proposals (even as formal sponsors) is often borne at their own cost. Where this is a common practice, social funds should consider mechanisms for compensating NGOs for these services.

**Implementing Agency**

When NGOs act as subproject applicant, they normally also undertake the role of implementing agency. Similarly, other subproject applicants (such as communities or municipalities) may contract an NGO to fulfill this role. Common responsibilities of the implementing agency include: collecting the community contribution; tendering and evaluating bids; contracting and making payments to the subproject contractor, supplier and supervisor; monitoring progress and; reporting problems to the SF.

**Recommendations**

- NGOs frequently have very limited capital reserves and may have difficulty in securing bank guarantees. Where NGOs are acting as implementing agencies, the social fund should foresee potential difficulties and make appropriate provisions (such as ensuring timely disbursements and advance payments).

- NGOs, CBOs (and other potential implementing agencies) are frequently unfamiliar with Bank procurement procedures. In order to address this problem, social funds should consider organizing workshops (for NGOs and other potential supplementing agencies) on the Bank’s procurement procedures and make provisions for ongoing access to technical assistance as required. In addition, social funds should use simplified procurement instructions and bidding documents and ensure that these are made available in local languages.

**Financial intermediary**

In Panama, for example, NGOs’ principal official participation in social fund-financed subprojects has been as subproject “administrators.” In this role, NGOs act as a financial intermediary on behalf of the community. Deposits are made into the NGO’s bank account and the NGO in turn handles payments to contractors executing the work. For these services, the NGO receives a payment of 3% of the project budget (or up to 10% if their role involves providing technical assistance). NGOs have acted as “administrators” in approximately 20% of SF projects. While NGOs have expressed interest in playing a greater role in subproject design and execution, the SF questions NGOs’ technical capacity to execute (mainly infrastructure) projects and, for the moment, NGO involvement remains largely limited to a role of financial intermediation.
**Subproject cofinancing/complementary projects**

In some cases NGOs have supplemented social fund financing with resources from their own budget when carrying out community-level projects. They have also sometimes chosen to undertake independent complementary projects in communities receiving social fund funding (for example, supporting the capacity-building of CBOs, funding equipment or delivering services which complement SF-financed infrastructure subprojects). Such actions can help to enhance the integration and sustainability of social fund-financed subprojects.

**Training/technical assistance to communities and/or implementing agencies**

NGOs are sometimes contracted by the social fund to train or provide technical assistance to communities (and/or implementing agencies) to enhance subproject implementation or maintenance. The Fond d’Appui au Développement Communautaire in Comoros, for example, contracted an international NGO (Center Canadian and Educational NCO Cooperation) to coordinate technical assistance to communities. The success of the Armenian social fund pilot phase was attributed in part to the significant amount of support and technical assistance provided by the administrating NGO (Armenian Assembly of America) to contractors and implementing agencies. As the capacity of the social fund to provide individualized technical assistance during the main phase of the project will be more limited, one of the recommendations of the pilot phase was to subcontract these “technical assistance” roles to NGOs. It was pointed out that the type of technical assistance required is not simply task-oriented, but may involve activities such as the fostering of new attitudes, conflict resolution, developing problem solving techniques, etc. In such circumstances, requiring a mix of “social” and operational skills, NGOs may have certain comparative advantages over other more technically-oriented private sector contractors.

**Recommendations**

- Use a pilot phase to identify key training/technical assistance needs of potential subproject applicants and implementors.
- Take into account the skills mix, comparative advantages and local acceptability of various organizations in selecting trainers/providers of technical assistance.
- Consider including an “institutional development” or “capacity-building” category on the subproject menu.

**Estimated Current Levels of NGO Involvement in Social Funds**

The extent of NGO involvement in individual social funds varies greatly. Some basic information about the level of NGO involvement in a selected number of Bank-financed social funds is included in Annex I. These figures are based on statistical information from social fund reports, operational files or, in some cases, estimates by social fund staff. Because the specific nature of NGO collaboration varies and social fund records do not always contain NGO-specific information, it is very difficult to compare levels of NGO involvement in different social funds or to provide an estimate of overall NGO collaboration. Bearing in mind these limitations, the following are some general findings regard-
ing the level of NGO involvement in social funds to date.

- A majority of social funds have involved at least some level of consultation with NGOs during design phases. In approximately one third of the social funds reviewed, this consultation could be described as significant (i.e., ongoing consultation with a considerable number of NGOs resulting in some identifiable impact).

- A majority of the social funds reviewed have NGO representatives (in a few cases nominated, but more commonly appointed) on their board.

- It is estimated that, on average, NGOs sponsor or implement between 15 and 20% of total subprojects (the remainder being sponsored or implemented by community groups, local governments or private sector firms). Levels of NGO involvement vary enormously among individual social funds, however, ranging from near zero (in the case of those social funds that require subproject proposals be submitted by community members or local government) to close to 100% (in the case of those funds that classify all non-state actors including CBOs, existing or created, as NGOs).

- It can be estimated that, on average, approximately fifteen percent of total social fund disbursements are channeled through NGOs (the remainder being channeled directly to communities or through public or private for-profit intermediaries). Again, the numbers vary greatly among individual social funds, ranging from near zero to close to 100 percent. Due to the wide variety of different roles played by NGOs (e.g., subproject applicant, implementing agency, financial intermediary, etc.) exact levels of disbursements to NGOs are difficult to determine.

- By far the most common role played by NGOs is to assist communities (or community-based organizations) in the design and implementation of subprojects. In some cases, NGOs are formally recognized as subproject “sponsors” and may claim a certain percentage (usually between 5-15%) of total project costs to cover their expenses and services. Much more frequently, however, NGOs provide assistance to communities on an informal basis and, therefore, receive no official recognition or financial compensation for these services. It is estimated that NGOs provide some form of informal assistance in as many as 45-50% of social fund-financed subprojects.

- As would be expected, NGO involvement is highest in the sectors of health, education, community development and micro-credit. It is lowest in economic infrastructure and public works projects.

NGOs have demonstrated specific comparative strengths in: (i) working with particularly poor and/or remote communities “where the added expense (of extra transport costs, time and energy) cuts into the profit margins of for-profit businesses” (Parish, 1996; Lema 1995); (ii) facilitating subprojects that are highly dependent upon active community participation; (iii) providing skills and services that are lacking in the public and for-profit, private sector (particularly in the fields of human resource development, basic needs and micro-credit), and; (iv) addressing issues related to subproject sustainability (e.g., by pro-
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motivating community participation and by focusing more attention on provisions for staffing, equipment and long-term maintenance). (Presidencia de la Republica del Ecuador, 1996.)

The level of NGO involvement in a given social fund is dependent upon a number of different “supply-side” and demand-side factors. As a result, it is impossible to dictate any “ideal” level of NGO involvement in social funds generally. In situations where community-level organization is strong (such as Eritrea, for example) the justification or need for NGO intermediation may be limited. In other countries, where the need is strong, NGO involvement may be restricted due to poor NGO-state relations or weak NGO capacity and skills. Finally, characteristics of the fund itself (including the objectives of the SF, the types of activities financed and appropriate policies and procedures to facilitate NGO involvement) play an important role in determining the extent of NGO involvement.

Based on current evidence, it is impossible to ascertain whether “supply-side” or “demand-side” factors play a greater role in determining levels of NGO involvement. The situation varies from country to country and, in almost all cases, a variety of factors are at play. The evidence does, however, suggest that: (i) SF expectations regarding NGO roles (focusing, for example, on service delivery and technical input) do not always correspond with NGOs’ own perceived roles and comparative advantages (e.g., collaborating with the fund as “development partners” and concentrating on community participation), and; (ii) a number of characteristics of SFs can be identified (both at the level of policy and procedures) that serve to limit NGO involvement or lead to an underutilization of existing NGO capacity. Some key issues regarding NGO involvement in social funds, including operational obstacles and recommendations for overcoming these, are discussed in the following sections.
3. Key Issues and Lessons Learned

State–NGO Relations

A key factor influencing NGO involvement in a social fund is the nature of relations between NGOs and the State. State–NGO relations vary enormously from country to country and from government to government. In some cases, government and NGOs may share similar goals and work closely with one another. In other situations, however, relations between NGOs and the State may be characterized by indifference, distrust, suspicion or outright hostility. Generally speaking, the initial decision to establish a social fund is dependent upon at least a minimal level of willingness on the part of government to work with communities and NGOs (and vice versa).12

In some cases, social funds have served to improve relations or to stimulate dialogue between government, donors and NGOs who previously had little contact with one another. In Bolivia, for example, the introduction of the Emergency Social Fund, in conjunction with encouragement from donors, provided the impetus for setting aside mutual suspicions and establishing a dialogue between the government and NGOs. A similar process took place in Zambia through the Social Action Program and the subsequent Social Recovery Program (as described in Box 11). In other cases, such as Guatemala and Ecuador, consultations between NGOs and the government during the preparation of the social fund proved conflictual and, in both cases, led to significant project delays. Social fund staff should be sensitive to the danger of creating or exacerbating divisions among NGOs. For example, care should be taken not to work exclusively with “pro-government” NGOs while marginalising more radical (or critical) NGOs, who may have valuable skills or alternative perspectives to offer.

Establishing a healthy working relationship with NGOs may prove more difficult in situations where the political situation is highly polarized. Low levels of NGO involvement in the Nicaragua social fund, for example, may in part be attributable to the fact that a majority of NGOs were more closely associated to the previous Sandinista government than the country’s current regime. One Nicaraguan NGO representative has observed that “there is mutual distrust between the government and NGOs, and the SF has not generated spaces for dialogue and understanding.” (ALOP, 1996, p. 15) In countries where there is no tradition of NGO-State collaboration, NGOs may have fears about losing their autonomy, becoming tools of political patronage or being perceived as “agents of the State.” Under such circumstances, ensuring the political independence of the fund becomes crucial. Establishing the
Box 11
Interaction with NGOs in the Preparation of the Zambia Social Recovery Project

From the earliest stages, the Zambia Social Recovery Project emphasized the active involvement of CBOs and NGOs. The decision to promote interaction with these groups was based on fairly positive government-NGO relations, characterized by pragmatic collaboration, and the fact that NGOs clearly represented the greatest capacity on the ground to achieve goals of rapid social action. The Bank’s initial identification mission consisted largely of staff with an NGO focus (including consultants involved with the Bolivia ESF and others who had worked with NGOs and social action programs in several countries). During this mission, meetings were held with a number of NGOs and NGO umbrella organizations and an overview of NGO activities in Zambia was prepared. To maintain momentum, one consultant stayed on in Zambia for a further two months, allowing him to maintain contacts with NGOs, dispel misinformation and give increased attention to potential operational obstacles, etc. Contacts with NGOs were broadened during the pre-appraisal mission when sectoral experts met with local NGOs active in health, education, nutrition and food security. The TM also organized a meeting of all larger NGOs in a more formal forum than previous individual meetings. This meeting started with some sharp NGO criticisms of the Bank-financed structural adjustment program, but eventually progressed to discussing details of the project in a productive manner. Throughout project preparation, ongoing meetings were held with NGOs to share information about the project’s progress and to seek input regarding the subproject menu, the appraisal guide, etc. Particular attention was paid to developing innovative and flexible procurement procedures that would facilitate working with CBOs and NGOs. The experience of the Social Recovery Project has served to facilitate subsequent collaboration between the Bank, government and NGOs. For example, NGOs have since provided input towards Zambia’s Country Economic Memorandum and participated in a Bank-financed Participatory Poverty Assessment.

autonomy of funds has not always been easy, particularly where governments prefer to maintain control over funds for political purposes or fear that implementing agencies (such as NGOs) will claim credit for benefits resulting from social fund activities. Box 12 describes some of the problems experienced in the early years of the National Development Trust Fund in Sri Lanka, due to fragile NGO-State relations and difficulties in establishing the fund as a politically autonomous body.

NGO wariness to become involved in a social fund can be reduced through early NGO involvement in the design of the social fund; ensuring autonomy and transparency in the operation of the social fund; guarding against political patronage in the selection/approval of subprojects; providing assurances that there will be no government interference in internal NGO affairs, and; by recruiting social fund managers and staff that are open to working with NGOs and have some knowledge and experience with the sector. The Bank can also play an important role in working with government on an ongoing basis to foster better understanding of NGO roles and to create greater space for NGO activities and NGO-government collaboration. Project staff should be aware that, in some cases, poor NGO-State relations may make NGO collaboration in a social fund unfeasible. In
situations were relations between the State and civil society are particularly problematic, the viability of a social fund mechanism itself may be questionable.

Assessing NGOs

When designing a social fund, it is important to begin with a realistic assessment of existing NGO capacity. As mentioned above, NGO capacity in some countries is limited and only a minority of active organizations may possess the specific skills, qualities or scale of operations necessary to participate in the SF. In the case of Sri Lanka (see Box 12), the capacity of NGOs to absorb funds and implement subprojects was less than initially assumed by the social fund. This prevented the fund from achieving its projected goals in the first years of operation and resulted in some small organizations receiving much larger amounts of money than they could effectively manage (Smillie et. al., 1994).

Initially, a simple overview of the number of organizations active in relevant sectors, along with an estimate of their current

Box 12

The Political Autonomy of Social Funds—Lessons Learned in Sri Lanka

The experience of the National Development Trust Fund or NDTF (formerly known as the Janasaviya Trust Fund) in Sri Lanka provides some important lessons regarding the challenges of working in a context of difficult NGO-state relations and the importance of ensuring the political autonomy of social funds. At the time of the creation of the fund in 1991, extreme civil unrest had wreaked havoc on the social fabric of the country and NGO-state relations were marked by tension and mutual mistrust. Although the government at the time acknowledged the need for NGO participation in the implementation of the project, its actions vis-à-vis NGOs (including a politically motivated investigation of alleged NGO malpractices, unrelated to the fund but launched shortly after its creation) served only to undermine already fragile relations. NGO wariness to become involved in the fund was further exacerbated when it became clear that, despite the fund's parastatal status, the president's role as patron of the fund and the appointment of a managing director with close links to the president, left little room for political autonomy. As a result, many of the country's NGOs (including two of the country's largest and most experienced NGOs—initially expected to disburse over two thirds of credit funds) elected not to participate in the fund. This proved extremely detrimental to the timely start-up of the fund, particularly given that overall NGO capacity to absorb funds and implement production-oriented poverty alleviation activities was not nearly as strong as initially assumed. The fund adopted an alternative strategy of working with local government officials but, due to their limited capacity, levels of disbursement and subproject implementation remained low. Despite these significant difficulties in the early years of the fund, the situation has improved over the past two years. With the election of a new government in late 1994, the name of the fund was changed to the National Development Trust Fund (an indication of its new-found political autonomy) and steps were taken to address previous criticisms of political patronage. Subsequent to a midterm review in May 1995, a number of management changes were introduced, contributing to the development of the capacity of the NDTF and resulting in improved relations and more effective collaboration between the fund and NGOs. Recent evaluations of the fund have shown significant development impact on the ground, in particular, in the areas of nutrition and women's participation.
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budget, their capacity for expansion and their willingness to participate in the program will provide a good approximation of overall NGO capacity. At a later stage during design, this can be followed up by a more detailed assessment of individual NGO capacity based on specific roles. Such assessments can be carried out through questionnaires, interviews, field visits, beneficiary assessments, working through an umbrella organization, etc. In Armenia, for example, a study was undertaken to assess the institutional capacity of local level organizations (including village councils, parents’ committees and women’s groups) to propose and implement subprojects. (A list of the specific organizational characteristics assessed is included in Annex II.) A separate assessment was conducted to identify NGOs (and other institutions) with the capacity to deliver training and technical assistance in the areas of community development, participation, and environmental awareness in the subproject cycle.

NGO Selection Criteria

Some factors that should be taken into account in selecting NGO partners include:

- *credibility*—acceptable to both stakeholders and government, legally constituted, politically neutral;
- *representativity*—community ties, accountable to members/beneficiaries, gender equality;
- *governance*—sound internal management, transparency, financial accountability, efficiency;
- *competence*—relevant skills and experience, proven track record;
- *institutional capacity*—sufficient scale of operations, facilities and equipment.

Some key characteristics of participatory organizations are listed in Box 13.

Where NGOs collaborate with the SF in a number of different ways, selection criteria should be tailored to the specific role or task at hand. For example, when selecting

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**Box 13**

**Characteristics of Intermediaries that Support Participation**

- Participation as an institutional objective.
- Field presence.
- Staff incentives and training which support participation.
- Iterative planning in consultation with local communities.
- Bottom-up accountability mechanisms.
- Contribution of cash, labor, raw material or local facilities by local communities which make the communities clients of the intermediary.
- Horizontal and vertical linkages to other institutions.
- The agency has prior experience in the community where the subproject is to be implemented and is aware of local conditions.
- The community/beneficiaries have a positive perception of the agency.
- The agency and its personnel have keen understanding of and sensitivity to issues concerning women and minorities and towards the environment.
- The philosophy of the agency on community participation is reflected in other projects it has undertaken, and the strategy for participation in the present proposal is in line with the fund’s strategy.

Key Issues and Lessons Learned

(or approving nominations for) NGOs to sit on the board, factors such as political credibility, representativity, a significant membership and strong links with fellow NGOs are important, while other factors (related to specific operational skills, for example) are less relevant. In the case of NGOs that are working with communities but not handling funds, selection criteria should focus on community ties and participatory expertise. They need not include financial management skills. Similarly, where NGOs are contracted in a narrow, technical capacity (e.g., to undertake simple service delivery or provide specialized technical assistance), selection criteria should focus on the specific required operational skills and capacity, rather than any broader requirements related to representativity, internal governance, etc.

Some social funds have adopted general “prequalification” requirements for NGOs. In Honduras, for example, the social fund maintains lists of NGOs that are “prequalified” to act as subproject executors. In order to be eligible for the Social Participation Program of the Honduran social fund, NGOs must: be legally registered; have a minimum of two years' professional experience; employ at least three permanent professional staff; supply positive financial statements for past two years; and, provide community references. NGOs participating in the microcredit component of the Sri Lanka social fund are required to meet the following criteria: two years' experience in providing credit to the poor; a proven recovery rate of at least 70%; utilize a wide range of the rate of interest to ensure sustainability; adequate accounting and financial systems; and, a minimum of three months' experience in mobilizing and training beneficiaries through field officers and/or credit animators.

In many countries, NGOs are numerous and diverse, and individual organizations possess greatly varying levels of legitimacy, competency and capacity. In this sense, establishing some basic eligibility requirements for NGO participation in the social fund can be very useful. Care should be taken, however, to ensure that such criteria do not inadvertently exclude smaller, younger or less formal, but competent organizations. For example, requirements for a certain number of permanent staff and proven management capacity will favor larger organizations with professional staff. Smaller, local NGOs may have less capacity and require technical assistance, but possess stronger grassroots links and prove more effective and sustainable in the long-term. Similarly, while establishing a minimum requirement of two years experience will help to weed out “gold rush” NGOs that emerge in direct response to the availability of funds, a phenomenon experienced by a number of social funds, it also runs the risk of creating a monopoly of established NGOs and blocking the development of new organizations.

NGO Capacity-Building

Social funds have a potentially important role to play in contributing to the institutional development and capacity-building of NGOs. This can be undertaken in a number of ways—by providing direct training to NGOs, devoting a portion of the core social fund budget to capacity-building activities, creating a “training” or “institutional development” category of subprojects, allowing a percentage of individual subproject budgets to go towards capacity-building purposes or by promoting partnerships between larger, stronger NGOs and smaller, weaker ones. In Honduras, a survey of NGOs participat-
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ing in the social fund found that 34% had been involved in training/capacity-building activities and 24% had benefited from the purchase of new equipment. (Irías, 1995). Since 1992, NGOs in Bolivia have received training in social fund procedures and technical advice during design and implementation. In Ecuador, the Bank sponsored strategic planning and institutional development sessions for NGOs parallel to the preparation of the social fund (See Box 5). In Guatemala, Cambodia and Madagascar, proposals for NGO capacity-building are eligible for funding under “institutional development” and “training” subproject categories. In Jamaica, an “organizational strengthening” subproject category has been created to provide training and technical assistance to subproject applicants and implementing agencies. This category is expected to represent approximately 13% of the total number of subprojects.

A recent conference bringing together donors, government representatives, NGOs and social fund staff from across Central America identified NGO and CBO capacity-building as an important SF goal, especially regarding those specific roles (such as social mobilization and community organization) that neither the public nor the for-profit private sector are well equipped to fulfill (Ruta Social, 1995).

**NGOs and Targeting the Poorest**

Virtually all social funds utilize a poverty targeting strategy and aim to channel resources to those in greatest need. Despite these efforts, most social funds face a trade off between goals of “demand-drivenness” and reaching the poorest. While social funds succeed, on the whole, in channeling resources to poor communities, evidence suggests that they are less successful in reaching very poor communities and in ensuring that benefits reach the poorest members of those communities where subprojects are implemented. NGOs can potentially play an important role in facilitating the participation of poor people in subproject planning and implementation and in assisting very poor communities to prepare subproject proposals. In Zambia, for example, where strong emphasis is placed on communities preparing their own projects, the social fund has been successful in extending benefits to large numbers of relatively poor communities, but has had
more limited success in reaching very poor and chronically poor populations. The second phase of the program plans to focus specifically on these groups, drawing more heavily on the facilitation/mobilization skills of NGOs. In Peru it was similarly found that the poorest communities lacked the resources and confidence to prepare subproject proposals. A special fund is currently being set up for NGOs to help such communities prepare proposals.

It should be noted that not all NGOs work directly with poor people and even those whose work is focused on poor communities may not reach the poorest of poor or have a presence in the most remote or least developed regions of the country. In order to extend reach to populations that are chronically poor, isolated or difficult or dangerous to reach, some social funds (for example, in Honduras, Guatemala and Bolivia) have provided incentives to NGOs to establish a presence in these areas or offered subsidies to cover the extra costs entailed by traveling to remote areas, etc.

Community Participation

Key characteristics of the social fund model are that funding is demand-driven and communities are meant to be actively involved in the design and implementation of subprojects. Active community participation is considered essential in order to ensure that subprojects respond to genuine need and that beneficiaries feel sufficient "ownership" over the project to ensure its long-term maintenance and sustainability. Although social funds are commonly described as "demand-driven" and "participatory", there is growing evidence that SFs have been less successful in achieving genuine community participation than was previously believed. A recent review of the Bank's SF portfolio, for example, found that only about one-third of SFs identify community development as a project objective or invest in the capacity-building of community-level groups. (World Bank, March 1997)

While social funds have had considerable success in promoting community participation, they have not always found themselves adequately equipped to face the real challenges and operational costs that participatory development can entail. In particular, social funds have had to face the trade-offs between goals of community participation and capacity-building on the one hand and rapid disbursement and low "overhead" costs on the other. Factors such as insufficient emphasis on subproject identification and preparation, unduly complex application procedures, inadequate funding for pre-investment activities and participatory processes, lack of effective mechanisms for ensuring community participation, and limited capacity for follow-up and monitoring have been cited as obstacles to genuine community participation in social fund-financed subprojects.

NGOs and community participation

NGO involvement in SF activities does not necessarily ensure community participation nor will NGO involvement, in and of itself, serve to overcome the shortcomings listed above. Evidence regarding the link between NGO involvement and improved community participation is mixed and warrants further research. Experience to date suggests that: (i) only a subset of NGOs are "participatory" (i.e., collaboration with "technical" or "private sector-oriented" NGOs is unlikely to bring enhanced participation) and; (ii) NGOs are only likely to succeed in promoting participation if SF policies and procedures explic-
itly acknowledge and facilitate community participation goals (e.g., by allowing ade-
quate flexibility, time and financial sup-
port). Where these conditions are taken
into account, NGOs can prove valuable partners in working with communities and
CBOs to ensure effective community participa-
tion.

**Working directly with communities**

Experience has shown that merely requiring proposals to be submitted by communi-
ties does not guarantee community participa-
tion, nor does it necessarily ensure community acceptance or awareness of the
subproject. In El Salvador, for example,
although social fund statistics show that
almost 70% of projects were solicited di-
rectly by communities, a recent indepen-
dent evaluation found that frequently only
a handful of influential community mem-
bers were involved in preparing the pro-
sposal. It was further found that proposals
were sometimes based on “induced de-
mand” by private contractors. A number
of facilities, financed by the social fund
within the last three years, were already
found to be in a state of disrepair, indicat-

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**Box 14**

**Difficulties in Ensuring Genuine Community Participation in El Salvador**

Despite statistics which show that the vast majority of subprojects funded by the El Salvador social fund are solicited directly by communities, a recent independent evaluation of the SF (carried out in 1995 by the Center for Democratic Education) found little evidence of genuine community participation in most subprojects. The study reports that “in the majority of cases, there was little or no participation beyond applying for the project (and) in most of the sample projects one person was responsible for applying for the project, regardless of who the formal solicitante was according to SF records...In only two cases did the project request seem to come out of a broader needs assessment process” (Lichtenstein, 1995, p.20). The study also notes a phenomenon of “induced demand,” whereby private contractors in El Salvador were known to approach communities with proposals for projects in their particular area of sectoral expertise. Once approval from a community official was received, the contractor would develop and implement the project with no further community input. The study states that “this phenomenon appears to have created a two-fold process wherein a small group of private contractors are able to implement many FIS projects one after the other, which simultaneously cuts short any real community participation in deciding what the priority needs are”, and, “by giving the private sector, who may be motivated purely by profit incentive, the liaison role between the FIS and communities, both the flow of information and the demand-driven mechanism of project allocation has been distorted”. A number of projects visited were found to have design flaws resulting from a lack of beneficiary participation in project design. These included, for example, health clinics with no washing facilities, schools with kitchens much too small to prepare meals for hundreds of children and classroom facilities that were too small for children in older grades. Although communities were meant to form committees for ongoing maintenance of facilities and receive training from the SF, the study found that, in reality, this rarely happened. In some cases, facilities less than three years old were found to be in poor or declining condition. Recommendations of the study include requiring an open community meeting before project requests can be submitted and introducing mechanisms for improved coordination with local governments.

ing a lack of local ownership over the projects. See Box 14.

**Working through CBOs**

Even working through established CBOs does not always ensure that poor or marginalized members of the community participate. There is no guarantee that CBOs are governed in a democratic fashion, nor that they represent the interests of all community members. In particular, groups wielding less power at the local level, such as women, the landless and ethnic or religious minorities may be excluded. In Sri Lanka, for example, where Rural Development Societies and Death Benevolent Societies were frequently selected as implementing agencies of subprojects, an independent review found that these groups are almost exclusively dominated by local elite and are unlikely to serve the interests of the community as a whole. (Liyanage, 1995).

Ensuring popular participation is obviously much easier in situations where CBOs are capable, representative and democratic or where there is a strong tradition of collective action and community self-help. During the pilot phase of the Eritrea Community Development Fund, for example, it was found that communities already possessed high levels of “social capital” and were able to develop project proposals with very little external support. Project staff attribute low levels of “intermediary NGO” involvement in this fund to the fact that, unlike situations where community organization is weak and NGO intermediation is necessary to ensure participation, the need for outside facilitation and community mobilization in this case was minimal. See Box 15.

Social funds have utilized a number of mechanisms to promote and ensure genuine community participation. In Nicaragua, for example, the social fund requires a letter of commitment from the community signed by at least 50 people. In Armenia, communities applying to the pilot social fund were required to obtain the approval of 50% of community members (either by petition or attendance at a village meeting). In Zambia, the Social Recovery Project requires that communities cover 25% of subproject

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**Box 15**

**Strong Community Participation in Eritrea**

In February 1996 the board of the World Bank approved a credit of $17.5 million to help finance the $50 million Eritrean Community Development Fund (ECDF). Eritrea is considered particularly well-suited to this type of project because it has a long tradition of community participation and local investment in infrastructure and services. Its people have a strong sense of nationhood, a well organized community structure and strong ownership of national development programs. In each community, a council of elders (Baitos) is responsible for decisions concerning collective welfare. The Eritrean government has already delegated a wide range of power and responsibilities to the Baitos. During the pilot phase of the ECDF project, committees of Baitos acted as the main liaison between local communities and the central administration. In addition to funding projects in the areas of social and economic infrastructure, environmental conservation, employment creation and micro-credit, some ECDF funds have been set aside for training staff and community leaders, in order to even out differences in the capacity of individual villages and ensure a minimum level of quality of implementation in all participating communities.

*Source: Adapted from World Bank News, Vol. XV, No. 9, March 7, 1996, pp. 3-4.*
Although cost-sharing cannot be equated with community participation, the SRP has found compliance with this requirement to be a fairly effective indicator of genuine community commitment to the subproject. In addition to this, all community members are expected to attend a preliminary subproject workshop, during which local social fund officers attempt to ensure that all affected parties (including poor and marginalized groups) are given a voice. NGO sponsors from outside the community are required to provide evidence that (i) communities have been consulted; (ii) the proposed project meets a priority community need; (iii) the project will be “owned” by the community rather than the NGO, and; (iv) the community has agreed to maintain the project after its completion. In order to facilitate effective community participation, the Zambia SRP has also used simplified project documents and developed “user-friendly” implementation manuals specifically for use by communities. Some sample extracts from these documents are included in Annex III. Measures to promote community participation are more prevalent in recent social funds (those approved within the past two years). In Jamaica, the British Overseas Development Agency is contributing to the social fund by providing a social development specialist with expertise in participatory development who will provide training to NGOs, CBOs, and line ministries in participatory techniques for needs assessment and project identification. In addition to enhancing participation in SF-financed subprojects, it is hoped that this initiative will have a broader impact by strengthening the participatory skills of the country’s development practitioners and policy makers more generally. Some measures introduced to promote community participation in Argentina’s new social fund are described in Box 16.

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<td><strong>The Argentina Participatory Social Investment Fund</strong></td>
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In Argentina, the Participatory Social Investment Fund (FOPAR) is currently in its first year of operations. This fund has introduced a number of innovative mechanisms to promote effective targeting and community participation. Only the poorest regions of the country have access to the fund. NGOs sit on “participatory provincial councils” that determine which communities are eligible. The menu of subproject categories was initially defined based on consultation with selected target communities, using participatory techniques including focus group interviews, etc. Significant emphasis has been placed on capacity-building type subprojects, including projects to support community-based organizations. FOPAR has also adopted a participatory approach to subproject selection. Each subproject proposal received is subjected to a technical evaluation. Those proposals that pass the technical screen are then submitted to the provincial councils for approval. In this way, local NGOs (who participate in provincial councils) are included in subproject prioritization and approval. Every project must have a “nucleo de beneficiarios” (NUB) which becomes the official project beneficiary. NUB’s can then sub-contract NGOs, universities, or professionals as “technical support organizations.”
making processes” (Milimo and Njobvu, March 1993, p. 53) and “the assessment team has not found an instance where a project was funded which is in agreement to women’s identified priority needs” (Milimo et. al., April 1994, p. 2). Efforts should be made to identify CBOs and NGOs with female membership and leadership. Guidelines and indicators of community endorsement and participation should stipulate and show participation by both men and women. Gender sensitivity training for social fund staff, subprojects applicants and implementing agencies should also be considered. The Gender Action Plan for Eritrea Community Development Fund is included in Annex IV.

Promoting Partnerships

Almost a decade of social fund experience has shown that successful and sustainable subprojects are frequently dependent not on any one actor but rather on the coordinated effort of a number of actors. For example, a school construction subproject, might involve the intervention of an NGO to assist the community in assessing their needs, identifying the project and preparing a proposal; the services of a private contractor to undertake works, supervise construction or provide technical advice; the donation of land or approval to construct from local government, the formation of a parents’ committee to ensure maintenance, and; line ministry support in training and appointing a teacher and providing supplies.

In reality, however, it is not always easy to establish operational partnerships and to coordinate relations between multiple actors. Although subproject implementation often requires a mix of both social and technical skills, it is rare, for example, to see partnerships between NGOs (with expertise in the former) and private sector firms (with construction, or engineering expertise, etc.). Similarly, examples of community groups, NGOs and municipalities working together are also rare. In El Salvador, for example, where most funds are channeled directly to communities, local governments have expressed resentment at having their authority bypassed. In other cases, social fund staff report NGOs being reluctant to collaborate with private sector firms or local government, preferring to “keep the project for themselves.” The recently passed Popular Participation Law in Bolivia is an interesting model which may serve to improve coordination among various actors at the local level. See Box 17.

When selecting operational partners, social funds should consider the specific skills and comparative advantages of different types of organizations, seek to promote “partnerships” among organizations with complementary attributes and encourage coordination among the full range of actors responsible for project sustainability. Given their role as “intermediaries,” NGOs have, in some cases, been able to play an important role in bringing together various actors to establish effective operational partnerships. A 1990 Bank report on Central American social funds, for example, points out that, “Given their ability to work closely with municipal and village development committees, cooperatives and other organizations, NGOs can constitute an efficient vehicle to execute and coordinate projects at the local level.” (World Bank, 1990, p. 33)

Legal Issues

Some social funds have faced difficulties in working with NGOs or CBOs that are not
NGO Involvement in WB-Financed Social Funds

Box 17
Bolivia’s Popular Participation Law

In 1993 the Government of Bolivia passed a new Popular Participation Law. This law essentially introduced a policy of decentralization—by transferring resources and responsibilities from the central government to municipal governments. Under the Popular Participation Law, municipalities are granted funds (on a per capita basis) which they can use to contract goods and services to meet the specific needs of their community (mainly in the sectors of health and education). As a result of this reform, municipal governments have become the principal users of the Bolivia Social Investment Fund. NGOs must now increasingly coordinate with municipalities and gain their approval when requesting social fund financing. Within this new context, NGOs are expected to function less as independent implementing agencies and more as consultants responding to community demand. Social fund staff who did not always feel that they had adequate means to assess individual NGOs, see potential benefits to the new system whereby communities themselves will play a greater role in selecting those NGOs with whom they wish to collaborate.

The Guatemalan social fund has adopted the unique approach of supporting the creation of “social fund enterprises” (Empresas del Fondo de Inversion Social). These are existing formal or informal community-level organizations (such as women’s groups, water users groups or parents’ associations) that are granted legal status during the life of the project. In order to receive legal status the group simply has to elect an executive board, register with the local municipality’s Civil Registry and have a project approved by the social fund. Once project implementation is completed, the group can either dissolve or apply under a different law for permanent status. Supporting the capacity-building of these groups and facilitating their transformation into permanent bodies has been recognized as one of the most valuable contributions of the social fund. While some NGOs have criticized this approach as an attempt to side-line existing organizations (Parish, 1996, p. 19), others have proposed establishing a joint SF-NGO program to provide ongoing support to these groups. (See Box 18 in Chapter IV)

A sample implementation agreement between a social fund and beneficiary community, a model financing agreement between the government and an NGO, sample bidding documents and a simplified works contract are included in Annexes V-VIII.

legally constituted bodies. In Armenia, for example, due to long and cumbersome bureaucratic procedures, most NGOs and CBOs are informal and non-registered, making it impossible for them to sign a formal contract or open a bank account. To get around this problem during the pilot phase of the social fund, community-based implementing agencies were sometimes “registered” by village councils for the duration of project implementation. The legality of this procedure was found to be doubtful however. The Jamaica social fund has been designed in such a way that all funds are disbursed directly to implement-
4. NGO Criticisms and Concerns Regarding Social Funds

Although NGOs have been broadly supportive of social funds as a mechanism for channeling multilateral resources to community-level development projects, they have raised certain concerns and criticisms—both at a general level, regarding the basic concept and impact of social funds, and on more specific issues, particularly regarding obstacles to effective NGO involvement in social funds. Although this section is entitled “NGO Criticisms/Concerns,” many of the concerns listed here are shared by governments, social fund staff and the Bank (and have been acknowledged in Bank studies and project documents).

General Concerns

The limited role of social fund

Because social funds were initially introduced to mitigate the negative social consequences of structural adjustment programs, some NGOs (without denying the potential benefits of social funds) have tended to

Box 18
Supporting Community-Based Organizations in Guatemala

In Guatemala, where lack of access to primary education is a serious problem, the social fund received a large number of requests to support primary school projects. In the department of San Marcos, for example, 45 communities received financing for “Temporary Teacher Employment” projects. Local “education committees” of these communities were transformed into social fund enterprises (SFEs) and immediately began the process of identifying an eligible local schoolteacher. Some projects also involved funding for school construction and equipment. A private sector firm specializing in education consulting services was contracted by the SF to provide training and technical assistance to these local SFEs in basic bookkeeping, issuing checks and receipts, preparing monthly progress reports, teachers’ time-sheets, students attendance records, etc. In most cases the training took place over a period of several days with several monthly one-day follow-up visits (spending the morning with the teacher and the afternoon with the executive of the SFE). Although most SFE members in San Marcos have very little formal education and many are illiterate, they have proved extremely capable at managing their projects and their schools. The 45 SFEs have now formed two municipal level associations that have jointly presented another proposal to the SF for the provision of books and teaching materials. The 45 schools in San Marcos are serving over 3000 primary students and, as of November 1995, the drop-out rate was zero percent. After one year of SF funding, the majority of the schools are now receiving ongoing financial support from the Ministry of Education.

NGO Involvement in WB-Financed Social Funds

NGOs perceive them as mechanisms for "damage control," aimed at securing political support for adjustment reforms rather than addressing the real underlying causes of structural poverty. NGOs argue that social funds play a useful but limited role and must be implemented in the context of a broader poverty reduction strategy and an environment of economic reform that supports rather than penalizes the poor. They argue that SFs should not be considered as a substitute for national social development programs, and care must be taken to ensure that they do not allow governments to abandon their responsibilities in areas of social development and poverty reduction or to postpone the implementation of longer-term, more far-reaching programs (Pobreza Urbana y Desarrollo, 1995; Irias, 1995).

**Linkages to line ministries**

NGOs point out that the sectoral activities financed by social funds normally fall within the responsibility of existing line ministries. Factors preventing existing line ministries from achieving results as rapidly and efficiently as social funds are well-known (bureaucratic inefficiency, lack of specialized skills and resources, vulnerability to political patronage, etc.) but difficult to address in the short-term. Social funds, established as autonomous institutions outside of existing government structures, succeed in by-passing these limitations in the short-term but what role do they play in addressing these limitations in the medium to long-term? In theory, SFs can promote public sector efficiency by providing models of effective demand-driven service delivery and transferring skills, mechanisms and lessons learned to line ministries. NGOs point out, however, that in many countries the linkages between SFs and line ministries are weak and strategies for ensuring long-term social investment are lacking. A number of social funds are currently being transformed into permanent institutions. This development does not, however, preclude the need for a broader, national-level social development strategy and underlines the need for improved coordination between SFs and line ministries. In the case of Honduras, for example, one NGO study has identified a "displacement effect," pointing out that parallel to the operation of the social fund, budgets of both the education and health line ministries have declined significantly (cut by close to 50% and 26% respectively since 1980). This raises doubts as to what extent the SF is having a positive "demonstration effect" on line ministries and concerns as to whether and how investment in these key sectors will be maintained once the SF comes to an end. (Freiberg-Straub, 1995.)

**Social funds and participation**

A number of NGO accounts report that social funds lack:

- a clear conceptual understanding of popular participation;
- genuine commitment to participatory development;
- the institutional culture required for promoting participation, and;
- operational procedures to support participation in subprojects.

Despite their stated flexibility, NGOs charge that social funds are often dominated by a "technical/engineering" bias and lack the expertise and institutional culture necessary for achieving participatory social development. In addition to a
NGO Criticisms and Concerns

general lack of understanding of the social mobilization process, pressure on social funds to disburse rapidly to a large number of subprojects jeopardizes participatory goals.

In order to respond to criticisms of insufficient levels of participation in social fund projects in Honduras, the SF introduced in May 1995 a new category of projects under the Social Participation Program. Some NGOs have been critical of this new program, however, claiming that funds are insufficient and that more emphasis is still placed on the “engineering” aspects of these projects than the “participation” aspects. For these reasons, only a limited number of NGOs have participated in the program. A preliminary evaluation undertaken by the SF itself found that the SF “lacked the institutional culture necessary to adequately undertake these types of projects” (Irias, 1995, p. 12).

NGOs also point out a failure, on the part of social funds, to acknowledge and meet the costs that ensuring genuine community participation can imply. They stress the need to finance processes as well as products and to monitor and evaluate intangible as well as concrete outputs. Particular problems cited include social funds failure to provide funding for preinvestment activities (such as information-sharing, community mobilization and organization, participatory needs assessments, etc.), insufficient monitoring of the social impacts of subprojects and emphasis on quantitative targets rather than qualitative results. A representative from the Guyana social fund admits that, “The agency is constrained by donor imperatives which stress instrumental goals over process-oriented activities and de-emphasize the need for social planning and analysis.”

Reaching the poorest

NGOs have noted a trade-off between social fund goals of “demand-drivenness” and reaching the poorest. Very poor communities (and the poorest members of wealthier communities) frequently lack the capacity to voice their “demands” and, as a result, have less access to social funds than communities and groups that are better off and better organized. In order to address this concern, NGOs argue that greater emphasis must be placed on: (i) supporting genuine processes of participation whereby all members of the community (including those in greatest need) participate and, (ii) providing assistance to very poor communities in identifying needs and preparing subproject proposals. Some NGOs currently undertake these tasks at their own expense. They point out, however, that if SFs are genuinely committed to reaching the poorest then increased effort and resources must be devoted to “creating demand” among such groups.

Sustainability of subprojects

NGOs have questioned the sustainability of social fund-financed subprojects, particularly due to low levels of genuine community participation and a lack of adequate coordination with line ministries to ensure ongoing support and/or maintenance. Reports from El Salvador, for example, state that there is insufficient coordination with line ministries to ensure the ongoing financing necessary to maintain new facilities supported by the social fund (currently there are no line items in ministerial budgets for infrastructure maintenance). For the moment, neither the ministries, nor the communities, have sufficient funds to ensure adequate maintenance (Lichtenstein and Jones, 1995). The level of coordination with line ministries varies, however, from
NGO Involvement in WB-Financed Social Funds

country to country. In Peru, for example, an ex-post evaluation of over 500 sub-
projects found that more than 80% were staffed and equipped to operate as planned
with arrangements made with line ministries to cover recurrent costs. (Ishrat
Husain, September 1996, Memo).

Social fund attitudes towards working with NGOs

In many cases, social funds have no clear policy on working with NGOs and no
defined organizational strategy for promoting collaboration. In some cases, NGOs
have reported meeting with indifference, arrogance or unresponsiveness on the part
of social fund staff, and the organizational culture of some funds has been described as
not being very "NGO-friendly". In Panama, one NGO interviewed reported
that "The social fund is better than it used to be...but its ideology still seems to be that
it knows better than everyone else...it doesn't take into account the perspectives
and experiences of NGOs that have been working in the field" (Villalba, 1995, p. 23).
A number of the recommendations listed in Section V, such as adopting clear policies
and guidelines on working with NGOs, recruiting staff with NGO or grassroots
development experience and providing appropriate training for social fund staff
may contribute to alleviating such problems.

Specific Issues

Mechanisms for dialogue

One of the principal conclusions of a 1995 workshop on NGO Involvement in Central
American Social Funds was the pressing need for better communication and inform-
ation-sharing between social funds and NGOs. Social fund, NGO and government
representatives agreed that creating increased opportunity for dialogue concern-
ing both operational issues (such as obstacles to NGO collaboration) and broader
development issues (such as participation and poverty reduction) was a priority.
Several concrete actions, (including the organization of seminars and information-
sharing sessions, the formation of a joint SF-NGO committee and the creation of
country and/or regional-level networks of NGOs working with SFs) were proposed in
order to meet this goal. (See Box 5 for a more detailed description of this workshop
and its recommendations).

Funding "preinvestment" activities

As has been mentioned, social funds vary in their practices regarding the financing of
subproject preparation costs. In Ecuador, El Salvador and Panama, for example, no
financing is available to cover costs associated with project preparation. Many NGOs
view this practice as a deterrent to participatory development and an obstacle to
their collaboration in subprojects. They question the fact that social funds are
willing to pay for material inputs and labor costs during implementation, but are not
prepared to fund costs related to participatory needs assessments, project prepara-
tion, community mobilization and social organization. Some NGOs see this reluc-
tance on the part of social funds to invest in "process-oriented" preparation costs as
evidence that social funds either lack genuine commitment to participatory
development or do not understand its practical implications.

NGOs point out that participatory project
preparation can imply a considerable
investment in terms of time and money.
NGOs in Panama, for example, estimate
NGO Criticisms and Concerns

that "proper" participatory subproject preparation requires an investment of three to six months and between 10-15,000 Balboas. NGOs are often willing to undertake these tasks at their own expense, given the important potential benefits for communities, but in doing so, they sometimes have the impression that they are "subsidizing" the social fund. Because the resources of local NGOs are often extremely limited, the time and money they devote towards the preparation of social fund-related subprojects can represent an important investment on their part and, in some cases, diversion from their own projects and activities.²⁵

For this reason, some social funds do provide reimbursement for project preparation costs and most do allow NGOs to claim an overhead fee for their involvement in subproject implementation. In Nicaragua, for example, subproject applicants can receive reimbursement up to a maximum of $30,000 for project preparation costs. In Guatemala up to 10% of total project cost can be claimed for preparation expenses, but only if the project is approved. In Zambia, intermediary NGOs can claim overhead fees of up to 10% of total subproject cost, but only for costs incurred after project approval (even though a lack of funding for preinvestment activities has been cited as a possible deterrent to thorough project preparation and appraisal). The Jamaica social fund is currently exploring the possibility of establishing a small (donor-supported) project preparation fund which, if implemented, would make grants to NGOs to help cover the costs of preparing subproject proposals.

Cumbrous Bureaucracy/Delays

Although donors characterize social funds as efficient and fast-disbursing mechanisms with sophisticated information management systems, NGOs participating in social funds have complained of complicated procedures and long delays in subproject approval and disbursement. In Guatemala, for example, one international NGO interviewed, reported waiting almost a year before being informed that their proposal had been rejected. Another CBO reported having to make approximately 50 trips to SF headquarters (2.5 hours away) in order to finalize a school fencing project (Parish, 1996, p. 17). Similarly, NGOs in Bolivia have reported long administrative procedures and delays in receiving funds as a "major difficulty" in working with the social fund. Cases of delays in disbursement leading to canceled training programs, NGO staff going unpaid and beneficiaries not receiving loans in time to plant seasonal crops have been reported in a number of countries. In a number of cases, NGOs, having worked with communities to prepare a subproject proposal, have felt obliged to fund the project themselves when the proposal is rejected or delayed, in order to maintain their credibility with communities. Due to such difficulties, several NGOs interviewed (in particular, international NGOs with access to alternative sources of financing) stated that they would not seek further collaboration with social funds—preferring other faster, more flexible and less cumbersome sources of financing.

NGOs have also cited excessive compartmentalization of social funds, a lack of internal coordination, lack of clarity in subproject selection criteria and approval procedures, and cumbersome reporting requirements as obstacles to efficient collaboration. In the case of one social fund, for example, participating NGOs were asked to submit monitoring sheets listing
the name of every subproject beneficiary on a monthly basis. For some organizations serving over 25,000 beneficiaries this workload was impossible.

In many cases, social funds have taken steps to address such problems. Many of the earlier social funds concentrated heavily on promotion activities in the initial stages of implementation and were unprepared to cope with large numbers of proposals once they began to arrive. More recent funds have learned from past experience and seem less plagued by delays in subproject approval. While bureaucratic procedures and paperwork cannot be avoided, many of the newer social funds have streamlined application forms, developed simplified contracts and project documentation and introduced special measures for larger NGOs sponsoring multiple subprojects. In Guatemala, for example, an NGO supporting similar projects in more than one community, is allowed to submit one “group proposal” rather than several separate ones.

Regarding disbursement, delays are sometimes related to blockages at the central treasury level. Where possible, stipulating “in-kind” government contributions and/or restricting local counterpart funding to community contributions can serve to alleviate this problem. The use of a Special Account (an account, usually in a commercial bank, into which the World Bank advances funds) and, in some cases, Simplified Special Account Procedures can help to facilitate timely disbursement particularly in the case of large numbers of scattered or remote subprojects. When dealing with NGOs, CBOs or communities with limited capital reserves, SFs should also consider provisions for advance payments (and, where necessary, consider alternatives to the usual requirements for collateral or bank guarantees). Social funds have also sometimes adopted alternative procurement procedures which allow for greater flexibility while maintaining requirements of fairness, efficiency and transparency. Similarly, the decision may be made to have procurement carried out alternatively by communities, implementing agencies or the SF itself, depending on local conditions and levels of capacity.

Types of projects
Social funds tend to favor simple infrastructure-type projects involving “clean” implementation and tangible, measurable outputs. Some NGOs have described this as a “mechanical engineer’s version of development” and criticize SFs for “overemphasizing construction at the expense of human development.” (Parish, 1996, p. 15) In particular, they point out the danger of social funds’ schools without ensuring adequate provisions for teachers; supporting the construction of health centers without ensuring the training and employment of health workers, or overlooking other pressing needs in the social and human development sectors. NGOs perceive a bias on the part of social fund staff who, perhaps due to a lack of expertise in social and participatory development, place greater emphasis on the installation of infrastructure than on more “human-oriented” investments and processes.

Some SFs have addressed such issues by expanding subproject menus and placing increased emphasis on training and service activities. During the preparation of the Jamaica Social Investment Fund, for example, a participatory study was undertaken to examine urban poverty and violence and to determine how the social fund
NGO Criticisms and Concerns

could best address these pressing social issues. In addition to the more traditional infrastructure projects, the subproject menu now includes a category of subprojects for the provision of services such as career guidance and job placement; skills training; conflict resolution; drug abuse counseling, and; parenting and family life education. This “social services” category is expected to represent approximately twenty percent of total subprojects. Other examples of increased emphasis on human development include activities such as the training of nurses and midwives in Honduras and Nicaragua.

NGO evaluations of social funds also call for increased emphasis on income-generating projects and stress the importance of these activities in achieving sustainable poverty reduction. (CIDECA, 1996; Parish, 1996) While some social funds support micro-credit and microenterprise development activities, these represent a small percentage of total funding and are normally not favored as priority areas for social fund investment (based on the argument that SFs are not well-suited for such activities and that they are better implemented by agencies with different skills and procedures).

In some cases, the limited spectrum of activities funded by social funds is a constraint to NGO involvement. In Nicaragua, for example, only six (of a total of 26) project categories are considered to have “potential” for NGO involvement. These are mainly in the areas of education, skills training and community development, etc. Together these six categories represent only 7% of total subprojects.
5. Recommendations for Improved NGO Collaboration in Social Funds

A review of the strengths and weaknesses of various aspects of social funds (both with and without NGO involvement) suggests that strong and diverse NGO investment can help social funds become more effective instruments of poverty alleviation. In order to achieve improved NGO collaboration in social funds, the report makes the following recommendations.

**Recommendations for Social Funds**

- Establish clear policies and guidelines concerning community participation in social fund-financed subprojects.
- Establish clear policies and guidelines concerning NGO involvement in the social fund.
- Early on during project design, conduct NGO sector assessment in order to (i) identify those NGOs that have links with poor communities, expertise in participatory development and a proven track record in relevant sectors; (ii) assess the overall potential for NGO involvement in the social fund and; (iii) identify NGO capacity-building needs. (This assessment can be carried out through interviews, field visits, beneficiary assessments, or in coordination with an umbrella organization.)
- Based on social fund goals and the findings of the NGO sector assessment, identify and elaborate potential roles for NGOs throughout the project cycle.
- Once potential roles for NGOs have been identified, establish selection criteria specific to each role. It is essential that selection criteria are task-specific, since different NGO roles (for example, as a consultant to the SF, a board representative or a subproject sponsor) will obviously require very different sets of skills, capacity and experience.
- Assess NGO training/capacity-building needs and consider ways in which the SF might assist in addressing these (for example, through an “institutional development” subproject category or core training events).
- Share all relevant project documentation and consult with NGOs during project design.
- Devise a strategy for communication with NGOs (including, for example, information-sharing sessions, the dissemination of a SF newsletter, the establishment of a “public information center,” mechanisms for systematic consultations on both operational and broader issues).
- Consider establishing a joint SF-NGO working group on operational issues.
- Include NGO representatives in SF study tours. (In Sri Lanka, for example, NGOs participated in visits to other Asian social funds.)
Recommendations for Improved NGO Collaboration in SF

- Include NGO representatives on the board of the SF.
- Use a pilot phase to test NGO capacity, evaluate operational procedures, etc.
- Make efforts to demonstrate to government officials the value/benefits of involving NGOs (particularly in situations where there is no history of government-NGO collaboration).
- Establish an NGO database and use computerized management information systems to keep NGO-specific statistics (in order to facilitate monitoring).
- Offer technical seminars to participating NGOs on the preparation of subproject proposals, procurement procedures, etc.
- Develop appropriate, simplified documents and implementation manuals.
- Adapt procurement and disbursement procedures to facilitate NGO/community involvement.
- Where appropriate, make provisions for advance payments and alternative arrangements for NGOs and communities who are unable to secure bank guarantees.
- Take steps to ensure timely and efficient subproject processing mechanisms. In particular, aim to avoid delays in subproject approvals and disbursements.
- Assess (in collaboration with NGOs) realistic resource requirements for ensuring effective community participation/social mobilization.
- Where appropriate, support the funding of preinvestment costs (related to subproject preparation).
- Early on, establish (in collaboration with NGOs) a methodology for systematic evaluation of NGO performance (through subproject evaluations, beneficiary assessments, etc.).
- Encourage NGOs, CBOs, local governments, private sector firms, and others to form operational partnerships.
- Recruit staff who have worked in the NGO sector or who understand and are respected by NGOs.
- Recruit staff with expertise in participatory approaches to development.
- Organize training for social fund staff on community participation, social mobilization, working with NGOs, etc.
- Ask NGOs to organize field visits, orientations for senior social fund staff.
- Consider secondments or staff exchanges between social fund and NGOs.
- Consider the appointment of an NGO liaison officer or the identification of one staff member as the official NGO contact. (Where NGOs play a multitude of different roles, it may be preferable to place emphasis on sensitizing all SF staff to NGO-related issues rather than appointing one contact person).
- Assess overall NGO performance on an ongoing basis throughout the life of the project cycle and share these findings with the NGO community, World Bank, and other project stakeholders.

Recommendations for NGOs (and/or NGO umbrella organizations)

- Elect representatives or form a committee to ensure regular communication with the social fund.
- Establish contact with relevant govern-
ment and Bank staff early on and become involved in the design of the social fund (decisions such as which activities will be included on the menu of eligible subprojects, for example, are key).

- Assist the social fund in identifying potential NGO partners with relevant skills and experience.

- Learn as much as possible about the project as a whole (overall goals, application procedures, selection criteria, etc.) and not only NGO-specific issues.

- Bring problems and concerns to the immediate attention of social fund (and/or government or Bank staff). Suggest solutions and request a specific time-frame for the resolution of problems.

- Request relevant project documents and propose mechanisms for ongoing information-sharing.

- Share experiences and lessons learned with other NGOs involved with the social fund or working in similar sectors.

- Before taking on operational responsibilities, ensure your organization has all the required capacity and skills. If not, consider choosing a partner with complementary skills.

- Before becoming involved in the social fund, consider potential implications for your organization’s current portfolio, priorities and goals, political autonomy and community ties. Weigh potential benefits and risks.

2 World Bank Policy (Operational Directive 14.70) states that “staff are encouraged whenever appropriate to involve NGOs, particularly local NGOs, in Bank-supported activities”.

3 The review included social fund projects in Bolivia, Cambodia, Ecuador, Egypt, El Salvador, Eritrea, Guatemala, Guineé, Guyana, Honduras, Madagascar, Nicaragua, Panama, Peru, Sri Lanka, and Zambia. Information on more recent social fund projects in Argentina, Armenia, Jamaica and Palestine was also collected.

4 These workshops took place in Honduras in November 1995 and Jamaica in December 1995.

5 Social Funds (SFs) are also referred to as Social Investment Funds, Social Emergency Funds or Socio-economic Development Funds. Social Action Programs (SAPs), more common in Sub-Saharan Africa, resemble SFs in some respects. Although they finance similar activities, SAPs do not share SF characteristics of “demand-drivenness” (SAPs assume responsibility for identifying sub-projects) and political autonomy (SAPs are normally located within a line ministry and are subject to regular bureaucratic procedures).

6 In Africa, for example, many “AGETIP”-type projects are established as private non-governmental institutions. See Box 2 for a brief description of the Senegal AGETIP.

7 See Khadiagala, 1995 for a more detailed discussion of the strengths and weaknesses of social funds.

8 It is important to note that these two categories are not mutually exclusive, as a growing number of NGOs engage simultaneously in operational and advocacy-oriented activities.

9 The Egypt social fund, for example, is currently exploring mechanisms to allocate responsibility for the ongoing operation and maintenance of SF-financed facilities and services to local NGOs (which would act as local level “operation and maintenance units”).

10 In Bolivia, for example, where there was little NGO input in the design of the Social Investment Fund, less than 10 percent of subprojects involved NGOs. On the other hand, NGOs participated actively in the design of another national social fund, El Fondo de Desarrollo Campesino, and now execute almost 50 percent of the projects it finances. Although there may be a number of explanations for higher levels of NGO involvement in the FDC, fund representatives cite NGO involvement during design as a key factor.

11 Projects undertaken directly by CBOs or local, small-scale NGOs may require higher levels of monitoring/supervision.
In some cases, governments may be reluctant to involve NGOs for fear that beneficiaries will attribute "credit" for subprojects to NGO intermediaries rather than to the same state. Indeed, in a number of cases, NGOs have been reported to pass off SF-financed subprojects as their own, downplaying the ultimate source of funding. In Zambia, for example, it was found that "transparency, especially regarding fund sources has been regrettably lacking on the part of some implementing agencies. Consequently beneficiaries are going around thinking that the money being used is a kind donation from the NGO or part of the divine gift from God through the church. Credit for the assistance has been laid at the wrong door and not on the ultimate donors." (Milimo and Njobvu, March 1993, pp.45-46.)

This approach has been employed by the Egypt social fund, for example, which provides training to "clusters" of NGOs made up of one large NGO and several smaller ones.

"By minimizing community involvement, FHIS was able to spend money quickly, but the consequences have been a number of finished subprojects that are either not working for lack of resources to cover operational costs, or are falling into disrepair because the subproject beneficiaries have not assumed the responsibility to undertake maintenance." (World Bank, Honduras: Third Social Investment Fund Project. Staff Appraisal Report. Report No.14181-HO, June 16, 1995.)

Similarly, the first beneficiary assessment study of the Zambia: Social Recovery Project (carried out in 1993) noted that "With the exception of only two cases, all the projects surveyed have been conceived and initiated by one or two prominent personalities in the area". (Milimo and Njobvu, March 1993, p.23).

The prevalence of subproject proposals being initiated by private contractors (rather than communities or NGOs) has similarly been reported in a number of other countries.

While most SFs require some form of cost-sharing (normally ranging from 5 to 20 percent), this percentage is above the average.

Zambia: Social Recovery Project, Microprojects Unit Application Form, Section G.

In Zambia, it was noted that "Some CBOs have been very successful in obtaining the cooperation of other agencies working in their communities. Those in the Gwembe and Siavonga districts, for example, have received a considerable amount of assistance from their respective councils and local businessmen... Many project implementing agencies have, however, attempted to go it alone. Chances of sustainability seem higher when other related organisations are involved". (Milimo et al, November 1993, p.6.)

In at least one case, however, the mayor (of Metapan) took the initiative of hiring a promoter and engineer to work together with communities under his jurisdiction in applying for SF projects.

Under the Enterprise Development Program of the Egypt social fund, for example, banks and NGOs play complementary roles in providing small enterprises with a package of credit and technical assistance. "The EDP in effect acts as a successful wholesale small business support and finance agency, delivering loans to small businesses through banks and delivering business services through NGOs." (World Bank, Arab Republic of Egypt: Second Social Fund for Development Project: Staff Appraisal Report DRAFT. MN2HR, Report No.15267-EGT. Washington: World Bank, February 1996, p.3.)

See, for example, ALOP, 1996; CIDECA, 1996; Davis Villalba, 1995; Irias, 1995; Lichtenstein and Jones, 1995; Pobreza Urbana y Desarrollo, 1995; Smillie, et al, 1994.

See, for example, Smillie, et al., 1994.
24 In Egypt, “Involving staff (NGOs and religious leaders) who have worked with beneficiaries, has demonstrated success in designing and implementing subprojects. Familiarity with the cultural milieu and the ability to communicate with the poor are assets which allow the fund to operate more effectively. Fund staff receive training in participatory intervention methods in order to enable them to become more responsive to the needs of beneficiaries”. (World Bank, 1996, Annex 8, p.1.)

25 Because many local NGOs are almost entirely dependent on donor funding for their operational budgets, it is not often the case that they can easily use “their own resources” to cover subproject preparation activities and costs. Most donor funds are project-specific and cannot be used to cover any activities or costs other than those for which they were given.
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Staff Appraisal Report No. 14937-ER. World Bank, Washington, D.C.


## Annex I:
### Summary Information on NGO Involvement in Selected WB-Financed Social Funds

<table>
<thead>
<tr>
<th>Social Fund</th>
<th>NGO sector (size and characteristics)</th>
<th>NGO participation in SF-financed activities</th>
<th>% SF funds channeled through NGOs</th>
<th>Capacity-building activities</th>
<th>Other remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia Social Investment Fund, 1990.(^1)</td>
<td>Approx. 520 active NGOs in the country (including 90 international)</td>
<td>Approx. 9% of subprojects implemented by NGOs. (Under Second Emergency Social Fund, NGOs sponsored 7% of subprojects, CBOs, 7% and religious organizations, 13%)(^2)</td>
<td>Approx. 10% of total subproject funds channeled through NGOs.</td>
<td>Some NGO training in SF procedures provided.</td>
<td>Lower NGO involvement in the current fund than in the previous Emergency Fund due to more rigid preparation, bidding &amp; evaluation requirements.</td>
</tr>
<tr>
<td>Cambodia - Social Fund of the Kingdom of Cambodia (SFKC), 1995.</td>
<td>During the pilot phase, Approx. 15% of subprojects have &quot;sponsors&quot;, most of which are NGOs. Project staff estimate larger numbers of &quot;informal sponsors&quot;.</td>
<td></td>
<td></td>
<td></td>
<td>Only 6% of subprojects implemented by NGOs (85% by local private contractors).</td>
</tr>
<tr>
<td>Ecuador Fondo de Inversion Social de Emergencia, 1993</td>
<td>Approx. 12% of subprojects sponsored by NGOs. (Majority of these are in education and sanitation). An additional 30% sponsored by CBOs. (45% by line ministries, 10% by municipalities).</td>
<td></td>
<td></td>
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<tr>
<td>Egypt Social Fund for Development I, 1981 (Phase II from 1989).(^3)</td>
<td>NGO involvement in Approx. 25% of total subprojects implemented during Phase I. (including 75% of &quot;community development&quot; and 45% of &quot;enterprise development&quot; subprojects).</td>
<td>Approx. 33% of total subproject funds disbursed through NGOs in Phase I.</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>El Salvador Fondo de Inversion Social, 1988 (Indirect World Bank financing only).(^4)</td>
<td>Approx. 700 NGOs and CBOs in the country including (of these approx. 170 officially registered NGOs).</td>
<td>NGO involvement in Approx. 7% of subprojects. Local government involvement in Approx. 9%. 70% undertaken directly by communities.</td>
<td>Approx. 9% of total subproject funds disbursed through NGOs.</td>
<td>Administrative costs considerably higher than other SFs (possibly due to strong emphasis on supervision).</td>
<td></td>
</tr>
<tr>
<td>Eritrea Community Development Fund, 1996, 560 million (Pilot phase in operation since 1993).</td>
<td>Very strong community-level organization. Relatively few formal NGOs.</td>
<td>Virtually all subprojects community-sponsored, mainly through Baitos (community level council of elders)</td>
<td></td>
<td>Some ECDF funds set aside for the training of staff and community leaders.</td>
<td></td>
</tr>
<tr>
<td>Guatemala Fondo de Inversion Social, 1995.(^5)</td>
<td>Approx. 280 &quot;active&quot; NGOs in the country.</td>
<td>Approx. 15% of subprojects implemented by NGOs. Remaining 85% undertaken directly by CBOs (Empresas del Fondo).</td>
<td></td>
<td></td>
<td>112 NGOs in SF registry.</td>
</tr>
<tr>
<td>Guinée Projet d'Appui au Développement Socio-Économique, 1990.(^6)</td>
<td>Relatively weak and inexperienced local NGO sector.</td>
<td>Approx. 76% of subprojects involve NGO facilitation or implementation. Approx. 62% implemented by local NGOs and CBOs (the remainder by local government)</td>
<td>Approx. 50% of funds channeled through inti. NGO intermediaries, working in collabo-ration with local NGO (50%) and local govt (50%) subproject implementers</td>
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1. Information as of November 1995. (Lema, 1995)
<table>
<thead>
<tr>
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<th>Capacity-building activities</th>
<th>Other remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guyana Social Impact Amelioration Program (SIMAP), 1988</td>
<td>Limited NGO capacity.</td>
<td>Little or no NGO involvement.</td>
<td></td>
<td></td>
<td>Seventeen SIMAP field offices work directly with CBOs.</td>
</tr>
<tr>
<td>Honduras Social Investment Fund I and II, 1990.7</td>
<td>Approx. 700 NGOs in the country (of which, 400 officially registered and approx. 100 that are &quot;capable and active&quot;).</td>
<td>NGOs execute Approx. 15% of total subprojects (compared to 57% by private contractors and 16% by local government). 50% of &quot;basic needs&quot; (school desks) and &quot;micro-credit&quot; subprojects implemented by NGOs.</td>
<td>Approx. 19% of total subproject funds disbursed through NGOs.</td>
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<td>Madagascar FID I (component of SECalINE project) (FID II from 1996)</td>
<td>An estimated 700 NGOs (including 50 international) and 4,000 CBOs in the country. A majority of NGOs have limited capacity and experience.</td>
<td>SF staff estimate NGO involvement in 80% of subprojects.</td>
<td>NGO capacity-building eligible under &quot;SME Development&quot; subproject category.</td>
<td>NGO subproject applicants allowed to claim Approx. 10% overhead costs. Insufficient NGO capacity viewed as potential obstacle in the implementation of FID II (aiming to disburse $10 M. in first year)</td>
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<td>Nicaragua Fondo de Inversion Social de Emergencia, FISE, 1990.8</td>
<td>Approx. 200 active formal and 70 informal NGOs in the country. (85% based in Managua).</td>
<td>Approx. 10% of subprojects executed by NGOs</td>
<td>Approx. 8% of subproject funds channeled through NGOs.</td>
<td>Although NGO involvement remains limited, it has increased steadily from '91 to '95. Current levels considered to be 50% of &quot;potential NGO involvement&quot; (based on subproject types).</td>
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<tr>
<td>Panama Fondo de Emergencia Social (FES), 1990.9</td>
<td>Approx. 250 NGOs in the country. Less than 20, however, with significant capacity.</td>
<td>NGO involvement in approx. 20% of subprojects (80 NGOs) as &quot;administrators&quot; (i.e.: financial intermediaries, no direct involvement in project implementation)</td>
<td>Subproject proposals submitted only by communities.</td>
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<td>Peru FONCODES (World Bank funding since 1983)</td>
<td>Relatively weak. Most NGOs &quot;welfare&quot; (v. &quot;development&quot;) oriented.</td>
<td>NGO involvement in approx. 15% of subprojects.</td>
<td>Approx. 18% of subproject funds channeled through NGOs.</td>
<td>One identified problem has been the emergence of a large number of &quot;gold rush&quot; NGOs in response to available funding.</td>
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<td>Sri Lanka National Development Trust Fund, 1991 (formerly known as the Janasaviya Trust Fund).</td>
<td>All activities carried out in collaboration with &quot;partner organizations&quot; (including pre-existing and created NGOs and CBOs).</td>
<td>In 1984, 72 partner organizations received capacity-building grants totaling Rs, 122 M. (of which 14% for beneficiary trg).</td>
<td>Project initially hindered by poor NGO-government relations.</td>
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<td>Zambia Social Recovery Project, 1991.10</td>
<td>Relatively strong NGO sector. Some history of NGO-government collaboration.</td>
<td>Strong emphasis on community sponsorship and implementation. Approx. 10% of subprojects are NGO sponsored or implemented. Some form of NGO involvement estimated in 38% of subprojects.</td>
<td>Increased emphasis on NGO capacity-building foreseen in SRP II.</td>
<td>Strong community participation.</td>
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8 Data based on period from February 1991 to August 1995. (Lacayo, 1995; Solorzano, 1995)
9 Barrios, 1995; Davis Villalba, 1995.
Annex II:
Sample Checklist for Assessment of Local Level Organizations (Armenia Social Investment Fund)

The study will focus on a sample of the activities and capacities of various local level organizations in the target districts. These organizations include village councils, NGOS, parents' committees, women's committees, and other groups. Both registered and non-registered groups or organisations will be assessed. The following aspects of local level organizations will be studied:

- the existence of local-level organizations and classification of their initiatives and activities;
- whether the organizations have the necessary structures and administrative systems to deliver basic social and economic services to the community;
- whether these structures and systems are consistent with the ASIF approach to the microprojects;
- whether they have the required personnel with relevant skills, knowledge to identify and implement microprojects;
- whether these personnel have a vision that is consistent with the ASIF approach to microprojects;
- their access to financial resources, including their ability to mobilize local resources and, ability to account for use of those resources;
- their relationship or collaboration with other local level organizations;
- their relationship to community members; how they are perceived by community members;
- the quality of their leadership and accountability to local membership or community members;
- existence of specific procedures for beneficiary input and influence;
- service delivery can be expanded without overextending the organization;
- the poor and vulnerable are among the beneficiaries of their activities;
- they have a monitoring process to know when progress and objectives are being met.

Annex III:
Sample Project Implementation Manual for Use by Communities-Extracts (Zambia Social Recovery Project)

Government of the Republic of Zambia

Microprojects Unit
National Commission for Development Planning

for use by
Project Communities
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Preface

This book is written for the Project Committee and Your Community. It contains information to help you make your project successful.

Purpose of the Book

It answers questions you may have.

Sets out the procedures you must follow.

Gives you advice and suggestions.

Gives information you will be told but which you may need to remind yourselves about later.

Implementation of a project is not easy. Many projects have had problems. The way in which other communities solved their problems may help you. What are these? This book will tell you.

The Microprojects Unit has its own particular ways of doing things: "procedures." You must follow these procedures.

What are these? How should you follow them?

This book will tell you.
Buildings cost huge sums of money. You must build yours to last.

How can you make buildings that will last?

This book will tell you.

**Everyone wants your Project to be successful**

**What does that mean?**

A successful project
- achieves what is set out to do
- within the agreed time
- within the agreed cost
- is built to a high standard
- accounts fully for its expenditure
- makes the community proud of its achievement

Where does the money come from?
The money belongs to the Government of Zambia. It has either been given to the Government by different donors like the European Union or the money may be a loan from the World Bank.

All loans have to be paid back. The smaller the loan the better. Every ngwee must be well spent for Zambia. Not one ngwee must be wasted.

The Microprojects Unit in Lusaka will send your project funds.

Many people will help you if you ask them.
But when there is no one around to ask, read this book.

*Good luck with your project!*
What kind of Book is this?

It is a Reference Book in 2 volumes.

What information does it contain?

Volume 1 is about:
1. MPU procedures
2. Organization of the project
3. Project implementation
4. Suggestions on how to do things

Volume 2 is about:
1. Technical matters
2. Each stage of building

Who is the Book for?

1. This Book is mainly for the Project Committee.
2. The Supervisor and Foreman may find some sections useful.
3. Anyone in the community can read it if he/she wants to.

Keep it always available for reference.

How to read this Book?

Do not try to read this Book all in one go.
Select one topic at a time.

Finding your way about this Book:

There are two sections which can help you find information you want quickly.

1. The Contents are at the beginning.
   They list the main topics in each chapter.

2. The Index tells you where to find all references to a subject.
   It is at the end of each volume.
   It is in alphabetical order. For example: If you want to find out about the Treasurer's work, look up T in the Index of Volume 1.
Annex IV:
Sample Gender Action Plan (Eritrean Community Development Fund)

Background

Eighty percent of Eritrean women live in rural areas. Many of them have limited access to education and health services, and even lower employment and income generating opportunities. Although the present civil code, approved by the Provisional Government immediately after liberation, guarantees them basic rights, especially concerning land ownership, marriage, and divorce, it will take time to bring about changes at the level of the communities, most of which continue to follow patriarchal customary laws and traditions. The Government has recently ratified a Convention on the elimination of All Forms of Discrimination against Women (CEDAW), which aims to establish the framework to accelerate progress in strengthening the legal and social status of women. A key element in the Government development strategy is to improve the access of girls and women to education and MCH services, and to support women’s participation in credit and income-generating programs.

Objectives of the Gender Action Plan

In line with the objectives of the Government’s policy and the Fund’s mandate, the ECDF has developed a Gender Action Plan to ensure that women benefit equally from ECDF-financed activities, and plan, an active role in identification, design, and management of sub-projects. The plan not only gives special attention to maximizing benefits to poor women but also identifies any potential negative consequences for women and proposes mitigatory measures.

Key Elements of the Gender Action Plan

The key elements of the Gender Action Plan, are summarized in the following tables:

<table>
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<th>Objectives</th>
<th>Measures</th>
<th>Comments</th>
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<tbody>
<tr>
<td>A. Institutional Aspects</td>
<td>Strengthening the capacity of the ECDF to respond effectively to the special needs and role of community women.</td>
<td>Staff in Central and sub-Offices will be trained in analytical methods that ensure special attention to the role of women in subprojects on women beneficiaries. The ECDF will collaborate with local women’s groups and agencies concerned with issues relating to poor women (including the National Union of Eritrean Women).</td>
</tr>
</tbody>
</table>
### Objectives

Monitoring and supervision of impact of ECDF activities on community women.

### Measures

The monitoring and supervision procedures will include a focus on women's participation and benefits, and measures to avoid negative impact on women. Analysis and reports on ECDF activities will contain gender disaggregated information.

### Comments

Indicators to assess the impact of Fund's activities on women have been included in the MIS.

#### B. Women's Participation in the Subproject Cycle

To increase and strengthen the participation of women in ECDF's activities.

- (i) ECDF will ensure that women are adequately represented in the community subproject committees, and that each specialized community sub-committee (including the micro-credit committees), contain at least one woman representative; (ii) ECDF will ensure that women are among the direct beneficiaries of the subproject activities, with particular attention to women-heads of households; (iii) ECDF will ensure during the subproject appraisal that the subproject proposals will respond to expressed needs by women in the community, and that any potentially negative consequences for women have been identified and mitigatory actions designed; and (iv) ECDF will ensure that women participate as part of the community's involvement in subproject implementation, monitoring, supervision, and maintenance.

- (i) Training will be provided for women to give them the skills and confidence to participate in community subproject activities; (ii) Attention will be given to include women among those selected and trained as community facilitators.

To increase poor or disadvantaged women's access and control over economic assets.

- Encourage income-generating activities for women, offer training in the basic skills needed to succeed in these activities, and promote labor-saving technologies and methods.

### Source:

Annex V:
Sample Implementation Agreement Between a Social Fund and Beneficiary Community

(ERITREA: Community Development Fund)

I. Agreement

This agreement has been entered today ________, between the Eritrean Community Development Fund (hereinafter referred to as the “Fund”) and Village/Community Development Committee (hereinafter called the Implementing Agency) for the construction of ____________ (hereinafter referred to as the Project).

The total cost of the Project is Birr _________________.

The Fund has agreed to contribute an amount of ______________ being ___% of the project costs ______________ Birr.

The Implementing Agency shall contribute an amount of ______________ being ___% of the total cost of the project, consisting of:

a. Cash Contribution:

b. Contribution in Materials:
   1. ____________________________
   2. ____________________________
   3. ____________________________
   4. ____________________________

c. Contribution in Labor Birr ______________

d. Other ________________________ Birr ______________

The Implementing Agency shall deposit the cash amount (if any) in the ECDF Bank AACC No. within _______ weeks after signing of this Financing Agreement.

II. Procurement

Mark the preferred option: 1/2

1: The Implementing Agency will procure goods, works and services as specified below and in accordance with the procedures stipulated below. (The ECDF shall advise the IA on procurement procedures to be applied in accordance with the Operational Manual.)
NGO Involvement in WB-Financed Social Funds

<table>
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<th>Goods/Works/Services</th>
<th>Procurement Method</th>
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or:

2. The Implementing Agency authorizes the ECDF to act on its behalf in all matters related to project implementation. The ECDF will inform the IA of all procurements effected on its behalf.

III. Responsibilities and Obligations of the IA

The IA will implement the project in accordance with the Operational Manual of ECDF. Upon request of the IA the project officer of ECDF shall advise the IA on appropriate implementing procedures.

The IA will perform and supervise all the works described in this Agreement to the satisfaction of ECDF.

The IA will ensure that the community provides its contribution, as detailed in Schedule 1.

The IA will provide operating and maintenance costs in the manner agreed with ECDF and specified in Supplement 4.

IV. Responsibilities and Obligations of ECDF

ECDF is obligated to carry out the monitoring and technical supervision of the works, so that the amounts, costs and quality of the works correspond to the technical specifications and budget agreed to by both.

V. Hand Over and Acceptance of Works

Upon completion of the work, the project will be handed over to the Community Committee in the presence of the parties and others concerned. If the work has been executed by a contractor, the work will be reviewed by ECDF and if found satisfactory, 50% of the retention amount as stated in the contract will be paid. After 12 months, if the work is found to be satisfactory, the remaining 50% of the retention moneys may be paid by ECDF upon authorization from the Community Committee.

VI. Variation to Financing Agreement

Any change to the terms of the Agreement shall be made in writing and with the consent of both parties.

VII. Termination or Dissolution of Contract

ECDF can terminate the Agreement any time during the Project with reasonable justification. ECDF must pay the Contractor and IA for the amount of accomplished works and reimburse the losses incurred due to the liquidation of Agreement as required under the laws of Eritrea.
ECDF can stop and suspend the work when it becomes evident that the IA is not performing its work satisfactorily as per the terms of the Agreement and can demand the reimbursement of its payments. Failure by the IA to fulfill any of its obligations would constitute grounds for suspension of ECDF's obligations and responsibilities under this agreement.

VIII. Dispute Resolution

Both parties will make every effort to resolve any dispute or difference of opinion through mutual negotiation. If such negotiations do not resolve the dispute, the parties will resort to arbitration to settle conflicts between the parties to the Contract outside the judicial system.

IX. Final Article

The duration of this Agreement is from __________ to __________

date of the signing of the agreement date of the signing Hand Over

This Agreement consists of all the Schedules; and attached documents which include:

(i) the technical specifications contained in Supplement 1;
(ii) the tender documents contained in Supplement 2 (if applicable);
(iii) the TOR of the Supervisor as stated in Supplement 3 (if applicable);
(iv) arrangements as to operating and maintenance costs.

This Agreement is governed by the Laws of Eritrea.

Legal address of the parties of the Agreement

Eritrean Community Development Fund ________________________________ address

IA ________________________________ address

The Agreement is signed by the following authorized individuals:

On behalf of ECDF

General Manager ________________________________ name ________________________________ signature

Seal

On behalf of IA ________________________________ name ________________________________ signature

Seal

Annex VI:
Sample Financing Agreement Between
a Government and NGO

Financing Agreement between a Government and NGO

AGREEMENT dated ________________ between the _________________________ (Country)
hereinafter referred to as the Government) party of the first part, and _________________________
(abbreviated name of NGO concerned), party of the second part.

WHEREAS:

(a) by Development Credit Agreement no. ______________ of ______________ (date) concluded between them and
the _________________________ (the Association), the Association granted to the ______ on the terms and
conditions set forth in the Development Credit Agreement, a credit in various currencies in an amount
equivalent to SDR3.8 million (three million eight hundred thousand Special Drawing Rights) to help
finance grassroots development initiatives as described in Annex 2 to the Development Credit Agree-
ment;

(b) under the terms of the Development Credit Agreement the _________________________
agreed to contribute its financial assistance to the ______________ (name of the Fund) whose implemen-
tation is capable of improving the living conditions of the most disadvantaged segments of the popu-
lation;

(c) the ______________ (name of NGO concerned) has prepared a grassroots development project
described in Annex 1 to the present agreement ______________ (name of the Project) (hereinafter
referred to as the Project), which the Government finds acceptable and has requested the
Government’s financial assistance for execution of the said Project;

(d) (None)

(e) consequent upon the foregoing, the Government has agreed inter alia to provide financial
assistance to _________________________ (name of NGO) on the and conditions set forth hereinafter.

NOW THEREFORE, the parties to the present Agreement hereby agree as follows:
Annex VI

Article I

DEFINITIONS

1.1 The term "financial assistance" designates a sum of money granted by the Government to _________ (name of NGO), pursuant to the provisions of Article 2 of the present Agreement, by way of contribution by the Government to the financing of the Project.

1.2 The acronym GDIP described in Annex I to Development Credit Agreement no. .......... referred to in the preamble of the present Agreement.

Article 2

FINANCING

2.1 The Government agrees to contribute to the financing required for execution of the Project by granting financial assistance to _________ (name of NGO) in the amount of _________.

2.2 This amount will be disbursed by the government in tranches, each equivalent to CFAF____, by deposit into an account opened in the name of _________ (name of NGO) in a banking institution where _________ (name of NGO) keeps its usual accounts.

The first tranche will be disbursed promptly after signature of the present Agreement.

2.3 Each subsequent tranche will be disbursed only after the Director of the Fund has received from _________ (name of NGO) all necessary accounting documents (such as order notes, invoices, contracts, equipment delivery notices, etc.) vouching that the amounts already disbursed have indeed been used for the needs of execution of the Project.

2.4 The amount of the financial assistance duly disbursed by the Government is not reimbursable by _________ (name of NGO) except in the cases referred to in Article _ of the present Agreement.

2.5 In the event that under the Development Credit Agreement, the right of the Government to effect withdrawals from the Credit Account is temporarily or definitively suspended, for whatever reason, disbursement of the financial assistance will be similarly and simultaneously suspended for the same period or definitively, as the case may be.

Article 3

EXECUTION OF THE PROJECT

3.1 _________ (name of NGO) shall execute the Project with all due diligence and efficiency, applying appropriate administrative, financial and technical management methods; shall inform the Government promptly of any circumstance that would hinder or be likely to hinder the execution of the Project, and shall maintain necessary documentation and accounts giving a fair picture of all expenditures related to the Project.

3.2 _________ (name of NGO) shall: (a) purchase goods and services whose
NGO Involvement in WB-Financed Social Funds

estimated cost is less than ________ directly on the market, at reasonable prices and in accordance with its usual procedures; (b) ensure that the goods and services financed by the financial assistance whose estimated cost is equal to or greater than ________ are purchased at reasonable prices, obtained following consultation of at least three suppliers of good repute and with due regard to all pertinent factors, such as delivery periods, efficiency and reliability of the goods in question, availability of after-sales service and required spare parts, and the qualifications and competence of the staff responsible for providing after-sales service, and (c) ensure that all the goods and services financed by the financial assistance are used exclusively for the execution of the Project.

3.3 __________________________ (name of NGO) expressly recognizes that the Association's representatives have the right to inspect the goods and services referred to in paragraph above, either alone or jointly with the representatives of the Government. To that end the said representatives shall have free access to the work sites, works, plants, and structures forming part of the project and to all documents relating to the management of the Project.

3.4 Without prejudice to the provisions of paragraph 3.3 above, ________ (name of NGO) shall promptly furnish the Government or IDA with all information that the Government or the Association may wish to receive concerning the execution of the Project, the management and financial situation of __________________________ (name of NGO) and the benefits that could accrue to the local population upon completion of the Project.

3.5 Subject to the provisions of Article 2.4 above, the Government may suspend or terminate the right of __________________________ (name of NGO) to withdraw the undisbursed amounts of the financial assistance if __________________________ (name of NGO) shall fail to comply with any of the obligations incumbent upon it by virtue of the present Agreement. If __________________________ (name of NGO) shall fail to remedy any such deficiency within 60 days after it has been so notified by the Government, with copy to the Association for information, the Government may require ________ (name of NGO) to reimburse all sums already withdrawn by __________________________ (name of NGO) by virtue of the present Agreement unless __________________________ (name of NGO) demonstrates to the satisfaction of the Government that the said sums have already been used for the needs of the Project.

3.6 __________________________ (name of NGO) shall furnish to the Government: (a) not later than ________ of each year*, a progress report on the Project execution works, the reasons for any delay that has occurred in execution of the Project and all measures taken or to be taken to remedy it and to ensure completion of the Project on schedule, and (b) three months after completion of the Project, a project completion report describing the activities executed under the Project and the measures taken to ensure that they are managed properly.

Article 4

MISCELLANEOUS PROVISIONS

4.1 All notifications or requests that are required to be or that may be made by or to either of the parties by virtue of the present Agreement shall be made in writing. Such notification or request shall be deemed to have been duly made when delivered into the hands of or by letter to the party to which it is to be made, at the address of such party specified below or to any other address that such party shall have notified to the party making the said notification or request.
For the Government
(address)

For _________________ (name of NGO)
(address)

4.2 All measures that are required to be or that may be taken and all documents that are required
to be or that may be signed by virtue of the present Agreement shall be signed on behalf of the Gov-
ernment by and on behalf of _________________ (name of NGO) by _________________
title of person empowered to sign).

4.3 The present Agreement has been signed in _________________ in ____ originals.

COUNTRY (Name of NGO)

By _________________
(title)

By _________________
(title)

World Bank, AFT, September 1990 (Annex 5).

1 The frequency of this report shall be determined in light of the nature of each project.
Annex VII:
Sample Bidding Documents
(Gambia and Ethiopia)

Gambia Public Works and Capacity Building Project
and the Ethiopian Social Rehabilitation Fund

INSTRUCTION TO BIDDERS

1. DESCRIPTION OF WORKS

1.1 The works to be executed under this contract include construction of ________ and ________, and are hereinafter referred to as "The Works".

2. COST OF BIDDING

2.1 The bidder shall bear all Costs associated with the preparation and submission of his tender ________, and the hereinafter referred to as 'The EMPLOYER' will in no case be responsible or liable for these costs, regardless of the conduct or outcome of the bidding process.

3. ELIGIBILITY AND QUALIFICATION REQUIREMENTS

3.1 This invitation to tender is open to all domestic bidders that shall provide evidence satisfactory to the Employer of their eligibility and of their capability and adequacy of resources to carry out the contract effectively.

4. SITE VISIT

4.1 The bidder is advised to visit and examine the site of works and its surroundings and obtain for himself on his own responsibility all information that may be necessary for preparing the tender and entering into a contract. The costs of visiting the site shall be at bidder's own expense.

5. CONTENT OF TENDERING DOCUMENTS

5.1 The set of tender documents issued for the purpose of tendering includes the following:
5.2 The bidder is expected to examine carefully all instructions, conditions, forms, terms, specifications, and drawings in the tendering documents. Failure to comply with the requirements of tender submission will be at the bidder's own risk.

6. **CLARIFICATION OF TENDERING DOCUMENTS**

6.1 A prospective bidder requiring any clarification of the tender documents may notify the Employer in writing or by cable at the Employer's address indicated in the invitation to tender. The Employer will respond in writing or by cable to any request for clarification which he receives earlier than 15 days prior to the deadline for the submission of bids. Written copies of the Employer's response (including a description of the inquiry but without identifying its source) will be sent to all prospective bidders who have purchased the tender documents.

7. **AMENDMENTS TO BIDDING DOCUMENTS**

7.1 At any time prior to the deadline for submission of tenders, the Employer may, for any reason, whether at his own initiation or in response to a clarification requested by a prospective bidder, modify the tender documents by the issuance of an Addendum.

7.2 The Addendum will be sent in writing or by cable to all prospective bidders who have purchased the tender documents and will be binding upon them. Bidders shall promptly acknowledge receipt thereof by cable to the Employer.

8. **LANGUAGE OF TENDER**

8.1 The tender prepared by the bidder and all correspondence and documents relating to the bid exchanged by the bidder and the Employer shall be written either in English or local languages. Supporting documents and printed literature furnished by the bidder with the tender may also be in the same language.

9. **DOCUMENTS COMPRISING THE TENDER**

9.1 The tender to be prepared by the bidder shall comprise the following: The Form of Tender and Appendix thereto; the Tender Security, the Bill of Quantities, the information on Eligibility and Qualification and any other material required to be completed and submitted in accordance with the Instruction to Bidders embodied in these bidding documents.

10. **TENDER PRICE**

10.1 The rates and prices quoted by the bidder shall be fixed for the duration of the contract and shall not be subject to adjustment on any account except as otherwise provided in the conditions of contract.
11. TENDER VALIDITY

11.1 Bids shall remain valid and open for acceptance for a period of ___ days after the date of tender opening prescribed in Clause 16.

12. TENDER SECURITY

12.1 The bidder shall furnish, as part of his bid, a tender security of 2% of the Contract amount in the amount of ____________ Birr in the form of a certified check, a bank draft, an irrevocable letter of credit or a guarantee from the Commercial Bank of Ethiopia. The tender bond shall be valid for 30 days beyond the validity of tender.

12.2 Any tender not accompanied by an acceptable tender security will be rejected by the Employer as non-responsive.

12.3 The tender, securities of unsuccessful bidders will be returned as promptly as possible but not later than 30 days after the expiration of the period of bid validity prescribed by the Employer.

12.4 The tender securities of the successful bidder will be discharged when the bidder has signed the Agreement and furnished the required performance security.

13. FORMAT AND SIGNING OF TENDER

13.1 The bidder shall prepare one original and two copies of the documents comprising the tender as described in subclause 9.1 of these Instructions to bidders, bound with the volume containing the Form of Tender, and clearly marked ‘ORIGINAL’ and ‘COPY’ as appropriate. In the event of any discrepancy between these documents, the original shall prevail.

13.2 The original and copies of the tender shall be typed or written in indelible ink and shall be signed by person or persons duly authorized to bind the bidder to the contract. Proof of authorization shall be furnished in the form of a written power-of-attorney, which shall accompany the bid. All pages of the bid where entries or amendments have been made shall be initialled by the person or persons signing the bid.

14. SEALING AND MARKING OF TENDER

14.1 The bidder shall seal the original and each copy of the bid in a separate envelope, duly marking the envelopes as ‘ORIGINAL’ and ‘COPY’ as appropriate, and forward both to the Employer.

14.2 The envelopes containing the original and the copy

   a) be addressed to
   b) bear the following identification
      i) Bid for __________________________
      ii) Ref. No. __________________________
      iii) Name of Sub-project __________________________
      iv) The words ‘DO NOT OPEN BEFORE’ ________
15. **DEADLINE FOR SUBMISSION OF TENDER**

15.1 Bids must be received by the Employer at the address specified above no later than __________. Any bid received by the Employer after the __________ will be returned unopened to the bidder.

16. **TENDER OPENING AND EVALUATION**

16.1 The Employer will open the bids, in the presence of all bidders or their duly authorized representative who choose to attend, at __________ the following location __________. The bidders' representatives who are present shall sign a register evidencing their attendance.

16.2 Prior to the detailed evaluation of bids, the name of the bidder and total amount of each bid, and of any alternative bids if they have been requested or permitted, should be read aloud and recorded when opened. The Employer should ascertain whether the bids meet the eligibility requirements have been properly signed; are accompanied by the required securities; are substantially responsive to the bidding documents; have any material errors in computation; and are otherwise generally in order.

16.3 If a bid is not substantially responsive, i.e., it contains material deviations from or reservations to the terms, conditions and specifications in the bidding documents, it should not be considered further. The bidder should not be permitted to correct or withdraw material deviations or reservations once bids have been opened.

17. **AWARD OF CONTRACT**

17.1 The Employer will award the contract to the bidder whose bid has been determined to be substantially responsive to the bidding documents as stated above, and who has offered the lowest Evaluated Bid Price, provided further that the bidder has the capability and resources to carry out the contract effectively.

17.2 Prior to the expiration of the period of the bid validity prescribed by the Employer, the Employer will notify the successful bidder in writing that his bid has been accepted. This “Letter of Acceptance” shall name the sum of which the Employer will pay to the contractor in consideration of the execution, completion and maintenance of the works by the contractor as prescribed by the contract (hereinafter and in the condition of contract called “The Contract Price”).

17.3 Upon furnishing by the successful bidder of a performance security in accordance with the provision of clause 17.6, the Employer will promptly notify other bidders that their bids have been unsuccessful.

17.4 At the same time that Employer notifies the successful bidder that his bid has been accepted, the Employer will also send the bidder the Form of Agreement provided in the bidding documents, incorporating all agreements between the parties.

17.5 Within 15 days of receipt of the Form of Agreement, the successful bidder shall sign the Form and return to the Employer.
17.6 Within 30 days of receipt of the notification of award for the Employer, the successful bidder shall furnish to the Employer a performance security form of a bank guarantee in an amount of 10% of the contract price.

17.7 The Employer may reject all bids. All bids should not be rejected and new bids invited on the same specifications solely for the purpose of obtaining lower prices, except in cases where the lowest evaluated bid exceeds the cost estimates by a substantial amount. Rejection of all bids is also justified when bids are not substantially responsive or there is lack of effective competition. If all bids are rejected the Employer should review the causes justifying the rejection and consider making either revisions in the specifications or modifications in the sub-project or both before inviting new bids.

Annex VIII:
Sample Works Contract
(Ethiopian Social Rehabilitation Fund)

Sample Works Contract

Contract No. _______________ awarded following the request for proposals of ____________ 199_,
concerning the sub-project designated as: ________________

Signed on: ________________
Recorded on: ________________

It is hereby agreed, BETWEEN:

The Ethiopian Social Rehabilitation Fund ________________ as one party and herein-
after referred to as the ‘Fund’,

AND:

_________________________ represented by ____________________, acting in the
capacity of __________________ hereinafter referred to as the ‘Contractor,’ as the other party, as
follows:

Article 1: PURPOSE OF THE CONTRACT

This contract is for execution of works of _______________ broken down into __________ separate
tasks, each having an individual price calculated on the basis of one unit of the corresponding quan-
tity, in accordance with the price list attached hereto.

Article 2: LOCATION OF WORKS

The works described under Article 1 shall be performed in the region(s) of:

________________________________________

Article 3: AMOUNT OF CONTRACT

The amount of the contract, exclusive of taxes, as stated in the approximate breakdown, is the sum of:
Birr _______________ on the basis of prices as of _______________ 199__.

The prices given in the price list have been evaluated taking into account the cost prices of labor,
including taxes, [total cost of the supplies delivered to the work site], the sales cost of work site
equipment, including provisions for depreciation, as well as work site installation expenses, overhead
and miscellaneous costs of the works, operating burdens, hazards and benefits.
NGO Involvement in WB-Financed Social Funds

The total amount of the contract, including taxes, is _____________.

Article 4: ORGANIZATION AND DURATION OF THE WORKS

The works shall be performed in accordance with the breakdown into ___________ tasks described under Article 1.

For each of these tasks, performance shall be entrusted to a set number of teams composed of laborers and workers of various skills.

The composition and number of teams needed, depending on the amount of work and the projected output, are shown in the annexes to this document (organization chart).

(The bidder is invited to inspect the chart, modify it if necessary and complete it in order to furnish a specific detailed organization plan for the works.)

While being based on an average number of _________ days worked per month, this contract shall be concluded within a completion period of _______ months, counting from the date of the service order fixing the beginning date of the works in question.

The expected date of completion of the works is _______________, 1989, or any other date mutually agreed upon by the Fund and the Contractor.

Article 5: PENALTIES FOR LATE DELIVERY

In the event of a delay in execution of the works in relation to the time periods fixed in the service order, the Contractor is subject to a penalty of one one-thousandth of the amount of the works ordered per day of delay, except in the case of force majeure, in which case the Fund will evaluate the additional time to be allowed and so inform the contractor.

Article 6: SETTLEMENT AND SCHEDULE OF PAYMENTS

Monthly invoices shall be prepared on the basis of progress of the works. The invoices will clearly state the amount of the works done during the month in question, as well as the cumulative amount of the works done as of the last day of that month.

These amounts of work are calculated with reference to the prices in the price list, by multiplying these prices by the quantities actually executed, after inspection by the engineer assigned by the Fund.

The payments shall be made through a bank check under the responsibility of the financial officer of the Fund upon presentation of the invoices prepared by the Engineer/PO and accompanied by works progress statements, certified by the Engineer/PO.

The time of payment shall not exceed thirty (30) days counting from the approval of the Contractor's monthly invoice by officials of the Engineer/PO.

Article 7: UPDATING AND REVISION

The contract does not provide for updating or revision of prices, in view of the time periods given for completion of the works.
Article 8: MOBILIZATION ADVANCE UPON START-UP OF THE WORKS

A fully bonded mobilization advance not exceeding 20 percent of the amount of the contract will be granted to the Contractor, at the time of issuance of the service order.

Article 9: LIABILITY OF THE CONTRACTOR

The Contractor is directly and personally liable to the Fund, for proper execution and quality of the works. The Contractor agrees to furnish to the engineer assigned by the Fund all information, schedules, calculations and supporting documentation that may be requested of it.

Article 10: CONTROL OF THE WORKS

The works are placed under the control of the engineer assigned by the Fund. The Contractor must defer to all written or verbal orders from the engineer, and the Contractor is responsible for stating any reservations within a period of ten (10) working days.

Article 11: LABOR - HEALTH

The Contractor is subject, in the employment of labor, to regulations under current law at the time the works are performed and, in particular, ________________.

Article 12: DISPUTES AND LITIGATION

If, over the course of the works, problems arise between the Fund and the Contractor, the problem shall be resolved by mutual dialogue. If the Contractor does not accept this decision, each of the parties, that is, the Fund on one hand and the Contractor on the other, agrees to proceed for arbitration in accordance with current regulation in Ethiopia.

Article 13: CONTRACT DOCUMENTS

The four documents listed below, which the Contractor has full knowledge of, contain all the conditions and terms of this contract:

- The present draft contract;
- The Bill of Quantities;
- Bidding documents including any plans.

Article 14: The present contract shall take effect when signed by both parties.

Approved:  
The Contractor  
City of ____________ 1989  
The General Manager of the Fund
