



# Social Funds

## Assessing Effectiveness



# OPERATIONS EVALUATION DEPARTMENT

## ***ENHANCING DEVELOPMENT EFFECTIVENESS THROUGH EXCELLENCE AND INDEPENDENCE IN EVALUATION***

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This Operations Evaluation Department (OED) review responds to the interest of the World Bank's Board of Executive Directors in the development effectiveness of the Bank's rapidly expanding social funds portfolio, reiterated most recently at the Board discussion of the Social Protection Sector Strategy Paper in September 2000. Work on this review coincided with, and benefited from, a parallel self-evaluation of social fund projects in six countries managed by the Human Development Network's Social Protection Unit and the Poverty Reduction and Economic Management Network's Poverty Analysis Unit, *Social Funds 2000 Impact Evaluation*. In addition to presenting an independent perspective on issues covered in the self-evaluation, including the issues of targeting and subproject sustainability, this OED review provides fresh insights into other areas, notably the participatory process in social fund projects and their institutional development impacts in the government, non-government, and community arenas.

The social fund portfolio is relatively young, with only 23 closed projects in the OED database as of June 30, 2000. This review is based on a portfolio assessment of all 66 social fund projects approved by the Bank as of end-fiscal 1999, a literature review, task manager interviews, stakeholder surveys, household surveys and community-level key informant interviews and focus groups in 4 countries, and institutional analysis based on field research in 7 countries. A number of tools were developed or applied in the context of this review: theory-

based methodology; a social fund evaluation toolkit (institutional analysis at the government and social fund agency levels); household surveys comprising quantitative and qualitative questions and complemented by focus groups and key informant interviews (community-level analysis); and an Internet-based "Activity Room" that served as a discussion forum. The findings and recommendations of this review are presented in a spirit of stock-taking, learning, and knowledge-sharing related to the development effectiveness of social fund projects.

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## FOREWORD

**This study is the first independent evaluation of social fund projects by OED. It reviews the development effectiveness of social fund projects and draws implications for future Bank support to them. It responds to the interest of the World Bank's Board of Executive Directors for an independent evaluation of this fast-expanding portfolio. The review is based on an examination of existing data and literature, and brings to bear new information relating to the participatory process in social fund projects and their institutional development impacts at the government, nongovernment, and community levels.**

The report finds that social fund projects have been highly effective in delivering small-scale infrastructure, but much less so in achieving consistently positive and significant improvements in outcomes and welfare impacts. While social fund projects have delivered slightly more than proportional benefits to the poor and the poorest, there have also been a significant number of non-poor beneficiaries. Most social fund beneficiaries are satisfied with the financed subprojects, but the greatest community problems have not necessarily been addressed and there is no assurance that the selected subprojects ensure the highest net benefits to the community. While social fund facilities are generally operating and equipped, they have not been immune to staffing and equipment shortages. Social fund

## PRÓLOGO

**Este estudio constituye la primera evaluación independiente de proyectos relacionados con fondos sociales que lleva a cabo el DEO; en él se examina la eficacia de dichos proyectos para promover el desarrollo y se extraen conclusiones que incidirán en el respaldo que el Banco les ha de prestar en el futuro. El trabajo se realizó a raíz del interés del Directorio Ejecutivo del Banco Mundial por contar con una evaluación independiente de esta cartera en rápida expansión. Se basa en el examen de datos y publicaciones existentes, e incorpora nueva información acerca del proceso de participación en proyectos de fondos sociales y sus consecuencias para el desarrollo institucional en los ámbitos estatal, no gubernamental y comunitario.**

En el informe se llega a la conclusión de que los proyectos vinculados a fondos sociales han sido sumamente eficaces para suministrar infraestructura en pequeña escala, pero no lo han sido tanto para lograr mejoras apreciables y duraderas en los resultados y en el bienestar de la población. Si bien este tipo de proyecto ha traído aparejados beneficios apenas más que proporcionales para los pobres e indigentes, también ha habido un número considerable de beneficiarios que no son pobres. La mayor parte de los beneficiarios de los fondos sociales están satisfechos con los subproyectos financiados, pero ello no signifi-

## AVANT-PROPOS

**Cette étude est la première évaluation indépendante des projets de fonds sociaux réalisée par l'OED. Elle examine l'efficacité de ces projets sur le plan du développement et leurs implications sur l'appui futur de la Banque. Le présent examen a été réalisé à la demande des administrateurs de la Banque mondiale qui souhaitent obtenir une évaluation indépendante de ce portefeuille en rapide expansion. Il repose sur une analyse des données et des études existantes et met à profit les nouvelles informations collectées sur l'application d'un processus participatif dans les projets de fonds sociaux et sur l'impact de ces derniers sur le développement institutionnel au niveau gouvernemental, non gouvernemental et communautaire.**

Le rapport établit que les projets de fonds social ont permis de mettre en place de manière très efficace des infrastructures de taille modeste mais n'ont eu de résultats ni d'impact sur le bien-être de la population systématiquement positifs et notables. Même si ces projets ont profité proportionnellement un peu plus aux groupes pauvres et extrêmement pauvres, ils ont aussi bénéficié à un nombre non négligeable de non pauvres. La plupart des bénéficiaires sont satisfaits des sous-projets financés, mais ceux-ci n'ont pas nécessairement réglé les problèmes les plus importants, pas plus qu'ils n'ont permis de garantir

**ENGLISH**

agencies have developed capacity as effective and innovative organizations, but wider impacts on existing institutions have been much more limited.

Improving social fund performance warrants more attention to the following issues: the appropriateness and effectiveness of the social funds' demand-driven mechanism; whether or when social funds can be expected to serve long-term development objectives; how they depend on, and affect, other public institutions; what scale and sectors of operation are appropriate; and what transformation or exit strategies are indicated.

Depending on the country context, addressing these issues may be a matter of modifying social fund institutional designs, better coordination with complementary interventions outside the social fund, adopting an alternative instrument, and the like. The creation of new social funds—and increases in the scale of support to existing social funds—requires caution and careful analysis of the tradeoffs between specific objectives in a particular country context. The report recommends greater transparency and selectivity in the use of this instrument.

**ESPAÑOL**

fica, necesariamente, que se hayan abordado los problemas más graves de la comunidad, ni que los subproyectos escogidos aseguren los máximos beneficios netos para ella. Aunque, por lo general,

las instalaciones de los fondos sociales se encuentran en funcionamiento y están equipadas, han sufrido los efectos de la escasez de personal y equipos. Los organismos de los fondos sociales se han convertido en organizaciones eficaces e innovadoras, pero los efectos en las instituciones existentes han sido mucho más limitados.

Para que el desempeño de los fondos sociales mejore, se debe prestar mayor atención a las cuestiones siguientes: qué utilidad y eficacia tiene el mecanismo, impulsado por la demanda, de los fondos sociales; cuándo cabe esperar que los fondos sociales contribuyan a los objetivos de desarrollo a largo plazo; cómo se relacionan con otras instituciones públicas y cómo las afectan; qué escala y sectores de operación son apropiados, y qué estrategias de transformación o de solución se recomiendan. Según la situación del país, al ocuparse de estas cuestiones habrá que modificar los diseños institucionales de los fondos sociales, mejorar la coordinación con intervenciones complementarias ajenas al fondo social, adoptar un instrumento alternativo, o tomar las medidas similares necesarias en cada caso. La creación de nuevos fondos sociales —así como la intensificación del respaldo a los existentes— exige un análisis

**FRANÇAIS**

que les sous-projets retenus sont les plus avantageux, sur une base nette, pour les communautés. Si les installations financées par les fonds sociaux sont dans l'ensemble opérationnelles et disposent des matériels et fournitures nécessaires, elles ne sont pas à l'abri de pénuries au niveau des ressources humaines et physiques. Les fonds sociaux ont renforcé leurs capacités et sont devenus des organismes efficaces et novateurs, mais leur impact au niveau des institutions existantes est resté beaucoup plus limité.

Pour améliorer la performance des fonds sociaux, il faudra porter une plus grande attention à : la pertinence et l'efficacité d'un mécanisme impulsé par la demande ; la définition des objectifs (un fonds social doit-il servir à poursuivre des objectifs de développement à long terme et, le cas échéant, dans quelles conditions ?) ; les interdépendances entre les fonds sociaux et les autres institutions publiques ; l'envergure des activités et les secteurs visés ; et les stratégies indiquées à des fins de transformation ou de désengagement. Pour régler ces problèmes, il peut être nécessaire, par exemple, selon le contexte de chaque pays, de modifier le modèle institutionnel du fonds social, d'améliorer la coordination des opérations financées par le fonds avec d'autres interventions ou d'adopter un instrument différent dans certaines conditions. Avant de créer de nouveaux fonds sociaux — et d'accroître l'ampleur de l'appui aux fonds sociaux existants — il faudra faire preuve de

**ESPAÑOL**

cauto y detenido de la elección entre objetivos específicos en la situación particular de cada país. En el informe se recomienda una mayor transparencia y selectividad en el uso de este instrumento.

**FRANÇAIS**

prudence et soigneusement analyser les compromis nécessaires entre différents objectifs dans le contexte particulier d'un pays. Le rapport recommande d'employer cet instrument de manière plus transparente et plus sélective.



Robert Picciotto  
Director-General, Operations Evaluation

## EXECUTIVE SUMMARY

**The World Bank's social fund portfolio, although relatively young, is growing and is set to continue expanding at a rapid pace. As of end-fiscal 1999, about \$2.4 billion had been approved for 66 projects in 42 countries. By May 2001, total Bank investment in social funds stood at \$3.5 billion for more than 98 projects in 58 countries. This review responds to the interest of the World Bank's Board of Executive Directors for an independent evaluation of this portfolio.**

Social fund agencies channel resources to small-scale subprojects proposed by stakeholders and screened using eligibility criteria. Unlike a typical project implementation unit, social fund agencies usually have a high degree of independence from line ministries and sectoral budgets and make decisions on allocation of resources among alternative investments—both across and within sectors and Regions.

### How Have Social Fund Projects Performed?

#### Outcome

The operational focus of these projects has been broadly consistent with Bank and government poverty-reduction objectives. However, the discussion of social funds in the Bank's Country Assistance Strategies (CASs) has tended to focus on the activities that the social fund projects aim to finance, with little attention to the appropriate role of the social fund

## RESUMEN

**Aunque relativamente nueva, la cartera de proyectos del Banco Mundial relacionados con fondos sociales está creciendo, y todo indica que continuará ampliándose rápidamente. A fin del ejercicio de 1999, se habían aprobado unos US\$2.400 millones para 66 proyectos de ese tipo en 42 países. Para mayo de 2001, el total de inversiones del Banco en fondos sociales ascendía a US\$3.500 millones, distribuidos entre más de 98 proyectos en 58 países. El presente examen surgió del interés del Directorio Ejecutivo del Banco Mundial en contar con una evaluación independiente de esa cartera.**

Los organismos de los fondos sociales encauzan los recursos hacia pequeños subproyectos propuestos por los interesados y seleccionados entre los que cumplen determinadas condiciones. A diferencia de las unidades corrientes de ejecución de proyectos, los organismos de los fondos sociales suelen tener un alto grado de independencia de los ministerios operativos y los presupuestos sectoriales, y adoptan decisiones sobre la asignación de recursos eligiendo entre distintas inversiones, tanto entre diferentes sectores y regiones como dentro de ellos.

### ¿Qué desempeño han tenido los proyectos relativos a fondos sociales?

#### Resultados

El tema central de estos proyectos ha sido, en líneas generales,

## RÉSUMÉ ANALYTIQUE

**Quoique relativement récent, le portefeuille de fonds sociaux de la Banque mondiale s'accroît rapidement et semble devoir continuer dans cette voie. À la fin de l'exercice 99, quelque 2,4 milliards de dollars avaient été approuvés au titre de 66 projets dans 42 pays. En mai 2001, le montant total investi par la Banque dans ces fonds s'élevait à 3,5 milliards de dollars au titre de 98 projets dans 58 pays. Le présent examen a été réalisé à la demande des administrateurs de la Banque mondiale qui souhaitaient obtenir une évaluation indépendante de ce portefeuille.**

Les organismes des fonds sociaux aiguillent les ressources vers de petits sous-projets proposés par les parties prenantes et sélectionnés suivant des critères d'éligibilité. Contrairement aux cellules d'exécution de projets traditionnelles, les fonds sociaux jouissent d'habitude d'une grande indépendance vis-à-vis des ministères de tutelle et des budgets sectoriels ; ce sont eux qui décident de l'allocation des ressources entre différents investissements, à un niveau aussi bien intra ou inter sectoriel et régional.

### Quels sont les résultats obtenus par les projets de fonds social ?

#### Résultats

Sur le plan opérationnel, ces projets cadrent avec les objectifs de réduction de la pauvreté de la Banque et du gouvernement. On

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within the country's institutional framework.

Social fund projects have been highly effective in delivering small-scale infrastructure, and this additional infrastructure has increased facility

access and utilization. But the outcomes and welfare impacts—for example, enrollment rates; academic achievement; incidence of diarrhea, wasting, and infant mortality—have varied. While such projects have delivered slightly more than proportional benefits to the poor and the poorest, there have been a significant number of non-poor beneficiaries.

Most beneficiaries were satisfied with the infrastructure, but the social funds' subproject choices and selection processes have not guaranteed that the biggest community problems are addressed, nor have they provided assurance that the selected subprojects delivered the highest net benefits to the community. Several factors were found to influence the "demand-driven" process, including the role of "prime movers" (that is, local leaders) who were critical in the mobilization of support and preparation of a successful subproject proposal, and whose interests were driven by the nature of their position (such as headmasters mobilizing support for schools).

### Sustainability of Benefits

Surveys of social fund facilities have found that staffing and equipment levels were at least as good as those in comparator facilities. But both kinds of facili-

## ESPAÑOL

coherente con los objetivos de reducción de la pobreza que persiguen el Banco y los gobiernos. No obstante, en las estrategias de asistencia a los países diseñadas por el Banco, el examen de los fondos

sociales se ha centrado, por lo general, en las actividades que los proyectos relacionados con ellos van a financiar, y se ha prestado escasa atención a la función que debe tener el fondo social en el marco institucional del país.

Los proyectos de fondos sociales han sido sumamente eficaces para proveer de pequeñas obras de infraestructura, que han facilitado el acceso a instalaciones y su utilización. Pero sus resultados y las consecuencias para el bienestar de la población han sido dispares, como se refleja, por ejemplo, en las tasas de matriculación, los logros académicos, y la incidencia de la diarrea, la consunción y la mortalidad infantil. Si bien dichos proyectos han arrojado beneficios apenas más que proporcionales para los pobres y los indigentes, también existe un número considerable de beneficiarios que no son pobres.

La mayoría de los beneficiarios se han mostrado satisfechos con la infraestructura, pero las opciones y los procesos de selección de los subproyectos de los fondos sociales no han garantizado que se abordaran los problemas más graves de la comunidad, ni tampoco que los subproyectos escogidos produjeran los máximos beneficios netos para ella. Se llegó a la conclusión de que en el proceso "impulsado por la demanda" influyen diversos factores, entre ellos la función de

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notera toutefois que, dans le cadre des Stratégies d'assistance de la Banque aux pays (SAP), l'attention a, dans l'ensemble, surtout porté sur les activités que les projets de fonds social visent à financer au détriment

du rôle qu'un fonds social doit assumer dans le cadre institutionnel du pays considéré.

Les projets de fonds social ont permis de mettre en place de manière très efficace des infrastructures de taille modeste qui ont facilité l'accès aux installations et leur utilisation. Toutefois leurs résultats et leur impact sur le bien-être de la population — par exemple les taux de scolarisation ; les niveaux d'instruction ; l'incidence de la diarrhée, de la dénutrition et de la mortalité infantile — sont variables. Même si ces projets ont profité proportionnellement un peu plus aux groupes pauvres et extrêmement pauvres, ils ont aussi bénéficié à un nombre non négligeable de non pauvres.

La plupart des bénéficiaires se disent satisfaits de l'infrastructure, mais le choix et le mode de sélection des sous-projets n'ont pas toujours permis de s'attaquer aux problèmes les plus importants, pas plus qu'ils n'ont permis de garantir que les sous-projets retenus sont les plus avantageux, sur une base nette, pour les communautés. Plusieurs facteurs ont été identifiés, qui influencent le processus de « réponse à la demande », et notamment les « principaux agents du changement » (les responsables locaux) qui ont contribué dans une mesure cruciale à mobiliser l'appui et les ressources nécessai-

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ties suffered from shortages. The sustainability of education and health investments has generally been better than investments in other sectors, such as water or roads. Overall, insufficient attention

has been given to ensuring from the outset that the scope and scale of activities undertaken are guided by an assessment of relevant capacity in each of the proposed sectors of social fund intervention.

### **Institutional Development Impacts**

Social fund agencies have been effective and competent organizations. They have developed innovative procedures for project management that have been adopted in other Bank projects. By fostering partnerships among government agencies, the private sector, and other stakeholders, social funds have mobilized community resources and stimulated private contracting capacity. Impacts at the central government level have been limited. Given that social fund agencies make decisions on allocation of resources, coordination with line ministries that also perform this function is crucial, especially for large-scale social funds.

Coordination has, however, proved difficult, particularly regarding sectoral planning and the capital-recurrent expenditure balance. Impacts at the local government level have been more positive but have varied with the nature of social fund engagement, the degree of responsibility delegated to local governments or communities, and the alignment of social fund operations with the

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los “principales motores” (es decir, los dirigentes locales), quienes eran de importancia crucial para movilizar el respaldo y la preparación de una propuesta de subproyecto satisfactoria, y cuyos intereses se guiaban por la naturaleza de su posición (los directores, por ejemplo, reunían apoyo para las escuelas).

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### **Continuidad de los beneficios**

En los reconocimientos de las instalaciones de los fondos sociales se determinó que la dotación de personal y el nivel de equipamiento eran, como mínimo, tan satisfactorios como en las que se utilizaron como parámetro de comparación. Pero en los dos tipos de instalaciones se observaron carencias. Las inversiones en educación y salud han resultado más duraderas que aquellas en otros sectores, como los servicios de agua o los caminos. En términos generales, no se ha dedicado atención suficiente a asegurar, desde un principio, que el alcance y la magnitud de las actividades emprendidas se guiaran por una evaluación de la capacidad pertinente en cada uno de los sectores en los que se propone la intervención de los fondos sociales.

### **Consecuencias para el desarrollo institucional**

Los organismos de los fondos sociales han sido organizaciones eficaces y competentes. Han ideado, para la administración de proyectos, procedimientos innovadores que se han aplicado en otros proyectos del Banco. Al fomentar la colaboración entre los

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res à la préparation de propositions de sous-projets valables, et dont les intérêts sont dictés par la nature même de leurs fonctions (comme les directeurs d'école, qui mobilisent un appui en faveur des équipements scolaires).

### **Pérennité des avantages**

Les études consacrées aux fonds sociaux montrent que les dotations en effectif et les ressources physiques des installations qu'ils financent sont au moins aussi satisfaisantes que celles des installations de référence. Il est vrai que des pénuries ont été observées dans les deux cas. Les investissements se sont généralement révélés plus durables dans les domaines de l'éducation et de la santé que dans d'autres secteurs, comme l'eau et les routes. En règle générale, on ne s'est pas suffisamment préoccupé de s'assurer, dès le départ, que la portée et l'ampleur des activités entreprises étaient fondées sur une évaluation des capacités réellement disponibles dans chacun des secteurs proposés pour une opération de fonds social.

### **Impacts sur le développement institutionnel**

Les organismes de fonds social sont efficaces et compétents. Ils ont mis au point des procédures novatrices de gestion des projets qui ont été adoptées pour d'autres projets de la Banque. En encourageant la constitution de partenariats entre les organismes publics, le secteur privé et les autres parties prenantes, les fonds sociaux ont mobilisé des ressources au niveau des communautés et sti-



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decentralization framework. At the community level, the evidence indicates mixed social fund impacts on capacity building and social capital in comparison with non-social fund communities. Overall, social funds have operated as *users* rather than *producers* of social capital.

### What Are the Implications?

Initially set up as emergency response mechanisms, the focus of the funds has shifted to longer-term development impact and institutional development objectives, a transition that is sometimes difficult to implement. The new focus requires significant changes in an agency's performance incentives, staffing, and skills mix. Improving performance warrants more attention to:

- The appropriateness and effectiveness of the social funds' subproject menus and selection mechanism
- Whether or when social funds can be expected to serve long-term development objectives
- How they depend on, and affect, other public institutions and public expenditure management
- What scale and sectors of operation are appropriate
- What transformation or exit strategies are indicated.

Addressing these issues may be a matter of modifying social fund institutional designs, better coordination with complementary interventions outside the social fund, or adopting an alternative instrument in a particular country context.

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organismos públicos, el sector privado y otros interesados, los fondos sociales han movilizad los recursos de la comunidad y estimulado la capacidad de contratación privada. Las repercusiones para el gobierno central han sido limitadas.

En vista de que los organismos de los fondos sociales adoptan decisiones sobre la asignación de los recursos, la coordinación con ministerios operativos que también cumplen esa función es de vital importancia, en particular para los fondos sociales de gran envergadura.

Sin embargo, la coordinación ha resultado difícil, especialmente en relación con la planificación sectorial y el equilibrio de los gastos de capital y ordinarios. Las repercusiones para los gobiernos locales han sido más positivas, pero han variado según la índole de la participación del fondo social, el grado de responsabilidad delegado en los gobiernos locales o las comunidades y el alineamiento de las operaciones del fondo con el marco de descentralización. En las comunidades, las pruebas indican que los fondos sociales han tenido efectos dispares en el fortalecimiento de la capacidad y el capital social, cuando se las compara con aquellas comunidades donde no existió la intervención de un fondo social. En resumidas cuentas, los fondos sociales han actuado como *usuarios* en vez de *productores* de capital social.

### ¿Cuáles son las consecuencias?

Organizados inicialmente como mecanismos de respuesta ante

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mulé la formation de capacités de délégation au secteur privé. L'impact de ces opérations sur l'administration centrale est limité. Les fonds sociaux décidant de l'allocation des ressources, il est crucial qu'ils coordonnent leurs opérations avec les ministères de tutelle qui remplissent les mêmes fonctions, surtout lorsque ces ressources sont importantes.

Il s'est cependant avéré difficile de coordonner les activités, notamment au niveau de la planification sectorielle et du dosage des dépenses d'équipement et de fonctionnement. Les fonds sociaux ont eu un impact plus positif au niveau des autorités locales, bien que différent suivant l'objectif du fonds, le niveau des responsabilités déléguées aux autorités locales et aux communautés et l'intégration de leurs activités dans le cadre du processus de décentralisation. Il est clair, si l'on compare les résultats obtenus par les communautés bénéficiant de fonds sociaux et ceux des autres communautés, que les fonds ont un impact variable au plan du renforcement des capacités et du capital social. En général, les fonds sociaux ont opéré plus comme des *utilisateurs* que comme des *producteurs* de capital social.

### Quelles en sont les implications ?

Initialement conçus pour servir de mécanismes d'intervention d'urgence, les fonds sociaux ont, après un temps, visé à promouvoir le développement à long terme et à atteindre des objectifs de développement institutionnel.



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**Recommendations**

- *Strengthen Integration of Social Funds into the Bank's Country and Sectoral Strategies and Client PRSPs.*

The Bank should not support a social fund

unless priorities are explicitly identified and alternative approaches to address those priorities are weighed in the light of country conditions. The rationale and objectives of Bank support need to be clear and should drive the choice of instrument rather than the other way around.

- *Give More Attention to Long-term Impacts.*

The tradeoffs between speed and efficiency of subproject processing and long-term impacts should be explicitly acknowledged and addressed, and reflected in performance indicators. Social fund agency roles, responsibilities, and relationships should be aligned with existing institutions.

- *Ensure Efficiency of Resource Allocation.*

Strong measures are needed to ensure that beneficiaries are adequately informed and consulted on investment options, costs, and benefits. The community and/or local government concerned should choose subprojects based on an articulation of the costs and benefits of alternatives and they should monitor actual benefits in relation to their expectations.

- *Develop Policy Requirements.*

Policy requirements for support to social fund projects should identify conditions for their introduction or continuation and their strategic justification within the CAS and PRSP.

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alguna emergencia, los fondos han modificado su objetivo principal para pasar a ocuparse de los efectos del desarrollo a largo plazo y el avance institucional, transición que, en algunos casos, es

difícil de llevar a la práctica. El nuevo objetivo exige cambios notables en los incentivos del desempeño, la dotación de personal y la combinación de especialidades de un organismo. Para mejorar el desempeño es preciso dedicar más atención a los siguientes factores:

- Qué utilidad y eficacia tienen las opciones de los subproyectos y el mecanismo de selección de los fondos sociales.
- Cuándo cabe esperar que los fondos sociales contribuyan a los objetivos de desarrollo a largo plazo.
- Cómo se relacionan con otras instituciones públicas y con la gestión del gasto público, y cómo las afectan.
- Qué escala y sectores de operación son apropiados.
- Qué estrategias de transformación o de salida se recomiendan.

Al ocuparse de estas cuestiones habrá que modificar los diseños institucionales de los fondos sociales, mejorar la coordinación con intervenciones complementarias ajenas al fondo social o adoptar un instrumento alternativo para la situación particular de un país.

**Recomendaciones**

- *Mejorar la integración de los fondos sociales en las estrategias del Banco para países y*

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Or, ce changement de cap, qui exige que l'organisme modifie dans une large mesure son cadre incitatif ainsi que le nombre et la composition de ses effectifs, est parfois difficile à réaliser. Pour améliorer

l'impact des programmes, il faudra accorder une plus grande importance à :

- La pertinence et l'utilité de la liste et du mécanisme de sélection des sous-projets de fonds sociaux.
- La définition des objectifs : un fonds social doit-il servir à poursuivre des objectifs de développement à long terme et, le cas échéant, dans quelles conditions ?
- La place des fonds sociaux dans le contexte des autres institutions publiques et l'impact qu'ils ont sur ces institutions et la gestion des dépenses publiques.
- L'envergure des activités et les secteurs visés.
- Les stratégies indiquées à des fins de transformation ou de désengagement.

Pour régler ces problèmes il peut être nécessaire de modifier le modèle institutionnel du fonds social, améliorer la coordination des opérations financées par le fonds avec d'autres interventions ou adopter un instrument différent dans certaines conditions.

**Recommandations**

- *Renforcer l'intégration des opérations de fonds sociaux dans les Stratégies d'aide-pays et les stratégies sectorielles de la Banque et dans les DSRP des clients de la Banque.*

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*sectores y en el documento de estrategia de lucha contra la pobreza preparado por el cliente.*

El Banco no debería prestar apoyo a un fondo social a menos que se determinen explícitamente

las prioridades y se evalúen, a la luz de las condiciones del país, otras opciones para abordarlas. La justificación y los objetivos del apoyo del Banco deben ser claros y guiar la elección del instrumento; no debe ocurrir lo contrario.

- *Prestar más atención a las consecuencias a largo plazo.*

Deberían reconocerse explícitamente y abordar las relaciones de compensación entre velocidad y eficiencia en la tramitación de subproyectos y las consecuencias a largo plazo, y recogerse en indicadores de desempeño. Las funciones, responsabilidades y relaciones de los organismos de los fondos sociales deberían armonizarse con las instituciones existentes.

- *Asegurar la eficiencia en la asignación de recursos.*

Se necesitan medidas firmes para asegurar que se informa y consulta adecuadamente a los beneficiarios sobre opciones de inversión, costos y beneficios. La comunidad y/o el gobierno local interesado deberían elegir los subproyectos a partir de la articulación de los costos y beneficios de las alternativas, y deberían vigilar los beneficios reales en relación con las expectativas.

- *Imponer exigencias normativas.*

Las exigencias normativas para el apoyo a los proyectos sobre fondos sociales deberían estable-

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La Banque ne devrait appuyer aucune opération faisant intervenir un fonds social tant que les priorités n'auront pas été clairement définies et que les avantages comparatifs du fonds social et d'autres instru-

ments n'auront pas été examinés compte tenu des conditions particulières du pays considéré. Les motifs et les objectifs de l'appui de la Banque doivent être clairs ; ils doivent dicter le choix de l'instrument d'intervention et non être dictés par ce dernier.

- *Accorder une plus grande importance à l'impact à long terme.*

Il est important de bien comprendre et analyser les compromis qui doivent être faits entre, d'une part, la vitesse et l'efficacité du traitement des dossiers de sous-projets et, d'autre part, l'impact à long terme des opérations, et d'établir des indicateurs de performance sur cette base. Le rôle, les responsabilités et les relations des fonds sociaux doivent être définis dans le contexte des institutions existantes.

- *Assurer une allocation rationnelle des ressources.*

Il importe de prendre des mesures rigoureuses pour s'assurer que les bénéficiaires sont bien informés et consultés sur les investissements possibles, leur coût et leurs avantages. La communauté et/ou les administrations locales concernées doivent pouvoir choisir les sous-projets en toute connaissance des coûts et des avantages de chaque option et procéder au suivi des opérations pour comparer les avantages qu'elles obtiennent aux résultats escomptés.

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cer las condiciones para su introducción o continuación y su adecuada justificación dentro de la estrategia de asistencia a los países y el documento de estrategia de lucha contra la pobreza.

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- *Formuler les grands principes à respecter.*  
Les grands principes régissant la fourniture d'un appui aux projets de fonds social doivent faire état des conditions de leur mise en place ou de leur maintien ainsi que de leur justification stratégique dans le cadre de la SAP et du DSRP.

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## ABBREVIATIONS AND ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
ADF	Albanian Development Fund
AfDB	African Development Bank
AGETIP	Agence d'Exécution de Travaux d'Intérêt Publique
AFR	Africa Region
CAS	Country Assistance Strategy
CBO	Community-Based Organization
DFID	Department for International Development (U.K.)
EAP	East Asia and Pacific Region
ECA	Europe and Central Asia Region
ECRF	Eritrean Community Rehabilitation Fund
ESF	Emergency Social Fund
ESRDF	Ethiopia Social Rehabilitation and Development Fund
FHIS	Honduras Social Investment Fund
FI	Financial Intermediary
FISE	Nicaragua or Ecuador Emergency Social Investment Fund
FONCODES	Peru Social Development and Compensation Fund
FOPAR	Argentina Participatory Social Investment Fund
HD	Human Development (Network)
HIPC	Highly Indebted Poor Country Initiative
ICR	Implementation Completion Report
IMF	International Monetary Fund
JSIF	Jamaica Social Investment Fund
LAC	Latin America and Caribbean Region
MASAF	Malawi Social Action Fund
MNA	Middle East and North Africa Region
MPP	Micro-planning process
MPU	Zambia Micro-Projects Unit
MSIF	Moldova Social Fund
NGO	Nongovernmental organization
NUB	Nucleo of Beneficiaries (Argentina)
OED	Operations Evaluation Department
PAD	Project Appraisal Document
PPAR	Project Performance Audit Report
PREM	Poverty Reduction and Economic Management Network
PRSP	Poverty Reduction Strategy Paper
PSA	Argentina Programa Social Agropecuario
PSR	Project Status Report
PTA	Parent-Teacher Association
PTI	Program of Targeted Interventions
QAG	Quality Assurance Group
RSDF	Romanian Social Development Fund
SAR	Staff Appraisal Report
SAR	South Asia Region
SFD	Social Fund for Development (Egypt)
SIF	Social Investment Fund
ZAMSIF	Zambia Social Investment Fund



# Overview

Bank lending through social fund projects grew significantly in the 1990s and is set to expand further. Most social fund projects have generated “repeater” operations and continued Bank support, often accompanied by a shift in objectives from emergency response to the long-term provision of infrastructure assets or the development of local institutions. Both the growing volume of social fund operations and their durability underlie the need for this independent review.

This review assesses the performance of the projects against their stated objectives, using standard Operations Evaluation Department (OED) criteria. It especially focuses on the sustainability of subprojects financed by social funds and on their institutional development impact. It is based on a portfolio assessment, a literature review, task manager interviews, stakeholder surveys, household surveys of 1,687 randomly selected households and community-level key informant interviews and focus groups in 4 countries, and institutional analysis based on field research in 7 countries. It also draws on data gathered for six countries for a detailed self-evaluation of the impact of social funds managed by the Human Development Network’s (HD’s) Social Protection Unit and the Poverty Reduction and Economic Management Network’s (PREM’s) Poverty Analysis Unit, *Social Funds 2000 Impact Evaluation (Social Funds 2000 hereafter, World Bank forthcoming)*.<sup>1</sup>

## The Social Fund Approach

The distinguishing characteristic of social fund projects is that rather than implementing investment decisions predetermined at project appraisal, they allow local stakeholders to determine these decisions through subproject proposals they submit during project implementation. Social fund agencies expect to achieve four major aspects of development effectiveness using various approaches:

- *Relevance* of investments to the priority needs of the poor is to be ensured through the participation of local stakeholders in selecting subprojects from a multi-sectoral menu of choices. This menu can ensure self-targeting by focusing on investments that benefit the poor. Proactive measures may also be taken to target the poorest districts and communities.
- *Efficiency* and responsive operating procedures are expected to result from the autonomy of the implementing agency and

appropriate staff incentives. The subproject-based approach, with standard procedures for the subproject cycle, can also contribute to transparency, speed, and cost-effectiveness. The demand-driven mechanism is to achieve allocative efficiency in sectoral and geographic distribution of resources; participation and cost-sharing by beneficiaries can help ensure that the selected investments yield high returns; and other sectoral mechanisms are expected to ensure coordination with national public expenditure priorities.

- *Sustainability* of investments is to be enhanced by efforts to ensure the quality of works, as well as by building local ownership through local participation in subproject selection, implementation, and costs. This can be supported by measures to build local technical and institutional capacity for operations and maintenance, and by coordination with other relevant agencies.
- *Institutional development* impacts for central and local governments—through learning-by-doing effects, demonstration effects, and competitive effects—may result from engaging these entities in social fund projects. Social fund engagement at the community level either through participation in project activities or through training may enhance local capacity for collective action.

The social fund approach has potential benefits, but achieving them involves important tradeoffs. The *community demand mechanism* allows community participation in subproject decisions and management, but can make it difficult to reach the poorest communities, which are often the least competitive in preparing proposals. Equally, community-level decisionmaking may help to overcome information asymmetries by bringing to bear local knowledge, but it does not lend itself to projects that require decisions to be made above the local level in order to deal effectively with externalities or tap economies of scale. The *subproject-based approach*, limiting engagement to community involvement in a small, discrete investment, makes it possible to achieve speed and efficiencies through standardization, but does not,

in and of itself, ensure that the necessary complementary inputs are in place for achieving the intended welfare and development impacts. The *multisectoral scope* of social fund projects can give voice to local actors and encourage local initiative by allowing communities to determine their own investment priorities, but it also places heavy demands on a single agency to meet the varying technical and institutional requirements for delivery of a wide range of goods and services. *Autonomy* of the social fund agency may enable it to adopt new processes and “rules of the game” for transparent and responsive operation, but these gains may not be readily transferable to permanent public sector agencies in the absence of specific incentives and a policy environment conducive to change. Conversely, autonomy makes necessary the creation of mechanisms to coordinate social fund projects with mainstream government processes in order to avoid negative implications for the management of public expenditure, accountability, and sustainability.

## Findings

This review confirms that social fund projects have been highly effective in delivering small-scale infrastructure, with slightly more than proportional benefits to the poor and the poorest. As a result of the additional infrastructure, facility access and utilization have improved among this population. Of the 23 closed social fund projects as of end-fiscal 2000 (out of the total social fund portfolio of 66 projects examined for this review), 96 percent were rated “satisfactory” on outcome by OED. This rating compares favorably with outcome ratings for Program of Targeted Interventions (PTI) projects (78 percent) as well as for all World Bank projects (71 percent). Social fund projects have disbursed rapidly and, in difficult conditions, have produced visible outputs quickly. The vast majority of beneficiaries have been satisfied with the resulting social fund infrastructure. Staffing and equipment for this infrastructure appears to be at least as good as in comparator facilities. In addition, social fund projects have experimented with increased local decisionmaking, mobilized nongovernment and private sector capacity and

community resources, and have had some positive institutional development impacts, mostly at the local level.

There are concerns, however. These include the varied results on outcomes and welfare impacts when comparing social fund communities with non-social fund communities; the significant number of non-poor beneficiaries; the insufficiency of complementary inputs; the lack of adequate mechanisms to ensure allocative efficiency of social fund investments; the negative impacts on public sector management when the social fund is operating on a large scale; and the mixed impact of the social fund participatory process in building community capacity or social capital. Although projects have given increasing attention to the financial and institutional requirements for sustainability, the necessary mechanisms have not been adopted across all projects, and maintenance continues to be a problem. In sectors where operations and maintenance are primarily the responsibility of central or local governments, insufficient attention has been given to ensuring from the outset that the scope and scale of activities undertaken by a social fund are guided by assessment of relevant capacity in each of the proposed sectors of social fund intervention. Social fund performance has varied by sector, with economic infrastructure subprojects (roads and water) performing less well overall than social sector subprojects (schools and health clinics).

## Outcome

**Relevance.** *How well have social fund projects matched the Bank's assistance strategies and the poverty reduction programs of governments?* The poverty focus of social fund projects has been broadly consistent with Bank and government poverty reduction objectives. However, the discussion of social funds in the Bank's Country Assistance Strategies (CASs) has tended to focus on the activities that the social fund projects aim to finance, rather than on the role of the social fund within a strategic framework.

*Have subproject investments been relevant to community priorities?* Although most beneficiaries are satisfied with the subprojects they

received, OED's household surveys in four countries suggest that the subproject selection process could not be counted on to meet the highest priority problem of the majority of community members, even when the relevant investments were on the subproject menu.<sup>2</sup> Several factors were found to influence the demand-driven process, including the role of "prime movers," community leaders who were critical to the mobilization of support and preparation of a successful subproject proposal and whose interests were determined by the nature of their position. For example, when the "prime mover" was a headmaster or health worker, a bias was found toward subproject investments in schools or health facilities. It is natural and appropriate that prime movers should bring project ideas to the community. At the same time, mechanisms are needed to ensure that the ideas of the leaders are also the most important ones for the community as a whole.

**Efficacy.** *To what extent have social fund projects met their stated goals?* With respect to the crisis-response function, they have performed well overall, especially in post-conflict situations. They have enhanced public confidence by producing visible outputs quickly and have helped to mobilize donor and community resources. In the context of structural adjustment programs, however, there have been difficulties in reaching the precise groups that were directly hurt. Employment effects for private contractors and consulting firms are positive but relatively small. The overall employment impact of social fund projects has been limited and temporary.

Social fund projects have been highly efficacious at constructing or rehabilitating small-scale physical infrastructure, disbursing rapidly, and reaching large numbers of beneficiaries. The four most common types of investments have been schools, piped water supply systems, health facilities, and roads. Evidence on social fund outcomes and welfare impacts—for example, enrollment rates, academic achievement, incidence of diarrhea, wasting, and infant mortality—show a varied picture when compared with those in non-social fund communities. Evidence from *Social Funds 2000* shows that some indicators of outcome and welfare impact registered a



positive social fund impact, a few showed a negative impact, and several registered no significant social fund impact compared with the control group. One reason for these results may be the difficulty of the social fund in ensuring that the necessary complementary inputs and “software” are forthcoming, both for the operations and maintenance of the facility itself and for related investments needed to make a substantial impact on key development indicators.

With respect to microfinance activities, social fund projects have had some isolated successes, but have been generally less successful in this function than in providing public goods. About one in four social fund projects have supported micro-enterprise components, but with uneven results. In at least 2 out of 13 cases, and in very different conditions, these components were highly successful. Many of the schemes experienced problems in adhering to sound financial practices or providing the necessary technical assistance.

Performance on poverty targeting has generally improved over time. Evidence from *Social Funds 2000* indicates that social fund projects typically have had mildly progressive geographic targeting and neutral or very mildly progressive household targeting. Therefore, a significant proportion of social fund resources benefit the non-poor.

Social funds have faced tradeoffs among objectives—for example, among output targets, demand-orientation, employment generation, poverty targeting of benefits, building local capacity, and subproject sustainability. When tradeoffs have become apparent during project implementation, short-term objectives have tended to prevail. The hierarchy of objectives has often not been clearly defined. Monitoring of project performance has focused on indicators of outputs rather than outcomes or impacts.

**Efficiency.** *How do social fund project costs compare with their benefits, and with the costs and benefits of other similar projects?* Data show that social fund subprojects have had lower unit costs in infrastructure delivery in some countries and sectors, and higher costs in others. There is some indication that unit costs tend to be lower where community contributions were high or

there is community management of resources and contracting for both social fund and non—social fund projects. In most cases, social funds had lower overheads than other programs, although there were exceptions. An important indicator of efficiency would be cost-effectiveness in achieving specific outcomes, but this aspect has not been systematically monitored.

Available evidence does not provide assurance that participation and cost-sharing by communities in subprojects as practiced by social funds has been adequate to ensure selection of investments with the highest net benefits to the community. Subproject selection has been influenced by a variety of factors, and the procedures have not always ensured that investment alternatives, or opportunity costs, are adequately examined at the community or other level. In addition, more than a quarter of the social fund projects required no community contribution and, therefore, had no willingness-to-pay indicator. Little attention has been given under social fund projects to ensuring that social fund expenditures contribute positively to the overall balance and efficiency of public expenditure.

### **Subproject Sustainability**

*To what extent will social fund projects continue to produce net benefits as long as intended, or even longer?* Surveys of social fund facilities have found that staffing and equipment levels one to three years after subproject completion were at least as good as those in comparator facilities, although both types of facilities suffered from shortages. Evidence for one of two countries suggests that better staffing of social fund facilities may have been at the expense of declines in other facilities, raising the question of the balance between capital and recurrent expenditures.

Although projects have given increasing attention to the financial and institutional requirements for sustainability, including training aimed at developing community capacity, the necessary mechanisms have not yet been adopted across all projects. Issues for subproject sustainability have varied between sectors depending on the nature of the goods and services. Overall, the sustainability of education and health investments



has been better than in other sectors, such as water.

### **Institutional Development Impact**

*To what extent have social fund projects improved countries' capacity to use their human, organizational, and financial resources effectively?* Social fund implementing agencies have gained capacity as effective and innovative organizations using transparent procedures to channel resources to communities. Much of this effectiveness is attributed to their autonomous status, which gives them independence in recruiting and operating procedures. They have developed innovative procedures for project management—including management information systems, use of poverty maps, and procurement and disbursement procedures for community-based development that have been adopted in other Bank projects. Most of the funds were envisaged as temporary entities, and have continued to be financed primarily from external donor sources, but have assumed *de facto* long-term status as their mandates have been extended, often accompanied by adoption of longer-term objectives. Some of the social funds set up with a focus on immediate outputs have not readily reoriented their processes and operations to the achievement of longer-term goals and sustainable institutional development impact.

The wider institutional development objectives of social fund projects, beyond the agency itself, have shifted from the central government to local governments and communities. At the central government level, positive institutional impacts have been limited. Coordination has often proved difficult, particularly in relation to consistency with sectoral planning and the capital recurrent expenditure balance. Impacts at the local level have been more positive but highly variable, depending on the nature of social fund engagement at that level, the degree of responsibility delegated to local governments or communities, and the alignment of social fund operations with the decentralization framework.

Social funds have increased awareness of the potential of participatory approaches, poverty targeting of investments, public-private partnerships, and local decisionmaking. By fos-

tering partnerships between government agencies, the private sector, nongovernmental organizations (NGOs), and community-based organizations, social funds have mobilized capacity and community resources, and in some cases have strengthened private sector capacity. However, they have had negative institutional effects for public planning processes and budget accountability when they have been inadequately integrated in these processes at central or local levels and when social fund disbursements have accounted for a significant share of public expenditure.<sup>3</sup>

At the community level, OED's household surveys yielded mixed results on the extent to which social funds have built capacity or skills or enhanced social capital when compared with non-social fund communities. The nature and extent of information and community participation in social fund projects was found to be sufficient for effective subproject execution, but not necessarily to achieve a consistently significant positive impact on community capacity or social capital. This is explained, at least in part, by the short engagement of the social fund at the community level, limited to processing of a single subproject. Positive impacts were confined mainly to a small group of leaders in the community, typically members of the subproject committee. Overall, social funds have operated as users rather than as producers of social capital, relying on the existing stock.

### **Future Bank Support to Social Funds: Issues to Consider**

The findings of this review point to five issues, discussed below, that warrant more attention in the Bank's support to social fund operations. Depending on the country context, addressing these issues may be a matter of modifying social fund operation, of coordination with complementary interventions outside the social fund, or of adopting an alternative instrument. Based on OED's review, more attention has been given in the Bank to how problems and new demands can be managed *within* the social fund model than to whether development objectives and country conditions warrant Bank finance through a social fund (and on what scale).

**Issue 1: A key challenge in project design is to strike the right balance between “demand-driven” and “supply-driven” features.**

In practice, social funds include a number of supply-driven features. Similarly, supply-driven programs may offer beneficiaries choice and include elements of community participation. In most cases, effective service delivery must combine elements of both demand and supply, the balance depending on the project objectives, nature and scale of the services being provided, and country context. This review has found that the demand-driven approach is not necessarily synonymous with responding to the highest priority problem of the community, even when the subproject menu includes investments that would address that problem. The community-based demand-driven mechanism was found to allow a bias toward certain sectors. Igniting demand for sectors where prime movers or community organization do not already exist, or addressing information asymmetries that have tended to prevent choice from the full range of available options, may warrant “supply” of specific inputs such as outreach and facilitation or a different kind of participatory process. For example, in some contexts, subproject identification using participatory research may result in subprojects that are more relevant to community needs than the simple invitation of subproject proposals.

**Issue 2: Social funds may not automatically adapt to long-term objectives.**

More attention is needed to providing complementary inputs (“software” as well as “hardware”) and to ensuring the institutional arrangements necessary to achieve long-term impact of subproject investments. Results, including tradeoffs with other objectives, need to be watched closely. The transition from emergency response mechanisms to longer-term development impact or institutional development objectives is proving difficult to implement in some cases. The new focus requires significant changes in the social fund agency’s performance incentives, staffing, and skills mix. In taking on the difficult challenges of long-term development impact, sustainable service delivery, and insti-

tutional development, social funds are liable to meet the same constraints as other kinds of interventions and may lose the strengths on which their reputation has been built.

**Issue 3: The suitability and design of social fund projects depends on the nature of the goods and services to be provided, and on the institutional context.**

The appropriateness of a social fund mechanism in serving a specific sectoral activity deserves careful assessment in relation to alternative development instruments. The suitability and appropriate design of a social fund depends on a range of contextual factors: the strength of existing institutions and public sector reform; the national budgeting process, structure of public expenditure, and sectoral planning; the extent of political, administrative, and fiscal decentralization; and the social structure and capacity of communities. Project characteristics can and should be modified to meet different country conditions, and this is reflected in the diversity of social fund design. However, when the country context warrants fundamental modifications in design and operating procedures of the social fund—for example, when the decentralization context calls for support to strengthening the intergovernmental fiscal framework—then it must be asked if the ideal response is still a social fund. Such contextual factors vary across countries, and over time within a country, as the institutional and policy environment changes, and must be continually reevaluated.

**Issue 4: The development impact of social funds and the sustainability of subprojects depend on the progress of broader institutional and public sector reforms.**

The multisectoral character of social fund projects means that sectoral investments may not always be subject to the full analysis and technical standards applied in sector projects. The evidence on sustainability suggests that, in sectors where central or local governments carry significant responsibility, it is unrealistic to expect operations and maintenance of social fund facilities to differ substantially from the country norm. In this case, substantial improvements

would depend on changes in the prevailing fiscal and institutional environment. The Bank should be cautious about investing heavily in social funds unless it is confident that the broader fiscal and institutional constraints can be dealt with through other interventions. The scope and scale of activities undertaken by a social fund should be guided from the outset by assessment of operations and maintenance capacity and constraints in each of the proposed sectors of social fund intervention in the country concerned, including the existing composition and balance of public expenditure and projected fiscal capacity. When social funds are engaged on a large scale over a long period in rehabilitating existing infrastructure, rather than engaging in new construction, this risks becoming an expensive substitute for adequate budgetary provision for ongoing maintenance of public facilities.

**Issue 5: The relationship between the social fund and mainstream public sector institutions is critical to the institutional development impact of social funds.**

It is important to define from the outset the appropriate relationship of the social fund with government. This relationship should be reexamined as the institutional environment changes, with attention to any necessary changes in the social fund's scope and scale of operation or exit strategy, as relevant. For the majority of social funds, no exit strategy exists, nor have their longer-term roles and responsibilities been satisfactorily clarified relative to other public agencies. Social fund agencies have had difficulties in cooperating with line ministries and local governments and existing mechanisms for coordination have not proven fully effective. Negative effects for public sector processes have been reported for some of the older social funds that have allocated a significant share of public expenditure in sectors or activities for which line ministries or local governments are accountable. In these circumstances, the de facto permanent status of autonomous social funds is difficult to justify. Where such status might be justified, the level of external support to the social fund should decline over time, with a

corresponding increase in local financing. As long as donor funding is readily available, there may be little pressure to phase out the social fund agency, change its status, or to integrate it with mainstream government structures.

## Recommendations

**Strengthen integration of social funds into the Bank's country assistance and sectoral strategies, and into clients' Poverty Reduction Strategy Papers (PRSPs) where relevant.**

- The rationale and objectives of Bank support need to be clear and should drive the choice of instrument rather than the other way around.
- Social fund projects should not displace policy reform and should be designed as part of a package of Bank support rather than as isolated interventions.
- In order to achieve compliance with Bank sectoral policies and technical standards and consistency with country sectoral and public sector management reform strategies, the Bank should improve country-team coordination on social fund projects.

**Give more attention to long-term impacts.**

- In design of social fund projects, the trade-offs between speed and efficiency of sub-project processing and long-term impacts need to be explicitly acknowledged and addressed, and reflected in performance indicators.
- The continuation or extension of Bank financing to a social fund should be based on evidence of that project's development impact.
- The appropriate role and focus of the social fund agency and its relationship with existing institutions should be anticipated as far as possible from the outset because of the difficulties experienced in changing the orientation once the agency is well established.

**Ensure efficiency of resource allocation.**

- Social fund projects should ensure that investment decisions include a systematic articulation of the benefits as well as the costs of

alternative investments by the community and/or local government concerned, who should also be charged with monitoring actual benefits in relation to their expectations at subproject appraisal.

- Stronger measures are needed to ensure that beneficiaries are adequately informed and consulted on investment options, costs, and benefits.
- The appropriate scale and scope of social fund activities should be addressed at the project design stage, and reassessed regularly during implementation, with reference to budgetary processes and public expenditure analysis.

**Develop policy requirements.**

- Policy requirements for support to social fund projects should be developed to provide clear criteria and procedures for Bank support. These policy requirements should identify conditions that indicate the appropriateness or inappropriateness of using the social fund instrument and its strategic justification within the CAS and PRSP, provide guidance on the country-specific information and analysis needed to ensure alignment of the social fund with the institutional context, and identify viable transformation or exit strategies.



# Introduction

**W**orld Bank lending through social fund projects began in 1987 and grew significantly through the 1990s. As of end-fiscal 1999, about \$2.4 billion had been approved, and \$1.3 billion disbursed, for 66 projects in 42 countries.<sup>1</sup> In fiscal year 2000, social funds accounted for 9 percent of disbursements for the Program of Targeted Interventions (PTI).<sup>2</sup> As of May 2001, more than 98 social fund projects operated in 58 countries, with a total Bank investment of \$3.5 billion (World Bank forthcoming). This growth, based in large part on the performance of social funds

in producing immediate outputs, is set to continue at a rapid pace. As the great majority of social fund projects have been followed up with continuing Bank support, often accompanied by a shift in objectives from emergency response to the long-term provision of infrastructure assets and institutional development, this review focuses on the institutional development impact of the projects and the sustainability of the investments they have financed. The growth and *de facto* long-term role of social funds makes it important to assess how successfully they have been adapting to new demands.

## **Social Fund Projects Have Diverse Features . . .**

The distinguishing characteristic of social fund projects is that they allow local stakeholders to determine investment decisions. Rather than being predetermined at project appraisal, such

decisions are made through subproject proposals they submit during the implementation of the social fund project. Social funds are defined as “agencies that finance small projects in several sectors targeted to benefit a country’s poor and vulnerable groups based on a participatory manner of demand generated by local groups and screened against a set of eligibility criteria.”<sup>3</sup> This definition implies five key characteristics: investments in small subprojects; multisectoral scope; targeted interventions; participatory, demand-driven features;<sup>4</sup> and criteria-based eligibility. A further common characteristic has been a high degree of independence of the agency implementing the social fund from line ministries and civil service regulation.<sup>5</sup> The four most common activities financed by social funds have been construction or rehabilitation of schools, piped water supply systems, health facilities, and roads (Annex D). These broad

similarities aside, social funds have varied greatly in their degree of autonomy,<sup>6</sup> in the emphasis placed on targeting or on community participation, and in the nature and range of eligible subprojects. About one in four projects has included microcredit components, while a few projects have begun working in new areas such as infrastructure for street children, AIDS-related activities, and the protection of cultural heritage.

The first social funds supported by the Bank were created in the Latin America and Caribbean Region (LAC) to mitigate the social impact of structural adjustment by generating temporary employment, primarily in small-scale infrastructure works. Social funds have since spread to every other Region (Annex C). In Africa they have used a community-based approach primarily to remedy neglect of small infrastructure. In East Asia (EAP) they were created to achieve rapid impact in response to civil conflict or financial crisis through a broad range of activities. In the Middle East and North Africa (MNA) they have focused on mobilizing non-governmental resources to ease social impacts in the context of rationalization of large and inefficient public sectors. And in Europe and Central Asia (ECA), in the context of transitions from heavily centralized systems and unprecedented increases in poverty, they have responded to the pressing need for rehabilitation of deteriorating social infrastructure.

### **... And Their Objectives Have Evolved**

Although the majority of social funds were set up as temporary mechanisms, virtually all are still in operation. Most projects have taken on multiple objectives. The crisis-response function has continued to be evident in some projects, but in most cases the focus has moved to longer-term objectives such as improving small-scale infrastructure and supporting institutional development. Within institutional development, objectives have shifted from the central to the local government and community levels. The design of social fund projects has evolved to include more poverty targeting and to address issues for subproject sustainability. At the same time, social funds have been under pressure to

expand their operations and extend their activities in new areas and directions.

### **Therefore, the Evaluative Framework Must Be Broad**

The goals of this OED review were to assess the development effectiveness of social fund projects, identify best practice examples/elements, and distill lessons and implications for future Bank support to such projects. Evaluation is complicated by the evolving objectives, design, and activities of social fund projects and by the absence of Bank policies that establish standards to which social fund projects should be held.<sup>7</sup> This review assessed the performance of projects against their stated objectives, using standard OED criteria for development effectiveness:

- *Outcome*: To what extent have the projects been relevant, efficacious, and efficient? That is, to what extent have they been effective in providing services consistent with community priorities, country needs, and the Bank's Country Assistance Strategy? To what extent have they met their stated goals? How do social fund project costs compare with their benefits, and with the costs and benefits of other similar projects?
- *Sustainability*: To what extent will the project continue to produce net benefits as long as intended or even longer?
- *Institutional Development*: To what extent have social fund projects improved countries' capacity to use their human, organizational, and financial resources effectively?

Particular attention was given to the issues of sustainability and institutional development, which have been under-researched in the social funds literature. In assessing the sustainability of subprojects, the review considered both the sustainability of the services produced by the infrastructure and the sustainability of the infrastructure itself. Assessment of institutional development impact included the unintended as well as intended institutional effects of the social fund, both positive and negative, for central and local governments, the private sector, nongovernmental organizations, and the community. An in-depth assessment of the social



fund participatory process was undertaken in order to understand and assess institutional development effects at the community level.

Design of the review included theory-based methodology (Weiss 1998a,b) to allow examination of mechanisms on which the social fund approach depends (box 1.1) as well as project outcomes. The social fund approach must be adapted to meet its objectives, and this involves making design tradeoffs (box 1.2). Data were gathered to assess the extent to which social fund processes work as intended.

The approach used combined quantitative and qualitative research tools (described in Annex B): (i) a literature review included an examination of the conceptual as well as empirical literature on social funds, sustainability, institutional development, social capital, and organizational learning; (ii) a portfolio assessment of the 66 social fund projects in the portfolio as of end-fiscal 1999 (Annex A) based on project documents, OED, and Quality Assurance Group (QAG) reviews, regional reviews, and task manager interviews; (iii) country cases, including household surveys, focus groups, and key informant interviews as well as institutional analysis at the so-

cial fund agency, national, local, and community levels in four countries—Jamaica, Malawi, Nicaragua, and Zambia—and field research without household surveys in Argentina, Bolivia, and Eritrea; (iv) a survey administered to the participants of the Second International Conference on Social Funds held in Washington, D.C., in June 2000; (v) a survey of Bank country directors and resident representatives in countries with social fund projects; and (vi) a survey of Bank sector directors. The OED household surveys covered 3,056 respondents in 845 randomly selected households in 17 randomly selected social fund–assisted communities, and 842 randomly selected households in 17 matched communities in four countries. In the former, 1,525 respondents were interviewed (roughly 2 per household, the household head and, where available, another household adult of the opposite sex). This amounted to 284 respondents in 4 communities in Jamaica, 499 respondents in 5 communities in Malawi, 252 respondents in 3 communities in Nicaragua, and 490 respondents in 5 communities in Zambia. Among non–social fund households, 1,531 respondents were interviewed (294 in Jamaica, 493 in Malawi, 257 in Nicaragua, 487

### Box 1.1

## How Social Fund Agencies Expect to Achieve Development Effectiveness

- **Relevance and Poverty Targeting.** The relevance of investments to the priority needs of the poor is to be ensured through the participation of local stakeholders in subproject selection from a multi-sectoral menu of choices. This menu can ensure self-targeting by focusing on investments that benefit the poor. Proactive measures may also be taken to target the poorest districts and communities.
- **Efficacy and Efficiency.** Autonomy of the implementing agency can allow social funds to ensure appropriate staff incentives and establish efficient and responsive operating procedures. The subproject-based approach, with standardization of procedures for the subproject cycle, can also contribute to transparency, speed, and cost-effectiveness. Allocative efficiency (in sectoral and geographic distribution of resources) is to be achieved through the demand-driven mechanism (participation and cost-sharing by beneficiaries are to ensure that the selected investments yield high returns) and through mechanisms to ensure coordination with national public expenditure priorities.
- **Subproject Sustainability.** Sustainability of investments is to be enhanced by ensuring the quality of works, as well as ensuring local ownership through local participation in subproject selection, implementation, and costs. This can be supported by measures to build local technical and institutional capacity for operations and maintenance and by coordination with other relevant agencies.
- **Institutional Development Impact.** Engagement with the social fund may have positive impacts for central and local governments through, for example, learning-by-doing effects, demonstration effects, and competitive effects. Social fund engagement at the community level either through participation in project activities or through training may enhance local capacity for collective action.

**Box 1.2****Social Funds Face Tradeoffs To Be Effective**

The design of social fund projects involves a number of tradeoffs, and the balance must depend on project objectives, the nature of services to be delivered, and the country context.

- The *local demand mechanism* can allow local participation in subproject decisions and management, but makes it difficult to reach the poorest communities, which are often the least competitive in preparing proposals. Equally, local decisionmaking may help to overcome information asymmetries by bringing to bear local knowledge, but it does not lend itself to projects that require decisions to be made above the local level in order to deal effectively with significant externalities or to tap economies of scale.
- The *subproject-based approach*, limiting engagement with a community to implementation of a small, discrete investment, can make it possible to achieve speed and efficiencies through standardization, but may not, in itself, ensure that the necessary complementary inputs are in place for achieving a particular development impact. In addition, learning-by-doing

benefits for any of the entities with which the social fund interacts are limited to activities of the subproject cycle.

- The *multisectoral scope* of social fund projects can give voice to local actors and encourage local initiative by allowing communities to determine their own investment priorities, but it also places heavy demands on a single agency to meet the varying technical and institutional requirements for delivery of a wide range of goods and services.
- *Autonomy* of the social fund agency may enable it to adopt new processes and “rules of the game” for transparent and responsive operation, but these gains may not be readily transferable to permanent public sector agencies in the absence of specific incentives and a policy environment conducive to change. Conversely, autonomy makes necessary the creation of mechanisms to coordinate social fund projects with mainstream government agencies, in order to avoid negative implications for the management of public expenditure, accountability, and sustainability.

in Zambia). This review reports all results by respondent unless indicated otherwise. The country-level percentages refer to responses from the *sampled* households in each of those countries rather than to the population as a whole. The

review also drew from the data gathered for six countries for a detailed self-evaluation of the impact of social funds managed by HD’s Social Protection Unit and PREM’s Poverty Analysis Unit, *Social Funds 2000*.<sup>8</sup>





# Outcome

## What Have Social Fund Projects Aimed to Achieve?

Of the 66 social fund projects in the Bank's portfolio, about one-third have aimed to respond to economic or financial crises brought about by a structural adjustment program or post-conflict or natural disaster situation.<sup>1</sup> About three-quarters of the projects (48 of 66) have included construction or rehabilitation of infrastructure facilities among their stated objectives. Sixty-one percent of projects (40 of 66) included the objective of improving living standards.<sup>2</sup> Social fund objectives are illustrated in table 2.1, reproduced directly from a recent Bank review of social fund operational manuals.

Project status and evaluation documents for social fund projects highlight tradeoffs between such objectives as implementation speed, poverty reduction, participatory development, strengthening local institutions, quality of physical outputs, and sustainability. Yet the hierarchy of objectives, or the priority to be attached to each of the multiple objectives, has not been systematically addressed in project design. When these tradeoffs become unavoidable during implementation, priority is usually given to meeting output targets, which have dominated the performance indicators.

Of the 66 social fund projects in the portfolio, the appraisal documents for roughly 80 percent included performance indicators, predominantly output indicators. Several implementation com-

pletion reports (ICRs) and project performance audit reports (PPARs) noted that the defined performance indicators were not adequate to track all relevant project objectives: there was a focus on physical outputs, while impact indicators of welfare or institutional development impacts and sustainability were neglected. An examination of project status reports for 26 projects (see Annex B for sample selection) showed that many of the performance indicators identified in the staff appraisal reports (SARs) or project appraisal documents (PADs) had not been reported. While almost two-thirds of the project documents for social funds in the portfolio mentioned beneficiary assessments (to be conducted as one-time, periodic, or regular exercises), few details were provided about the

**Table 2.1 Most Social Funds Have Many Objectives**

Social fund objective	Africa			Asia		ECA			LAC				MNA		
	Ethiopia	Malawi	Togo	Cambodia	Thailand	Albania	Moldova	Romania	Argentina	Belize	Jamaica	Nicaragua	Egypt	West Bank/Gaza	Yemen
Economic adjustment					X	X	X			X			X		X
Poverty alleviation	X	X	X	X	X		X	X	X	X	X	X	X	X	X
Decentralization	X	X	X		X				X			X			X
Employment		X	X	X			X	X	X	X	X	X	X		
Infrastructure development	X	X		X	X	X	X	X	X	X	X	X	X		X
Participatory development	X	X	X	X	X		X	X	X	X	X	X	X	X	X
Strengthen local institutions	X	X	X	X	X		X	X	X	X	X	X	X	X	X
Increase welfare system coverage			X				X	X	X	X	X	X	X	X	X
Government & community partnerships	X	X	X	X	X	X	X		X	X	X	X	X	X	X
Private sector economic development	X		X		X	X	X		X	X		X	X		X

Source: Weissman 2001. This document noted that the objectives were identified based on the formal statement of objectives in the operations manuals and a review of the contents of the social fund manuals. It also notes that some of the objectives are not stated explicitly, but they appeared in the description of the project menu. OED notes that in reviewing appraisal documents for these projects, it found that a majority of these objectives were also mentioned in the respective appraisal documents.

issues they would examine or the indicators they would track.<sup>3</sup>

### To What Extent Have Social Fund Projects been Relevant, Efficacious, and Efficient?

Of the 23 closed social fund projects as of end-fiscal 2000 (out of the total social fund portfolio of 66 projects examined for this review), 96 percent were rated “satisfactory” on outcome by OED<sup>4</sup> This outcome rating for social fund projects compared favorably with outcome ratings for PTI projects (78 percent satisfactory) as well as all World Bank projects (71 percent satisfactory).<sup>5</sup> From OED’s survey of country directors/resident representatives—although the response rate was low (13 responses of the 51 requested)—the majority of respondents rated social fund projects more favorably than other projects in the country portfolio on overall development impact. Responses from sector directors, however (also with a low response rate of 7 responses of the 33 requested, in addition to 4 sector directors who indicated they were not involved in the social funds in their Region and,

therefore, were not in a position to answer the questions), were less positive than those of country directors/resident representatives, especially on the overall development impact of economic infrastructure components of social fund projects (4 of 6 respondents to this question rated social fund projects worse than others).

### Relevance at the Bank and Government Levels

*How well have social fund projects matched the Bank’s assistance strategies and the poverty reduction programs of governments?* Given their poverty focus, social fund projects fit into the Bank’s corporate priorities as expressed in Country Assistance Strategies (CASs) and into the poverty reduction programs of governments.<sup>6</sup> The review of ICRs, PPARs, and QAG reviews found no instances in which overall relevance was questioned.<sup>7</sup> Rather, there were occasional reservations concerning quality-at-entry issues, such as supporting too many initiatives in diverse sectors, attempting to simultaneously address short-term and medium-term results, and lack of clarity on the longer-term role or the phasing out of the social fund agency.

The recent OED evaluation of Bank efforts to support poverty reduction found that CASs were often weak at locating Bank activities within a strategy rooted in country context (OED 2000a). For social sectors, undue emphasis was found in CASs on delivering quantity rather than quality of services—an issue particularly relevant for social funds that are focused on infrastructure delivery. In examining CASs for this review, a tendency was found for CASs to focus on some of the particular activities that the social fund would finance. The questions of how social funds would develop infrastructure or support other activities strategically within the overall effort to reduce poverty and improve living conditions, or whether they were the most effective means of reducing poverty, were generally not addressed.<sup>8</sup>

The strategic rationale for a social fund needs to be debated at the CAS and country-team level where the opportunity costs of lending through a social fund can be fully considered. The increasing emphasis placed on the quality of service delivery in social sector strategy papers makes it particularly important to clarify the strategic role of the social fund. The case for making a social fund the preferred instrument for poverty reduction in specific circumstances needs to be weighed and argued—not simply announced—by the Bank in the CAS, and by the government in the Poverty Reduction Strategy Paper (PRSP), where relevant. More is needed to make the case that social fund projects are preferred to other means of poverty reduction. Overall, country directors/resident representatives and sector directors who responded to the OED survey thought that social funds were better than other projects on short-term poverty reduction, but worse over the long term.<sup>9</sup>

### Relevance at the Community Level

*Have subproject investments been relevant to community priorities?* OED's household surveys in four countries found that subproject selection has been less a unified expression of community will than a process in which prime movers usually determine project choice. Even where virtually the whole community participated in some aspect of the subproject, the community as a

whole did not necessarily *drive* project choice. While a vast majority of beneficiaries have been satisfied with the subprojects financed,<sup>10</sup> the OED household surveys found that the subproject selection process could not be counted on to meet the highest priority problem of the majority of households, even if the relevant investments were on the subproject menu. The OED household survey data for 284 respondents in Jamaica, 499 in Malawi, 252 in Nicaragua, and 490 in Zambia showed the following results (Annex M, table M.1):

- The top problem was addressed for 27 percent of the respondents in Jamaica, 34 percent in Malawi, 23 percent in Nicaragua, and 22 percent in Zambia.
- When only the problems that could be addressed by an investment on the subproject menu were considered, the top priority was met for 31 percent of the respondents in Jamaica, 47 percent in Malawi, 26 percent in Nicaragua, and 28 percent in Zambia.
- One of the top three priorities was met for 42 percent of the respondents in Jamaica, 52 percent in Malawi, 35 percent in Nicaragua, and 38 percent in Zambia.
- OED household survey results by community showed that considering only the problems that could be addressed by an investment on the subproject menu, in 9 of 17 communities the top-priority problem was addressed. In four of the remaining eight communities, the second-ranked problem was addressed.

In order to avoid biased household responses, the OED household surveys did not directly ask beneficiaries if the subproject they had already received was their priority. Instead, OED asked “in your personal opinion, what were the three biggest problems facing your community (in the year prior to the approval of the subproject)?” This open-ended question was asked immediately following questions relating to basic socioeconomic and demographic issues, well before the community was asked about the particular subproject financed by the social fund. Then, OED compared the household response with the subproject actually financed by the social fund in that community. This analysis

provided an indication of the extent to which the biggest community problems were (or were not) addressed by the social fund.<sup>11</sup>

Several factors were found to influence the demand-driven process, including information asymmetries and the role of prime movers, who were critical to the mobilization of support and preparation of a successful subproject proposal and whose interests were determined by the nature of their positions. It is natural and appropriate that prime movers should bring project ideas to the community (leaders play a crucial role in a demand-driven process). At the same time, mechanisms are needed to ensure that the ideas of the leaders are also the most important ones for the community as a whole.

Typically, social fund staff visited the community after they had received communication from the community of its interest in a particular type of subproject or after they had received an application. By this time, prime movers had already mobilized support for particular subprojects (Annex O).<sup>12</sup> OED field research found a bias in many cases toward subproject investments in sectors where prime movers were active. Other sources have cited related findings including the importance for subproject selection of existing community organizations in the education sector (Frigenti and Harth with Huque 1998), or differences in views between community leaders and members (Salmen 1987). The extent to which addressing the biggest problems is important depends on the realistic potential of other development agents to address higher priorities that are not addressed by the social fund.

Many social fund projects have predominantly delivered schools and health clinics.<sup>13</sup> The existence of prime movers and established local organizations in the form of headmasters, parent-teacher associations, health workers, or health user committees in education and health has been an important factor in making these sectors heavily subscribed in social fund projects.<sup>14</sup> The requirements of effective subproject formulation, submission, and implementation have meant that enterprising prime movers often became the operators of the demand-driven mechanism. The community model of social funds as

currently practiced has been generally less well suited for sectors where there was no clear champion or existing organization. Effective execution of water and road projects is likely to be facilitated by the formation of community-based organizations dedicated to these sectors—for example, road or water associations. Sufficient time and resources are critical for fostering the growth of such organizations, which need to be rooted in existing social structures.

Many other factors can affect the extent to which community priorities are met. For example, it was noted for the second Malawi social fund project that the criteria for upfront community contribution have met with problems in those parts of the country where the natural environment does not allow people to produce fire-baked bricks or acquire materials such as river sand and stones for construction purposes. In such places, it has become difficult for these communities to apply for their first-choice projects that require substantial contribution in local materials; instead they have ended-up with boreholes, which do not require much material contribution. The Zambia social fund faced a similar situation. Counterpart contribution requirements meant that communities chose subprojects with a high unskilled labor component, rather than others that would have required a larger cash contribution.

It is also possible that the investment to address the highest priority problem may be technically unviable and may therefore not be provided by the social fund, even when on the subproject menu. Other factors can also influence community choice, as acknowledged in the social funds literature (see Annex O, “Participation and Subproject Execution”). For one thing, communities may request what they think they are likely to get rather than what they most want and are willing to pay for. In many countries, social funds are known primarily as builders of schools, so a large proportion of the community requests they receive are for schools. Frigenti and Harth with Huque (1998) note that “since the MPU depended on organized groups, it funded whatever technically viable proposal came through. The negative side of this was that MPU soon became known as an agency that funds schools, starting

a cycle of funding education and getting proposals only for education.”

The results of OED’s community-level field research showed how facilitation should work: motivating local structures to take control of the process rather than creating parallel arrangements not rooted in the existing social structure. Two examples of social funds that aim at improving facilitation skills among local leaders are Moldova (Annex N, “Moldova: Training ‘Prime Movers’”) and Jamaica. In Jamaica, 24 leaders were successfully trained as facilitators in 1999 and 77 in 2000. These facilitators are employed by the Social Development Commission or by JSIF as the need arises (Dijkstra and Green 2000).

It is possible that wider planning processes (as opposed to exclusively community-centered ones), involving local governments and other actors, may lead to a shift in investments away from schools. For example, in Albania or Bulgaria, where local governments have played a key role in subproject selection, road and water subprojects have dominated; and in Nicaragua, the introduction of the municipal-level micro-planning process (see Annex N, “Nicaragua: Broad-based Local Planning”) resulted in the expression of more varied community demand, including a higher demand for water than in past years. Whether such a managed investment planning process at the local government level leads to enhanced relevance of investments to community needs merits further analysis. It is also possible that the use of participatory research (as in Jamaica) or other traditional modes of delivery may result in the identification of subprojects that are more relevant to community needs (Moser and Holland 1997;<sup>15</sup> Tandler 2000a; and Rao and Ibanez forthcoming<sup>16</sup>).

*Social Funds 2000* generally addresses the issue of community priorities and preferences by asking about the importance or priority of the subproject in reference to the already-financed social fund subproject. The overall result was that communities considered the investments they had received as meeting their most important needs (Annex E, table E.4). When OED applied a similar methodology, the results were also positive. For example, when asked, in refer-

ence to the chosen social fund subproject, “would you have preferred that another project was chosen instead?” a vast majority of respondents in the four countries answered “no.” This response confirms the OED conclusion that a vast majority of beneficiaries were satisfied with the financed subprojects. It is not inconsistent with OED household survey results on the extent to which the biggest community problems were met, in that such a response may have been influenced by beneficiary perceptions of what their options were and what they assumed they could realistically have gotten. In its general conclusion, *Social Funds 2000* signals the need to ensure greater relevance to community needs and to move toward more participatory local planning in order to identify investment priorities within the broader goals and activities of a community.

### **Efficacy—To What Extent Have Social Fund Projects Met Their Stated Goals?<sup>17</sup>**

**Responding to Crises.** Several reviews, and notably QAG data, have found that social fund projects have been relatively effective in meeting their short-term objectives in response to crises. They have not been equally effective in responding to all types of emergencies or to all their aspects. In the context of structural adjustment programs, for example, there have been difficulties in reaching the precise groups that were directly hurt (for example, miners in Bolivia, as noted in Jorgensen, Grosh, and Schacter 1992<sup>18</sup>). It has also been contended that the types of activities often supported by social funds, such as school rehabilitation, have little direct impact on income poverty, and so little, if any, consumption-smoothing effects.<sup>19</sup> Employment effects for private contractors and consulting firms are positive, but relatively small. The overall employment impact of social funds has been limited (Cornia 1999), and most of the jobs created by social fund projects have been temporary.

But social funds have often had a positive impact in post-conflict situations. They have improved public confidence by producing visible outputs quickly. They have helped to mobilize donor and community resources. The Cambo-

dia social fund met the challenges of the post-conflict situation well, recognizing the tradeoffs up-front and making project design choices in light of country conditions (see Annex N, “Cambodia: Meeting Post-Conflict Challenges”). Indeed, social fund projects are increasingly being called upon to revert to their crisis-response function even after they have moved on to being developmental organizations, as in Honduras and Nicaragua after Hurricane Mitch. In these and other cases, social funds switched goals, rose to the occasion, and provided a distinctly effective emergency response. While this sometimes took a toll on regular social fund programs and organizational efficiency, governments rarely had a ready institutional alternative to deal with the consequences of emergencies. Nevertheless, some social funds have tended to develop a path-dependence that has inhibited a quick return to strict adherence to operational procedures once the emergency has ended. Difficulties in readjusting to normal discipline should not be underestimated.

***Expanding or Improving Infrastructure.***

Social fund projects have demonstrated remarkable success in disbursing rapidly for infrastructure expansion and/or improvement. The evidence is strongest for schools, which have been the focus of many social fund projects, but they have also delivered infrastructure in other sectors. The achievement of social fund projects in delivering infrastructure should not be underestimated—donors and governments often spend large sums of money on infrastructure investments that do not materialize even in relatively accessible communities. As a result of the additional infrastructure, facility access and utilization have improved (box 2.1; Annex E, table E.1).

However, instances of underutilization of social fund facilities have also been reported, especially with respect to health clinics where supplies and equipment shortages have often prevented full capacity utilization.<sup>20</sup> According to *Social Funds 2000* background research for Nicaragua, despite the increase in utilization, the rates remain far below the capacity of rural health posts and reflect underutilization problems in FISE and non-FISE posts alike. A majority of

the respondents in OED’s survey of country directors/resident representatives and sector directors considered “visible outputs on the ground” as one of the top three attractive features of social fund projects.

Overall, education and health infrastructure, for which design and construction can be readily standardized, have experienced fewer implementation problems than water and roads. A *Social Funds 2000* summary noted that with respect to water and sanitation: “systems appeared to function reasonably well overall, though design issues are critical to system performance, water supply is variable, and maintenance issues are often problematic.”

***Outcomes and Welfare Impacts.*** *What effect has all this infrastructure development had on welfare?* The main source of such data is the background research for *Social Funds 2000*. Some indicators of outcome and welfare impact registered a positive social fund impact (higher primary enrollments in Nicaragua and reduced infant and child mortality in Bolivia), a few showed a negative social fund impact, and several indicators registered no significant social fund impact compared to the control group (box 2.2 and Annex E, table E.2). Some findings, notably on child malnutrition, are difficult to interpret.<sup>21</sup> Overall, the picture that emerges is a varied one.

One reason for the varied social fund impacts on outcomes and welfare may be that social funds respond to discrete subproject proposals for infrastructure (such as health clinics) rather than being driven by the objective of achieving a specific development impact (such as improved health) and ensuring that all the necessary complementary ingredients to achieve it are in place (either through its own activities or through other interventions). A review of social fund beneficiary assessments (Owen and Van Domelen 1998) noted that several social funds (those in Armenia, Ecuador, and Peru) identified the need for complementary actions within types of projects (for example, educational materials, equipment). *Social Funds 2000* found instances of incomplete facilities: in Nicaragua, piped water was available in less than half of both social fund and control facilities, in Honduras about 40 percent of both social fund and con-



## Box 2.1

## Quantity, Access, and Utilization of Physical Infrastructure Has Improved

**Schools**

- The Peruvian social fund, FONCODES, constructed or rehabilitated more than 9,000 classrooms during 1992–98.
- In Malawi, MASAF has financed the construction of about 1,600 classrooms.
- In Honduras, between 1995 and 1998, FHIS built 503 new primary schools, 2,326 new classrooms, and improved 4,163 classrooms.
- In Nicaragua, FISE helped to increase the number of classrooms from, on average, 4.6 to 6 per school.
- Egypt's Social Fund for Development established only 7 classrooms out of the target of 150 in 1994, but 2 years later it established 1,417 in a single year and more than 1,500 the following year.
- During 1995–99, Cambodia's social fund project supported the building of 4,411 new classrooms and the supply of 67,430 pieces of classroom furniture.

**Health Facilities**

- In Honduras, between 1994 and 1998, FHIS built 127 new rural health posts and 40 new urban health posts, remodeled 90 rural health posts and 108 urban health centers, and built 1 new mother and child clinic and remodeled 8 such facilities. For FHIS rural health posts this led to an average of 11 visits daily, compared with the national average of 9 each day. For all FHIS health centers, there was an average of 54 consultations each day, compared with the national average of 34.
- In Nicaragua, between 1993 and 1997, FISE health posts registered a significantly larger increase in average number of

daily visits, from 11.3 to 17, compared with an increase of between 8.8 and 14 visits in non-FISE posts.

- In Zambia, between 1993 and 1998, the SIF health posts registered an increase in (i) the hours of operation for all services, (ii) number of cases (declined in non-SIF), (iii) maternal deliveries and child attendance.
- Cambodia's social fund financed the construction of 78 health centers, 2,767 water wells, 1,535 latrines, 24,935 cubic meters of dikes, irrigation facilities for 3,800 hectares of agricultural land, and rehabilitation of 17,216 square meters of bridges/ culverts.

**Water**

- Under MASAF I and II in Malawi, more than 2,000 boreholes were sunk.
- In Bolivia, between 1993 and 1997, the proportion of households with piped water increased by 16 percent in Chaco and 10 percent in Resto Rural. Frequency of water availability decreased from 21.95 to 19.38 hours in Chaco and increased from 18.49 to 21.15 hours in Resto Rural. Distance to water source fell by more than 50 percent.
- In Honduras, between 1994 and 1997, FHIS built 2,815 new connections and upgraded 46,000 connections. FHIS investments increased water availability, reduced average expenditures on water, and reduced time spent collecting water.

**Road**

- The second Madagascar social fund rehabilitated 185 health centers and 967 kilometers of rural road.
- The Albanian Rural Poverty Alleviation Pilot Program financed 278 kilometers of rural roads and 524 meters of footbridges.

Source: OED portfolio assessment and Annex E, table E.1. Additional access and utilization indicators are presented in Annex E, table E.1.

trols did not have piped water, in Bolivia only about one-third of facilities (both social fund and non-social fund) had access to electricity (with social fund facilities having somewhat less access than the controls). The same evaluation also found that in Nicaragua, only 35 percent of social fund schools with piped water installations had regular water service during school hours.

In addition to the delivery of physical infrastructure, “software” inputs are often necessary to ensure optimal facility use and impact<sup>22</sup> where optimal utilization requires behavioral changes on the part of users—for example, in using non-traditional health services or encouraging school-

ing of girls—or significant training and capacity building. So far, such software investments have been a minor part of the social funds' product line, and training and capacity building components have typically not received adequate attention. *Social Funds 2000* background research explains the lack of impact in specific cases as follows: the lack of health impact of water investments in Honduras can be largely explained by the relative focus on rehabilitating existing systems, versus installation of new systems; the limited impact of sewerage investments on health can be attributed to the overall low connection rates. The evaluation points to linkages between

## Box 2.2

## Outcomes and Welfare Impacts Are Varied

These results compare outcomes and welfare impacts in social fund communities versus non-social fund communities and report statistically significant results (at 90 percent confidence level).

**Education:** In Nicaragua and Zambia (using pipeline match), enrollment rates increased significantly for the social fund schools compared with the control facilities, but social fund schools in Zambia (using propensity score match), Bolivia, Honduras, and Peru (Apoyo) registered no significant impact compared with control facilities. In Peru (Paxon-Schady), districts that received the most social fund expenditures for school improvements achieved the largest gains in primary school enrollments, although these enrollment gains could only be confirmed at the household level among the poorest populations in the rural survey. The percentage of students in the correct grade for age was significantly higher for Honduras, Zambia (using pipeline match), and Nicaragua (for students in grade 1). An insignificant difference was noted for Zambia (using propensity score match), Nicaragua (students for all grades), and Peru. There was improvement in *absenteeism* in Peru, but not in Bolivia or Nicaragua, using pipeline match, but it significantly worsened in Nicaragua using propensity score match. No significant impact was noted for student *academic achievement* measured by math and language tests in Bolivia, the only place where this was assessed.

**Health:** The *incidence of diarrhea* was similar between social fund and control communities in Bolivia, Nicaragua (using

pipeline match), and Zambia. In Nicaragua (using propensity score match), the incidence of diarrhea was higher for the social fund communities compared to non-social fund communities. The number of social fund beneficiaries (among the sick) that sought primary health services was significantly higher in Honduras, but similar in Bolivia. *Infant and child mortality*, measured only in Bolivia, registered a significant decline for social fund communities compared with control communities.

**Water:** *Incidence of diarrhea* declined over time for social fund communities in Bolivia (Chaco region) and Peru. The impact on incidence of diarrhea of social fund water subprojects in Bolivia (Resto rural region), Honduras, and Nicaragua was very similar to that with control water subprojects. There was a decline in stunting in children under six in Nicaragua. *Child mortality* has registered a significant decline for social fund communities since the start of the subproject in Bolivia and Peru.

**Latrines:** In Honduras (bivariate analysis) and Peru, the *incidence of diarrhea* declined in social fund communities compared with control communities. In Nicaragua, an insignificant difference was noted in the incidence of diarrhea between social fund and control communities.

**Sewerage:** In Peru and Honduras no differential household-level health impacts were found. In Nicaragua, the increase in access to sewerage led to positive health impacts at the community but not household level.

Source: Social Funds 2000 data.

household characteristics and outcomes (for example, the linkage between parents' education or household poverty levels and children's educational outcomes), and draws the implication that demand-enhancing measures such as outreach are a necessary complement to the provision of infrastructure.<sup>23</sup>

Although social fund projects are multisectoral, in practice they have not necessarily operated in a *holistic*<sup>24</sup> way in each community. For example, they usually finance only a single investment in each community, which may increase the total number of subprojects and beneficiaries, but at the expense of depth of involvement and development impact. The need for a greater focus on development impact is also a policy impli-

cation of *Social Funds 2000*, which recommends: "Greater attention not just to successful project implementation, but to the impacts from those investments, including involvement of communities in the up-front identification of expected impacts" (World Bank 2000h).

**Poverty Targeting.** Benefiting the poor is the overarching objective of social fund projects: "social funds establish menus, procedures and targeting criteria to support investments benefiting the poor" (Jorgensen and Van Domelen 1999, p. 7). The *poor*, *poorer*, *poorest*, or *poverty* are mentioned in the objectives of more than three-quarters of social fund projects. Furthermore, the poor, or some category of poor people, are an explicit target group in the majority of cases



(“poor” in 80 percent of projects, “poorest” in 46 percent of projects, “vulnerable” in 44 percent of projects, and “low-income” in 10 percent of projects).<sup>25</sup> Other target groups are “unemployed” (in 20 percent of projects), “indigenous” (in 10 percent of projects), and “women” (in 61 percent of projects).<sup>26</sup> However, systematic data on targeting outcomes at the household level are available for only a small number of countries. The available data, based largely on *Social Funds 2000* background work for Armenia, Bolivia, Honduras, Nicaragua, Peru, and Zambia, allow a number of conclusions with respect to targeting, detailed below.

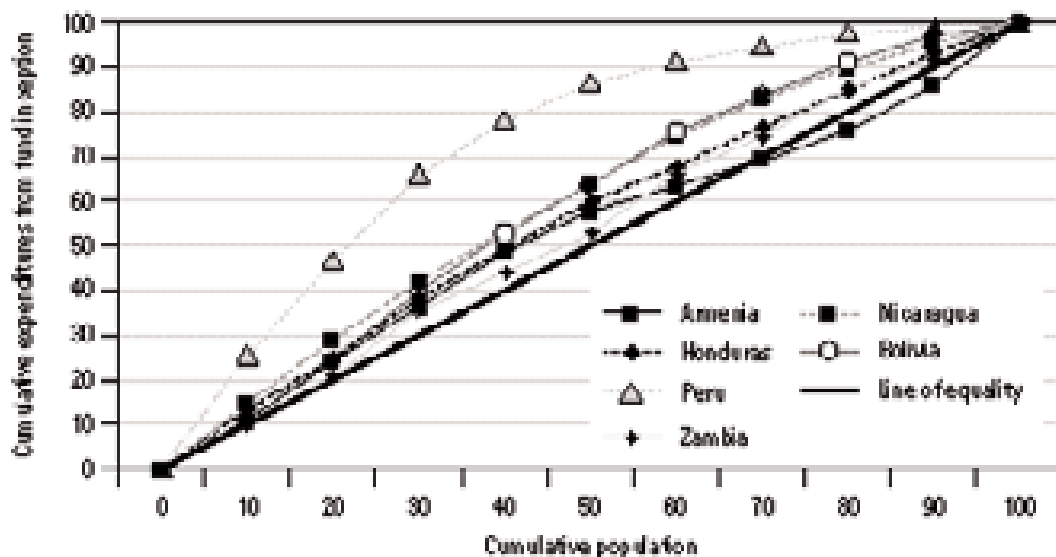
**Geographic targeting.** The share of poor districts in social fund resources is greater than their share in the population, meaning that social funds achieve a progressive allocation of funds across districts (figure 2.1). The poorer districts’ share of resources has generally increased over time as a result of better targeting procedures (such as the use of poverty maps and the adoption of allocation formulae), more extensive outreach activities made possible in part by de-

centralization of the social fund (as word of the social fund has spread), and a shift from emergency mandates to longer-term goals when increased attention was given to targeting. However, district allocations are still best described as *mildly progressive*. Peru is the only exception, having succeeded in devoting a significant share of its resources to the poorest districts with continual fine-tuning of the targeting mechanism and a focus on rural areas that led to improved performance over time. Annex N (“Peru: Achieving Success in Targeting”) discusses some of the factors accounting for Peru’s success in poverty targeting. Armenia has regressive targeting among the wealthier districts—the allocation of expenditures is pro-poor among the lower 40 percent of districts.

**Household-level targeting.** Are the poor over-represented among social fund beneficiaries? Data on household incidence largely indicate this to be the case, although targeting is very mildly progressive or neutral and performance varies by country (figure 2.2) and sector. In Honduras, Nicaragua, and Peru (education), the share of

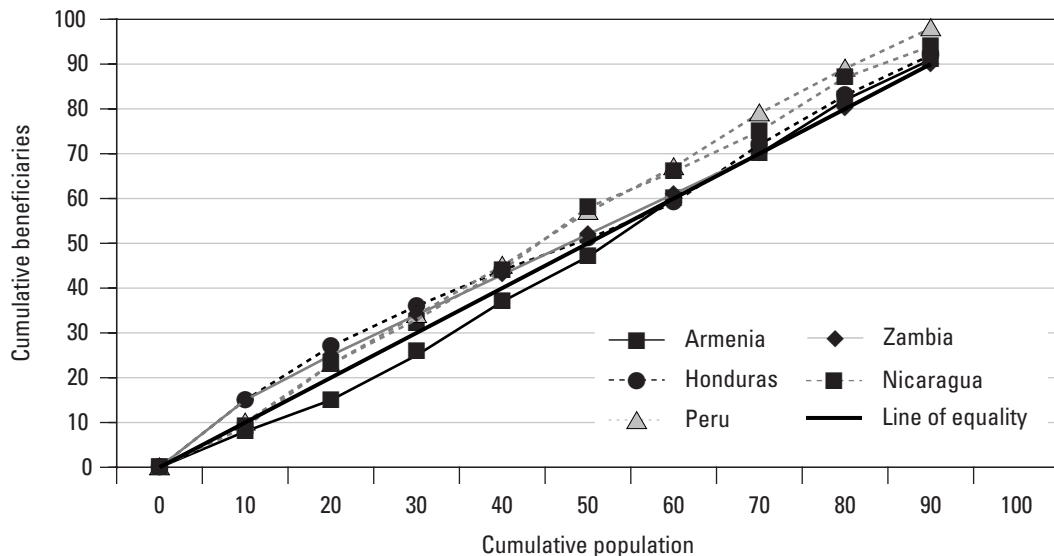
**Figure 2.1**

**Social Funds Have Mildly Progressive Geographic Targeting (concentration curves are close to the 45-degree line except for Peru)**



Source: *Social Funds 2000* data.

**Figure 2.2** Social Funds Have Neutral or Very Mildly Progressive Household Targeting



Source: Social Funds 2000 data.

poor households benefiting from a social fund investment was 58 percent, 55 percent, and 66 percent, compared with 54 percent, 48 percent, and 50 percent of that population nationwide, respectively. In Zambia, 15 percent of social fund beneficiaries were in the poorest income decile, but targeting based on the poverty line was similar to a random distribution. The share of extremely poor households benefiting from the social fund was about the same as the share of such population nationwide—71 percent of the social fund beneficiaries were classified as poor and, indeed, just over 70 percent of Zambians are poor. In some sectors in certain countries, the share of the poor among beneficiaries is less than the share of the poor in the population as a whole. Latrines and health clinics have targeted the poor best, education and water investments were pro-poor, and sewerage projects were regressive.

*Why is geographic targeting more progressive than household targeting?* Available data makes comparisons difficult. The problem in these data is twofold. First, household incidence applies to a specific year, while the geographic

data are for a number of years. Second, the geographic data are for expenditure, but household data refer to beneficiaries, imparting an unknown bias, depending on differential unit costs and geographic distribution by sector. But, if the data are accepted, they illustrate that other than in one country, the distribution of social fund resources is more progressive on a geographic than on a household basis (see figures 2.1 and 2.2). This discrepancy is particularly striking in Peru—for education investments, the strong progressive geographic allocation is not matched at the household level. An explanation in the case of Peru is that households above the mean district income are more likely to benefit from the social fund than those below the mean (Paxson and Schady 1999). The result from Peru and the discrepancy between geographical and household targeting indicate that poor households are less likely to receive resources than poor districts. One of the implications drawn by *Social Funds 2000* from its poverty targeting analysis is that better local coordination efforts can improve identification of poor communities within both wealthier and poorer districts, and that for those

poor communities that still have difficulty accessing resources, additional proactive measures, including up-front assistance in community organization, waiving of community counterpart requirements, and provision of technical expertise may be necessary to decrease the inequality of results between areas and to ensure that all poor communities can access program resources.

Although comparisons are difficult given differences in program objectives and context, social fund targeting performance compared favorably or was similar to that of other programs with comparative data. In Bolivia, municipalities with higher poverty indices received a higher share of social fund resources than municipal expenditures. In Peru, FONCODES achieves a better geographic targeting performance than two directed programs, PRONAA and INFES, although the former has a better performance than FONCODES in targeting within districts. The Armenia social fund performed in the mid-range of national social assistance programs, and in Honduras, the incidence of direct beneficiary households among the lowest quintile of household income was 37 percent, about middle of the range of performance of 30 targeted social programs throughout the LAC Region.

Overall, the results show a mixed record with respect to targeting. Social funds reach both the poor and the poorest on a district and household basis. A significant proportion of social fund resources benefit the non-poor, however. The share of social fund investments going to non-poor households ranges from 29 to 45 percent (where the proportion of non-poor is based on the national poverty line).<sup>27</sup>

These social fund poverty targeting outcomes are a function of both promotion and outreach and targeting mechanisms. Promotion is vital to ensure that all communities are aware of the social fund and so apply for subprojects. Social funds have developed promotion through a number of channels, which can be very effective in creating awareness. The Malawi social fund has tailored its promotional campaigns to specific audiences and used various media channels to disseminate information (see Annex N, “Malawi: Effective Promotion and Outreach”).

The OED household survey in Malawi found that 98 percent of the households had heard of the social fund, compared with only 39 percent in neighboring Zambia, where promotion efforts have been less intensive. But promotion alone may not be enough, as the poorest communities are very likely to be those least able to apply for assistance. Facilitation of community applications is also required.

Targeting may take place through a number of mechanisms. Social funds are inherently self-targeting in that they finance activities of interest to the poor and whose public nature (for most subprojects) means the non-poor cannot exclusively capture the benefits. But explicit targeting mechanisms are also used, usually at the district level. These mechanisms may be either proactive or reactive.<sup>28</sup> *Proactive targeting* allocates funds in a pro-poor manner either by excluding the better-off (a cut-off) or using a progressive allocation rule. *Reactive targeting* waits for requests from communities, but favors those from poor districts by applying eligibility criteria, according them greater priority, and/or by reducing the required level of community contribution. Reactive targeting can be expected to have less favorable targeting outcomes than proactive targeting. But for proactive targeting to work, facilitation may be required to ensure the uptake of funds. In Panama, slow uptake of funds by poorer regions allowed funds to be reallocated to better-off areas as a result of political interference. Experience has shown that an initial pro-poor allocation of funds may be reallocated to the benefit of better-off districts. And if targeting is just at the district level, it remains reactive within the district, leaving unresolved the problem of reaching poorer communities. Some social funds, but not all, have taken steps to address these issues. Annex F provides a detailed discussion of poverty targeting issues and box 2.3 outlines lessons on allocation rules. *Social Funds 2000* concluded that a key design issue for social fund projects is how to reduce leakage, and pointed out that this may mean reducing access by better-off regions, introducing intra-district targeting procedures to identify the poorest communities within districts, restricting items from the menu that tend to have higher

## Box 2.3

## Lessons from Experience: Allocation Rules for Reaching the Poor

Reliance on reactive targeting makes it more likely that poor areas will be under-served, unless an aggressive outreach strategy is pursued. Even with proactive targeting, however, promotion and outreach are necessary to ensure that poor areas reach their spending targets. The following rules are relevant.

- **Cut-off:** Should the allocation rule be applied across all districts, or should it be combined with a cut-off to exclude the least-poor districts? If a cut-off is not used and the least-poor districts are not excluded, adequate mechanisms are needed for targeting *within* districts (self-targeting may not be sufficient for this purpose).
- **Progressivity:** The ZAMSIF formula for district allocations gives much more weight to the poorest districts than to those that are less poor: the poorest of all receive \$30 a head and the least poor only \$1.30. This differential could be narrowed to \$11 and \$2.30 respectively through a small change: raising the poverty term in the allocation rule formula to 0.5 from 1. (This would make the allocation less pro-poor, although this effect could be balanced by the introduction of a cut-off. This might be necessary because of lack of absorptive capacity and because there are poor people in non-poor districts.)
- **Setting aside a reserve:** The poorest districts are likely to be among those with the least capacity, so spending targets are least likely to be met there, at least where communities are the only eligible subproject sponsors. For these reasons it is perhaps unwise to allocate *all* expenditures with the allo-

cation rule, since this will eventually force a decision to “take” from some districts to “give” to others in order to meet aggregate spending targets (as has happened in Nicaragua). It will be better to allocate, say, 70 percent by the rule, keeping 30 percent in a pool to allocate to districts that reach their expenditure target (perhaps restricting the pool to poorer districts). Strong facilitation among the poorer districts would improve their chances of accessing resources from the pool. Multiyear allocations in poor districts may be an option, although this may not solve the problem unless facilitation is also provided.

- **Facilitation:** To ensure that poor districts can absorb as many resources as possible, promotion and outreach efforts need to be intensified in these areas, including assistance in subproject preparation.
- **Choice of indicators:** The targeting literature suggests that the indicator used to allocate resources should be related to the purpose of the funds. Targeting rules based on income-poverty, as used in Nicaragua and Zambia, for example, may not be the best way to allocate what are mostly educational resources. In the case of education and health infrastructure, a facilities map may be just as important as a poverty map.
- **Incorporating lessons learned:** Social fund projects and other projects in several countries are developing some of these targeting rules. A review of targeting mechanisms would be useful to enable all social fund projects to adopt good practice.

Source: OED analysis.

rates of leakage to the non-poor, and using other means to increase the concentration of benefits to the poor.

**Gender Effects.** The impact of social funds differentiated by gender seems varied. There are some cases in which females appear to have benefited particularly from social funds. For example, *Social Funds 2000* background research indicates that female utilization of health services, either general visits or specific services, increased significantly in Bolivia (prenatal services), Nicaragua (female visits), and Zambia (deliveries in maternity wards), the only three countries that included gender-disaggregated data on health services. There were also examples in which no significant pro-female social

fund effects were found. In Zambia, social fund interventions had no significant effect on female enrollment; in Nicaragua there was no significant difference by gender on the impact of declines in age at first grade in 1997 and on change in the percentage of girls enrolled in social fund schools between 1993 and 1997.

Social funds have not normally been proactive in addressing gender disparities in employment practices, community decisionmaking processes, or other areas of their activities (OED portfolio assessment). Prevailing disparities in employment and wages have been perpetuated, in that women have been less likely to benefit from paid employment in construction financed by the social fund and more likely to

provide the voluntary labor required as part of the community contribution (ILO 1997).

In the participatory process, in almost all cases, women have been under-represented in project committees, even where social funds have tried to impose quotas. OED household surveys indicated some gender differences in Malawi and Zambia, but few in Nicaragua and Jamaica. For example, in Malawi and Zambia, compared with men in the social fund–assisted communities, a statistically smaller percentage of women had knowledge about the social fund in their countries, and about the person(s) responsible for operation and maintenance of the facility. Women also spoke less compared with men in the social fund–assisted communities in Jamaica, Malawi, and Zambia and experienced lower capacity building in both Malawi and Zambia (Annex M, table M.26).

Some completion reports note the lack of a gender perspective and difficulty in reaching the poorest and most marginalized groups. Even where the weakest groups benefit from social fund investments, this is not synonymous with their having a voice in subproject selection or the overall decisionmaking processes. A beneficiary assessment for the Zambia Social Recovery Project II, for example, noted continued difficulty in incorporating women and youth in the formal decisionmaking structures of the community.

With regard to respondents in the bottom quartile in each community, OED household surveys indicated that they were less likely than respondents from the top three quartiles to have heard of the social fund in Malawi and Zambia, and they spoke less in the meetings in Jamaica compared with the respondents from the top three quartiles. The respondents from the bottom quartiles experienced lower capacity building in Malawi and Zambia, perhaps indicating lower levels of participation in subproject activities (Annex M, table M.27).

### **Efficiency—Do Social Fund Project Benefits Exceed Their Cost? More So Than Other Projects?**

***Comparison of costs and benefits.*** Data are limited for the assessment of the economic efficiency of social fund projects. At the project ap-

praisal stage, the range and composition of subprojects is uncertain and rates of return are usually not estimated. Similarly, the question of allocative efficiency has rarely been addressed in implementation completion reports. Standard rate of return analysis is not readily applicable to social fund projects, because they are not intended to undertake systematic planning of investments and because of the large number of small and disparate subprojects they finance. Nevertheless, the lack of attention given under social fund projects to conducting ex-ante and ex-post economic analysis of a sample of subproject investments is worrisome.<sup>29</sup> At the same time, there is no assurance that an adequate process is in place at the relevant level (usually the community or local government) for identifying and comparing benefits of alternative investments.

In theory, social funds ensure high net benefits of their investments by selecting subprojects on the basis of demand at the community level, where the best knowledge exists of local conditions, needs, and priorities, and by requiring beneficiaries to contribute to costs. There are reasons to question how effectively this mechanism has been working:

- Social funds' investment decisions are driven by supply as well as demand factors. The funds use eligibility criteria, targeting mechanisms, and appraisal criteria; often have a limited menu of subproject options; and have more technical expertise in some sectors than others.
- Subproject selection within the social fund menu is influenced by a variety of factors and there is no assurance that the investment alternatives, or opportunity costs, of a selected subproject are rigorously examined at the community or other level. OED's community-level field research for 845 randomly selected households and 1,525 respondents in 17 randomly selected social fund–assisted communities in 4 countries found that while the vast majority of beneficiaries were satisfied with the chosen subproject, the subproject selection process was led by prime movers in the community. Even within the options that were offered by the social fund, the selected subproject did not always address the

highest priority problem of the majority of community members. In many cases, community members were not well informed about the options.

- More than one in four social fund projects (14 projects of 52) required no community contribution and, therefore, had no willingness-to-pay indicator. It may be noted that in practice, not all community contributions made, including contributions in kind, are recorded. At the same time, however, when community contributions are formally required, they are not always made.

Even if community interests and subproject benefits are accurately identified, the efficiency of social fund investments also depends on mechanisms for coordination with district, regional, and national planning processes. Depending on the nature of the investment, decisions taken on the basis of community interests may neglect spillover effects that make them costly from a broader perspective, and subproject benefits may be compromised by factors beyond the knowledge or control of the community (box 2.4). Most projects have established coordination arrangements with relevant line ministries and/or local governments, including mechanisms for sector ministries to review and provide “no objections” on each sub-

project proposal and for sector ministry representatives to be on the board of directors of the social fund. This allows them direct access to setting policies, determining sectoral approaches and appraisal criteria, and approving specific investments. In practice, cases where the sector ministry representatives actively debate and discuss investment options, priorities, and allocation rules with other members of the Board are not common, and their role has often been limited primarily to ensuring that obligations to meet ongoing costs of operating and maintaining social fund facilities are acknowledged by the relevant public agencies. It has been noted that “Formal approval of microprojects is generally secured, yet the way this is done does not guarantee a coherent inclusion of social fund–initiated microprojects within national or regional sector plans. In practice, some social funds have been lax in this area, ignoring the need for formal arrangements to ensure that sector ministries are represented in provincial consultative committees. This lack of coordination led to the construction of understaffed facilities—especially in the health sector—that did not respect sociodemographic norms (minimum number of inhabitants for the catchment area) and service-level norms (for health post, health center, etc.)” (Frigenti and Harth with Huque 1998). Social fund projects have paid little at-

#### Box 2.4

### Solving Transport Problems Is Not Just a Matter of Building Roads

**When asked by a community to solve a transport problem, the whole access issue needs to be analyzed and addressed, not just simply the construction of roads, tracks, paths, and footbridges. It requires finding the best way to allow people to get from one point to the other. Ensuring access requires attention to three elements: rural transport services and intermediary means of transport; location and quality of facilities the community wants to reach; and rural transport infrastructures that will bear the travel. Indeed, if the building or rehabilitation of rural transport infrastructures is the first obvious answer, it may not be sufficient in itself, or it may be cheaper or more sustainable to in-**

**vest in one of the other two elements. For example, it may sometimes be cost-effective to relocate the goal of the trip closer to the community rather than to build a new transport infrastructure, or to influence the transport mode, as improving transport infrastructure is relevant only if it improves the existing transport mode or allows the operation of new modes. It is important to keep in mind that rural transport infrastructure is part of the transport network, and it is therefore impossible to consider transport infrastructure piecemeal. No road is isolated from another, nor can be thought of independently of what is happening in the rest of the network.**

*Source: Lebo and Schelling 2001; Desmarchelier 2000.*



attention to the aggregate impact of their activities on the overall balance and efficiency of public expenditure at national or local levels, within and between sectors and regions, and between capital and recurrent expenditure.

**Cost-effectiveness.** The indicators of efficiency monitored most consistently by social fund projects have been: (i) unit costs of construction or rehabilitation of infrastructure and (ii) the share of overhead expenses in total program costs. While important, these indicators are not sufficient. Also needed is some concept of the unit costs of social funds in producing specific outcomes (such as increases in school enrollment rate for girls, in vaccination rates, or in access to clean water, employment creation) in comparison with other programs.

*Social Funds 2000* background research found that cost-effectiveness of social fund projects, as measured by unit costs of construction, was highly variable across countries and sectors (Annex H). There is some indication that unit costs tend to be lower where community contributions were high and/or there is community management of resources and contracting (Armenia, Peru, Zambia) for both social fund and non-social fund projects. In Zambia, the evaluation explicitly assessed community-based approaches (including the social fund) versus contractor-based approaches in nine national school infrastructure programs. Unit costs were similar among the various community-based programs. The contractor-based approach was more than twice as expensive, but delivered infrastructure faster. Overall, *Social Funds 2000* did not find any consistent advantage in cost effectiveness of infrastructure delivery between social funds, local governments, other central agencies, and nongovernmental organizations (NGOs) across all countries.

The same evaluation found that, in general, overhead expenses for social funds were similar across social funds, within a range of 7 to 14 percent of total program costs.<sup>30</sup> It also found that, in most cases, social funds had lower overheads than other programs, although there were some exceptions. Some project and evaluation reports have warned against putting too much emphasis on overhead costs as an indicator of

efficiency, since this may discourage efforts to improve construction quality, increase outreach for better poverty targeting, and/or invest time and resources in participatory processes.

### **What is the Record of Bank Performance in Social Funds?**

OED ratings on overall Bank performance for social fund projects compared favorably with those for other Bank projects. Of the 23 closed social fund projects as of end-fiscal 2000 (out of the total social fund portfolio of 66 projects examined for this review), 94 percent were rated satisfactory on overall Bank performance.<sup>31</sup> The figure for PTI projects was 75 percent and for all Bank projects 75 percent.<sup>32</sup> The management of social fund projects within the Bank has included effective knowledge management and has focused recently on impact evaluation in six countries. Cross-sectoral coordination on the issues for social fund projects has not been strong, but is beginning to receive more attention: for example, the Africa Region has formed a special, cross-sectoral working group; measures are being taken in some ECA countries to ensure that social fund expenditures support relevant sectoral restructuring programs; and some social fund projects, particularly in LAC, are paying increasing attention to the decentralization context. The MNA Region has designed social funds in particularly challenging political contexts. The EAP Region has moved quickly with social funds in response to economic and civil crisis. QAG ratings for quality of supervision of social fund projects were somewhat above the average for all Bank projects between 1997 and 1999. QAG assessments found the quality of supervision of fiduciary aspects to be strong.

Reporting on safeguard compliance in project status reports (PSRs) for social fund projects appears similar to that in PSRs for PTI projects, but seems low overall, especially since a number of safeguard issues are likely to be relevant for social fund activities (Annex I). The environmental category assigned to social fund projects may also be an issue, as noted by QAG (Annex I). Of the 16 available social fund QAG reviews (quality at entry and quality of supervision), 10 were rated “satisfactory” for envi-



ronmental aspects while 6 were rated “not applicable.” There are many examples of social fund projects where efforts have been made to develop micro-project environmental assessment mechanisms and adequate provisions have been made for environmental screening (and for subproject analysis as necessary). The actual application of these provisions appears weak, however, and has not been systematically monitored.<sup>33</sup> There are indications that the issue warrants greater attention, especially with regard to environmental safeguards. No social fund has been given a Category A environmental classification, but close to half (43 percent of a random sample of 30 social fund projects) have been classified as Category B. The rest have been assigned to Category C. QAG reviews have questioned if there is not excessive use of Cat-

egory C for the environmental impact of social fund projects, implying that environmental issues have been given inadequate attention.

The Bank has recently introduced a new environmental category, “financial intermediary” (FI), which can be applied to social fund projects. For all practical purposes, an FI category is similar to a B category—a process is defined to screen “not as yet defined subproject activities” that may be identified (by project management during project implementation) as needing an environmental screening. The effectiveness with which environmental issues are addressed in Bank-financed social fund projects will depend on how well projects are identified and screened. The Bank should be assured that these functions are adequately performed by project management (Annex I).



# Subproject Sustainability

**T**o what extent will social fund projects continue to produce net benefits as long as intended or even longer? Of the 23 closed social fund projects as of end-fiscal year 2000 (out of the total portfolio of 66 projects examined for this review), OED rated sustainability “likely” for 43 percent of the projects.<sup>1</sup> This compared unfavorably with sustainability ratings for PTI projects (50 percent) and for all Bank projects (51 percent).<sup>2</sup> This chapter looks at social fund subproject sustainability, which most implementation completion reports indicate is an issue requiring greater attention. Issues relating to sustainability of social fund agencies themselves are discussed in Chapter 4.

Subproject sustainability can be assessed in two ways: (i) directly measuring facility use and maintenance at a specific point after subproject completion and (ii) measuring the extent to which the conditions for sustainability are in place for the continued flow of benefits over the project’s life. Direct measures give a picture of the state of the infrastructure and service flows *at the time they are measured*. Since social fund subprojects tend to be relatively recent, this approach may not accurately assess the probability of sustaining benefits *over the intended life of the subproject and beyond*.

## **Subproject Sustainability Can Be Assessed by Direct Observation . . .**

Three elements of subproject sustainability can be directly observed: (i) technical quality; (ii) cur-

rent staffing and equipment; and (iii) current levels of maintenance. The main source of these direct measures of sustainability is *Social Funds 2000* background research<sup>3</sup> (Annex E, table E.3). Other sources include OED’s household and facility surveys, portfolio assessment, and stakeholder survey.

**Technical Quality.** The OED portfolio assessment found the technical quality of social fund infrastructure to be variable across countries and between sectors. *Social Funds 2000* background work entailed collecting data on construction quality through facility surveys by engineers and focus group discussions. The findings were mixed, although the general result was that social fund facilities performed at least as well as other facilities on technical quality (Annex E, table E.3). It was noted that there

is high variability in technical quality, but few major concerns over outright poor quality in any programs. While beneficiaries are generally satisfied with the quality of subprojects, some problems were identified. For example, in schools in Honduras, because contractors were not required to make mains connections for electricity and water closets, 28 percent of the installations built by FHIS remained unconnected compared with 4 percent of those built by other agencies, and the dissatisfaction with operational problems within the control group was much lower than in the FHIS group. These problems were underscored by the school survey respondents, 31 percent of whom reported problems in project construction or installation. FHIS has since taken measures to address this issue.

Results varied across sectors with regard to construction quality. The water sector faced particular problems. For example, in Honduras, site surveys found that the overall construction quality of FHIS schools was about the same as non-FHIS schools (83 percent “regular” or “good” versus 87 percent for comparators), much better for health centers (97 percent “regular” or “good” versus 62 percent for comparators), and slightly worse for water systems (93 percent versus 99 percent for comparators). The record was similar for sewerage systems (100 percent “good” or “regular” for both), and much better for latrines (100 percent “good” or “regular” for social funds versus 69 percent for comparators). About 23 percent of households in the area of influence of the water projects reported problems with the quality of the water system, mainly due to design faults and the use of poor-quality materials, which made water projects the most frequently criticized type of social fund investment with respect to the quality of the physical infrastructure built by FHIS. For Malawi’s social fund, it was noted that, with respect to its water supply and sanitation components, “while it is too early to assess whether subprojects implemented by the projects are sustainable, a recent review of technical quality revealed that a large number of facilities had not been built to the required standard. MASAF has now contracted supervision consultants to assist them in certification of techni-

cal quality and providing inputs during subproject supervision” (Kariuki 1998).

Giving responsibility to communities for subproject implementation, without adequate support, has been associated with problems in technical quality.<sup>4</sup> A World Bank paper has noted that “community-based organizations have the most difficulty conforming to project standards because they lack the technical skills among them or cannot afford to hire skilled labor” (Khadiagala 1995). The Bank’s review of beneficiary assessments noted that in Ecuador, projects requested by grassroots organizations received the lowest quality ratings (Owen and Van Domelen 1998, p. 32). The Zambia Social Recovery Project, which emphasized community participation in the construction of the physical infrastructure, also faced quality problems, although measures have since been taken to address this issue (box 3.1).

**Staffing and Equipment.** *Social Funds 2000* background research indicates that nearly all social fund facilities surveyed were in operation and were staffed and equipped one to three years after their completion. Staffing and equipment levels were better than or equal to those in comparator facilities (not controlling for age of facilities), but both types of facilities suffered shortages. Thus, *inadequacy* of inputs rather than their complete *absence* was the issue (Annex E, table E.3).

Of the two countries for which such information was available, there was evidence in one, Nicaragua (and to a lesser extent in Zambia), that social fund subprojects may draw staff away from other facilities. Social fund health subprojects in both countries have seen increases in staff, while non-social fund facilities have experienced declines.<sup>5</sup> In Nicaragua, the framework agreement between FISE and line ministries stipulates that FISE subprojects will not lead to increases in the line ministries’ recurrent budgets, so that any necessary personnel are either already on the payroll or facility expansions are staffed through reallocations of personnel. Under the circumstances, it is possible that staffing the new or expanded social fund health facilities in Nicaragua may have been at the expense of staffing elsewhere.

**Box 3.1****Zambia: Tackling Tradeoffs Between Community Self-Help and Construction Quality**

Giving communities substantial responsibility in the implementation of subprojects has advantages, including building ownership, but they sometimes come at the cost of construction quality. The 1992 Social Recovery Project Annual Report noted that one of the most important issues for project management was the difficulty of maintaining an acceptable standard of construction given a self-help approach and the limited capacity of social fund staff to supervise implementation of the projects.

In response to these problems, technical audits of projects were undertaken to identify technical inputs that could be provided to communities. In addition, all project committees were requested to engage a full-time, paid foreman. Simple, repro-

ducible designs were sent to communities for construction of classroom blocks, health clinics, staff housing, and other infrastructure. Communities that were not engaging an experienced contractor or foreman were asked to request the District Council to visit the facility and assess construction at critical stages, and seminars were organized at the provincial level to acquaint district staff with the program's objectives and procedures. While these measures were somewhat helpful, a number of projects were not receiving the inputs of skilled labor or technical knowledge they required to produce good-quality construction. Further measures have since been taken to address these problems.

Source: 1992 Social Recovery Project data and OED portfolio assessment.

OED's analysis of direct measures broadly confirmed the results from the *Social Funds 2000* background research. The respondents to the OED household survey<sup>6</sup> were asked about their perception of adequacy of staffing, their view on facility supplies, improvements (since the base year<sup>7</sup>) in staff attendance,<sup>8</sup> and improvements in the availability of supplies (since the base year).<sup>9</sup> For all four countries, a larger proportion of the respondents from the social fund–assisted community than from the matched community had a favorable view of each of these issues, al-

though the absolute percentage of respondents perceiving adequate *staffing* in social fund–assisted facilities was low, except in Nicaragua. In addition, a large percentage thought the facility needed improvement.<sup>10</sup> Nicaragua was again an exception (table 3.1, Annex M, table M.16). The OED stakeholder survey found that 62 percent of the respondents thought that the social fund–financed infrastructure was at least as well maintained as infrastructure financed by the government, and a similar percentage also thought that social fund facilities had service

**Table 3.1****Household Perception of Operations and Maintenance Performance (percent)**

Question	Jamaica	Malawi	Nicaragua	Zambia
Do you feel there are enough staff at the facility? [Yes]	43	69	91	36
How would you describe the facility's supply of desks, textbooks, medicines, etc.? [Reasonably good/extremely good]	46	33	69	33
How does staff attendance compare to the situation [in the base year?] [Better]	34	69	73	44
How does availability of supplies compare to the situation [in the base year?] [Better]	39	45	51	28
How often is the facility clean and well maintained? [Always/usually]	72	88	94	67
Do you think the facility needs physical improvements? [Yes]	67	42	17	89

Source: OED household survey.

flows at least as good as similar facilities financed by the government (Annex J).

**Maintenance.** Overall, maintenance problems in social fund subprojects appear to be more pronounced than problems with operations. According to *Social Funds 2000* background research for Honduras, engineering site surveys rated maintenance of works as “good” for 53 percent, 91 percent, and 80 percent of FHIS water, sewerage, and latrine projects respectively; for schools and health clinics, data is available for cleanliness, which was rated “good” for 53 percent of FHIS schools and 36 percent of FHIS health centers. However, according to the qualitative evidence in the same report, none of the cases studied showed fully satisfactory results for maintenance of works. The report noted that: “there is a gap between the community declaring itself the owner of the project and understanding in theory the basic rules of maintenance, and putting all this knowledge into practice.”<sup>11</sup> While the vast majority of respondents to the OED household surveys felt that the facility was clean and well maintained, the survey also showed that only 35 percent of the respondents in Jamaica, 39 percent in Malawi, 29 percent in Nicaragua, and 10 percent in Zambia perceived that required repairs were done quickly.<sup>12</sup> OED’s stakeholder survey showed that 39 percent of the respondents felt that social fund-financed infrastructure is better maintained than similar types of infrastructure financed by the government. The level of maintenance may be expected to vary by country depending on the state of recurrent finances, but also on the particular maintenance culture in the country.

### ... Or by Examining Conditions for Sustainability

The second means of examining sustainability is to determine if the conditions for sustainability are met. OED’s literature review identified the following conditions for sustainability:<sup>13</sup> (i) arrangements for ensuring technical quality; (ii) clarity about operations and maintenance responsibilities and awareness among those responsible of their obligation; (iii) willingness to fulfill operations and maintenance obligations; (iv) the abil-

ity (technical, financial, and institutional) to meet operations and maintenance obligations effectively; and (v) arrangements for ensuring that sector specificity is adequately addressed.

### Condition 1: Arrangements for Ensuring Technical Quality

A World Bank paper notes, “Concern for the quality of fund-financed projects challenges all social funds and is a recurrent issue in supervision reports. The need to disburse funds rapidly and the lack of technical capacity among project sponsors contribute to the low quality of projects” (Khadiagala 1995). Social funds have adopted procedures to ensure that constructed facilities are of good quality, including the use of standard facility designs and supervision during construction.

Standard facility designs are used by more than half of social funds (14 of a sample of 24).<sup>14</sup> Often they have used ministry designs and standards, but these were sometimes inappropriate. In Honduras, for example, the standard school design provided by the Ministry of Education was not well-suited to multi-grade classrooms, and it rigidly specified the length for the perimeter wall, so some social fund schools left these incomplete. Social funds have developed their own designs and standards where these were unavailable or inappropriate. They have helped ministries improve their designs or standards, as in Eritrea and Honduras. In order to ensure supervision of subproject construction, social funds have used external supervisors, social fund staff, or community volunteers. But these arrangements have encountered problems, as indicated in project documents and by OED field research. In the Honduras FHIS and Nicaragua FISE there were common complaints within communities about inadequate supervision that sometimes allowed contractors to cut corners or use substandard materials.<sup>15</sup> An implication drawn by *Social Funds 2000* with respect to water projects is that although the majority of the water projects evaluated are of acceptable quality, many present problems that call for increased oversight regarding the initial construction and sustainability of the physical infrastructure. In most countries, reports were

received of low-grade material being used in construction, leading to system deterioration.

### **Condition 2: Clarity and Awareness of Roles and Responsibilities**

OED's portfolio assessment found several instances where the operations and maintenance responsibilities and obligations of the parties were not adequately specified or handover and ownership issues were not explicitly addressed up front.<sup>16</sup> It has been noted that "The social fund [agency] and project beneficiaries need to have accurate information on the recurrent cost implications of every project if the feasibility and sustainability of the project is to be assessed and commitments to sustain the project after completion are to be honored. This has been one of the weakest elements of some social fund operations" (Weissman 2001). Lack of clarity of responsibilities was a more common problem with respect to maintenance than in operations. Operations responsibilities were usually outlined in framework agreements or case-by-case agreements between the social fund and the relevant agencies. Maintenance responsibilities, in contrast, were left to be agreed at a later stage, typically at subproject completion, and most operational manuals consequently addressed maintenance issues in a cursory manner. The recent use of maintenance manuals in some social fund projects can be expected to bring improvements.

At the community level, the Bank's review of social fund beneficiary assessments found "a significant and fairly universal problem with the lack of information and/or misunderstanding on the part of beneficiaries about the role and rules of the game of the social funds" (Owen and Van Domelen 1998). It noted that in Peru, about one-third of the beneficiaries interviewed were unaware of the community's commitment to maintain the works and observed that information gaps were closely associated with negative outcomes, including lower levels of participation and sustainability. This would be a particular concern for services that depend significantly on community management, such as water supply. Social funds have taken measures to clarify and improve awareness about roles and

responsibilities. In Zambia, these efforts—which included the distribution of project manuals to beneficiaries and mandatory project-launch workshops that bring together social fund staff, project committees, local officials, and beneficiaries—were particularly successful (Owen and Van Domelen 1998).

OED's household surveys found that in Nicaragua and Malawi only a small proportion of households were unaware of the allocation of responsibilities for facility repairs (9 and 18 percent, respectively).<sup>17</sup> Forty-two percent of the respondents in Jamaica and 40 percent in Zambia were unaware of who was responsible for facility repairs.<sup>18</sup> Furthermore, in Jamaica 60 percent of the respondents had no idea who was responsible for *paying* for repairs, in Malawi this was 43 percent, in Zambia 42 percent, and in Nicaragua only 14 percent.<sup>19</sup> In Malawi, an additional 9 percent of the respondents indicated that "no-one" was responsible for *paying* for repairs (Annex M, table M.16). With respect to the OED stakeholder survey, about one-third of the respondents thought that, at the time they made their subproject proposal, their communities were fully aware of the responsibilities they would assume by receiving a social fund-financed investment. Overall, the recent OED results are suggestive of improvements over time. The efforts needed to improve community-level clarity and awareness of roles and responsibilities will depend on the intended nature and extent of the roles of the community and other agents in operations and maintenance.

### **Condition 3: Willingness to Undertake Operations and Maintenance Obligations**

Government entities have generally been willing to meet their obligations, as demonstrated through framework and subproject-specific agreements. When the relevant agencies are not party to social fund decisions about specific investments that were chosen for financing, willingness (as well as ability) may become an issue. In Jamaica, parish councils were not involved in the identification and implementation of road projects and were unwilling to maintain them.

At the community level, the OED household surveys broadly supported the view that the vast



majority of beneficiaries were satisfied with the chosen investment. It follows that communities were generally willing to keep the investment running. The OED household surveys found that, of the respondents who said that the facility needed physical improvements, 88 percent were willing to pay for these improvements in Jamaica, 85 percent in Malawi, 71 percent in Nicaragua, and 90 percent in Zambia. The community-level *qualitative* data also confirmed the idea that communities felt responsible for social fund facilities—for example, “we also use the borehole carefully to avoid damage since we had contributed a lot” (Malawi). This was confirmed by OED’s institutional analysis based on field research in Jamaica, where communities were enthusiastic about maintaining JSIF investments.

In general, communities were found to have a positive attitude toward sustaining social fund infrastructure. An indicator from the experience in Albania was the reported success of communities in protecting social fund facilities from vandalism during civil riots. This review could not establish the *degree* of willingness to operate and maintain investments in social fund projects overall, but one would expect a close relationship to the extent to which the subproject addresses the highest priorities of the community.

#### **Condition 4: Ability to Undertake Operations and Maintenance Obligations**

Ensuring subproject sustainability requires three types of capabilities on the part of the entities responsible for operations and maintenance: financial, technical, and institutional ability.

At the government level, financial ability is linked to two issues: the overall policy environment for sectoral investments and the balance between capital and recurrent budgets. Lack of government budgets for operations and maintenance often reflects the financial constraints in general for government. In Nicaragua, the health ministry commits itself to meeting recurrent costs, while at the same time admitting there will be no money for it (Dijkstra 2000). Fiscal constraints can be severe in both absolute terms and in the balance between capital and recurrent costs.

In order to reduce recurrent cost problems, social fund projects have often focused on the

rehabilitation of existing facilities rather than the construction of new ones. In some cases, however, even this limited (rehabilitation) strategy may encounter problems. *First*, as shown by the beneficiary assessment for JSIF, while there were fewer operational problems when the subproject was for facility rehabilitation, the resulting benefits were also smaller or less appreciated by communities. *Second*, as *Social Funds 2000* background research has shown, social fund projects have not overcome the problems of understaffing and underequipping of facilities. Significant improvements in operations and maintenance depend on systemic fiscal and sectoral reforms in the country that are beyond the scope of the social fund. *Third*, financing rehabilitation over a long period risks becoming an expensive option for deferred maintenance, since the necessary institutional improvements may not occur if external resources are readily forthcoming for rehabilitation.

Social funds have also introduced maintenance funds as a way to address the sustainability problem. Nicaragua’s maintenance fund is a new approach that sets aside money from government and communities to finance maintenance costs of (social fund, and recently other) investments, and is administered by municipalities in response to community requests. This approach should be monitored for potential replicability. Depending on the design of the maintenance fund and the country context, it may not be the best option. For example, a maintenance fund that earmarks resources for specific facilities or is off-budget can raise issues about bypassing regular budgetary systems and giving preferential treatment to selected infrastructure.

Social funds have increasingly tried to improve coordination with ministries or local governments to ensure that subprojects are consistent with their policies and operating budgets. While this can be expected to produce positive results for sustainability, it may be inadequate to ensure that social fund facilities regularly operate to capacity. For investments that depend heavily on government for recurrent cost financing, sustainability will remain closely tied to the availability of government budgets and may call for systemic fiscal and sectoral reform.



At the community level, OED's portfolio assessment showed that communities have often fallen short on the financial, institutional, or technical wherewithal to ensure that facilities are operated and maintained either by the community itself or by accessing the necessary assistance. The *Social Funds 2000* background research for Honduras noted that "in many cases, [maintenance] problems remained unresolved and often escalated, reflecting the community's practical inability to resolve them either directly or through appeal to the competent authority. This incapacity arose from some combination of lack of initiative, lack of organization and lack of economic resources."<sup>20</sup>

The extent to which financial systems are already in place for regular collection of fees varies greatly between countries and sectors. *Social Funds 2000* noted that the long-term sustainability of water and sanitation subprojects may be adversely affected by inadequate cost recovery. In none of the countries where data was collected did all households report paying for services; the general perception was that the amount collected was insufficient to cover operations and maintenance. This was true both of urban systems managed by central agencies, municipal governments, or neighborhood water associations, as well as rural systems managed by local water committees. A recent evaluation of social funds by a bilateral donor agency also noted that financial issues in operations and maintenance have proved particularly difficult in water and other economic infrastructure projects:

government utilities tend to be largely absent in rural areas and there are no established tariff regulations to finance operations costs. Similar institutional and financial issues also apply to rural power supply and road construction.<sup>21</sup>

Community capacity for operations and maintenance can be supported by the requirement to form maintenance committees and by the provision of maintenance manuals and training. Where these mechanisms are lacking, subproject sustainability has suffered. For example, for the Peru FONCODES, it was noted that more emphasis was needed on training beneficiaries in operations and maintenance, especially in water supply and sanitation. Recent social fund projects are giving more attention to community training for operations and maintenance, and other community-level arrangements are also being put in place to ensure sustainability, indicating a learning curve (box 3.2). In the Bolivia social investment fund, improvements in water quality were less than expected because there had been inadequate attention to "software" aspects. This was followed-up by the provision of additional training through the PROSABAR project, however, which produced favorable results for sustainability. Best practices remain to be replicated across all projects. Sustainability mechanisms are being supported in the Ethiopia and Moldova social funds, including more attention to community contribution and to follow-up in the community by social fund staff after subproject completion (see Annex N, "Ethiopia, Moldova: Incorporating Mechanisms for Sustainable Service Delivery").

### Box 3.2

### Learning Curve: Trends in Sustainability Mechanisms

**The number of projects that required a maintenance contract between the community and at least some of the responsible entities increased from none in the period 1987–93 to 32 percent in 1994–99.**

**The number of projects with maintenance manuals for the responsible entities increased from 40 percent in the period 1987–93 to 64 percent in 1994–99.**

*Note:* N = 24

*Source:* OED data.

**The number of projects that required maintenance/user committees increased from 40 percent in the period 1987–93 to 74 percent in 1994–99.**

**The number of projects that provided small, substantial, or very substantial amounts of training or capacity-building activities for communities in operations and maintenance activities increased from 40 percent in the period 1987–93 to 79 percent in 1994–99.**

### **Condition 5: Arrangements for Ensuring that Sector Specificity is Adequately Addressed**

OED's portfolio assessment confirmed the differences among sectors in the issues of particular concern for sustainability. Budgetary support to subproject operation was most likely to be provided in the education and health sectors, although staffing problems were more common for health facilities. Water and sanitation projects tended to experience the greatest problems in operation from the outset because of poor or inappropriate technical design or lack of local organizational or technical capacity. Poor maintenance of roads and bridges was not only brought about by lack of funds, but often to unclear ownership and responsibility as well. In addition, maintenance problems have been severe for water and roads facilities, since there is not always clear institutional responsibility or mechanisms for levying tariffs or collecting resources.

While the 1997 UNDP/World Bank Rural Water Program global study of rural water systems found that the social funds in the sample had average to above-average sustainability, controlling for the country, the same study found that for both countries for which comparative data were collected, the average sustainability score was worse for the social fund than for the other water project in the same country (Katz and Sara 2000). By contrast, in education and health, the facility provides a potential focal point for collecting fees, although this potential is not always realized. Where economic infrastructure or microenterprises were failing, this was generally due in part to lack of the necessary attention to economic or financial viability at the appraisal stage. Sustainability of microcredit schemes, included in about a quarter of social fund projects (13 of 53 projects),<sup>22</sup> was much more uneven: from the two notably successful examples (Albania and Honduras), important factors were ensuring village ownership, good technical capacity, and experience in the administering agency.

In Nicaragua FISE III, road projects were found to be the highest community priority during the emergency (Hurricane Mitch), but there was concern about the sustainability of the road projects executed during this period. Results

from OED's qualitative review of 2 JSIF-supported road projects and 2 JSIF-supported water projects in Jamaica (involving 18 key informant interviews and 9 focus group interviews) found the same pattern for every road and water project examined. The Parish Council (for roads) or National Water Commission (for water) had refused to assume responsibility for operation and maintenance of the facilities, while the sponsoring community organization had willingly assumed this responsibility, *with limited resources and training*. This was likely to raise serious questions about the future sustainability of these projects unless the communities' continued role was regularized and their ability to undertake the necessary operations and maintenance activities was ensured. The Bank has recently increased attention and focus on operations and maintenance issues relating to JSIF investments, including the provision of significant training activities aimed at local officials and trainers and the dissemination of information on maintenance practices.

Arrangements for sustainable service delivery must reflect the nature of goods and services being delivered (box 3.3). By being classified as multisectoral, social fund projects may escape the scrutiny applied to sector projects. This issue has been noted with regard to financial sustainability standards in the water sector (OED 2001). For the road sector, interviews with Bank staff indicated that social funds do not adequately distinguish between community roads and tertiary roads and use similar arrangements for both, with implications for sustainability. Furthermore, since economic analysis is not typically used to assess social fund subprojects, social fund projects finance community roads of higher unit cost than would be justified by sector-financed tertiary roads programs, and alternatives are not adequately assessed. Issues related to sustainability can become particularly acute when the lion's share of financing of tertiary roads is provided by the social fund and there is no credible sector strategy for maintenance of these roads. This was the case in Malawi, where the road sector investment program refrained from financing tertiary roads because the social fund was providing extensive resources for them. In this case,

**Box 3.3****When Should Social Funds Support Communities “Acting Alone” to Provide Goods and Services, and When Should Government Be Involved?**

The government role and government level required in the planning, production (investment and O&M), financing, or regulation/policy setting for any type of good or service demanded will depend on the following characteristics of the goods and services: their public versus private nature (is the good or service by its nature available to all in the community, or are access and availability limited?); the range of impact area and externalities (are there positive or negative effects on nonusers?); the extent of natural monopoly and potential for competition in production; the social value placed on ensuring a minimum level of consumption (for merit goods); technical coordination requirements, especially for physically networked services; and information requirements for users and producers to realize the desired quality of services.

From these characteristics, certain implications follow regarding the most appropriate roles (“who does what”) for the community of beneficiaries and for the next level or levels of government. That is, for services with mainly private impacts, individuals or households can choose what they want to consume and pay prices or user charges, so demand and supply can be determined through the market mechanism. For services with mainly neighborhood-level impacts, a local community group (or its agents) should plan and finance (through local benefit taxes or levies or user charges, for example). For services with inter-community or citywide impacts, local (or district) government or its agencies should plan investments, ensure technical/system coordination, and organize financing. Fiscal transfers (from national government to local, local to community, or to households) may still be justified to ensure minimum essential service levels, counteract externalities, or correct for high start-up costs.

Types of subprojects that create recurrent obligations on government budgets for operations (such as staffing schools and clinics) also need to be consistent with sectoral plans in these areas. When users and suppliers have unequal access to critical information (on safe water quality, for example), and when there are important technical coordination requirements

for service levels to be achieved (such as consistent standards within networked infrastructure systems), there is a specific rationale for a party beyond the user groups to perform some oversight, information-sharing, or regulatory functions.

The key implication for social funds is that the effectiveness and sustainability of subprojects requested by communities may depend on various institutional arrangements being in place for the sharing of responsibilities and functions between the community, the respective local government, and sometimes higher levels of government or its agencies; the appropriate institutional arrangements will differ with the type of subproject, depending on the technical, economic, financial, and environmental characteristics and the scale as described above. Generally, non-networked water projects, for example, can be more appropriately provided within a community than inter-village roads. The following points are important in considering to what extent and in what ways the community requesting/sponsoring a social fund subproject will need a broader framework of government support to ensure sustainable results:

- Who should provide each type of infrastructure service, and at what level (community, municipality, district), depends on the impact area, network or coordination requirements, and externalities. Appropriate solutions often require sharing of planning, financing, and oversight responsibilities among communities and across levels of government.
- A community may act as the “lowest local government” for its members in providing some types of services, but good results still require that the need for accountability, appropriate financing mechanisms, coordination or connectivity of services, and organization be addressed.
- If the community acts “like a government” by performing these functions for the provision of local goods or services, it must be legally, formally constituted to collect resources, own assets, and constrain private action (for example, to charge and collect user fees, protect the commons, maintain the infrastructure).

*Source:* Kessides 2000.

the sector program assumed responsibility for also developing a strategy for tertiary roads and averted adverse effects. In Argentina, some of the subprojects that FOPAR is financing through

grants are the same investments that the Municipal Development Program is financing through loans—that is, sidewalks and curbs. Although both Bank programs have worked in dif-

ferent municipalities, they could coincide in the future, in which case this inconsistency would become a more serious problem (Serrano 2000). In OED surveys of both country directors/resident representatives and sector directors, the economic infrastructure components (road, water supply and sanitation, and energy components) of social fund projects were rated worse than other projects in the country/sector with respect to compliance with sector standards for economic analysis, as well as for financial issues.

In general, it is important to clarify what can and should be expected of social funds with respect to sustainability of subprojects. The social fund can supervise and support technical quality; ensure that subprojects conform with the policies and operating budgets of line ministries and/or local governments; ensure that all parties are aware of, and committed to, carrying out their responsibilities; and support the ability of communities to play their part in op-

erations and maintenance. For subprojects with operation and maintenance within the remit of the community itself, the social fund can support community capacity building. Many types of subprojects, however, depend on government for operations and maintenance and are subject to prevailing fiscal and sectoral constraints in the country. In these cases it may be unrealistic to expect that operations and maintenance of social fund facilities would differ substantially from the norm. Significant improvements would depend on systemic reforms beyond the scope of the social fund or the community. The scope and scale of activities undertaken by a social fund should be guided from the outset by assessment of operations and maintenance capacity and constraints in each of the sectors of social fund intervention in the country concerned, including the existing composition and balance of public expenditure and projected fiscal capacity.



# Institutional Development Impact

**T***o what extent have social fund projects improved countries' capacity to use their human, organizational, and financial resources effectively?*

Generalizations about the institutional impact of social fund projects are difficult because the projects vary widely in their country conditions, objectives and design, and nature and scale of activities, and because of changes in these factors over time. Furthermore, institutional impacts have not been systematically monitored and, as a result, empirical data are limited. OED's field research and review of the Bank's portfolio provide examples, outlined below, of both positive and negative institutional effects of social funds.

The net impact depends on the constraints and opportunities in the particular institutional setting, and on how well the design of the social fund is aligned with this setting. This chapter examines the intended and unintended effects that social fund projects have had on institutional development.<sup>1</sup>

Of the 23 closed social fund projects as of end-fiscal year 2000 (out of the total social fund portfolio of 66 projects examined for this review), OED rated 65 percent "substantial" on institutional development impact.<sup>2</sup> This compared favorably with the ratings for PTI projects (43 percent) and all Bank projects (36 percent) over a comparable period.<sup>3</sup> These ratings were heavily influenced by good organizational performance of the social fund agency. Completion and audit reports found more weaknesses in performance on wider institutional objectives, in-

cluding weaknesses in delivering on capacity building components.<sup>4</sup>

Of the 66 projects in the portfolio, 47 percent had explicit institutional development objectives, to build the capacity of central or local governments, the private sector, NGOs, and/or community organizations. The most significant change over time has been the shift in attention from building capacity at the central level to an increasing focus on local governments and communities (table 4.1).

Social fund projects have often had more than one institutional objective. Typical examples are: to strengthen central capacity for poverty monitoring and analysis; to strengthen local community organizations and municipal governments; to contribute to the government's decentralization strategy by building local ca-

**Table 4.1****Institutional Development Objectives  
Have Become More Local (percent)**

<b>Objectives</b>	<b>1987–95 (N=24)</b>	<b>1996–99 (N=42)</b>
Decentralization	8	14
Capacity building:		
Social fund agency	17	10
Central government	33	14
Local government	8	29
Private sector <sup>a</sup>	4	10
NGOs	13	12
Communities	29	48

a. Includes private contractors, consultants, artisans, skilled labor, farmers, local technicians, and entrepreneurs.

Source: Bank data.

capacity in planning, execution, operations, and maintenance of small-scale infrastructure projects; to improve the capacity of communities and NGOs to plan, appraise, manage, and maintain investment activities through experience gained in the project; and to strengthen the capacity of private, small-scale contractors and other microbusinesses. Even in projects without such stated objectives, the expectation of institutional benefits has commonly been reported in project appraisal documents.

Performance monitoring practices suggest that most projects have attached a relatively low priority to institutional development, without explicitly addressing the tradeoffs with other objectives. Relevant performance indicators were included in appraisal documents for 31 of the 66 social fund projects, and most of those consisted of tracking inputs, such as quantity of training. A review of project status reports for a random sample of 18 of the 31 projects found that only one in 6 projects was reporting progress on these indicators. Capacity building components of projects often have not been fully implemented. A few of the newest social fund projects have a clearer institutional development focus. The Moldova MSIF and Romania social fund, for example, give priority to building capacity at the community level.

Views on appropriate objectives for social fund projects cover a wide range. In OED's stakeholder survey (including government offi-

cial, social fund agency staff, and NGO and donor representatives), 36 percent of the respondents said that the primary function of social funds should be to finance capacity building for infrastructure or service delivery, 18 percent that it should be to finance delivery of infrastructure, and 6 percent that it should be to support institutional reform. Asked whether the social fund was currently focusing on the preferred function, only 19 percent thought it was fully focused and 64 percent considered it partially focused (Annex J).

### **Most Social Fund Agencies Are Independent and Competent . . .**

All the Bank's social fund projects have financed investment in building the capacity of the social fund implementing agency—through staff training, technical assistance, study tours, and other means—with some impressive results for organizational effectiveness and innovation in project management. Agency staff members have typically been concentrated in engineering, procurement, or financial management specialties, often recruited from the private sector. Through building teams of results-oriented professionals, many social fund agencies have distinguished themselves as learning organizations, adapting to changing country conditions, responding quickly and effectively to emergencies, establishing transparent operating procedures, putting sophisticated management information systems



in place, and developing innovative approaches to community contracting (Annex L) and outreach.<sup>5</sup> Some of the tools and processes developed for management of social fund projects—including the use of operational manuals, management information systems, and procurement and disbursement procedures appropriate for community contracting—have had wider application and benefit within Bank operations. For example, the proposed Children and Youth Project in Macedonia is drawing on social fund experience in the use of operational manuals.

Implementation completion reports attribute much of this effectiveness to the autonomy of the social fund agency. Of the projects for which the data have been reported (ranging from 38 to 56 projects, depending on the question), the majority of social fund agencies were created as legal entities, independent of line ministries (89 percent), and accountable directly to the president or prime minister (64 percent). Most have been exempt from government regulations in hiring staff (95 percent), staff terms and conditions (93 percent), and government procurement and disbursement procedures (83 percent and 74 percent).<sup>6</sup> Although these arrangements have been key to the strengths of social funds in producing immediate outputs and in attracting external finance, they have also presented difficulties of coordination and accountability relative to mainstream central, regional, and local public sector agencies.<sup>7</sup>

The issues involved are similar to those concerning the use of Project Implementation Units in general,<sup>8</sup> but are particularly important for social funds for three reasons. *First*, social funds usually have a much higher degree of independence from line ministries and sectoral budgets. *Second*, they make decisions on allocation of resources among alternative investments—both across and within sectors and Regions. *Third*, they have acquired *de facto* long-term status, as their mandates continue to be extended on the strength of external funding (typically sustained at 70 percent to more than 90 percent of expenditures),<sup>9</sup> with continuing accountability, usually to donors as much as to national stakeholders (Dijkstra 2000).

Views differ concerning the justification of continuing the autonomy of social funds when they are no longer geared to emergency objectives. Social funds are sometimes characterized as simple executing agencies for central or local governments, complementing the line ministries' role of planning and policymaking by specializing in delivery of physical infrastructure. Many AGETIPs now play this role, as contractors to local or central governments.<sup>10</sup> Social funds, however, by controlling the purse strings, have been filling a parallel function in deciding the allocation of public resources—based on a combination of local demand and poverty mapping (Dijkstra 2000; Dijkstra and Green 2000). An alternative approach to defining the role of autonomous social funds vis-à-vis other agencies is that they are filling gaps in the country's social protection framework. This is indeed the role of some social funds that are integrated in government and primarily government-financed, such as Chile's FOSIS, whose activities do not include social infrastructure. However, in Bank-financed social funds, the bulk of investment has been in public infrastructure, especially schools and health facilities, for which the quality, coverage, and sustainability of service delivery depends on the policies and performance of central and local governments.

As a result of these ambiguities, the role of social funds in relation to line ministries has been inherently unclear, and coordination problems have been reported frequently in project status and completion reports. Many of these problems have been attributed to weaknesses in the ministries concerned, but, at the same time, the special status and mandate of social funds has, *inter alia*, made it difficult for them to have much impact on the deficiencies of mainline services (Nelson 1999).<sup>11</sup>

The success of social funds in attracting donor finance has been an important strength and has also imposed a challenge for coordination. Social fund agencies have experienced difficulties in managing simultaneously the different reporting and accounting requirements and project objectives of multiple donors, unless strong efforts have been made by donors to reduce these problems. The Egypt social fund effectively



managed a multidonor partnership with as many as 17 donors (see Annex N, “Egypt: Multidonor Partnership and Coordination”).

Social funds have attracted significant political attention. The Winner-Loser Matrix (Annex G) shows that social fund projects can generate a wide range of costs and benefits—most stakeholders can gain, lose, or both, depending on project design and context. Political objectives are not necessarily inconsistent with development objectives and poverty targeting; after all, the poor comprise a large constituency in many countries. In Peru, FONCODES was the flagship project of the Fujimori administration for reaching out to the poor. However, when courting the poor leads to political favoritism or clientilism, it becomes incompatible with the institutional development of government since it violates the fairness principle, which lies at the core of government performance (Serrano 2000). Social funds can be subjected to undesirable political pressures. For example, it was found that political interference in Ecuador adversely affected FISE’s operations and credibility after mid-1996. Similarly, at a time when elections were immi-

nent, the Panama FIS was threatened by political influence on staff appointments and sub-project allocations. Related issues have been encountered in many social fund projects, for example, in Albania, Guatemala, Madagascar, and Tajikistan, and QAG reviews have emphasized the importance of protecting social fund agencies from political pressures.

### **... And Their Wider Institutional Effects Have Been Limited**

Superior performance of the social fund agency, when it is achieved, does not in itself imply a significant institutional development impact. This depends on the extent to which social funds promote wider adoption (of values, behaviors, methods, processes, and skills) in national and local institutions through their interaction with other agents. (The channels available to social funds to impact the wider institutional environment, both positively and negatively, are outlined in box 4.1.)

Little attention has been given by projects to monitoring or documenting these impacts, which are difficult to measure. OED’s stakeholder sur-

#### **Box 4.1**

### **Institutional Development Effects Have Many Channels**

**Direct effects:** A social fund project includes an explicit institutional development component, providing training or technical assistance to other organizations.

**Demonstration and catalytic effects:** New approaches, procedures, or methods demonstrated by the social fund are adopted by other agencies, and where the social fund prompts new thinking and approaches.

**Learning-by-doing effects:** Other agencies gain experience in using new approaches, procedures, or methods through engagement in subproject decisionmaking/planning or implementation processes.

**Competitive effects:** Other agencies improve their own efficiency in order to stay in the competition for resources and power; or negatively, where other institutions withdraw from tasks and responsibilities that the social fund is taking on.

**Demand effects:** Social fund activities generate additional demand at the community level for the services of government agencies, stimulating enhancement of government capacity to

meet that demand; or where they stimulate broader demand effects for the services of private contractors or NGOs.

**Resource mobilization and allocation effects:** The social fund mobilizes previously unutilized community/local capacity and nongovernmental resources, and contributes to a rationalization of resource use by government (for example, if government resources are freed-up to improve quality of services as a result of the social fund investment in buildings); and/or negatively, the social fund agency attracts the most competent staff and critical resources away from government agencies, thus weakening them.

**Systemic planning, budgeting, and accountability effects:** The social fund contributes to transparent and efficient public sector processes through close integration with them; or negatively, where social funds bypass central or local budgetary and sectoral planning processes, undermine accountability of public agencies, inhibit fiscal reform, and distort the budgetary allocation process.

vey<sup>12</sup> found that 48 percent of the 160 respondents thought the social fund had had a positive impact on the institutional development of line ministries, compared with 55 percent for local government. Forty-six percent thought that the social fund had a positive impact on decentralization in the country, while only 13 percent saw no impact and only 2 percent thought the impact had been negative.

### Effects on Central Government

Social fund engagement with central government as it relates to institutional development has taken five forms: direct training or technical assistance for central government staff; direct engagement of central agencies in social fund processes as eligible subproject sponsoring agencies; demonstration of new approaches; secondment of central government staff to the social fund; and cooperation between the social fund agency and central government on technical standards, investment planning, targeting, and other functions.

Some of the early social fund projects (6 of the first 18 funded by the Bank)<sup>13</sup> had explicit objectives aimed at building capacity at the central government level. Many without explicit objectives included components to finance training and technical assistance, sometimes because they were conceived as temporary agencies that would transfer their responsibilities to line ministries as soon as the ministries had the necessary capacity. Of the 24 projects for which data were available, more than 60 percent included some training for central government officials—half of these provided substantial or very substantial training, while 37 percent provided technical assistance.<sup>14</sup> JSIF in Jamaica offers an example of successful capacity building of the central agency responsible for community development.

Overall, progress either in building capacity or in transferring responsibilities at the central level has not met expectations. Recent projects have been less ambitious in this respect. Weaknesses in the design and delivery of training were identified in some implementation completion reports.<sup>15</sup> However, demand factors beyond the control of the social fund—such as frequent

staff transfers, lack of motivation, and lack of incentives among government staff to receive training—have also been important in explaining the limited success of these activities.

The scope for learning-by-doing effects through direct engagement as intermediary agencies in social fund processes has been small at the central level and has declined substantially. In only a few countries have central government agencies been among the entities eligible to apply for social fund resources.<sup>16</sup> Of the 24 projects, the share with more than 10 percent of their resources going to central government declined from 60 percent before 1994 to only 11 percent from 1994 to 1999.

Demonstration effects have been more significant, but still limited. Ten of 24 projects reported carrying out regular dissemination of information to government staff on new development approaches. The practice of seconding central government staff to the social fund has become more prevalent (reported for one in five projects since 1994). Reported impacts have included changes in procurement and contracting procedures, adoption of competitive bidding procedures by government agencies, and, in a few cases, revision of public sector procurement regulations.

In some instances, wider use sometimes has been made of poverty maps and management information systems developed for the social fund. In Guatemala, a pilot program to train community members in teacher selection and supervision was adopted nationally by the Ministry of Education.<sup>17</sup>

Such examples are not widespread, however. OED field research, portfolio assessment, and stakeholder interviews indicate that line ministry staff tend to resent the independence and perceived privileges of the social funds and may not be convinced they have anything to learn from them. When the fund is reputed to be achieving better results and efficiency, ministry staff are inclined to attribute this to the greater resources of the social fund rather than to differences in working methods.

OED found some evidence of both positive and negative impacts from competition with the social fund. For example, in Nicaragua, com-

petition between FISE and INIFOM (the institute charged with the development of municipalities) appears to have had some effect in prompting greater efforts to improve effectiveness. But FISE's entry into water system delivery, which brought it into competition with ENACAL (the existing agency responsible for delivery of water systems), involved coordination problems, in that FISE had difficulty in matching all the technical standards of ENACAL.

The main form of interaction at the central level has been through mechanisms to coordinate social fund activities with sectoral recurrent budgets and technical standards. This coordination typically depends on: (i) line ministry representation on social fund steering boards; (ii) framework agreements between the social fund and line ministries defining cooperative arrangements at various stages of the project cycle; and (iii) the requirement for prior approval of subprojects by the relevant line ministry.

Of the 24 projects for which task managers provided detailed information on institutional issues, 16 have required a formal coordination agreement specifying respective roles, and 3 have included procedures for regular review of the agreement. Sixteen of the projects had a working-level liaison person in the relevant sector ministries, increasing from 20 percent before 1994 to 79 percent since then. Twelve required screening, clearance, or approval of subproject proposals by central government, but this share declined from 80 percent in 1987–93 to 42 percent in 1994–99. Fifteen required clearance of social fund infrastructure norms and technical standards.

Overall, these mechanisms appear to have been sufficient to at least secure central government acknowledgement, where relevant, of recurrent cost obligations for the facilities financed by the social fund (although budget constraints have often prevented them from fulfilling these obligations).<sup>18</sup> They have usually not been sufficient, however, to ensure that social fund investments are integrated in sound sectoral policies and public investment strategies. There is little evidence that they have prompted significant improvements or new approaches on the part of ministries, although new design and

construction standards developed by social funds for school buildings or health facilities have sometimes been adopted nationally. The requirement for ministry approval of subprojects has usually been honored, but often in a routine manner. When cooperation agreements have been ambitious, ministries have had insufficient capacity, resources, or motivation to comply fully with all the requirements.

Nevertheless, social funds have increased general awareness of the feasibility of new approaches in the public sector: approaches to investment decisions and service delivery that are more client-responsive; poverty targeting of investments; and the potential for public agencies to work with NGOs and the private sector. For example, in Nicaragua, FISE seems to have made the central level more aware of the contributions local levels can make in decisionmaking, especially in the education sector (Dijkstra 2000). In Bolivia, the emergency social fund improved the relationship between the central government and NGOs. In Thailand, the social fund is facilitating central government collaboration with civil society organizations (see Annex N, "Thailand: Fostering Partnerships"). In Egypt, the social fund has been successful in promoting partnerships between central government, NGOs, and the private sector, despite strong initial resistance. In Argentina, national and subnational governments' skepticism toward the feasibility of community-based contracting programs diminished after FOPAR's pilot phase, paving the way for other programs to adopt a similar approach (Serrano 2000).

Negative institutional impacts have also been reported, for sectoral planning, efficiency of resource allocation, or budgetary transparency, when the social fund accounts for a substantial share of public expenditure—as it does, for example, in Bolivia, Honduras, and Nicaragua. OED field research did not find evidence of social funds displacing skilled manpower on any significant scale from government agencies—the numbers involved were not significant and social fund staff were often drawn from the private sector. However, concern that a social fund inhibits sectoral planning and may displace or undermine sectoral reform efforts has been

raised in a variety of contexts. An evaluation of the first emergency social fund project for Bolivia, for example, flagged the danger that if a social fund program was not limited to a fixed period, it was liable to dilute other reform efforts and allow procrastination. Similar points were made in evaluations of social fund projects in Guyana and Egypt.

One of the difficulties has been the potential of large social funds to distort resource allocation in favor of infrastructure investment in their sectors of specialization. Despite this danger, the impacts of social funds on the balance of public expenditure have not been monitored. If national sectoral strategies are weak, or if social fund activities are not well aligned with sectoral priorities, a “successful” social fund may attract increasing donor assistance at the expense of line ministries, distort the balance of expenditure between sectors or between capital and recurrent expenditure, and delay quality improvements in the services themselves. When social funds are responsible for allocating a significant share of investment resources in the education or health sectors, the ability of the relevant ministries to allocate capital resources according to sectoral criteria (such as enrollment and attendance rates, projections of pupil numbers, data on school performance, and epidemiological conditions) is diminished. In addition, since social funds typically finance only investment costs, the success of a social fund in attracting donor resources may exacerbate any existing bias toward capital over current expenditure in the social sectors (Dijkstra 2000). This tendency is in opposition to the Bank’s strategies for assistance to the social sectors, which point to the need for more attention to the quality of service and outcomes relative to investment in buildings.<sup>19</sup>

Particular difficulties arise when major restructuring is needed or is under way in the social sectors, as in the Europe and Central Asia Region, where strategies for the education and health sectors include, or should include, rationalization of unsustainable excess infrastructure. Unless the social fund’s targeting criteria are closely coordinated with sectoral rationalization plans at the relevant level, the fund’s activities

risk inhibiting, or obscuring the need for, efforts to plan and implement these difficult reforms. For example, in the absence of clear plans or a commitment to rationalization of schools, but with strong community demand for school renovation subprojects, the Georgia GSIF faced three options: to fund education subprojects on the basis of community demand and risk investing in schools that would later need to be closed; to halt funding of education subprojects until the ministry or regional authority provided the necessary guidelines, based on a viable rationalization plan; or to develop their own criteria (Schmidt and Marc 1998). By choosing the last option, the social fund was meeting important short-term needs, but was failing to support efforts toward improving sustainability of the overall system.

Social funds in the Region are now giving more attention to these issues and are responding in different ways. In Romania, for example, the social fund is not financing health or education facilities, leaving this to sectoral projects. In Moldova, the social fund has contributed to innovations in school heating and space rationalization, and it invests in village health posts only after ascertaining that they are not slated for restructuring. In Armenia, where major reforms of school finance and governance are being implemented, the social fund is aiming to align its activities with these reforms by working through the newly elected school councils.

Project documentation indicates that relatively little attention has been paid in social fund projects to the impact of social funds within the overall framework of public expenditure planning, or compliance with national budget and accounting requirements, although large social funds may upset the transparency, accountability, and comprehensiveness<sup>20</sup> of the budget process (or efforts to reform this process). As for other kinds of projects, government allocation to the social fund is usually included in the budget, but donor finance often is not. Of the 42 projects for which task managers provided the information, about one-quarter reported that all social fund revenue was included in the government budget (table 4.2). However, even when all social fund revenue is shown in annual

**Table 4.2****Social Fund Budgetary Arrangements**

Question	N=	Yes (%)	No (%)	Don't know (%)	Does not apply (%)	Other (%)
Social fund budget is included in the government budget	43	82 <sup>a</sup>	21			
If included in government budget						
It captures all social funds expenditure	42	24		14	21	5
It captures only those locally financed		36				
Social fund is covered in the auditor general's report to parliament	42	60	21	19		
In scrutinizing government accounts, the public accounts committee extends its scrutiny to social fund	39	56	18	26		
If scrutiny is extended to social fund, an accounting officer or equivalent is responsible for answering back to parliament on proper use of social fund resources	39	51	3	26	21	

a. Sixty-three percent as a line item, 19 percent in some other form; Honduras FHIS IV included in both (depends on sector), therefore, total exceeds 100.

Note: N is the number of social fund projects, not the number of social funds.

Source: Survey of social fund task managers.

budget estimates for parliamentary authorization, this does not include how the money will be spent, which prevents integration with sectoral planning and budget estimates. The Eritrea Community Fund is unusual in coordinating with the government expenditure planning and budgeting processes by gathering eligible subproject proposals for the coming fiscal year, in collaboration with regional government staff, and consolidating them in an annual work program and budget that is submitted to the Ministry of Finance, line ministries, and donors for approval and financing (see Annex N, “Eritrea: Coordinating with the Government’s Investment Planning Process”).

Once again, these impacts become particularly important for large-scale social funds. The potential significance depends also on the kinds of goods and services financed by the social fund—whether or not these are public goods and services for whose provision government agen-

cies are, or need to be, held accountable—and also on the nature of budgeting practices in the country concerned.

### Effects on Local Government

Social fund engagement with local government has varied greatly between projects. It can take three forms: direct training or technical assistance from the social fund to local government officials; local government participation as an eligible subproject sponsor; and participation by local government staff in social fund subproject cycle functions such as identification, appraisal, and supervision.

Fourteen of the 66 Bank-financed social fund projects have had specific objectives for building the capacity of local governments,<sup>21</sup> while 9 of the 24 projects for which detailed data are available included provision of substantial training to local government staff. Results have been mixed, but more positive than at the central

level. Local governments have benefited from training in participatory planning; project appraisal; and in subproject implementation, operation, and maintenance. But formal training and other specific capacity-building activities have often fallen short of plans. The need to give higher priority to support through appropriate training is recognized in a number of current or new projects, including Yemen and Zambia (see Annex N, “Yemen, Zambia: A Shift Toward ‘Software’: Changing Social Fund Activities?”).

Effects of “learning-by-doing” have depended on the extent to which responsibilities have been delegated to local governments, as contractors for subproject implementation, and/or through a role in subproject identification, appraisal, and supervision. Of 60 social fund projects, 60 percent included local governments among the entities eligible to apply for social fund resources, but only 8 percent worked exclusively through local governments, while 23 percent worked only with communities.<sup>22</sup> Eleven of 23 projects for which the information was available reported no social fund resources at all going to local governments. Although many social funds work through both communities and local governments, projects have given little attention to the question of which decisions are most appropriately taken at which level for the different types of investments they are financing.<sup>23</sup>

Whether local governments or community organizations act as the subproject sponsor, the recent trend among social fund projects has been to involve elected local governments and/or local line ministry representatives more in identifying, appraising, and supervising subprojects and in providing technical support. Twelve out of 24 projects have required screening of subproject proposals by local government, while 7 have included direct local government participation in all phases of the subproject cycle. Social funds in Sub-Saharan Africa have typically worked directly with communities, but this approach is increasingly being adjusted to support the growing national commitment to decentralization or deconcentration of government functions. In Eritrea, Malawi, and Zambia, teams of local administration staff carry out desk and field appraisals of subprojects, while the social

fund officer provides support. Some districts are now using these teams to manage other activities. In Zambia, the social recovery project provided needed resources at the local level and the opportunity for the existing district development coordinating committees (comprising representatives of the sector ministries at the district level) to participate in planning the use of those resources.

However, as the government’s decentralization efforts move ahead, far greater coordination with district councils (comprising locally elected representatives) as well as the district staff of central ministries will be needed in allocating project resources. Otherwise, there is the danger of missing not only an opportunity to increase local responsibility and accountability but of actually weakening district councils by preventing elected representatives from being held accountable for local decisions. The Nicaragua FISE is piloting a micro-planning process as the basis for subproject selection, giving responsibility to municipalities to organize community workshops and prioritize proposals in a Municipal Investment Plan, for financing by FISE and other domestic and international agencies. Similar efforts are also under way in Honduras.

When local officials have not been given a significant role, this has usually been justified in terms of the lack of local government capacity in a poorly defined decentralization framework. Nevertheless, the Albanian Development Fund was successful in allocating responsibility for subproject selection and implementation from the outset to newly created local governments in difficult conditions, making a substantial impact on their capacity to interact with community leaders, manage small engineering and construction projects, and conduct competitive bidding (see Annex N, “Albania: Clear Division of Roles and Responsibilities, Key to a Successful Partnership”). In other cases, such as Peru and Jamaica, the social fund largely bypasses the local elected authorities and works directly with communities, leaving other agencies to support the local governments.

The question of whether, how, and in what circumstances social funds can support decentralization is receiving increasing attention. A recent comparative study suggests that social funds



can do this most effectively when appropriate decentralization policies are in place, when the fund works through local governments instead of setting up its own structures for community participation, and when the planning process starts with an open menu of choices rather than a limited subproject menu. When there is no decentralization strategy, the early experience in Bolivia suggests that social funds can still play a positive role in enhancing local governance by demonstrating the feasibility and the potential role of local actors in decisionmaking (Parker and Serrano 2000).

The few projects that have given significant responsibilities and decisionmaking power to local governments have reported some positive impacts in building local government capacity. These effects include: increased interaction between the population and local government; strengthened technical, administrative, and financial management capacity; and, when local delegates of line ministries are involved, support to deconcentration of government by strengthening the position of local staff relative to the central ministries. In most cases, the involvement of local governments is mainly in administrative and technical functions rather than in planning and decisionmaking.

Even when the social fund works directly with communities and bypasses local governments, some researchers have noted that building capacity at the community level can produce positive “demand effects,” helping to make local governments more accountable and responsive to communities (Parker and Serrano 2000). It is common for social fund project beneficiaries to report increases in expectations (Dijkstra 2000; Dijkstra and Green 2000; Serrano 2000).

The evidence of response-effects on the part of local governments is much more limited. The following examples indicate the potential for such impacts:<sup>24</sup> in Armenia, when a member of a subproject management committee was subsequently elected as mayor of the local municipality; in Moldova, where some elected local governments are signaling transparency in their operations by choosing to work through community project committees that were set up for the social fund; and, in Argentina, where a priest

took an interest in social mobilization, participated in FOPAR activities, and was subsequently elected councilor. The sustainability of these effects depends on the decentralization framework and on other measures to improve the ability of local and central governments to respond.

Negative effects on decentralization mirror those at the government level on planning, budgeting, and accountability. When significant functions have been devolved to elected local governments, social funds that work directly with communities diminish a local government’s accountability to the population and inhibit its budgeting function (as in Peru and Jamaica).<sup>25</sup> JSIF in Jamaica, which has mostly bypassed elected local governments and focused its training activities on NGOs, communities, and a central agency working with communities, has at best been missing the opportunity to promote local government capacity and accountability to local citizens. This tradeoff does not appear to have been explicitly addressed by JSIF. Bypassing local governments may have jeopardized sustainability of some JSIF investments that are in sectors within the Parish Councils’ responsibility, such as local roads.<sup>26</sup>

Working through local governments may not always be sufficient to ensure that the social fund is supporting, or at least not undermining, local government capacity and accountability. Depending on the nature of decentralization and the fiscal framework, social funds can limit the scope for systematic planning and efficient resource allocation at the local level. This problem emerges when the resources channeled by the social fund are large relative to the untied revenues of the local government. Social funds can undermine the intergovernmental fiscal framework by introducing a “soft budget constraint” and inhibiting effective planning. This became an issue in Bolivia, for example, where local leaders did not have to prioritize within a given resource envelope, and thus were not held accountable for their decisions and could pass responsibility upward. The social investment fund appears to have contributed to non-transparency in resource allocation (by transferring resources through discretionary channels) and weak accountability in intergovernmental fis-



cal relationships. The proliferation of social funds within a country, as in Guatemala,<sup>27</sup> increases this impact as well as the transaction costs for local governments.

### Effects on Communities

Social funds aim to have effects at the community level through a number of mechanisms: project committee members receive training and gain experience through learning-by-doing; other community members may learn new skills through participation in subproject activities; and the capacity of the community for collective action may be improved through the experience of working together on a subproject. Impacts of the last could include increases in community cohesion and the capacity for future community-based initiatives (“bonding social capital”), and improvements in the community’s links with outside (“bridging social capital”).

Thirty-two percent (21 of 66) of social fund projects in the portfolio included community capacity building among their objectives. Community empowerment was mentioned among social fund objectives in 12 percent of projects. Five percent of projects mentioned increasing social capital<sup>28</sup> and social cohesion among their objectives.<sup>29</sup> The Bank’s strategy for social protection proposes further increasing the emphasis on social capital in social fund projects.

*Capacity Building and Skills Development.* Half of the 24 projects for which the data are available aimed to provide substantial training for communities—in subproject identification, implementation, accounting, organizational management, or maintenance—and 10 provided moderate or substantial technical assistance. Project supervision and completion reports indicate that the planned community training has often not been fully implemented, while beneficiary assessments have reported requests for more training at the community level. OED research (Annex O) in 10 randomly selected communities in 2 countries<sup>30</sup> found an insignificant impact of social funds (compared with matched communities) in developing capacity and skills at the community level. Key informant interviews with subproject committee members mentioned some new skills among committee members.

*Social Capital Impacts.* With respect to social capital effects, comparing social capital changes in social fund communities with those in non-social fund communities, OED findings were mixed (box 4.2 and Annex O). A statistically significant positive impact was found for both bonding and bridging social capital in Jamaica, while in Nicaragua no significant impact was found for bonding social capital and a significant negative impact was found for bridging social capital.<sup>31</sup> In Zambia, there were mixed bonding social capital effects (positive on one variable, negative on the other), and there were no significant bridging social capital effects. In Malawi, no significant bonding or bridging social capital effects were found.

Qualitative data from community-level field work—based on the views of a small number of self-selected community members—presented a more positive picture and provided examples of specific cases where social funds had led to further collective action and raised hopes and expectations for future development activity. In key informant interviews, subproject committee members reported that their capacity to deal with contacts outside their community had been improved. The qualitative studies pointed to some instances of negative effects on social capital through social fund activities (such as allegations of corruption relating to subproject committee members or cases of conflict and discord created within the community), but these were not common.

An OED institutional analysis based on qualitative research in Argentina,<sup>32</sup> comparing the social capital impacts of two projects, found that the social fund project contributed to bonding within the community and to the creation of new and better connections between individual communities and formal organizations. For example, more and better-articulated demands to local governments, increased capacities to contract and oversee technical assistance, and increased ability to deal with banking institutions were noted. The fund was less successful in generating changes in the way formal organizations related to poor communities because of the scant leverage the poor can exert when acting as individual communities (Serrano 2000; Annex O). The

## Box 4.2

## Social Capital Impacts in Four Surveyed Countries Have Been Mixed

This analysis is based on OED's household surveys of 1,687 households and 3,056 respondents. Only results that are statistically significant on multivariate analysis and are confirmed by the difference-in-difference approach (t-statistics and chi-square test) are reported here (details are provided in Annex O).

**Jamaica**

**Bonding social capital:** Respondents' perception of change in the level of trust and community cooperation between people from different backgrounds and ethnic groups was significantly greater for the social fund–assisted communities. Their perception of change in the ease of participation in groups and associations of people outside the immediate household was significantly higher for the social fund–assisted communities.

**Bridging social capital:** Their perception of change in the effectiveness of government's responsiveness to their needs was also significantly higher.

**Malawi**

There were no significant differences between the social fund–assisted communities and the non–social fund communities with

*Note:* The base year was the year shortly before the start of the subproject. In Jamaica and Nicaragua, the base year was 1995 across all communities. In Malawi and Zambia, the base year varied by community depending on the year of subproject approval.

*Source:* OED household survey.

respect to changes in bonding or bridging social capital.

**Nicaragua**

**Bonding social capital:** No significant differences were found between the social fund–assisted communities and the non–social fund communities.

**Bridging social capital:** Respondents' perception of change in the effectiveness of the responsiveness of government and community leaders to their needs was significantly lower for the social fund–assisted communities.

**Zambia**

**Bonding social capital:** Respondents' perception of change in getting the whole community to agree on a decision was significantly higher for the social fund–assisted communities. However, their perception of change in the level of trust and community cooperation between people from different backgrounds and ethnic groups was significantly lower.

**Bridging social capital:** No significant differences were found between the social fund–assisted communities and the non–social fund communities.

sectoral (agricultural) project in Argentina, in contrast, increased this leverage by organizing a large number of the rural poor around a single identity shared *across* communities—that is, being small farmers. This greater leverage allowed the poor to pressure national and subnational governments to take them into account in policy and budgetary decisions. The creation of intercommunity ties was facilitated not only by organizing around a common identity, but also by involving beneficiaries in state-level managerial structures, accompanying beneficiary groups for periods of three years or more (compared to an average of eight months for the social fund), and adopting a flexible and decentralized managerial strategy.

Overall, the nature and extent of information-sharing and participation by community members in social fund subprojects was found to be sufficient to allow successful subproject execu-

tion, but not to achieve a consistently significant positive impact on community capacity or social capital (Annex O). These findings on the social capital impacts of social fund projects are consistent with other sources, which suggest that a long-term, internally motivated participatory process is needed to support significant self-development of communities (for example, Narayan and Ebbe 1997). Commentators have also pointed out that generous grant funding may actually be an impediment to social capital development (Ellerman 2001). Among the four fieldwork countries, the sampled communities in Jamaica were the only ones showing a significantly positive social fund effect for bridging social capital. Possible reasons for the positive impacts in Jamaica may have been the predominance of “new” construction in the sampled social fund–assisted communities versus rehabilitation in other cases and the use of partici-

patory research in Jamaica, which had highlighted the importance of communal facilities in addressing the problem of violence (Moser and Holland 1997;<sup>33</sup> Rao and Ibanez forthcoming<sup>34</sup>), among others.

The findings have implications for the types of investments that can be successfully supported by social funds, as well as for the applicability of the social fund model to serve the objective of building social capital. The OED household surveys and institutional analysis showed that to prepare successful proposals, mobilize community contributions, and manage subproject execution, the subproject process has depended on prime movers in the community, whose interests are influenced by their position—for example, in the education or health sectors. At the same time, the relatively brief engagement of the social fund with a community—for planning and execution of a single, small subproject—has meant that the process depends largely on the existing organization.

Overall, social funds have operated as users rather than producers of social capital. Building on existing institutions to develop collective capacity in functions that are entirely new to the community concerned (for example, when users' committees are needed to manage water supply or roads maintenance) takes more time and different staff skills than have typically been provided through a social fund. Some recent projects are including stronger measures to address these issues, such as allowing early engagement of the social fund with the community and allocating more resources to training and facilitation. The results, including the tradeoffs with other objectives, need to be monitored closely.

### **Effects on the Private Sector**

Social fund engagement with the private sector has taken three forms: direct support through microcredit or training; creating demand for services of private business; and changing the environment for small business by establishing the use of competitive procurement and tendering procedures where these previously did not exist. The institutional development impact has been substantial in countries where these sectors were particularly weak, and where the

use of force account has been replaced by competitive contracting.

About one in four social fund projects have supported microcredit components,<sup>35</sup> with uneven results. Many of the schemes experienced problems traditionally associated with such programs, including lack of financial sustainability, not fitting into the country's financial system, and weak administrative capacity. At least two schemes in very different country conditions have been particularly successful. In Albania, strong ownership at the village level made it possible to sustain high repayment rates, even through the growth and collapse of the pyramid schemes and the ensuing civil crisis. By giving high priority to sustainability and transferring management of the scheme to dedicated financial institutions, the social fund has been instrumental in improving Albania's weak capacity in financial intermediation. Success of the program in Honduras was attributed to the capacity and experience of administering NGOs.

Creation of business opportunities has occurred primarily through the increase in demand for the work of construction contractors, financial intermediaries, and consulting firms financed through social funds. In Africa, working capital constraints to starting small construction businesses have been overcome through contracting at the community level with materials purchased by the social fund. The picture is different in parts of Latin America where the private construction sector is already well established. There is even concern that the incentives of enterprising contractors can dominate the participatory process and bias community demand (a concern reflected in project documents and in the literature). While political leaders such as mayors were found to be important, the OED household surveys in four countries did not find evidence of contractors leading the subproject identification process. Improvements in the environment for small and medium-size business have been greatest where the existing environment was particularly weak. Social funds in some transition countries, such as Armenia and Albania (and to some extent in Nicaragua), have had a particular impact in introducing transparent competitive procurement practices, devel-

oping the capacity of local organizations to apply these practices; facilitating the creation of new private contracting enterprises; and, through eligibility requirements, encouraging legal registration of companies.<sup>36</sup>

Projects that have used both private contractors and the direct hire of local labor for construction subprojects have noted a tradeoff. While the use of private contractors can support private sector development and may achieve speed and higher quality of construction, it also has a smaller impact on employment within the beneficiary community.

### **Effects on NGOs**

Social fund engagement with NGOs as it relates to institutional development has taken three forms: direct support through training or technical assistance; NGO participation as eligible subproject sponsors or intermediaries; and subcontracting of specific activities, such as outreach or service delivery, to NGOs. Eight of the 66 projects included specific objectives related to building the capacity of NGOs.<sup>37</sup> NGO staff have received training to fulfill their functions either as project sponsors or as outreach agents, often through a specific capacity-building component of the project (as in Yemen, for example). The most significant impacts, however, have been through participation as intermediaries or subcontractors.

Interaction of social funds with NGOs has varied greatly between countries and Regions. Of the 60 social fund projects for which information is available, 36 projects (60 percent) have included NGOs as eligible sponsors for subprojects.<sup>38</sup> Typically, in LAC and MNA countries, NGOs have been eligible to apply for subprojects. African funds, in contrast, have rarely afforded an intermediary role to NGOs, preferring to work directly with communities, which has created competition between NGOs and the fund, prompting criticism by NGOs. The few examples of social funds working with NGOs in Africa are those in Benin, Madagascar, and Malawi.

The degree of success has also been highly variable, depending largely on the nature and strength of the NGO sector, but also on the pre-

paredness of the social fund to work through difficulties, ensure clear mechanisms for NGO participation, and be adaptable in responding to capacity-building needs. In Malawi, despite the assessment that local NGOs were not well-suited to play a significant role, MASAF has now developed an innovative and participatory approach to cooperate with NGOs through one component, giving NGOs a role in sponsoring subprojects for AIDs victims, street children, orphans, and other vulnerable groups. In some other countries, the NGOs with the best record in participatory development projects have been unwilling to work with what was perceived as a government structure or to accept the time and disbursement pressures of social funds. In Bolivia, however, the autonomous status and transparent procedures of the social fund made it possible to establish credibility and working relationships with organizations that were ideologically opposed to adjustment policies and distrustful of government programs.

### **Social Funds' Institutional Role Continues to Change**

Although most social funds were conceived as temporary organizations with short-term objectives, their mandates have been extended. They have continued to attract donor finance, refine operating processes, and expand their activities. Of the 66 projects in the Bank portfolio, 24 have been follow-on projects with existing social fund agencies. There has been little movement to reduce their heavy dependence on external funding or to integrate them as mainstream government agencies. The lack of clarity in the fund's role relative to other agencies becomes a serious issue as the scale and scope of social fund operations expand.

Unless the social fund is confined to niche activities, its ultimate institutional development success would be demonstrated by either making itself redundant by building the capacity of permanent institutions to take over its functions or by transforming itself into an institution integrated with mainstream institutions and without special status. Early social funds were expected to eventually transfer their functions to central government institutions, but did not.

The majority of subsequent projects have had no clear strategy to overcome the anomaly of social fund status as the scale of their activities increased in a *de facto* long-term role, often under pressure from donors and/or politicians. Some strategies are emerging, however, to limit the autonomy of the social fund from the outset, or to allow at least theoretically for their eventual phasing out or integration. For example:

- Argentina's FOPAR has been more integrated from the outset in the structure of government than other social funds, financing micro-scale, niche subprojects, with a focus on building community capacity through community contracting, and not overlapping with the core functions of other ministries (Serrano 2000).
- The Albania ADF spun off its successful microcredit scheme to dedicated financial intermediaries.
- In Zambia, the long-term plan under the ZAMSIF project is to build the capacity of local governments to the point where the social fund is not needed, with the eventual aim that funds will be passed in a block grant from the center to districts to manage.
- The first social fund, in Bolivia, is the furthest advanced in this process (see Annex N, "Bolivia: From Social Fund to Cofinancing Mechanism"). It is due to be integrated with similar funds in a new national municipal fund that provides matching grants to local governments for poverty-oriented expenditures.

The viability of these strategies in different conditions has not yet been proven. Where efforts have been made to move the primary focus of some of the older social funds from infrastructure delivery to enhancing development

impact, capacity building, and/or subproject sustainability, this has proved difficult in some cases (as in Albania, Armenia). The shift requires a change in performance incentives, staffing, and skills mix in the implementing agency. It may risk losing the support of donors who continue to expect the same speed and predictability of disbursements and an explicit link between external funding and tangible asset creation.

It is not clear that social funds can succeed as instruments for local institutional development without a longer and more intensive form of engagement with local organizations—one that puts more emphasis on facilitating and fostering the growth of capacity for collective action and self-development. Furthermore, social funds are constrained by the difficulties they experience in coordinating with other central agencies. Decentralization and privatization measures cannot be expected to work unless they are matched with redirected and more efficient roles for central administration. Effective complementary actions at the central level are essential to the successful impact of the social fund and, even when the social fund focuses on working with local governments, it must be aligned with central government initiatives that aim to improve the regulatory and fiscal environment for decentralization. If the social fund bypasses central regulation of local decisionmaking—for example, a ministry of local government—it is liable to undermine the intergovernmental framework on which the decentralization process depends. The appropriate strategy can only be assessed case by case, depending on the institutional constraints and opportunities in the country.



# Future Bank Support to Social Funds: Issues to Consider

Social funds have a clear and significant role in some lending circumstances, particularly in emergency or post-conflict conditions, when existing institutions are ineffective, when the need for flexibility and speed is paramount, and when deficiencies in small-scale infrastructure are a significant constraint to development. They have a comparative strength in piloting innovation. In the context of centralized planning, they can demonstrate both the feasibility of local decisionmaking (by working with

community-based organizations) and the advantages of public-private-civil sector partnerships. In some contexts, social funds can support capacity development in local government when they delegate responsibilities to local governments in alignment with the country's decentralization framework. Examples of best practice in social funds (Annex N) illustrate some of the improvements that have been made over time within the social fund model, especially with respect to the development of new processes and procedures for project management.

However, the creation of new social funds—and increases in the scale of support to existing social funds—requires caution and careful analysis of the tradeoffs between specific objectives in a particular country context. The findings of this review point to a number of issues that warrant more attention in the Bank's support to social fund operations: appropriate-

ness and effectiveness of the social funds' demand-driven mechanism; whether or when social funds can be expected to serve long-term development objectives; how they depend on, and affect, other public institutions; what scale and sectors of operation are appropriate; and what transformation or exit strategies are indicated. Depending on the country context, addressing these issues may be a matter of modifying social fund operation, of coordination with complementary interventions outside the social fund, or of adopting an alternative instrument. OED reviews of social fund literature, Country Assistance Strategies, and project documents suggest that more attention has been given in the Bank to how problems and new demands can be managed *within* the social fund model than to the question of when development objectives and country conditions warrant Bank finance through a social fund (and on what scale), and when they do not.



**Issue 1: A key challenge in project design is to strike the right balance between demand-driven and supply-driven features.**

In practice, social funds combine both demand- and supply-driven elements, the latter including eligibility criteria, targeting mechanisms, appraisal criteria, and project menus. Similarly, supply-driven programs may offer beneficiaries choice and include elements of consultation and participation in responding to community needs. In most cases, effective service delivery must combine elements of both demand and supply, the balance depending on the country context and on the nature and scale of the services being provided.

The effectiveness of the demand-driven approach as used in social funds has been variable. This review has found that the approach is not necessarily synonymous with responding to the highest priority problem of the community, even when the subproject menu includes investments that would address that problem. The community-based demand-driven mechanism was found to allow a bias toward certain sectors, in part because of the important role of prime movers in subproject formulation, submission, and implementation. Igniting demand for sectors where prime movers or community organization do not already exist, or addressing information asymmetries that have tended to prevent choice from the full range of available options, may warrant “supply” of specific inputs, such as outreach and facilitation and/or a different kind of participatory process. For example, in some contexts, it is possible that subproject identification through the use of participatory research or other traditional modes of delivery may result in subprojects that are more relevant to community needs than a demand-driven, simple invitation for subproject proposals.<sup>1</sup>

**Issue 2: Social funds may not automatically adapt to long-term objectives.**

While social fund projects have been successful in channeling substantial external resources toward local development, disbursing rapidly and achieving their physical output targets, their impacts on outcomes and welfare variables, and on community capacity building and social cap-

ital, have been mixed. Yet social fund projects are moving toward these latter, longer-term objectives, and some newer projects give explicit priority to community development objectives. To this end, more attention would be needed to the complementary inputs (“software” as well as “hardware”), and to ensuring the institutional arrangements necessary to achieve long-term impact from investments. Even if these issues can be effectively addressed by social funds, it is important to avoid the presumption that building infrastructure is necessarily the first thing that should be done to help people develop.<sup>2</sup> The results, including the tradeoffs with other objectives, need to be watched closely.<sup>3</sup>

Many social funds that were initially set up as emergency response mechanisms are now being called upon to shift their focus to longer-term development impact and institutional development objectives, but this transition is proving difficult to implement in some cases.<sup>4</sup> The new focus requires significant changes in the social fund agency’s performance incentives, staffing, and skills mix. In taking on the difficult challenges of long-term development impact, sustainable service delivery, and institutional development, social funds are liable to meet the same constraints as other kinds of interventions and may lose the strengths on which their reputation has been built. For example, building capacity and social capital at the community level are time- and human resource-intensive processes, making disbursements potentially slower and less predictable. Experience suggests that the constraints to accomplishing this transition should not be underestimated and the tradeoffs should be explicitly addressed.

**Issue 3: The suitability and design of social fund projects depends on the nature of goods and services to be provided and on the institutional context.**

*Nature of goods and services.* Coping with the sectoral differences among subprojects is one of the main challenges of multisectoral programs. Investments in the various sectors require participation of differing natures and degrees, as well as different definitions of beneficiary



groups, different degrees and sources of co-financing, and different technical expertise. For example, the beneficiary group is more difficult to define and user charges are less relevant for roads than for water projects. Standardization of the subproject cycle may not lend itself easily to addressing all the requirements. Social funds that have included components for support to microenterprise have usually been less successful in this function, and have experienced difficulties in combining this activity with grant financing for public investments. In practice, social funds have specialized in the delivery of small-scale infrastructure, with a bias in many cases toward the education and health sectors, where the community-level requirements for technical, institutional, and financial sustainability are usually less complex. The appropriateness of a social fund mechanism in serving a specific sectoral activity deserves careful assessment in relation to alternative development instruments.

Even when it is considered a high priority to allow communities to choose investments from a multisectoral menu, such a selection process does not necessarily imply that delivery (“provision”) of the infrastructure or service itself has to be managed by a multisectoral agency. In some cases, technical or other requirements may warrant a sector-specific rather than a multisectoral approach to “provision.”

*Institutional context.* Judgments on the suitability of the social fund instrument, or on the appropriate design of a social fund, can only be made case by case, depending on country team knowledge and debate of actual constraints and opportunities at the country level. Contextual factors to be considered are outlined in box 5.1. Project characteristics can and should be modified to meet different country conditions, and this is reflected in the diversity of social fund design. However, when the country context warrants fundamental modifications in design and operating procedures of the social fund, then it must be asked if the ideal response is still a social fund. For example, when the decentralization framework makes the building of local government capacity a high priority, the social fund may respond by modifying its pro-

cedures to delegate more of its responsibility to local government, but, depending on the extent of delegation, the possible tradeoff with speed and efficiency must be considered. Even when social funds work through local governments, in some contexts, such as when the most significant needs of local government are in the development of systemic planning and fiscal systems, the social fund may not be the best instrument to support decentralization.<sup>5</sup> Such contextual factors vary across countries, and over time within a country, as the institutional and policy environment changes. They must therefore be continually reevaluated.

**Issue 4: The development impact of social funds and the sustainability of subprojects depend on the progress of broader institutional and public sector reform.**

The multisectoral character of social fund projects means that sectoral investments may not always be subject to the full analysis and technical standards applied in sector projects. An important factor in the long-term development impact of social funds is the extent to which they are integrated in sound strategies for their sectors of operation. Where such strategies exist, efforts are needed at the project design stage to ensure that social fund activities are fully consistent with them. Where no such strategy exists, the development impact of social funds will depend on other initiatives to develop sound sectoral strategies, and on the consistency of social fund activities with them.

The evidence on sustainability suggests that, in sectors where central or local governments carry significant responsibility, it is unrealistic to expect that operations and maintenance of social fund facilities would differ substantially from the country norm. In this case, substantial improvements would depend on changes in the prevailing fiscal and institutional environment. The Bank should be cautious about investing heavily in social funds unless it is confident that the broader institutional constraints can be dealt with through other interventions. The scope and scale of activities undertaken by a social fund should be guided from the outset by assessment of operations and maintenance capacity and

## Box 5.1

## What Key Factors Influence the Suitability and Design of Social Funds?

**Strength of Existing Institutions and Public Sector Reform.** Autonomous social fund agencies can compensate in the short run for failure or inertia in the public sector by establishing transparent procedures, mobilizing resources in the private and community sectors, and focusing on the speedy delivery of visible outputs, allowing time and helping to build public support for implementation of systemic reforms. The precise degree of autonomy—legal, administrative, procedural, financial—that is warranted will depend on the state of existing institutions and government commitment to reform. The creation of autonomous agencies should be questioned when promising reforms are under way in a weak but viable public sector, or when public institutions are quite strong. In such cases, it may be better to provide support directly to agencies that are integrated within the public sector, as is the case with Chile's FOSIS.

**National Budgeting Process, Structure of Public Expenditures, and Sectoral Planning.** When there is some degree of transparency and accountability in national budgetary processes, this is undercut by a social fund that is responsible for allocating significant expenditure without full integration in the government's budgetary process. The existing structure and balance of public expenditure (inter- and intra-sectoral) should be taken into account to ensure that social fund expenditures do not exacerbate any imbalances within and between sectors and, in particular, toward capital over recurrent expenditure. When reforms to restructure sectoral expenditure are under way, measures are needed to ensure that social fund expenditures support, or at least do not undermine, these reforms. If the social fund operates on a significant scale in relation to sectoral expenditures, the ability of the relevant (central or local) government agency to allocate resources according to sectoral and other criteria is diminished, as the social fund operates its own parallel process of allocating resources.

**Extent of Political, Administrative, and Fiscal Decentralization.** The nature and extent of decentralization in a country should influence whether or how a social fund is used. Where no local governments exist, social funds introduce a mechanism for responding to local needs. Where local governments exist but have no clear mandate or resources for financial management, social funds can improve their capacity to manage small infrastructure projects and to respond to communities. Where there is growing national commitment to decentralization processes, however, and where local governments are viable, social funds can undermine the development of local government by working directly and primarily with communities for activities that are within the responsibility of local authorities. When the capacity building needs of local governments are best met through gaining experience in project management, the social fund may be appropriate. However, when development of systemic planning and fiscal systems at the local level is the higher priority, other options should also be considered.

**Community Social Structure and Capacity.** The scope for effective community-level action through a one-time social fund subproject intervention may be limited to communities that have some existing organization and are relatively homogenous and unstratified. The current orientation of social fund projects toward subproject processing may not be suitable to achieve significant capacity and social capital enhancements, or nurture a participatory process in communities or sectors where existing local organization is weak, where there is no prime mover to take the lead in seeing the subproject through, or where the prime mover does not represent the interests of the majority of community members. A different and/or more in-depth and long-term participatory process may be needed to ensure adequate coverage of poorer communities with weak skills and organizational capacity.

constraints in each of the proposed sectors of social fund intervention in the country concerned, including the existing composition and balance of public expenditure and projected fiscal capacity. When social funds are engaged on a large scale over a long period in rehabilitating existing infrastructure rather than engaging in new construction, they risk becoming an expensive substitute for adequate budgetary provision for ongoing maintenance of public facilities.

**Issue 5: The relationship between the social fund and mainstream public sector institutions is critical to the institutional development impact of social funds.**

The autonomous status of the social fund can have benefits, but also negative implications. Social fund agencies have experienced difficulties in cooperating with line ministries and local governments, and existing mechanisms for coordination have not proven fully effective. This

can be attributed to weaknesses within line ministries and/or the lack of priority given by the social fund. Negative effects for public sector processes have been reported for some of the older social funds that have allocated a significant share of public expenditure in sectors or activities for which line ministries or local governments are accountable (Honduras and Nicaragua). In these circumstances, the *de facto* permanent status of autonomous social funds is difficult to justify.

Although many social funds supported by the Bank were originally conceived as temporary institutions, virtually all are still operating and growing. This is attributed primarily to their strong performance in the quick delivery of visible outputs. In addition, there are pragmatic advantages in bypassing bureaucratic constraints to project implementation and in disbursing rapidly. Experience suggests a natural inclination to continue supporting the operation of the social fund when substantial capacity has been built in the social fund agency. As long as donor funding continues to be readily available, there may be little pressure for change, either to phase out the social fund agency or to change its status and integrate it in mainstream government structures. Within line agencies, institutionalization of lessons learned has been rare. Exit strategies have not been defined for the majority of social funds, nor have longer-term roles and responsibilities been satisfactorily clarified relative to other public agencies. Some of the possible options are as follows:

- Social fund maintains semi-autonomous status but is confined to micro-scale, niche, “gap-filling” activities.

- Social fund maintains semi-autonomous status, but as an executing or technical support agency for central or local governments in competition with other agencies.
- Social fund maintains semi-autonomous status on a temporary basis with adequate measures to ensure coordination with other agencies and the transfer of knowledge, skills, and functions by the end of the period.
- Social fund is transformed into an agency providing block grants and technical support to local governments.
- Social fund is integrated in permanent government structure.

A few projects have attempted to confront these questions by aiming to transfer increasing responsibility to local governments, by spinning-off specialized activities to permanent institutions, or transforming the social fund into a co-financing mechanism. While promising, none of these approaches is yet proven, and they should be closely monitored to gauge success and potential replicability.

It is important to define from the outset the appropriate nature of the relationship of the social fund with government. This relationship should be reexamined as the institutional environment changes, with attention to any necessary changes in the social fund’s scope and scale of operation or exit strategy as relevant. If social funds are to move toward becoming permanent institutions in a country, their level of external support should decline over time, with a corresponding increase in local financing. This would comprise one measure of the value attached by the country to the activities of the social fund.



# Recommendations

A particular strength of social funds, and of Bank support to social funds, is their capacity for innovation, flexibility, and learning from experience. This review finds that the performance of social fund projects has improved over time in many respects, including procurement and community contracting; poverty targeting; attention to sustainability; and, most recently, attention to the potential impact of social funds in decentralization processes. Strong dialogue among social fund practitioners ensures continuing attention to improvement and to the dissemination of good practices.

Less attention has been paid to the suitability and role of the social fund within a strategic framework, to the importance of complementary interventions, or to the long-term development impact of Bank support to expand the scale and extend the mandate of social funds. Improvements would be achieved by implementing the following recommendations.

**Strengthen Integration of Social Funds into the Bank's Country Assistance and Sectoral Strategies, and into Clients' PRSP where Relevant.**

*The rationale and objectives of Bank support need to be clear and should drive the choice of instrument, rather than the other way around. The Bank should not support a social fund unless priorities are explicitly identified and alternative approaches to address those priorities are weighed*

in the light of country conditions. This is particularly important for social funds because new rationales are being developed for extension of their lives under changing conditions. The choice of a social fund should be clearly justified on the basis of: (i) the strength of existing institutions and public sector reform; (ii) the extent of political, administrative, and fiscal decentralization; (iii) the national budgeting process, structure of public expenditures and sectoral planning; (iv) community social structure and capacity; (v) the nature and scale of goods and services to be delivered; and (vi) the capacity of entities responsible for operations and maintenance.

*Social fund projects should not displace policy reform and should be designed as part of a package of Bank support rather than as isolated interventions. Bank support through social funds should not crowd-out more policy-intensive ini-*

tiatives in which the Bank has a comparative advantage in the country concerned, especially when these have a significant prospect of success. At the same time, impact of the social fund project depends on the success of complementary initiatives. Social funds typically focus on the building or rehabilitation of physical infrastructure. For this infrastructure to yield a sustainable flow of services, concurrent programs and policies that ensure complementary inputs are essential to achieving desired impacts on service delivery, in line with the Bank's sectoral strategies.

*In order to achieve compliance with Bank sectoral policies and technical standards and consistency with country sectoral and public sector management reform strategies, the Bank should improve country-team coordination on social fund projects.* The importance of sector-specific factors to the success or failure of social fund activities argues for more coordination within the country team and sector specialist input (including social and economic sector, public sector management, private sector development) in the design and implementation of social funds. Such input is needed to ensure the technical viability and sustainability of subprojects. It is also needed to ensure that social fund projects support, or at least do not undermine, sectoral reform strategies and follow sector policies.<sup>1</sup> The option of using a sector-specific approach should not be precluded when the technical or institutional challenges are particularly great. Specialist input and country-team coordination are doubly important when the fund accounts for a significant proportion of public expenditure.

#### **Give More Attention to Long-Term Impacts.**

*In design of social fund projects, the tradeoffs between speed and efficiency of subproject processing and long-term impacts need to be explicitly acknowledged and addressed, and reflected in performance indicators.*

*The continuation or extension of Bank financing to a social fund should be based on evidence of that project's development impact.* Higher priority is needed during project design and implementation of each project to collecting data on outcomes, sustainability, and de-

velopment impact. The value of the information provided through beneficiary assessments could be enhanced through systematic implementation of recommendations already made in the Bank's review of social fund beneficiary assessments, including improvements in methodology.

*The appropriate role and focus of the social fund agency and its relationship with existing institutions should be anticipated to the extent possible from the outset, because of the difficulties experienced in changing the orientation once the agency is well-established.* The use of a social fund as an emergency response may be sufficient justification for the autonomy of the implementing agency but, when the social fund shifts to long-term objectives, the autonomy may be less appropriate and should be reexamined. The shift requires clarification of the social fund's accountability and role relative to other agencies, as well as changes in the staff skills mix and incentives in the social fund agency, all of which have proved difficult to implement.

#### **Ensure Efficiency of Resource Allocation.**

*Social fund projects should ensure that investment decisions include a systematic articulation of the benefits as well as the costs of alternative investments by the community and/or local government concerned, who should also be charged with monitoring actual benefits in relation to their expectations at subproject appraisal.*

*Stronger measures are needed to ensure that beneficiaries are adequately informed and consulted on investment options, costs, and benefits.* Depending on the institutional and policy context, some alternative or supporting mechanism (such as up-front participatory research, economic analysis on samples of subprojects) may be needed to ensure that resources are channeled to efficient uses.

*The appropriate scale and scope of social fund activities should be addressed at the project design stage, and reassessed regularly during implementation, with reference to budgetary processes and public expenditure analysis.* The issues of allocative efficiency and of sectoral coordination become important when social fund disbursements represent a substantial share of total public expenditure.

### **Develop Policy Requirements.**

*Policy requirements for support to social fund projects should be developed to provide clear criteria and procedures for Bank support to social funds.* The policy requirements should:

- Identify conditions that indicate appropriateness or inappropriateness of using the social fund instrument and its strategic justification within the CAS and PRSP.
- Specify measures needed for coordination within the country team to ensure that social fund projects benefit fully from sectoral expertise and support sectoral strategies.
- Provide guidance, from lessons of experience, on the tradeoffs between different project objectives and between different project design features, and on ways of managing these tradeoffs in varying country conditions.
- Specify the country-specific information and analysis needed to (i) establish whether the institutional and policy context is adequate and appropriate to enable a social fund to achieve its intended development impact and, if not, whether complementary interventions can be expected to overcome the constraints; (ii) assess the likely positive and negative institutional development impacts of a proposed project at all levels; and (iii) ensure that project design is aligned with the institutional and policy context.
- Specify measures to strengthen monitoring of impacts—on the welfare of beneficiaries, including gender effects; on institutional development; and on the balance and efficiency of public expenditure—during project implementation.
- Identify viable transformation or exit strategies for social funds in different institutional contexts and triggers that will help to avoid either the scale or institutional role of the social fund becoming inappropriate.

## ANNEX A: SOCIAL FUNDS PORTFOLIO

<b>Social Fund Projects Approved by the Board Between Fiscal 1987 and End-Fiscal 1999</b>					
<b>Country</b>	<b>Project name</b>	<b>FY</b>	<b>Board approval</b>	<b>IDA/IBRD commit. (\$M)*</b>	<b>Project cost (\$M)</b>
<b>SUB-SAHARAN AFRICA</b>					
Angola	Social Action Project	1996	12/21/1995	24	52
Benin	Social Fund	1998	5/19/1998	17	20
Burundi	Bi-Social Action Project-Twitezimbere	1993	5/13/1993	10	16
Comoros	Population & Human Resources	1994	12/14/1993	13	16
Comoros	Comoros Social Fund	1998	3/1/1998	12	14
Djibouti	Public Works/Social Development	1999	5/25/1999	15	16
Eritrea	Community Fund	1996	2/29/1996	18	50
Ethiopia	Ethiopia Social Rehabilitation & Development Fund	1996	4/9/1996	108.5	242
Madagascar	Social Fund I (Food Security & Nutrition Project)	1993	3/18/1993	21	32
Madagascar	Social Fund II	1996	9/14/1995	40	45
Madagascar	Social Fund III	1999	3/23/1999	15	18
Malawi	Social Action Fund	1996	5/9/1996	56	65
Malawi	Social Action Fund II	1999	10/15/1998	66	70
Mali	Grassroots Initiatives to Fight Hunger & Poverty	1998	4/7/1998	22	22
Rwanda	Food Security and Social Action Project	1992	6/1/1992	19	46
Rwanda	Community Reintegration & Development Project	1999	10/15/1998	5	5
São Tomé	Multisector Project	1989	6/14/1989	5	8
São Tomé	Second Multisector Project	1991	6/27/1991	6	6
Togo	Pilot Social Fund	1999	4/14/1999	5	6
Zambia	Social Recovery Project	1991	6/19/1991	20	49
Zambia	Social Recovery Project II	1995	6/28/1995	30	65
Zimbabwe	Community Action Program	1998	5/19/1998	60	60
<b>EAST ASIA AND PACIFIC</b>					
Cambodia	Social Fund	1995	6/8/1995	20	22
Cambodia	Social Fund II	1999	3/25/1999	25	25
Philippines	SZOPAD Social Fund	1998	3/24/1998	10	15
Thailand	Social Investment Project	1999	7/9/1998	300	462



**Social Fund Projects Approved by the Board Between Fiscal 1987 and End-Fiscal 1999**

Country	Project name	FY	Board approval	IDA/IBRD commit. (\$M)*	Project cost (\$M)
<b>EUROPE AND CENTRAL ASIA</b>					
Albania	Rural Pilot Poverty Alleviation	1993	2/23/1993	2	5
Albania	Rural Development Project	1995	2/14/1995	6	12
Albania	Urban Works & Microenterprise Pilot	1996	8/1/1995	4	4
Albania	Community Works Project	1999	1/19/1999	9	17
Armenia	Social Investment Fund	1996	11/9/1995	12	20
Bosnia-Herzegovina	Emergency Public Works and Employment Project	1997	7/30/1996	10	45
Bulgaria	Bulgaria Regional Initiative Fund	1999	11/20/1998	5	6
Georgia	Social Investment Fund	1998	11/12/1997	20	28
Moldova	Social Investment Fund	1999	2/16/1999	15	15
Romania	Social Development Fund	1999	1/19/1999	10	27
Tajikistan	Pilot Poverty Alleviation Project	1997	4/10/1997	12	13
<b>LATIN AMERICA AND CARIBBEAN</b>					
Argentina	Social Protection Project	1996	11/21/1995	152	652
Belize	Social Investment Fund	1997	3/18/1997	7	12
Bolivia	Emergency Social Fund Phase I	1987	6/23/1987	10	0
Bolivia	Emergency Social Fund II	1988	3/1/1988	27	55
Bolivia	Social Investment Fund	1990	4/24/1990	20	96
Bolivia	Social Investment Fund II	1993	6/29/1993	40	70
Ecuador	Third Social Development Fund: Emergency SIF	1994	2/22/1994	30	120
Guatemala	Social Investment Fund	1993	11/24/1992	20	80
Guatemala	Social Investment Fund II	1999	11/12/1998	50	64
Guatemala	Reconstruction & Local Development Project	1999	7/28/1998	30	38
Guyana	Health, Nutrition, and Water Project	1993	8/7/1992	10	14
Haiti	Economic and Social Fund	1991	1/17/1991	11	23
Honduras	Social Fund	1991	2/28/1991	20	68
Honduras	Social Investment Fund II	1992	6/25/1992	10	68
Honduras	Social Investment Fund III	1996	7/11/1995	30	113
Honduras	Social Investment Fund IV	1999	7/14/1998	45	137
Jamaica	Social Investment Fund	1997	9/5/1996	20	50
Nicaragua	FISE I	1993	11/17/1992	25	68
Nicaragua	FISE II	1996	7/11/1995	30	102
Nicaragua	FISE III	1999	11/10/1998	45	166
Panama	FES	1997	6/17/1997	28	80
Peru	Social Development Fund	1994	12/16/1993	100	497
Peru	FONCODES II	1997	7/16/1996	150	150

### Social Fund Projects Approved by the Board Between Fiscal 1987 and End-Fiscal 1999

Country	Project name	FY	Board approval	IDA/IBRD commit. (\$M)*	Project cost (\$M)
<b>MIDDLE EAST AND NORTH AFRICA</b>					
Algeria	Social Safety Net	1996	4/25/1996	50	79
Egypt	Emergency Social Fund	1991	6/21/1991	140	400
Egypt	Social Fund II	1996	5/21/1996	120	775
Egypt	Social Fund III	1999	6/1/1999	50	65
Yemen	Social Fund for Development	1997	5/22/1997	30	85
<b>SOUTH ASIA</b>					
Pakistan	Poverty Alleviation Fund	1999	6/17/1999	90	90

*Note:* The West Bank and Gaza Community Development Project (included in the Social Protection Unit list) is omitted as the project was financed from a trust fund and was not an IDA- or IBRD-financed project. The more recent Social Protection Unit list of 11/28/2000 includes three additional projects: Sri Lanka Poverty Alleviation Project, Argentina Fourth Social Protection Project, and Ghana Community-Based Poverty Reduction Project. It excludes one project: Rwanda Community Reintegration & Development Project. The figures for IDA/IBRD commitments represent total project costs, even though in some cases the social fund was only one component of the project.

*Source:* World Bank data.

### Literature Review

The literature review included an examination of the conceptual as well as empirical literature on social funds, sustainability, institutional development, social capital, and organizational learning. The analysis was informed, in particular, by two recent Bank studies on social funds: *Social Funds 2000* and *Promoting Good Local Governance through Social Funds and Decentralization* (Parker and Serrano 2000)

### Portfolio Assessment

The portfolio assessment was based on the following analyses: (i) in order to trace the diversity of social fund features across countries and the evolution in their design and implementation, task managers were requested to fill in an OED basic information questionnaire, sustainability matrix, and institutional development matrix. The basic information questionnaire elicited responses for 41 projects (out of 66 for which the information was requested). The sustainability and institutional development matrices elicited responses for 24 projects (out of 38 for which this information was requested). Where task manager input was not available, data were obtained from SARs/PADs, operational manuals where available, and project files; (ii) reviews of project status reports for 26 social fund projects<sup>1</sup> and available mid-term reviews; (iii) reviews of 16 social fund projects undertaken by the Quality Assurance Group (QAG); (iv) analysis of implementation completion report reviews for 23 closed social fund projects; (v) review of performance audit reports produced by OED for 7 closed social fund projects; (vi) regional reviews of social fund projects in East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, the Middle East and

North Africa, South Asia, and Sub-Saharan Africa; and (vii) ratings for social fund projects assigned by OED and QAG.

### Country Cases

Field research was conducted in Jamaica, Malawi, Nicaragua, and Zambia. These countries were chosen for their long-standing and substantial social fund experience and for the diversity of implementation arrangements they represent. Second-tier field research (without household surveys) was undertaken for Argentina, Bolivia, and Eritrea.

*National, Local, and Social Fund Agency-level Institutional Analysis (comprising semi-structured interviewing)*. In most cases, two missions of two weeks each by two international experts, working in some cases with a local researcher, were undertaken in the four countries to analyze the effects of social funds at the government level and the sustainability of their benefits. Social fund effects at the level of NGOs and the private sector were also assessed. The missions conducted semi-structured interviewing of stakeholders—officials in the social fund agency, ministries, district governments, NGOs, other members of civil society, beneficiaries, and donor representatives. The respondents were selected purposively and by “snow balling” (each respondent was asked to name other potential respondents). In order to maintain comparability across the four countries, the experts were guided by the Social Funds Evaluation Toolkit. Differing perspectives were gathered on the same issue from various stakeholders. Data collection included both arrangements in actual practice as well as on paper, noting reasons for any divergence.

*Community-level Analysis (comprising quantitative and qualitative surveys)*. Two local

research firms—one each in Africa and Latin America—were commissioned to collect community-level data regarding the sustainability, social capital, and capacity building effects of social fund projects. A number of survey tools were used: household questionnaire, key informant interviews guidelines, focus groups guidelines, and facility survey questionnaire. The survey tools were developed by OED (except for the facility survey, which was taken from *Social Funds*), commented upon by Bank and social fund staff, and pilot tested in the field. OED's community-level field research comprised household surveys (through which a total of 3,056 respondents in 34 communities were interviewed) and qualitative research including key informant interviews and focus groups in 4 countries. The household surveys were conducted in 3 to 5 randomly chosen social fund–assisted communities and 3 to 5 matched non–social fund communities in each of the 4 countries and was administered on approximately 50 randomly chosen households in each community for a total of 1,687 randomly-selected households (845 social fund–assisted households and 842 households in the matched communities). In the former 1,525 respondents were interviewed (roughly 2 per household, household head and where available another household adult of opposite sex). This amounted to 284 respondents in 4 communities in Jamaica,

499 respondents in 5 communities in Malawi, 252 respondents in 3 communities in Nicaragua, and 490 respondents in 5 communities in Zambia. Among non–social fund households, 1,531 respondents were interviewed (294 in Jamaica, 493 in Malawi, 257 in Nicaragua, 487 in Zambia). All results are reported by respondent unless indicated otherwise. The country-level percentages refer to responses from the *sampled* households in each of those countries rather than from the population as a whole. The matched non–social fund communities were identified using data relating to geographic, socioeconomic, and cultural characteristics that were provided by social fund agency staff, key informants, and the local research firms. Details of the number of surveys conducted in each of the four countries are provided in table B.1. The purpose of this community-level field research was to understand social fund decisionmaking and participatory processes at work on the ground. Conclusions relating to the portfolio are based on a triangulation of information from OED's various data sources, described in this Annex.

### Stakeholder Survey

The World Bank Institute administered the OED stakeholder survey to 120 participants of the Second International Conference on Social Funds held in Washington, D.C., in June 2000. Stakeholders represented at the conference included

**Table B.1**

**Sample Size for Community Studies  
(Total Number of Individuals Interviewed:  
3,056)**

	<b>Jamaica</b>	<b>Nicaragua</b>	<b>Malawi</b>	<b>Zambia</b>
Number of social fund subprojects/communities	4	3	5	5
Number of matched communities/projects	4	3	5	5
Number of households interviewed in each community	48–52	49–50	48–51	47–50
Number of individuals interviewed	578	509	992	977
Number of individuals interviewed within each household <sup>a</sup>	1–2	1–2	1–2	1–2
Number of focus groups in each community	1–2	1–3	5–9	5–9
Number of key informant interviews in each community	2–4	2–5	4–6	4–5
Number of facility surveys in the social fund–assisted communities	3	2	5	5

a. In each household, the surveyors were instructed to conduct two interviews: the first with the principal respondent—the household head or other knowledgeable household member—and the second with an adult (above 16 years of age) of the opposite sex chosen randomly from all adults in the household. The purpose of randomly selecting a household member of the opposite sex is to pick up any gender differences. In practice, the second interview was not always possible because there was no member of the opposite sex living in the household.

social fund agency staff, government officials, NGO staff, and donor agency staff. The same survey was administered by telephone to 40 additional stakeholders from stakeholder groups and regions underrepresented among the conference participants. These additional stakeholders were identified from project files or by social fund task managers. Survey questions covered views about the role and function of social funds, their impact on government and communities, and the sustainability of their benefits. The survey was completed by 160 of roughly 300 conference participants. Thirty-five percent of the respondents were from social fund agencies, 17 percent from NGOs, 14 percent from government, 12 percent from the World Bank, and 8 percent from other donors agencies; 14 percent were affiliated with some other organization<sup>2</sup>; and 1 percent did not indicate institutional affiliation. Nineteen percent of the respondents worked on countries in the Africa Region, 6 percent in EAP, 23 percent in ECA, 19 percent

in LAC, 14 percent in MNA, 3 percent in South Asia, and 16 percent in other regions or had missing entries.

### **World Bank Country Directors/Resident Representatives Survey**

A survey was administered to Bank country directors and resident representatives in countries with social fund projects. The questions covered the performance of social fund projects compared with other projects in the country portfolio along several dimensions. The survey was sent to 51 country directors/resident representatives, 13 of whom completed the survey.

### **World Bank Sector Director Survey**

A survey was administered to Bank sector directors concerning their views on the performance of social fund projects compared with other projects in the sector portfolio in their Region. The survey was sent to 33 sector directors, 7 of whom completed the survey.

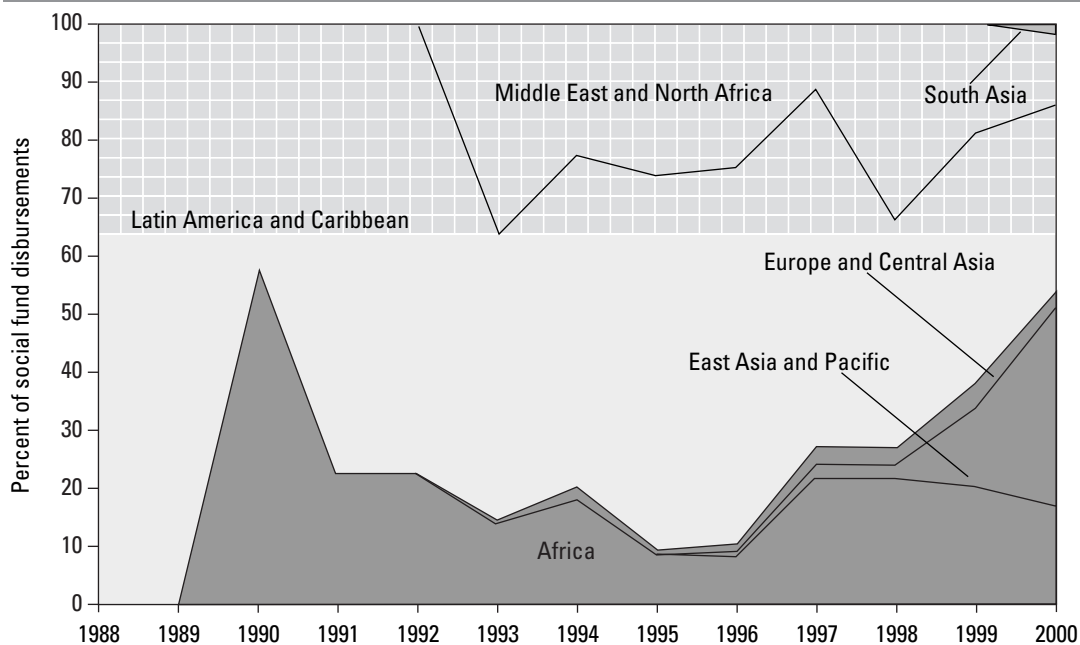
## ANNEX C: REGIONAL DISTRIBUTION OF SOCIAL FUNDS

The Regional distribution of social fund projects is dominated by Latin America and the Caribbean and Sub-Saharan Africa, but the share of social fund disbursements in other Regions has expanded (figure C.1). The earliest funds were in Latin America, starting with Bolivia in 1987. This Region has continued to consume a large though declining share of social fund disbursements. Sub-Saharan Africa has also been an important recipient of social fund projects,

beginning with São Tomé and Príncipe in fiscal 1989. In the Middle East and North Africa, disbursements have been dominated by three projects to support the Egyptian social fund since fiscal 1991. Other Regions have come to social funds more recently, with a steady growth of social funds across Europe and Central Asia, beginning with Albania in fiscal 1993, and expansion in East Asia, beginning with Cambodia in fiscal 1995.

**Figure C.1**

### The Regional Distribution of Social Fund Projects Shifted as the Approach Spread



*Note:* These data include total Bank disbursements to projects included in the Social Protection Unit's database of social fund projects, even when the social fund is only one of the components. Because of the inclusion of a large project in Thailand that had a social fund component, the growth of disbursements in the East Asia and Pacific Region is overstated by roughly 50 percent.

## ANNEX D: SOCIAL FUND FINANCING BY ACTIVITY

Activity	Projects (%)	Activity	Projects (%)
School construction/rehabilitation	94	Culverts	38
Construction and/or rehabilitation of piped water supply systems	91	Footpaths	38
Construction/rehabilitation of health facilities	85	Provision of teaching supplies and/or educational furniture	53
Road construction/rehabilitation	83	Markets	34
Bridge construction/rehabilitation	60	Erosion control	32
Drainage works	57	Forestry	30
Construction and/or rehabilitation of wells, handpumps	55	Flood control	28
Irrigation works	53	Microcredit	25
Training, capacity building, technical assistance	53	Housing/dwellings for children, elderly	23
Solid waste disposal, sanitation works	45	Agroprocessing	21
Latrine construction/rehabilitation	43	Infrastructure for street children, homeless	19
Provision of medicines/equipment	42	Electrification	15
Sports complexes, community centers, day care centers	40		

Note: N=53.

Source: Task manager responses to the basic information questionnaire and, where these were unavailable, SARs/PADs and operational manuals.



ANNEX E: *SOCIAL FUNDS 2000 RESULTS*

**Table E.1**

**Access and Utilization: Social Funds 2000 Results**

Country	Indicator	Finding
Bolivia	Schools Health facilities Water/sanitation	<p>1994–1998: US\$65.5m disbursed for building and improving schools.</p> <p>1994–1998: US\$21.7m disbursed for building and improving health posts.</p> <p>US\$39.1m disbursed for water and sanitation system building and improvement.</p> <p>1993–1997: Increase in percentage with piped water by 16% in Chaco and 10% in Resto Rural. Increase in percentage with sanitary services by 3% in Chaco and 44% in Resto Rural. Frequency of water availability decreased from 21.95 to 19.38 hours in Chaco and increased from 18.49 to 21.15 hours in Resto Rural. Distance to water source reduced by more than 50%.</p>
Honduras	Schools Health facilities Water	<p>1995–98: 503 new primary schools built (58% of all new primary schools), and 2326 new classrooms (which is 61% of all new classrooms). Improved 4163 classrooms (15% of the national stock).</p> <p>On average for the previous week, 32% of the morning and 17% of the afternoon shift lost due to staff leave, holidays and parent strikes.</p> <p>1994–98: 127 new rural health posts built (72% of all new rural health posts), and 90 remodeled (45% of previously existing stock); 40 new urban health posts constructed (56% of all new urban health posts), and 108 improved (17% of previously existing stock); one mother and child clinic constructed, 8 improved.</p> <p>For rural health posts, on an average 11 visitations per day compared to the national average of 9 per day. Adding FHIS health centers, there were an average of 54 consultation per day compared to the national average of 34 consultations per day.</p> <p>“Alarming incidence of closures” (page 47)—1.9 and 1.5 days in previous week for FHIS and non-FHIS projects respectively; reasons provided in the report are meetings with local government, holidays, and health committee meetings.</p> <p>1994–1997: 2815 new connections built (1.5% of all new connections) and 46000 connections upgraded (5% of all).</p> <p>92% of FHIS households have piped water compared to 87% non-FHIS, and FHIS investments reduced the average expenditures on water and reduced time spent collecting water (42 minutes per month).</p> <p>Water availability for 25.3 days per month (12.7 hours per day) for FHIS compared to 18 days per month (10.9 hours per day) for non-FHIS.</p> <p>89% of the households with FHIS supplied water drink it (directly or after boiling) compared to 63% of the households with the water supplied in the control group.</p>

Table E.1

Access and Utilization: Social Funds  
2000 Results

Country	Indicator	Finding
	Sewer/Latrines	1994–1997: 132,000 sanitary services constructed (17% of all new sanitary services). 92% of FHIS households had a sewer in the street (compared to 7% in non-FHIS). 40% of FHIS households were actually connected to the sewer system. 65 percent non-FHIS households had no sanitary facility compared to zero percent FHIS households. 100 percent usage by everyone in FHIS compared to 98 percent in the control group households.
Nicaragua	Schools	Increase in number of classrooms from 4.6 to 6 in FISE compared to an increase from 3.5 to 4 at national level. Increase in school size (enrollment) in FISE schools of 21% compared to zero percent in the control group.
	Health facilities	1993–1997: Increase in average daily number of visits to a FISE post from 11.3 to 17 compared to an increase from 8.8 to 14 in non-FISE posts. <sup>a</sup> The increase in visitation was larger among women in FISE facilities.
	Water	About a fourth more households have access to piped water in FISE investment areas. Distance to nearest water source reduced by 600 meters. Connection rates are around 90% of systems' capacity, and half the systems are functioning at above 100% capacity.
	Sewer/latrines	Net increase in access to flush toilet of almost 32% and decrease of households without latrines by almost 20% (1993–1998) in FISE compared to the control group. Connection rates for FISE are low, but differ greatly between systems within and outside Managua.
Peru (APOYO)	Schools	Average increase of 34 students, 1 classroom and 1.6 grades per school.
	Water	7% of the systems were not functioning (higher for older projects). On an average the system did not function 4 times in the previous year. The water availability described as permanent varies between 67% and 80% of households by region. The quality of water is perceived to have improved. Household connection saved on average of 79 minutes per day and public stand pipes saved 63 minutes per day.
	Sewer/latrines	27% of the households reported that the system was not working (higher in more recent years reflecting low connection rates) 89% of the households use latrines as intended.
Zambia	Schools	Increased demand for school. Enrollment in SIF schools increased by 17% between 1992–98 versus decrease in 1.8% in the control group.
	Health facilities	1993–1998: Hours of operation increased in SIF for all services, declined or stagnated in non-SIF for all but family planning. Increase in hours of service for family planning four times as high in SIF facilities as compared to the control group facilities. Average increase of 567 cases seen for SIF, drop of 271 cases seen for the control group. Also, 23% increase in maternal deliveries and 26% increase in child attendance in SIF centers.

a. While utilization of both FISE and non-FISE health centers increased significantly, a slightly greater and significant increase was observed in the FISE health posts.

Table E.2

**Outcomes and Welfare Impact: Social Funds 2000 Results**

Country	Indicator	Finding
Intermediate indicators		
Bolivia	<b>EDUCATION</b> (1993–97)	
<i>Chaco</i>	Enrollment rate (5–12) <sup>d</sup>	Insignificant difference between social fund and the control group.
	Regularity of attendance <sup>d</sup>	Insignificant difference between social fund and the control group.
	Repetition rate <sup>d</sup>	Insignificant difference between social fund and the control group.
	Drop-out rate <sup>d</sup>	Significant reduction when measured from household data and insignificant using administrative data.
	Mean test scores <sup>d</sup>	Insignificant difference between social fund and the control group.
<i>Chaco</i>	Registered students <sup>c</sup>	Negative social fund impact.
<i>&amp;</i>	Effective students <sup>c</sup>	Positive social fund impact.
<i>Resto</i>	Repeaters <sup>c</sup>	Insignificant difference between social fund and the control group.
<i>Rural</i>	Drop-out rate <sup>c</sup>	Positive social fund impact.
	<b>HEALTH</b> (1993–97)	
	Pre-natal control <sup>c</sup>	Positive social fund impact.
	Births attended by trained personnel <sup>c</sup>	Insignificant difference between social fund and the control group.
	Use of health services conditional on illness <sup>c</sup>	Insignificant difference between social fund and the control group.
	Treatment of diarrhea <sup>c</sup>	Insignificant difference between social fund and the control group.
	Treatment of cough <sup>c</sup>	Negative social fund impact.
	Diarrhea & cough incidence <sup>c</sup>	Insignificant difference between social fund and the control group.
	Infant and child mortality <sup>a</sup>	Positive social fund impact.
	<b>WATER</b> (1993–1997)	Results based only on social fund subprojects
	Knowledge and use of ORT	Increase overtime.
	Level of fecal contamination	Reduction over time.
	Infant and child mortality <sup>b</sup>	Significant decline overtime.
	Diarrhea incidence	Decline overtime in Chaco. No change overtime in Resto Rural.
Honduras	<b>EDUCATION</b>	
	Gross primary enrollment (6–12) <sup>a</sup>	Insignificant difference between social fund and the control group. <sup>9</sup>
	Grade for age <sup>a</sup>	Positive social fund impact.
	<b>HEALTH</b>	
	Among the sick, those that sought professional help <sup>a</sup>	Positive social fund impact.
	<b>WATER</b>	
	Diarrhea incidence <sup>b</sup>	Insignificant difference between social fund and the control group. <sup>h</sup>
	<b>LATRINES</b>	
	Diarrhea incidence <sup>a</sup>	Significant social fund impact using bivariate analysis, insignificant social fund impact using multivariate analysis.
	<b>SEWERAGE</b>	
	Diarrhea incidence <sup>b</sup>	Insignificant difference between social fund and the control group.

Table E.2

**Outcomes and Welfare Impact: Social Funds 2000 Results**

Country	Indicator	Finding
Nicaragua	<b>EDUCATION</b>	
	Net enrollment rate <sup>b</sup>	Positive social fund impact.
	Grade for age <sup>b</sup>	Insignificant difference between social fund and the control group (but age in first grade significantly lower).
	Absenteeism <sup>b</sup>	Weak negative—negative social fund impact using propensity control and insignificant social fund impact using pipeline control.
	Education gap <sup>b</sup>	Positive social fund impact.
	Repetition <sup>b</sup>	Weak positive—positive social fund impact using propensity match and insignificant using pipeline control.
	Days not assisted classes last month <sup>b</sup>	Weak negative—negative social fund impact using propensity control and insignificant social fund impact using pipeline control.
	<b>HEALTH</b>	
	Contact rate under six <sup>b</sup>	Weak positive—positive social fund impact using propensity score match and insignificant difference between FISE assisted and the control group communities using pipeline control.
	Contact rate above five <sup>b</sup>	Weak negative—no significant difference using propensity score match and negative social fund impact using pipeline control.
	Contact rate	Weak positive—positive social fund impact using propensity score match and insignificant difference between FISE assisted and the control group communities using pipeline control.
	Contact rate under six with diarrhea <sup>b</sup>	Positive social fund impact using both propensity match and pipeline control.
	Pre-natal care <sup>b</sup>	Weak negative—negative social fund impact using propensity score match and insignificant difference using pipeline control.
	Institutional births <sup>b</sup>	Weak positive—no significant difference using propensity score match and positive social fund impact using pipeline control.
	Vaccine coverage <sup>b</sup>	Insignificant difference between social fund and the control group.
	Diarrhea <sup>b</sup>	Weak negative—negative social fund impact using propensity and insignificant social fund impact using pipeline control match.
	Respiratory infections <sup>b</sup>	Weak negative impact—negative social fund impact using propensity score match; Insignificant difference between FISE assisted and the control group communities using pipeline control.
	Stunting <sup>b</sup>	Positive social fund impact.
	Wasting <sup>b</sup>	Weak positive impact—positive social fund impact using pipeline control and insignificant social fund impact using propensity match.
	Underweight <sup>b</sup>	Weak positive impact—positive social fund impact using pipeline and insignificant social fund impact using propensity score match.
	<b>WATER</b>	
	Diarrhea <sup>b</sup>	Insignificant difference between social fund and the control group
	Stunting <sup>b</sup>	Positive social fund impact.
	Wasting <sup>b</sup>	Insignificant difference between social fund and the control group.

Table E.2

**Outcomes and Welfare Impact: Social Funds 2000 Results**

Country	Indicator	Finding
	<b>LATRINE<sup>k</sup></b> Diarrhea <sup>b</sup> Stunting <sup>b</sup> Wasting <sup>b</sup>	Insignificant difference between social fund and the control group. Insignificant difference between social fund and the control group. Insignificant difference between social fund and the control group.
	<b>SEWERAGE</b> Diarrhea <sup>b</sup> Stunting <sup>b</sup> Wasting <sup>b</sup>	Insignificant difference between social fund and the control group. Insignificant difference between social fund and the control group. Insignificant difference between social fund and the control group.
Peru	<b>EDUCATION</b> Attendance rate (6–11) <sup>e</sup> Grade for age <sup>e</sup> Enrollment rate <sup>e</sup> Attendance <sup>e</sup> Absenteeism due to illness over last month <sup>e</sup> Accumulated years of education <sup>e</sup>	Positive social fund impact. Insignificant difference between social fund and the control group. Insignificant difference between social fund and the control group. Insignificant difference between social fund and the control group. Significant reduction. <sup>f</sup> Significant improvement. <sup>f</sup>
	(APOYO) <b>WATER</b> Child Mortality rate <sup>e</sup> Incidence of diarrhea <sup>e</sup> Incidence of dysentery <sup>e</sup>	Significant reduction. <sup>f</sup> Reduced significantly for households with house connections. <sup>f</sup> Reduced significantly. <sup>f</sup>
	<b>SEWER</b> Incidence of diarrhea <sup>e</sup>	Insignificant difference between social fund and the control group. <sup>f</sup>
	<b>LATRINE</b> Incidence of diarrhea <sup>e</sup> Incidence of dysentery <sup>e</sup>	Reduced significantly for households with house connections. <sup>f</sup> Reduced significantly. <sup>f</sup>
Zambia	<b>EDUCATION</b> Attendance rate, 7–12 <sup>b</sup> Attendance in grade <sup>b</sup> Education share of household expenditure <sup>b</sup> Expenditures of households with primary-school-age children <sup>b</sup>	Weak positive—positive impact using pipeline match and insignificant difference using propensity score match. Weak positive—positive impact using pipeline match and insignificant difference using propensity score match. Social fund households spend significantly higher proportion of their expenditure on education as compared to the control group households. Overall, an insignificant difference between social fund and the control group—with significantly larger expenditures in rural areas and weak positive in urban areas (lower using pipeline and insignificant using propensity score).
	<b>HEALTH</b> Household member sick <sup>b</sup> Treatment (if sick) <sup>b</sup>	Significantly higher percentage from social fund communities reported sick as compared to the control group communities. <sup>l</sup> Significantly lower percentage from social fund communities sought treatment as compared to the control group communities.

Table E.2

**Outcomes and Welfare Impact: Social Funds 2000 Results**

Country	Indicator	Finding
	Went to hospital (if sick) <sup>b</sup>	Significantly lower percentage from social fund communities went to hospital as compared to the control group communities.
	Went to health facility (if sick) <sup>b</sup>	Significantly higher percentage from social fund communities went to local health post as compared to the control group communities (using pipeline match); Insignificant difference using propensity score match.
	Health share of household expenditure <sup>b</sup>	Insignificant difference between social fund and the control group, but significant difference in rural areas.
	Vaccination/Child <sup>b</sup>	Weak positive impact for some vaccination types; Insignificant differences between social fund and the control group for most vaccinations.
	Diarrhea incidence (all households) <sup>b</sup>	Insignificant difference between social fund and the control group.
	Diarrhea incidence (if sick) <sup>b</sup>	Weak positive—positive social fund impact using propensity score match and insignificant social fund impact using pipeline match.
	Stunting <sup>b</sup>	Insignificant difference between social fund and the control group (overall); but positive social fund impact for rural Zambia
	Wasting <sup>b</sup>	Negative social fund impact

Note: Only results significant at 90 percent confidence level have been reported.

a. Result holds for multivariate analysis.

b. Bivariate analysis of ex-post difference with control (that is, not double difference).

c. Difference-in-difference impact.

d. Eligibility on randomization (only Bolivia).

e. It is not clear if the results are from bivariate or multivariate analysis.

f. It is not clear if this is a before/after comparison, with/without comparison, or difference-in-difference approach.

g. According to the research on Honduras for *Social Funds 2000*, the study team did not expect to find an impact in enrollment due to the already high primary school enrollment rate, which would have required a much larger sample size to draw conclusions about this variable.

h. Honduran research explains these findings by the fact that FHIS did not emphasize increased coverage in water but rather rehabilitated run-down systems (so the main benefits were economic gains to houses that already had potable water).

i. According to research on Honduras for *Social Funds 2000*, the fact that FHIS placed latrines where none existed previously and that sanitary services radically reduce diarrhea leads to the inescapable conclusion that the FHIS program in this area has had a clear and positive impact.

j. The researchers working on the Nicaraguan data consider the health results inconclusive.

k. The researchers explain the lack of impact of latrines on health on the high existing access to latrines among the control group.

l. The researchers in Zambia noted that health interventions increased awareness of health issues, so that people more frequently report themselves sick when they have minor maladies that previously they would not have considered worthy of mention.

Source: *Social Funds 2000* background research; World Bank data.

Table E.3 Sustainability: Social Funds 2000 Results

	Bolivia	Honduras	Nicaragua	Peru (APOYO)	Zambia
Sample size	7,300 household surveys.	2,590 household surveys.	1,310 household surveys & 4040 national surveys.	5,120 household surveys	2,950 household surveys & 13,500 national surveys.
	<b>SCHOOL FACILITY</b>				
Sample size	66 SIF & 72 non-SIF school surveys; 940 SIF & 1,020 non-SIF household surveys.	12 FHIS (all operating) & 12 non-FHIS school surveys; 320 SIF & 320 non-SIF household surveys.	24 FISE & 24 non-FISE school surveys; 240 SIF & 240 non-SIF household surveys.	70 SIF & 71 non-SIF school surveys; 760 SIF & 770 non-SIF household surveys.	43 SIF & 25 non-SIF school surveys; 1,020 SIF & 1,020 non-SIF household surveys.
Quality of facilities	For Chaco, and Chaco & Resto Rural (combined), SIF schools had significantly higher percentage of classrooms in good condition and significantly better sanitation services than the non-SIF schools. SIF schools had better access to electricity (20% compared to non-SIF schools (17%).	Project survey: FHIS schools had better construction, furniture availability, decoration and cleanliness than non-FHIS facilities. However, some 28 percent of the water closets and electric installations built by FHIS were not working, compared with 4 percent of those built by other agencies. 75% of FHIS schools reported problems with piped water compared to 83% in non-FHIS schools. However, 25% cited faulty installation (compared to 15% in non-FHIS), 33% security (compared to 15% in non-FHIS), 25% lack of space (compared to 4% in non-FHIS) as a problem. <sup>a</sup> FISE schools were worse than the non-FISE schools for (i) access to safe water (77% vs 91%) and (ii) access to electricity (54% vs 64%).  Beneficiary Household: Quality of FHIS works was assessed as "good" by 73%; "regular" by 19% and bad by 6%. And supervision was assessed as "efficient" by 58%.	Facility survey: FISE schools were significantly better than the non-FISE schools for (i) access to rain drainage (38% vs 7%), (ii) water through pipeline (68% vs 37%), (iii) access to safe water (87% vs 64%), (iv) electricity available during school hours (56% vs 23%) and (vi) community with electricity (81% vs 57%). There were insignificant differences in number of latrines per classroom and latrines in good condition.  Parents of students from FISE reported greater improvements in school condition over past 5 years compared to parents of students from non-FISE. However, no significant difference was found in attention to maintenance between FISE & non-FISE schools.	Project survey: 68% of SIF classrooms are in good condition (vs 44 in non-SIF). 67% of the SIF schools have access to safe water (vs 32 in non-SIF).  Parents of students from FISE reported greater improvements in school condition over past 5 years compared to parents of students from non-FISE. However, no significant difference was found in attention to maintenance between FISE & non-FISE schools.	Household beneficiary: SIF schools had significantly fewer students per ventilated pit latrine than the non-SIF schools. SIF schools had significantly lower percentage reporting unsafe water (81% vs 76%), and higher percentage reporting water and electricity availability (60% vs 32%) as compared to non-SIF schools. And SIF school had 68 students per VIP as compared to 700 per VIP in non-SIF. There was no significant difference between SIF and non-SIF facilities in classes held outside, students per regular latrines, students per flush toilet, and schools with electricity always available.



**Table E.3 Sustainability: Social Funds 2000 Results**

	<b>Bolivia</b>	<b>Honduras</b>	<b>Nicaragua</b>	<b>Peru (APOYO)</b>	<b>Zambia</b>
			<b>Complementary Inputs</b>		
Staffing	For Chaco & Resto Rural (combined), the student-teacher ratio was lower for SIF-built schools as compared to the non-SIF schools (20 vs 22).	Project survey: The level of personnel assignment was generally satisfactory with 34 students per teacher in both FHIS and non-FHIS schools.  Beneficiary household: 33% cited lack of personnel as a problem (only 7% for non-FHIS)	Facility survey: Teacher numbers up by 1.48 in FISE and by 0.15 in non-FISE schools. FISE schools show significantly greater increase in number of teachers, administrators, and other staff as compared to non-FISE. The students per teacher ratio was 24 in both FISE and non-FISE schools. Interviews with teachers suggest that FISE coordinated well with the Education Ministry to ensure that new schools would be staffed.	The student-teacher ratio was lower for SIF schools as compared to the non-SIF schools (28 vs 32).	Staffing at SIF facilities was more than non-SIF, although that was true even before SIF involvement. The student-teacher ratio was slightly lower for SIF schools as compared to the non-SIF schools (47 vs 48).
Supplies, equipment and furniture	For Chaco SIF schools were significantly better than the non-SIF schools for: (i) number of blackboards, (ii) blackboards per classroom and (iii) desks per teacher per classroom. For Chaco & Resto Rural (combined), the SIF facilities showed significant improvement between 1993–97 and as compared to the non-SIF for (i) the texts per student, (ii) M2 per student, (iii) students per classroom and (iv) students per teacher.	Project survey: FHIS schools were better than non-FHIS in desk per student (1.12 compared to 0.88) but no difference was found in textbooks per student. 58% cited lack of equipment or material (compared to 26% in non-FHIS) as a problem.	No significant differences were observed between FISE and non-FISE schools. Both are well equipped with teaching materials. But, beneficiaries perceived better furniture in FISE as compared to non-FISE. And in non-FISE, the beneficiaries also perceived worsening physical infrastructure.		SIF schools were significantly more likely to have desks for students and teachers than the non-SIF facility, especially in rural areas.
Financing & cost recovery		FHIS schools are more likely to rely on benefactors' support, less likely to charge fees, and showed similar use of fundraising.	FISE schools are more active in fundraising, but are similar to non-FISE schools in terms of their support from the ministry and their application of student fees. 42% of FISE schools and 47% of non-FISE schools charge their students a tuition fee.		SIF schools were more likely to pay PTA-fees, GPF, maintenance fees than non-SIF schools. And SIF schools were likely to attract support beyond PTA than non-SIF.

Table E.3 Sustainability: Social Funds 2000 Results

	Bolivia	Honduras	Nicaragua	Peru (APOYO)	Zambia
		<b>HEALTH FACILITY</b>			
Sample size	90 SIF & 87 non-SIF health posts; 1,921 SIF & 1,921 non-SIF household surveys.	12 FHIS (A rural FHIS health post sampled was inoperative due to lack of personnel) & 12 non-FHIS health posts; 386 SIF & 188 non-SIF household surveys.	20 FISE & 20 non-FISE health posts; 199 FISE & 199 non-FISE household surveys.	—	16 SIF & 14 non-SIF health posts; 2,150 FISE & 2,150 non-FISE household surveys.
Quality of facilities	SIF health posts had more patient rooms, less access to water and electricity than non-SIF posts.	Project survey: Very little difference was found regarding the decoration and cleanliness between the two groups. However, 67% of the FHIS constructed rooms were qualified as "good" as compared to 4% of the non-FHIS. Water closets and electric installations were problematic in both FHIS and non-FHIS facilities: 34 percent and 38 percent were not working in FHIS and non-FHIS health centers, respectively.  Beneficiary households: Quality of FHIS works was assessed as "good" by 88%; "regular" by 9% and bad by 0%. And supervision was assessed as "efficient" by 77%.	Facility survey: All health posts lack access to basic infrastructure. However, FISE health post have better: (i) access to safe water (91%), (ii) bathrooms (2.2), (iii) flush toilets (1), (iv) rain drainage facility (4%), (v) electricity during hours of service (64%), and (vi) piped water during hours of operation (26%). None of these are significantly different from non-FISE infrastructure. However, FISE health posts are less likely to rely solely on Ministry of Health funds for maintenance, receiving extra help from community, and FISE projects have greater preventative maintenance for sanitary & electrical systems.	—	SIF health posts improved significantly more than the non-SIF facilities for: (i) delivery and medical rooms, (ii) flush toilets and ventilated pit latrines, (iii) handpumps, borehole, supply line, and (iv) access to electricity. In addition, SIF facilities were found to be in significantly better physical condition than non-SIF comparators. 31% of SIF facilities were noted as being in very good shape compared to 7% of the comparator group. 6% of SIF facilities were noted as being in poor shape compared to 29% of non-SIF facilities.

**Table E.3 Sustainability: Social Funds 2000 Results**

	<b>Bolivia</b>	<b>Honduras</b>	<b>Nicaragua</b>	<b>Peru (APOYO)</b>	<b>Zambia</b>
		<b>Complementary Inputs</b>			
Staffing		For all health posts staffing was deficient and below Ministry standards. Only one FHIS health post had a doctor and 4 had no doctor or qualified nurse. However, 63% of FHIS health posts had NGO support vs. 45% of non-FHIS. Further FHIS had more volunteers (on average 19 versus 8).	Facility survey: FISE health posts were better staffed, including volunteers than non-FISE (18.6 vs 13.1 total staff and 2.6 vs 1.7 professional staff). Total staffing increased for FISE (21%) and declined for non-FISE (24%) for 1993–1997. But both remain below Ministry norms.	—	SIF health posts were better staffed than non-FISE (14.6 vs 7.7 total staff and 4.2 vs 2.6 professional staff). Between 1993-1998 the total staffing increased by 12% for SIF and 7% for non-SIF, professional staffing increased by 7% for SIF and decreased by 10% for non-SIF and the registered nurses declined by 35% for SIF as compared to 89% for non-SIF.
Supplies, equipment and furniture	SIF health posts had more beds (1.9 vs 1.2) than the non-SIF posts. For the SIF facilities, there was a 62% increase in the index of available medical supplies (1993–97) increased compared to 23% in non-SIF facilities.	Project survey: Very little difference regarding the provision of furniture between the two groups. 42% and 53% of recommended medicines and equipment were available (compared to 44% and 59% in non-FHIS facilities, respectively).  Focus groups: The negative assessment from the facility survey were contradicted by positive reactions of the focus groups. However, the most frequent complaint was lack of medicines. (Explanation provided: FHIS intervention has increased expectations resulting in greater dissatisfaction within an objectively similar situation).	Facility survey: Availability of medicine below ministry norms in both FISE and non-FISE facilities (about 45% are often not available). In FISE 25% of the required medicines were never available (compared to 31% in non-FISE). FISE health posts were better endowed than non-FISE insofar as availability of key medical supplies (59% vs 42%), and equipment (65% vs 60%).  Facility survey: Maintenance funds are generally lacking, particularly in FISE facilities.	—	As compared to non-SIF health posts, the SIF health posts had 2-3 times more trolleys, hanging weighing, sphygmometers, examination couches, tables, chairs, cupboards, & beds. Also, SIF health posts have slightly higher availability of 11 essential medicines and condoms (79 vs 77). Similarly they are significantly less at risk to run out of Chloroquine than non-SIF facilities.
Financing & cost recovery		Project survey: 23% of FHIS had monthly incomes from co-payments of more than L500 compared to 18% of non-FHIS.	Non-FISE health posts are almost twice as likely to ask for voluntary contributions from users (75% non-FISE vs. 39% FISE). Of the 40 posts surveyed only one (a FISE post) charges mandatory fees. The majority of FISE posts provide their services for free.	—	Differences in fees charged by SIF and non-SIF facilities are inconclusive. While general consultation fees are found on average to be less at social fund facilities (KW280 vs. KW530), booking and registrations fees are higher at SIF facilities (KW 450 vs. KW300), 80% of SIF facilities and 70% of non-SIF facilities charge other fees.  But, SIF facilities are more likely to receive additional support from NGOs than comparators.

Table E.3 Sustainability: Social Funds 2000 Results

	Bolivia	Honduras	Nicaragua	Peru (APOYO)	Zambia
Sample size	No project survey; 1,235 baseline and 1,109 follow-up household surveys from 18 projects.	12 FHIS (all operating) and 12 non-FHIS water systems. 324 household surveys each from FHIS and non-FHIS communities.	5 successful (with sufficient water) & 5 unsuccessful (with insufficient water) FISE systems. 95 household surveys.	166 SIF and 166 non-SIF projects; 1,176 SIF and 1,176 non-SIF household surveys.	—
Quality of facilities	No evidence of chlorination, lack of training of the personnel designated for maintenance in earlier stages of project implementation, with improvement in later stages.	Project survey: Non-FHIS had better original construction, however, the FHIS had better maintenance. 50% of FHIS facilities mentioned low water production (compared to 21 in non-FHIS), 25% mentioned network problems (compared to 21% in non-FHIS), 0% with low pressure (compared to 13% in non-FHIS), 19% with source contamination (compared to 13% in non-FHIS) as major problems.  Beneficiary household: Service production was a problem, although the maintenance and water quantity & quality was better for FHIS facilities. 46% assessed FHIS solutions as "good" and 54% agreed that supervision was efficient. However, 23% assessed FHIS solutions as "bad" and 15% said that there was no supervision.	<b>WATER</b>  Project survey: The successful systems (maintained by INAA) generally use subtterranean water sources, have 100% necessary maintenance and 88% access to technical assistance. Unsuccessful ones (maintained by municipality or local groups) use surface water, 67% have necessary maintenance and 60% access to technical assistance. Water availability is three times more in the successful than in the unsuccessful systems. Water is rationed in the latter systems, available on average three days a week. Water from all ten systems is described to be bacteria-free, however, one third of the unsuccessful systems are not chlorinated. Six water systems have "acceptable" drainage systems, the other 4 drain into the ground or a river bed. 40% of the unsuccessful systems report deterioration in water supply and leaks compared to 11% deterioration in water supply and no leaks in successful systems.	Households perceived an improvement in the quality of water.	—

**Table E.3 Sustainability: Social Funds 2000 Results**

	Bolivia	Honduras	Complementary Inputs	Nicaragua	Peru (APOYO)	Zambia
Staffing	—	Project survey: Staffing was weak (on average 2.34 employees per 1000 connections in FHIS and 2.33 in non-FHIS, with no engineers employed. Rural systems depend on volunteers (1.07 per 1000 connections in FHIS as compared to 0.78 in non-FHIS).		Apart from 1 system all systems employed fewer than 6 people. All systems have at least one administrator or a branch manager. Three of the 5 unsuccessful projects have a plumber and only one of the successful ones has a plumber. 60% of the unsuccessful systems report lack of personnel as a problem.		—
Supplies, equipment	Poor quality of material (tubes etc.) in some systems. Lack of meters to measure water quantity.	Project survey: 19% of FHIS facilities mentioned lack of accessories (compared to 4% in non-FHIS).		Project survey: 100% of the successful systems have electric pumps compared to 20% of the unsuccessful ones. 80% of the unsuccessful cite lack of tools, equipment, parts, and materials for O&M.		—
Financing & cost recovery	—	Project survey: "Revenue performance was generally mediocre." The average monthly revenue per connection for FHIS was L. 10 which is better than non-FHIS (L. 5.6) but below community water board (L.11.6) and municipal (L. 14.2). However, 83% reported that their revenue did not cover operational costs.  Beneficiary household: On average households paid L. 10.9 for piped water last month in FHIS (compared to L. 9.3 in non-FHIS); FHIS investment reduced average expenditure per months on water from alternative resources to L. 15.6 in FHIS (compared to L. 33.8 in non-FHIS)	Project survey: "Revenue performance was generally mediocre." The average monthly revenue per connection for FHIS was L. 10 which is better than non-FHIS (L. 5.6) but below community water board (L.11.6) and municipal (L. 14.2). However, 83% reported that their revenue did not cover operational costs.  Beneficiary household: On average households paid L. 10.9 for piped water last month in FHIS (compared to L. 9.3 in non-FHIS); FHIS investment reduced average expenditure per months on water from alternative resources to L. 15.6 in FHIS (compared to L. 33.8 in non-FHIS)	Average household connection cost is US\$37.7 in successful compared to US\$8.45 in unsuccessful systems. Users pay US\$4.4 monthly fees in successful systems compared to US\$1.45 in unsuccessful systems. Nonetheless, payments are more timely in successful systems. Lack of funds in the unsuccessful systems leads to greater system deterioration.	46% report paying for services.	—

Table E.3 Sustainability: Social Funds 2000 Results

	Bolivia	Honduras	Nicaragua	Peru (APOYO)	Zambia
Sample size	—	8 FHIS (1 inoperative due to lack of connection to sewer main) and 4 non-FHIS sewerage systems and 6 FHIS and 5 non-FHIS latrines. 162 household surveys each from FHIS and non-FHIS.	10 FISE sewerage and 23 FISE latrines (all INAA maintained), 74 household surveys for sewers and 234 for latrines.	21 SIF & 13 non-SIF sewers; 86 SIF & 83 non-SIF latrines. 224 households each for SIF & non-SIF sewers; 510 each for latrines.	—
Quality of facilities	—	<p>Project survey: Both FHIS and non-FHIS sewers subprojects have very positive evaluation for original construction. But FHIS maintenance was assessed as "good" by 91%, "regular" by 5% and "bad" by 5% compared to 100% assessed as "regular" for non-FHIS sewers.</p> <p>FHIS latrines compare well with non FHIS for original construction and present state of maintenance and cleanliness. And, FHIS latrines had better quality doors and seats than non-FHIS.</p> <p>Beneficiary households: Quality of FHIS sewers was assessed as "good" by 61%, "regular" by 15%. And supervision was efficient by 88%.</p> <p>Quality of FHIS latrines was assessed as "good" by 78%; "regular" by 15% and bad by 3%. And supervision was assessed as "efficient" by 67%. But, 11% latrines had problems in FHIS compared to 8% in non-FHIS.</p>	<p>The 5 sewer systems in Managua lack water treatment and dispose raw sewage in the lake. The systems report few problems and maintenance activities are carried out regularly. However, the majority experience problems in the rainy season. The systems have led to improvements in road condition, streams, and puddles.</p>		—
Financing & cost recovery	—	FHIS sewerage projects had higher access and connection rates than non-FHIS communities. FHIS 2 found 44% connection rate.	Connection costs vary between systems, with those in Managua averaging US\$30. Monthly fees average US\$2.00 and are mostly included in the water bill. Except for 30% of users in Managua who do not pay their fees, all other users have paid fees to present. In 60% of the systems funds collected are not sufficient for O&M.		—

a. According to the authors of the Honduras Social Funds 2000 impact evaluation, the above level of dissatisfaction could possibly be explained by "increased expectations" due to FHIS intervention. Source: Newman and others 2000; Walker and others 1999, 2000; Paxson and Shady 1999; World Bank data.

Table E.4

Community Priorities: Social Funds  
2000

**Armenia:** In Armenia, 79 percent of community members interviewed said that the implemented microproject had solved the most important problem in the community<sup>a</sup> (Armenia 1999 sociological study).

**Honduras:** The water projects were the preference of 64 percent of beneficiaries; education projects, of 47 percent; health projects, of 35 percent; latrines projects, of 4 percent; and sewerage projects, of 7 percent. (Ex-post Evaluation of the Honduras Social Investment Fund, FHIS II).<sup>b</sup>

**Nicaragua:** Seventy-two percent of the respondents answered that the FISE projects were those that had most benefited the community<sup>c</sup> (1998 qualitative evaluation of FISE beneficiaries).

**Peru:** When asked if the project selected was the one that the community most needed, 90 percent responded that it was the highest priority investment<sup>d</sup> (APOYO 1995).

**Zambia:** The majority of projects were the community's first priority based on intensive ranking exercises<sup>e</sup> (1994 beneficiary assessment).

a. Based on 1,190 persons, 20 project sites, focus group interviews with beneficiary groups, members of implementing agencies, construction companies, and local government representatives.

b. Management notes that the findings of the Honduras household survey were that where FHIS funded water, education, and health projects, these projects represented the top priority of beneficiary households. For communities that invested in water projects, 64 percent of respondents stated that as the number one priority (the top vote getter), in communities that implemented education projects 47 percent of respondents stated that education was the number one priority (the top vote getter), and in communities that invested in health projects 35 percent of respondents stated that health was the number one priority (the top vote getter). Since these three project types represent 98 percent of FHIS portfolio, 98 percent of FHIS investments reflect the top priority of household members. For sewerage and latrines, households in communities where these investments were made place sewerage and latrines much lower on the list of priorities.

c. Based on 256 individual surveys (12 percent local government officials, 27 percent line ministry staff, 13 percent former workers on FISE projects, 40 percent local beneficiaries, and 9 percent contractors), and 24 focus groups on projects implemented during 1993–96. This question compared the FISE subproject with other projects in the community—it is not clear how the comparator projects were chosen. This result does not address the question of whether FISE met the top priority of the community. The respondents were not randomly selected.

d. Based on interviews of 2,800 community members, beneficiaries, project committee members, FONCODES staff.

e. Based on 28 focus group interviews, 30 ordinary group discussions, and 45 semi-structured interviews. The respondents were not randomly selected.



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## ANNEX F: PROMOTION, OUTREACH, AND TARGETING

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Benefiting the poor is the overarching objective of social fund projects: “social funds establish menus, procedures, and targeting criteria to support investments benefiting the poor” (Jorgensen and Van Domelen 1999). Accordingly, the “poor” (or “poorer,” “poorest,” “poverty”) are mentioned in the objectives of more than three-quarters of social fund projects.<sup>1</sup> Furthermore, the poor, or some category of poor people, are mentioned as an explicit target group in the majority of cases (“poor” in 80 percent of projects, “poorest” in 46 percent of projects, “vulnerable” in 44 percent of projects, and “low-income” in 10 percent of projects). Other target groups are “unemployed,” in 20 percent of projects; “indigenous,” in 10 percent of projects; and women, in 61 percent of projects. This annex looks at the means employed by social funds to reach poor people, and their success in doing so.

### Promotion and Outreach Mechanisms

Social fund resources are disbursed to communities and intermediaries (central government, local government, and NGOs) based on subproject proposals made by them. This assumes that communities and intermediaries are aware of the social fund’s existence and application procedures, and make viable subproject proposals.

Social fund projects use two mechanisms to make this happen: (i) “promotion,” which aims at ensuring that poor communities hear of the opportunities provided by the social fund; and (ii) “outreach” (including facilitation), which aims at helping poor communities to prepare and submit viable subproject proposals in the format required by the social fund agency. A review of project documents (staff appraisal reports or project appraisal documents, and operational manuals where available) found promotion and

outreach mentioned in 47 out of 66 social fund projects (71 percent). A variety of media are used for promotion and outreach activities<sup>2</sup> using different channels.<sup>3</sup>

Given the possibility that better-off communities are more advantageously placed to apply for subprojects from the social fund, some social fund projects include special promotion and outreach measures specifically directed at poorer communities. Outreach in poorer communities typically consists of training or technical assistance to help them prepare subproject proposals, or assisting them to meet pre-investment costs related to subproject preparation. For example, in the second Peru FONCODES project, the social fund’s Promotion Office assisted the poorest communities in preparing and submitting proposals by providing technical assistance. Bolivia SIF II financed pre-investment costs of subprojects in poor communities to enable them to subcontract third parties to undertake necessary studies.

### Targeting Mechanisms

To reach the poor, social fund projects generally use one of three targeting mechanisms:

- Self-targeting: provision of benefits that will only be of interest to the target group, such as basic (rather than high-end) services.
- Indicator targeting: directing resources to groups, households, or individuals in accordance with an indicator (such as unemployed or malnourished).
- Geographic targeting: directing resources to specific areas.

### Self-Targeting

Social fund projects intrinsically contain an element of self-targeting. About two-thirds of social

fund projects include a positive list of eligible subproject activities, and another 22 percent a negative list of ineligible subproject activities. Eligible activities are meant to be those from which the poor will benefit. For example, staff noted that for FISE in Ecuador, the type of subprojects eligible for FISE financing—including primary health and education services, basic infrastructure (e.g., feeder roads, standpipes for water supply), and support for small-scale productive community investments—by their nature tend to be oriented to the needs of the poor.

Some subprojects in social fund menus (such as roads) may also be of interest to the non-poor, but these are usually public goods for which rivalry is low, so the poor also benefit. Some social fund expenditure is on private goods of interest to the non-poor (principally microcredit), though these account for only a small fraction of total expenditure.

### Indicator Targeting

Social fund projects also use indicator targeting. While generally the indicator in social fund projects refers to the poor, it may also refer to the vulnerable or non-poor, such as unemployed graduates in the first Egypt social fund project.

There are two prerequisites for indicator targeting to be a viable means of targeting. *First*, there has to be a clear definition of the indicator and the indicator has to be measurable. A Bank review found that a majority of social fund projects refer to broad and general categories of poor populations such as “poor and vulnerable,” “low-income,” or “poorest among the population” without defining them more precisely. Only a few social fund projects define their target group in measurable terms—for example, populations with infant mortality rates higher than a specified level. *Second*, there has to be a mechanism to ensure that benefits do indeed reach people from that group. For example, the Peruvian Second Social Development and Compensation Fund supplemented its geographic poverty map with information on the distribution of the indigenous population and the ethno-linguistic status of the applying communities in order to target more resources to indigenous people.

### Geographic Targeting

The main means of targeting in social fund projects has been geographic, used in 92 percent of the projects (54 of 59 projects). Geographic targeting mechanisms can be classified as *proactive* and *reactive*. Using data on the geographic distribution of poverty, usually combined with population data, proactive targeting allocates a specified quantity of resources up front to each area. By contrast, once applications have been received, reactive targeting uses poverty data in prioritizing them to ensure that resources reach poor areas (table F.1).

The level of aggregation of the targeting unit is important. Ideally, community-level data are available that allow targeting resources to the poorest communities. More usually, data are only available at district (or equivalent) level. Proactive targeting by district means that *intra*-district allocation is still on a reactive basis. Social funds may use alternative means to target *within* this geographical unit. For example, in Zimbabwe local experts and key informants identify the poorer communities after a general district-level allocation has taken place. Without such additional local expert identification mechanisms within districts, there is a danger that the less-poor communities within districts will dominate the use of funds.

### To What Extent Have Social Fund Projects Reached the Poor?

Quantitative targeting data are available for just a handful of countries. Data on both a geographic and a household basis from *Social Funds 2000* studies for six countries show overall that social fund projects have delivered slightly more than proportional benefits to the poor and the poorest.

On a geographic basis, i.e. the cumulative share of expenditures going to poor districts, the distribution was mildly progressive for all countries other than Peru, where it was very progressive. The share of the bottom 20 percent ranges from 20.4 percent (Zambia) to 29.1 percent (Nicaragua), but was 46.5 percent for Peru (see figure F.1). For the bottom 40 percent, these figures are 43.9 percent (Zambia) to 53.3 percent (Nicaragua), and 78 percent for Peru. Armenia

Table F.1

### Typology of Geographic Targeting in Social Fund Projects

Proactive	<i>Progressive</i> : an allocation rule is used that accords up-front more resources per capita to poorer areas.	Zimbabwe Community Action Project resources are allocated to districts based on a measure of deprivation and population size. In Honduras, FHS allocates resources to departments according to population size and a poverty index; a 1 percent increase in the poverty index gave a US\$0.14 increase in funds per person. The recent Zambian Social Investment Fund (ZAMSIF) allocates funds to districts using a progressive targeting rule based on the poverty headcount. Peru previously used a province-level poverty map and, since 1996, has used a district-level one. Nicaragua uses an income-poverty map to set investment ceilings for districts classified into four poverty levels.
	<i>Cut-off</i> : resources are directed only to areas or communities with a certain level of poverty.	The Albanian Rural Development Project aimed at supporting activities in 14 districts, representing the poorest and most mountainous of Albania's 36 districts (SAR 13156-ALB). The Second Bolivian Social Investment Fund limited itself to the country's 33 poorest districts, identified through a poverty map using social indicators.
Reactive	<i>Prioritization</i> : once applications are received, they are prioritized, the poverty of the area being one criterion used in this process.	Under the Zambia Social Recovery Project, the Living Conditions Monitoring Surveys identified specific areas and communities where extreme poverty was present. These communities were given priority in the project selection process. The Health, Nutrition, Water and Sanitation Project in Guyana determined eligibility and priority of proposals on the basis of poverty maps and other indicators such as malnutrition and infant mortality rates.
	<i>Eligibility</i> : only applications from communities satisfying a poverty criterion are considered.	In Madagascar, the Third Social Fund financed applications only from rural areas where 80 percent of the population is considered poor.

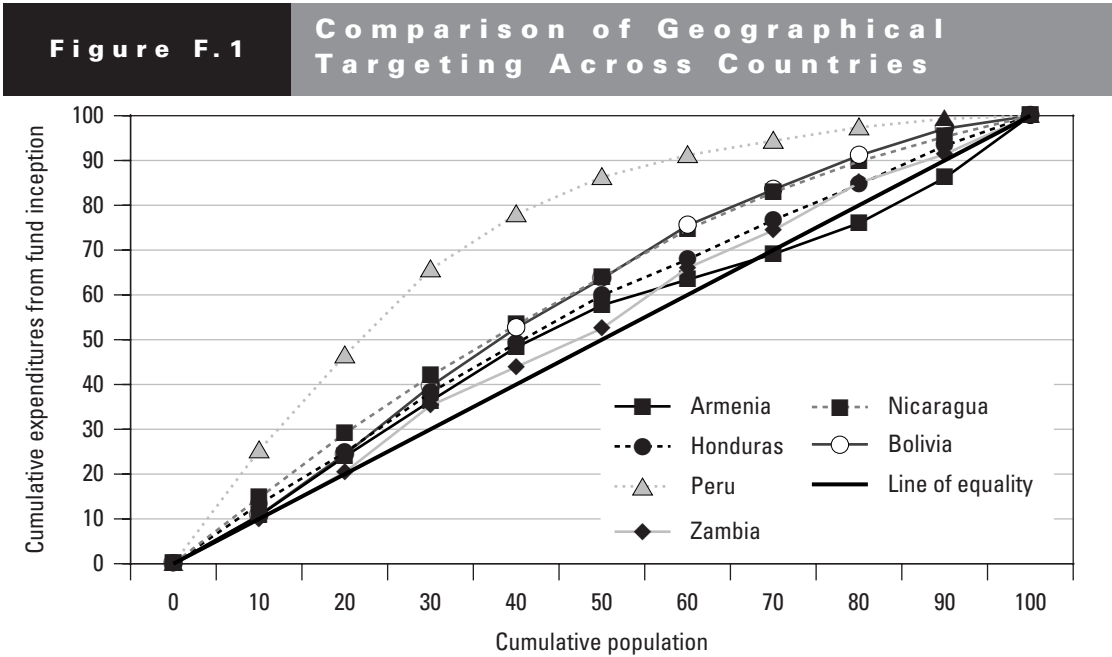
has regressive targeting among the wealthier districts—the allocation of expenditure is pro-poor among the lowest 40 percent of districts.

Social fund targeting performance compared favorably in some cases with that of other programs. In Bolivia, municipalities with higher poverty indices received a higher share of social fund resources than they did of municipal expenditures. In Peru, FONCODES achieved a better geographic targeting performance than two directed programs, PRONAA and INFES. The Armenia social fund performed in the mid-range of national social assistance programs, and in Honduras, the distribution of beneficiary households was about average compared with 30 targeted social programs throughout the LAC Region.

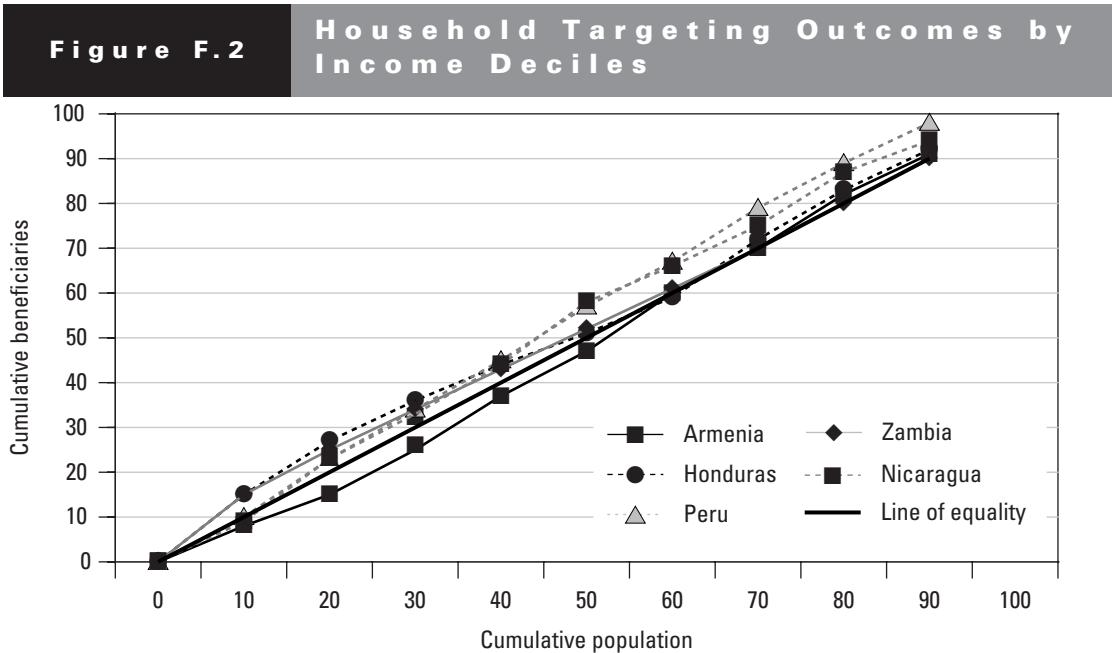
The data for the household level classify beneficiaries by income decile. These data are thus not directly comparable with those at the geographic level as the unit of analysis is different

(expenditure versus beneficiary), and since they refer to different years (the household data are for a single year). Nonetheless, it is striking that the conclusion that social funds are “mildly progressive” holds even more strongly at the household level, the concentration curve for none of the countries showing a marked deviation from the line of equality (figure F.2). The main exception is Honduras with each of the bottom two deciles being above the line of equality.<sup>4</sup> In Armenia, household targeting is mildly regressive for the bottom half of the population, but progressive when upper income deciles are included.

Hence the available data, although imperfect, suggest that the distribution of social fund resources is more progressive on a geographic basis than on a household basis (except for Honduras). This discrepancy is particularly striking in Peru, where for education investments, the strong progressive geographic allocation is not



*Note:* Management notes that the geographic targeting data presented is cumulative since the inception of each social fund, including the early years under emergency mandates when the primary benefit was considered the employment generated and the social funds did not employ geographic targeting. Using data from only the most recent years would show improvement in the geographical targeting of resources.  
*Source:* Social Funds 2000 data.



*Source:* Social Funds 2000 data.

matched by a markedly progressive distribution at the household level. The results are explained in Peru (the only case for which there are such data) by data showing that households above district mean income are more likely to benefit from the social fund than those below mean income. The authors of the Peru study suggest these results show that “there was essentially no (positive) intra-district targeting of FONCODES resources” (Paxson and Schady, 1999: p. 13).<sup>5</sup>

The result from Peru and the discrepancy between geographical and household targeting indicate that poor households are less likely to receive resources than poor districts. One of the implications drawn by *Social Funds 2000* from its poverty targeting analysis is that better local coordination efforts can improve identification of poor communities within both wealthier and poorer districts, and that for those poor communities that still have difficulty accessing resources, additional proactive measures, including up-front assistance in community organization, waiving of community counterpart requirements, and provision of technical expertise may be necessary to decrease the inequality of results among areas and to ensure that all poor communities can access program resources.<sup>6</sup>

Main findings for Nicaragua and Peru are that:<sup>7</sup>

- FISE in Nicaragua reached areas in which the poor live. Potential beneficiaries (that is, those living in project catchment areas) were disproportionately from the lower end of the country’s income distribution, other than in the case of sewerage.
- Self-targeting within subproject catchment areas worked for sewerage in Nicaragua (though the share of poor households remains far below their population share) and worked slightly for education.
- The poorest 10 percent (household basis) got around 8 percent of the benefit from health and education expenditures in Nicaragua.<sup>8</sup>
- In Peru, the poorest 10 percent (district basis) got around one-third of the benefit of education spending in 1998.<sup>9</sup> The better targeting performance in Peru allows for less sectoral variation in performance. Even in the sectors that did least well (i.e., education,<sup>10</sup>

transport, health), the bottom 40 percent received about 60 percent of the benefits in 1995; for the other sectors this figure was around three-quarters.

Overall, at the household level, latrines and health clinics targeted the poor best, education and water investments were pro-poor, and sewerage projects were regressive.

### What Should the Type II Error Be?

The percent of resources reaching the non-poor is called a Type II error. The degree of Type II error partly depends on the level of poverty. Despite improvements over time, data are consistent with the possibility of poorer communities within districts being missed (Type I error). Social funds spend significant resources that benefit the non-poor (Type II error), with non-poor households receiving from 29 to 45 percent of social fund investments.<sup>11</sup> In Zambia, 28 percent of the population is non-poor and they account for 29 percent of social fund beneficiaries.<sup>12</sup> Type II error is large whether targeting results are reported at either the geographic or household level, with the notable exception of Peru at the geographic level, where an overwhelming majority of resources reach poor districts.

Given the way municipal and district poverty maps are devised, any investments in the larger urban areas will appear as a Type II error since large numbers of poor live in these cities. While Type II errors can be a misleading indicator for programs that are national in scope and some Type II error is unavoidable for community-level projects, especially in urban areas, the question remains as to the acceptable degree of error and the extent to which the mildly progressive geographic targeting shown by social funds indicates they are succeeding in their poverty targeting objective.

Two issues arise from this finding: (i) how social fund targeting performance compares against social funds’ own objectives; and (ii) the desirable or acceptable level of Type II error. The data presented here refer only to the distribution of funds by income group. Data are not available on the distribution of funds to other target groups, such as women.

Given the objective of reaching the poor, if a significant portion of funds reach the non-poor, this must be seen as a failure to attain that objective. Social fund projects are not designed to minimize Type II error, although their stated objectives might suggest this to be the case. As described earlier, some social fund projects use a cut-off so that no funds reach non-poor areas, but most social fund projects do not do this. Progressive targeting rules allocate some funds even to the wealthiest areas. The first two social fund projects supported by the Bank in Honduras, FHIS I and II, aimed “to improve the standard of living of marginal population groups,” the third project aimed “to improve the standard of living in poor communities,” and the fourth project aimed “to increase access among the poor to small-scale social and economic infrastructure.”<sup>13</sup> Yet, FHIS expenditure plans allocated half of FHIS resources in non-poor municipalities, i.e., municipalities with “deficient” (which excludes “very poor” and “poor” categories), “regular”, and “acceptable” levels of poverty (accounting for 59 percent of the population).<sup>14</sup>

The targeting literature shows that the costs of targeting rise with the accuracy of targeting; avoiding all leakage can be prohibitively expensive. Besides there are reasons for not completely omitting the non-poor on political economy grounds as well as because those just above the poverty line may also be vulnerable. So the target Type II error lies somewhere between zero and one.

However, in a number of circumstances it would be reasonable to expect the allocation of social fund resources to be progressive; that is, reaching the poor is not sufficient, they should benefit “more than average.” As seen above, social fund projects only just achieve this. For example, in Zambia just over 70 percent of the social fund beneficiaries are poor. Indeed, just over 70 percent of Zambians are poor, so the result is the same as a random allocation of funds. The Zambian results refer to a time when targeting in Zambia was dependent upon the success of promotion and outreach activities rather than geographic targeting—suggesting that promotion and outreach alone are not sufficient to ensure that the poor benefit disproportionately.

In the other five *Social Funds 2000* countries, the representation of the poor among social fund beneficiaries is larger than their share in the national population, although the difference is slight. While the high levels of poverty in Zambia (over 70 percent of the population) mean that the overall risk of Type II errors is considerably lower than for other countries, the errors still exist.

A DFID (Department for International Development, U.K.) study contends that safety nets for particularly vulnerable groups cannot be left to largely demand-driven initiatives, but rather have to be based on more active (*supply-driven*) attempts at inclusion.<sup>15</sup> Where social funds have targeted the most vulnerable sections of the population, for example, through the sponsored subprojects component of MASAF in Malawi, their success depends on the extent to which intermediaries (e.g., NGOs) who “sponsor” subprojects on behalf of AIDS victims, the elderly, the disabled, and orphans represent the latter’s voice and interests.

### Trends over Time

Targeting has generally improved over time as a result of better targeting procedures, such as the use of poverty maps and the adoption of allocation formulae; more extensive outreach activities made possible in part by decentralization of the social fund, as word of the social fund has spread; and a shift from emergency mandates to longer-term goals when increased attention was given to targeting.

### Better Poverty Targeting Procedures

Improvements in targeting procedures are reported in the ICRs for Ecuador, Egypt, Guatemala, Haiti, Honduras, and Peru. In Nicaragua, there has been a steady refining of the poverty map that is used to classify the poverty level of communities as “extreme,” “high,” “medium,” and “low.” Expenditure plans for each category aim to ensure higher per capita expenditure in poorer communities. This poverty map has evolved both to update the data and to improve the targeting mechanism. The first map used a basic needs composite indicator calculated from infant mortality (40 percent), access to drinking



water (40 percent), proportion of displaced persons (20 percent), and population weights from the 1971 census. The resulting scheme was biased in favor of densely populated municipalities.<sup>16</sup> A new map introduced in 1998 used data from the 1993 LSMS and 1995 census to estimate income-poverty measures for all areas. A third wave of refinement would be to base the poverty map on some combination of income and basic needs as well as census data, and differentiate the targeting method based on the specific type of service being delivered (income poverty may not be the best means to target what are essentially infrastructure facilities such as water or education).<sup>17</sup> In Sub-Saharan Africa, several social funds are now developing poverty maps to enable progressive targeting of resources to poorer districts; examples include Malawi, Zambia, and Zimbabwe.

Other changes have also helped implement a better geographic allocation of resources. Within the social fund these include both more vigorous promotion and outreach (discussed above), but also the decentralization of the structure of the social fund, together with greater operational integration with local government. The latter channel will be most effective where government decentralization is also taking place.

### Improved Performance

Data from Zambia already show some improvement in targeting during the 1990s. In the period 1991–94, 20 percent of resources went to the least-poor districts (accounting for one-fifth of the population). By 1995–98 this figure had fallen to 10 percent,<sup>18</sup> and it is expected to fall further in the future using the progressive targeting rule adopted under the new ZAMSIF program.<sup>19</sup>

The changes in Nicaragua have also led to improved poverty targeting outcomes. The expenditure share of municipalities in Nicaragua classified as extreme poor (which account for 18 percent of the population) has improved markedly, rising from 11 to 34 percent between 1991 and 1998.<sup>20</sup> In Peru, the share in education spending of the bottom 20 percent of the population (district basis) rose from 25 to 59 percent between 1992 and 1998. For the bottom 40 per-

cent, these figures are 52 and 93 percent respectively. By 1998, no resources at all were going to the top quintile.<sup>21</sup> The success of the Peruvian social fund in reaching the poor is the combination of a number of features: using a progressive targeting rule with community-level poverty data to prioritize applications, an active Promotion Office that helps poor communities with their applications, and targeting only rural areas (in later years).

### Politics and Targeting

Does success at reaching the poor mean that traditional political economy constraints that result in elite capture do not apply in social fund projects? Not necessarily. Politics can work for, or against, a pro-poor allocation of resources.

Political motives can lead to resources being directed to the poor. This seems to have been the case in Peru, where overall social fund spending increased before the 1993 election and there was an attempt to “buy support” in the allocation of funds.<sup>22</sup> But this was also compatible with a pro-poor allocation of resources, which has disproportionately favored poorer areas.

In Nicaragua and Panama, political pressures have played a part in offsetting a progressive allocation rule. In Nicaragua, a project status report observed that poorer areas were failing to spend their allocations, and funds were being diverted to the better-off areas. It noted that the Bank reviewed the ex-ante distribution of FISE funds according to the poverty map and the actual figures of approved projects. Some municipalities, especially those in the Atlantic coast region, have overdrawn their allocations considerably whereas others, especially extremely poor municipalities, are far from executing their allocations. This points to weaknesses in the planning and promotion department of FISE, but it also shows the increasing (political) pressure on FISE to finance projects outside the ex-ante allocations. “We urged FISE management to make sure that the overdraw is not made at the expense of the poorest municipalities.”<sup>23</sup> Panama has been similar: “as for political pressures for the allocation of FES subprojects, the agreed poverty criteria do offer some protection to the



FES against such pressures. This should be actively monitored, however, as requests and approvals for projects from the two poorest groups (Groups 1 and 2) have fallen short of their agreed share while those for the two better off groups (Groups 4 and 5) have exceeded their agreed allocation.”<sup>24</sup>

The examples show that planned allocations may deviate from what is actually allocated and that this deviation can be to the detriment of the poor. But the examples also show the importance of facilitating demand from poor communities to ensure that they use the resources allocated to them.

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## ANNEX G: SOCIAL FUND WINNERS AND LOSERS

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<b>Winners (likely to support the social fund)</b>	<b>Losers (not likely to support the social fund)</b>
Donors. Because social funds have special status, social fund projects are generally easy and satisfying to work on. Social funds have the power to implement the suggestions of donors, the management style is familiar, and the staff are highly professional. Within donor organizations (including the World Bank and IDB, according to Tendler) social fund loan approval is placed on a fast track.	Donors. If they have concerns regarding political uses, e.g., for partisan purposes.
Donors and borrower governments. Social funds help “sell” austerity reforms.	
Borrower governments. “Donors often suggest social funds as part of a larger lending package, borrower governments tend to favor their creation as a surefire way of obtaining donor financing” (Tendler).	
Governments/ruling parties. Social funds allow them to gain political support of power groups (e.g. education and health workers, contractors, politicians, and important geographically defined groups) while addressing the issues of poverty (Schady).	Opposition parties. If the ruling party uses social funds to its political advantage.
	Politicians. If they cannot manipulate social fund expenditures (while they may have more control over line ministries) (e.g. Bolivia. Subbarao and others, p. 142).
Social fund professionals. They are exempt from civil service regulations, enjoy a professional environment, are competent, and receive a great deal of support from donors.	Bureaucratic actors outside of the social fund (for example, line ministries). They resent the social fund’s special status and freedom from civil service and procurement regulations and may perceive competition for funds and/or status.
Line ministries. They feel relieved not to have to deal with infrastructure.	Line ministries. They may feel the social fund (especially because it is demand driven) takes away their ability to set nationwide priorities (including targeting resources where they believe the need lies).
NGOs. In many countries, NGOs have sprung up in response to the social fund’s desire to work through them. Skeptics point to NGOs run by the urban, upper-middle class, who see social funds as a way to obtain funding for their own private gain.	NGOs. Those that are not selected for social fund projects and feel discriminated against, or if social fund does not work with NGOs at all.

<b>Winners (likely to support the social fund)</b>	<b>Losers (not likely to support the social fund)</b>
Building contractors, project design firms, equipment suppliers. They gain contracts and may be able to determine project choice (especially if communities are unaware of the range of menu options or rely on these actors for help in application).	Building contractors, project design firms, equipment suppliers. Those that have “inside track” to line ministries and who may lose business, particularly large contractors.
Local education and health workers. They can improve their work environment and be perceived to “bring” the project to the community (especially if the community is unaware of the range of menu options or their own ability to apply or if they rely on these workers for the application process).	
Mayors, legislators, ward chairs, etc. They can be perceived to give the project to the community (especially if communities are unaware of their own ability to apply or if they lack capacity). Local administration officials whose capacity to fulfill their functions is enhanced.	Local governments. Many social funds bypass local government. Those that do work through local governments may often do so conditionally, based on their perceived capability and seriousness or based on their party affiliation.
Municipalities. Those that were targeted for political reasons (e.g., political support of the ruling party) (Schady).	Municipalities controlled by the opposition (e.g. Mexico’s PRONASOL, see Subbarao and others, p. 143; and Schady).
Workers. Those that gain employment on social fund projects.	Workers. If they compare social funds to workfare programs that pay a higher wage (Subbarao and others, p. 135). Local workers who resent contractors’ bringing labor from outside.
Less-poor communities. They are able to obtain benefits despite the social fund’s poverty reduction goals. This will be the case especially if the poverty map is not very localized and if the screening process does reject applications from less-poor communities.	Less-poor communities. If they cannot gain access to social fund resources, they may feel a competition for the resources. (Subbarao and others, p. 135).
	The poorest communities. Those that do not have capacity or time to apply for and make community contributions of unpaid time (this problem is mitigated if the social fund initiates contact with poor communities, assists in the application process, and reduces the required community contribution).
The non-poor within a community. Because social funds provide public goods to geographically defined communities, the non-poor within a community benefit. (To the extent that geographic units are heterogeneous with respect to income, social funds are not narrowly targeted at the poor.) The non-poor within a community may be able to determine the project type if the poorer members lack capacity or time to participate in decision making.	
The poor within a community. They benefit from the public goods provided.	The poor among the community. If they perceive social fund benefits flowing mainly to the better-off.
Community. If they previously had no access to social fund-type infrastructure or if they had no access to similar matching funds. (e.g. Social Funds 2000 study found that FISE was the cheapest source of funds for communities in Nicaragua.)	Community. If they believe that they should not be expected to provide the “voluntary contribution” (which less-poor communities may not have to provide in order to obtain education or health services).

*References:* Graham and Kane 1998; Nelson 1999; Schady 1999. Subbarao and others 1997; Tandler 2000a.

## ANNEX H: COST DATA

Because of difficulties in controlling for construction quality and varying cost accounting methodologies, the differences in costs between programs in this Annex should be regarded as indicative rather than conclusive.

<b>Social Fund Costs Versus Comparators (Index SF Unit Cost=1, comparator in parentheses)</b>				
<b>Country</b>	<b>Sector</b>	<b>Comparator</b>	<b>Per unit</b>	<b>Per beneficiary</b>
Armenia	Education	Central agency	Lower (3.76)	Lower (1.56)
	Education	NGO	Lower (2.97)	Higher (0.91)
	Water (rural)	NGO	Higher (0.69 -0.85)	Mixed (0.83 -1.07)
Bolivia	Education	NGO	Higher (0.90)	n.a
Honduras	Education	Central Agency	Higher (0.74)	Lower (1.20)
	Water	Central Agency	Mixed (3.04 -0.31)	Higher (0.12 -0.99)
	Water	Local Government	Higher (0.87 -0.42)	Higher (0.19 -0.47)
	Water	NGO	Higher (0.30)	n.a.
	Sewerage	Central Agency	Higher (0.84)	Higher (0.84)
	Sewerage	Local Government	Lower (1.13 -1.45)	Mixed (0.90 -1.01)
	Health	Central Agency	Mixed (0.81 -2.05)	n.a.
Nicaragua	Education	Central Agency	Higher (0.64 -0.69)	Higher (0.66 -0.73)
	Education	Local Government	Higher (0.57 -0.83)	Higher (0.24 -0.42)
	Water	Central Agency	Higher (0.12)	Higher (0.46)
	Water	Local Government	Higher (0.17 -0.51)	Higher (0.11 -0.26)
	Water	NGO	Higher (0.03 -0.42)	Higher (0.39 -0.61)
	Sewerage	Central Agency	Lower (5.42 -6.42)	Lower (5.47 -6.50)
	Sewerage	Local Government	Same (1.00)	Same (1.00)
	Latrines	Local Government	Lower (1.02)	Lower (2.27)
	Latrines	NGO	Higher (0.72)	Higher (0.63)
	Health	Local Government	Higher (0.48 -0.77)	Higher (0.30 -0.83)
	Health	NGO	Higher (0.42 -0.68)	Higher (0.18 -0.50)
Peru	Education	Central Agency	Lower (1.65)	Lower (1.41)
	Water	NGO	Lower (1.69)	Lower (1.05)
	Latrines	NGO	Lower (1.14)	n.a.
	Health	Central Agency	n.a.	Lower (2.95)
Zambia	Education	Central Agency	n.a.	Lower (1.11 -3.02)

Source: Social Funds 2000 data provided by Social Protection Unit, 2001.

<b>Benin</b>				
<b>All in CFAF</b>	<b>AGeFIB</b>	<b>PAMR (Bank project)</b>	<b>PAGER (AfDB)</b>	<b>AGDSD (semi- autonomous agency)</b>
3 room school storeroom, office tables/chairs	10,000,000	12,500,000	12,000,000	14,700,000
One market stall	750,000	1,800,000		
Storeroom	5,000,000	6,500,000	12,000,000	
Clinic/supplies	5,000,000	6,000,000		
Wells (linear meter)	200,000	280,000	180,000	

Source: Task Team, June 2001.

<b>Cambodia</b>				
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### Average Unit Cost for Construction of Schools

(cost including building, furniture, and transportation of material) 1999–2000

	<b>UNDP</b>		<b>SFKC</b>	
	<b>School (no.)</b>	<b>Cost (M<sup>2</sup>)<sup>a</sup></b>	<b>School (no.)</b>	<b>Cost (M<sup>2</sup>)<sup>b</sup></b>
2 rooms	14	72.65	2	66.13
3 rooms	5	61.38	46	68.36
4 rooms			46	65.46
5 rooms			80	65.49
Average		69.68		66.25

### In Siem Reap Province (US\$)

#### UNDP (Carere)

<b>School m<sup>2</sup></b>	<b>Social fund</b>			
	<b>Estimated total cost after competitive process</b>	<b>Estimated total cost</b>	<b>Cost per m<sup>2</sup></b>	<b>m<sup>2</sup>-cost m<sup>2</sup></b>
<b>First comparison</b>				
144 m <sup>2</sup>	9,250.00	9,273.00	64.40	216 – 70.58
144 m <sup>2</sup>	9,470.00	9,517.00	66.09	288 – 63.19
144 m <sup>2</sup>	9,107.00	8,925.00	61.98	360 – 60.58
144 m <sup>2</sup>	9,311.00	9,125.00	63.37	432 – 71.68
144 m <sup>2</sup>	9,427.00	9,238.00	64.13	
144 m <sup>2</sup>	8,468.00	8,298.00	57.63	
144 m <sup>2</sup>	9,200.00	9,898.00	68.74	
Average		63.77	66.51	
<b>Second comparison</b>				
216	65.53	216 – 70.58		
216	60.19	288 – 63.19		
216	60.19	360 – 60.58		
216	68.74	432 – 71.68		
216	52.26			
Average		61.38	66.51	

a. The unit costs are for Siem Reap province only.

b. The unit costs for all the provinces.

## Cambodia

### Health Centers

Unit cost by m<sup>2</sup> (including costs of building, latrine, well, etc.) 1998, 1999, 2000

	Number ADB	Average cost ADB	Number SFKC	Average cost SFKC
Square design	149	23,656.32	64	21,458.74
Long design	9	24,378.89	41	23,559.22

Source: Supervision Mission, June 2000.

## Panama

### Average costs proposed by the various institutions for delivery of a rural water system

UNICEF	\$ 9,918
Municipalities	\$25,600
MINSA, Health Ministry (contracted to NGOs and private firms)	\$28,841
FIS (contracted to NGOs and private firms)	\$42,850 <sup>a</sup>

a. FIS has claimed much better design and quality and further analysis of costs is being carried out. Accounting differences may exist between the programs. Another source presents the cost differential between programs as: MINSA (in-house): \$35,200; NGOs: \$25,000; UNICEF: \$9,300; the figures for FIS are the same through either source.

Source: Latin America and the Caribbean Regional Office, World Bank, January 2001.

## Romania

For the Social Development Fund Project, Phase I (SDF I), an *ex-post* cost analysis of small infrastructure subprojects was carried out on a case-studies basis. The project-by-project data collection and analysis found that the Romanian Social Development Fund's (RSDF) small rural infrastructure subprojects are executed for less than two-thirds (62.2 percent) of the cost of comparable non-RSDF works. The largest variance with non-RSDF financed execution is found for building rehabilitation (community center) at 34 percent of non-RSDF costs. Project design for RSDF small rural infrastructure subprojects is contracted out at slightly over half (52.3 percent) of the design cost of comparable non-RSDF financed projects. The largest variances with non-RSDF financed projects are found among road projects at 50.4 percent. In the area of site supervision, RSDF financed subprojects are also substantially cheaper (57.3 percent) than comparable non-RSDF projects.

## Peru

### Cost comparisons between FONCODES and other institutions

#### Type of project

Schools	FONCODES	INFES
Cost per m <sup>2</sup>	198.90	352.97
Cost per classroom	10,820.00	41,567.67
Cost per student	328.00	495.51
Irrigation systems	FONCODES	PRONAMACHCS
Cost per meter	18.28	26.29
Cost per Ha	241.80	307.47
Potable water system	FONCODES	CARE
Cost per family	269.73	331.08

Source: FONCODES Cost-effectiveness study (Social Funds 2000).

## Yemen

### Average cost in selected activities for education subprojects

Item	Unit of measure	Social fund	Public works	Ministry of Construction
Excavation of usual earth (for foundation)	Cubic meter	2.05	2.4	7.5
Foundations	Cubic meter	98.72	118.42	183.3
Roofs	Cubic meter	110.58	126.19	195.8
Bazelt stone walls	Cubic meter	29.46	39.26	52.08
Squared stone walls	Cubic meter	40.76	57.86	Na
Walls	Square meter	2.25	2.44	3.75
Ceiling	Square meter	1.98	2.09	3

### Average cost for civil works in education projects, US\$, 1999

Item	SFD	Public works	Education sector investment project	Basic education
Cost per square meter	145	170	170	188
Cost per square meter, double floor	122–174	Na	149	Na

### Average cost of equipment for health units by different agencies, US\$

	SFD <sup>a</sup>	Ministry of Health <sup>b</sup>
September 1998	13,957	15,372
April 1999	6,959	13,555
October 1999	13,583	24,806

### Average cost per unit, SFD vs. Government, Water Supply Projects (US\$), 1999

Item	Unit	SFD	GARW
4" dia medium	LM	12	21
3" dia medium	LM	6.5	17.2
2.5" dia medium	LM	7.3	14.4
2" dia medium	LM	5.6	12.5
1.5" dia medium	LM	4.34	9.4
Water tanks	M3	128	187.5
Pump House	M2	191	218
Pumping unit (pump + engine) (head 100m–150m & discharge 4–6 lit/s)	Per unit	13,470	14,062

a. Including lab equipment.

b. Excluding lab equipment.

Source: World Bank 2001.



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## ANNEX I: BANK PERFORMANCE

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Overall Bank performance is measured by the Bank's performance on identification, appraisal, and supervision. OED ratings on overall Bank performance for social fund projects compare favorably with those for other Bank projects. Of the 23 closed social fund projects as of end fiscal year 2000, 94 percent were rated "satisfactory" on overall Bank performance. The figure for PTI projects worldwide was 75 percent and for all World Bank projects, 75 percent.<sup>1</sup> By about mid-2000, QAG had conducted 9 quality-at-entry assessments and 7 quality-of-supervision assessments for social fund projects. Sixty-seven percent of the quality-at-entry reviews contained a "satisfactory" rating (6 of 9 reviews) and 33 percent a "marginal" rating (3 of 9 reviews). With respect to quality of supervision, 14 percent of the reviews contained a "highly satisfactory" rating (1 of 7 reviews), 57 percent a "satisfactory" rating (4 of 7 reviews), and 29 percent a "marginal" rating (2 of 7 reviews). Ninety-one percent of the active social fund projects in June 1999 were rated "not at risk."<sup>2</sup>

*Safeguard and Environmental Issues.* Analysis of the project status reports for a random sample of 25 social fund projects found that, for most, safeguards are not rated, not applicable, or left blank. Only 15 (6 percent) ratings were given in the 25 reports. More than half (9 ratings) of these were for environmental assessment, with two each for indigenous people and involuntary resettlement, and one each for forestry and international waters. This overall coverage is comparable to that found in a random sample of other PTIs (drawn from the same countries), for which 12 (5 percent) of the possible 250 ratings were given. This does not mean that safeguards are being adequately applied, however. Specifically, environmental assessment, natural habi-

tats, indigenous peoples, and cultural property all appear likely to be relevant in a larger number of cases than have included them thus far (e.g., indigenous people were a target group in at least six social fund projects).

Of the 16 available social fund QAG reviews (quality at entry and quality of supervision), 10 were rated "satisfactory" for environmental aspects while 6 were rated "not applicable." There are many examples of social fund projects where efforts have been made to develop microproject environmental assessment mechanisms and adequate provisions have been made for environmental screening (and for subproject analysis as necessary). The application of these provisions in practice appears weak, however, and has not been systematically monitored. There are indications that the issue warrants greater attention, especially with regard to environmental safeguards. No social fund has been given a Category A environmental classification, but close to half (43 percent of a random sample of 30 social fund projects) have been classified as Category B. The rest have been assigned Category C. QAG reviews have questioned if there is not excessive use of Category C for environmental impact of social fund projects, implying that environmental issues have been given inadequate attention.<sup>3</sup> In one SIF, QAG noted an inconsistency between the Category C environment designation adopted for social fund projects and the treatment of similar activities when they are freestanding or sector-type projects. In another social fund project, the QAG review pointed out an inappropriate assignment of the environment category for the opposite reason: although the project was rated Category C for environmental impacts, it included substantial efforts dedicated to environmental control

and mitigation—water and sanitation, sustainable agricultural practices, monitoring use of agrochemicals—with staff members responsible for environmental oversight, environmental criteria for subproject evaluation, and a proposed environmental management plan. The same point can be made in relation to other safeguards. In one project, the QAG review questioned the project team’s indication that the Bank’s Operational Directive on resettlement did not apply to the project, and recommended that a Bank resettlement specialist advise on the potential problems identified. The Bank has recently introduced a new environmental category “Financial

Intermediary” (FI) that can be applied to social fund projects. For all practical purposes, an FI category is similar to a B category—a process is defined to screen “not as yet defined subproject activities” that may be identified (by project management during project implementation) as needing an environmental screening. The effectiveness with which environmental issues are addressed in Bank-financed social fund projects will depend on how well projects are identified and screened. The Bank should be assured that these functions are adequately performed by project management.<sup>4</sup>

## ANNEX J: STAKEHOLDER SURVEY RESULTS

	Government N=22	NGO N=27	Social fund N=56	Other donor N=13	World Bank N=19	Other N=22	Missing N=1	Total N=160
<b>What impact has the social fund had on the institutional capacity of the local governments?</b>								
Positive impact	55	33	66	46	63	55	0	55
Negative impact	0	0	0	0	5	14	0	3
No impact	14	30	7	15	0	5	0	11
Do not know	14	37	18	8	11	9	100	18
Missing	18	0	9	31	21	18	0	13
Total	100	100	100	100	100	100	100	100
<b>What impact has the social fund had on the decentralization process in the country?</b>								
There is no decentralization process in the country	14	19	7	15	5	0	0	9
Positive impact	45	37	55	31	32	59	0	46
Negative impact	0	4	0	8	0	5	0	2
No impact	14	22	14	8	5	9	0	13
Do not know	9	11	14	8	16	9	100	13
Missing	18	7	9	31	42	18	0	17
Total	100	100	100	100	100	100	100	100
<b>At the time they make their proposal, to what extent are communities aware of the full range of eligible subprojects?</b>								
Fully aware	32	19	48	8	16	9	0	28
Partially aware	32	59	29	62	32	64	100	43
Unaware	5	15	2	8	5	5	0	6
Do not know	5	7	9	0	5	5	0	6
Missing	27	0	13	23	42	18	0	18
Total	100	100	100	100	100	100	100	100

	Government N=22	NGO N=27	Social fund N=56	Other donor N=13	World Bank N=19	Other N=22	Missing N=1	Total N=160
<b>At the time they make their proposal, to what extent are communities aware of the responsibilities they will have to meet as a result of receiving a social fund-financed investment?</b>								
Fully aware	45	30	45	0	32	18	100	34
Partially aware	27	52	34	69	16	55	0	39
Unaware	0	7	0	8	5	5	0	3
Do not know	5	11	9	0	5	5	0	7
Missing	23	0	13	23	42	18	0	17
Total	100	100	100	100	100	100	100	100
<b>To what extent are subproject choices made with the active participation of the community?</b>								
Choice is usually made with the active participation of diverse groups in the community	41	37	54	8	0	36	0	36
Choice is usually made with the active participation of the community, although some groups have little voice	23	33	20	23	42	23	100	26
Choice is inappropriately influenced by NGOs, private contractors, elected or unelected community leaders	9	26	4	15	5	14	0	11
Do not know	5	4	7	0	11	9	0	6
Other	0	0	4	31	0	0	0	4
Missing	23	0	13	23	42	18	0	17
Total	100	100	100	100	100	100	100	100

*Note:* The category "Other" included six consultants, one international NGO, one social development partnership organization, one networking institute, one UN specialized agency, and one university.

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## ANNEX K: HIGHLIGHTS OF BENEFICIARY ASSESSMENT FINDINGS ON PARTICIPATION

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*Source:* Owen and Van Domelen: *Getting an Earful: A Review of Beneficiary Assessments of Social Funds*.

According to a Bank review of beneficiary assessments for Armenia, Bolivia, Chile, Ecuador, Malawi, Peru, Senegal, and Zambia, beneficiary participation in the identification of projects varied widely across funds, with better performance where there is both a formal mechanism and where beneficiary committees are eligible to execute projects directly. In all social funds, community participation was higher during identification than in the actual design of projects.

Beneficiaries usually felt that projects reflected their needs and priorities even when they had not been involved in identification. For instance, in Peru, where 96 percent of respondents said the project was a community priority, only 66 percent of the beneficiaries said the project was prioritized by the community itself, 7 percent by the mayor, and 6 percent by either the promoter, project sponsor, or contractor. On the whole, the insertion of intermediaries, be they local governments, NGOs, promoters, or private contractors, did not adversely affect the relevance of the project to the community. This may be due, in part, to the basic types of investments eligible for financing by social funds and the large range of unmet needs in poor communities.

The characterization that communities organize, enter into direct communication with the social fund, and prepare their own projects was not fully borne out in the beneficiary assessments. Beneficiaries perceived a more complex web of actors inserted between the social fund and the community in terms of promoting and preparing projects.

Beneficiary communities participated to a high degree in the execution of projects. Of the various types of participation, beneficiaries often defined participation only in terms of resources given. The most frequent participation was manual labor, followed by money, and then materials. In rural areas, participation often involved labor rather than money, whereas cash contributions were more common in urban areas.

Beneficiary views on community contributions tended not to be solely positive, pointing out problems like skewing the choice of project, regressive effects between communities, and negative effects such as less time tending fields and perception of unequal cost sharing. Despite social funds' reputation for efficient execution, beneficiaries commonly cited problems experienced during execution, many arising from social fund capacity or procedures, especially delays in disbursements and lack of adequate supervision.

In general, social investments tend to reach poor sectors that exhibit active conduct in searching for solutions to their problems, and the more active communities are thus better able to access and implement social fund projects, regardless of poverty levels. Community leadership was a crucial factor in being able to present and execute projects, and several funds have begun to address community leadership as part of local capacity building.

### **Methodological Issues**

The focus of the beneficiary assessments is naturally beneficiaries, but the various levels of informants, such as social fund regional staff and service providers, are not always included. Nor did all the assessments include a control group of non-project areas to measure net effects.

The choice of who to interview as beneficiaries influences results; asking only direct beneficiaries and project committee members about community needs rather than community members at large is likely to yield biased results. The particular questions asked in beneficiary assessments are also likely to influence the results. For example, the types of questions regarding community needs indicate an explicit or implicit bias toward what is eligible for financing, thus ignor-

ing other needs. In cases where the community lacks access to most basic services and infrastructure, the list of priorities may be extensive. Furthermore, from the final beneficiary assessment reports, it is often unclear how particular questions were posed and upon what understanding and interpretation responses were given. Finally, the sample sizes, in some cases as few as two per project site, may raise questions about the representativeness of the assessment findings.

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## ANNEX L: COMMUNITY-BASED CONTRACTING

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*Source:* Based on Samantha de Silva, *Community-based Contracting: A Review of Stakeholder Experience*.

Among the social funds that use community-based contracting, several different models are found. Funds may be channeled to and managed entirely by the community (e.g., Malawi Social Action Fund, Zambia Social Recovery Project, Peru FONCODES, Bolivia social fund), or channeled through an intermediary agency working closely with the community (e.g., Ethiopia Social Rehabilitation and Development Fund), or a combination of approaches may be used, depending on the institutional capacity of the community, as in the Eritrea Community Development Fund.

### **What Are the Benefits?**

- Community contracting can be more efficient, more transparent, and result in lower costs compared with centralized bidding.
- Community contracting can encourage a sense of ownership among beneficiary communities, assuring better operation and maintenance.
- The participatory process can be institutionalized through partnerships between communities and local governments, and the decentralization process strengthened, when social funds work closely with local governments.

### **What Are the Risks?**

- Poor technical execution and manipulation by contractors can occur when community leadership is not sufficiently accountable to users, or when communities lack relevant business or technical skills. Training and active support can mitigate these risks.
- The interests of marginalized groups may be ignored when leaders do not represent the interests of the very poor, women, or indigenous groups. Pre-investment support in user committee formation can help to mitigate this risk.
- Project selection is biased in favor of small, community-level projects that fit the community contracting criteria. This bias can be reduced if NGOs and local government units demonstrate capacity in managing larger and more complex projects on the community's behalf.
- Economies of scale may be lost when communities cannot benefit from volume discount or high-quality technical supervision.

### **When Is it Appropriate?**

- When users are a clearly identifiable group of households in the same community, with some degree of social cohesion.
- When government supports community management.
- When community user-based organizations have legal status and responsibility for O&M.
- When mechanisms for community capacity building are available.



### **The Comparison Group Methodology**

The OED Review adopted the comparison group methodology to identify corresponding matched communities for the 17 randomly-selected social fund–assisted communities in the 4 field research countries based on input from local researchers, social fund staff members, community leaders, and local government officials. Seven broad criteria were used to match each social fund–assisted community to a corresponding matched community:

- (a) Similar geographic, socioeconomic and cultural characteristics
- (b) Similar type of community (urban or rural)
- (c) Similar poverty level (non-poor/poor/extremely poor)
- (d) Similar population density of the community
- (e) Similar type of facility financed by social fund investment
- (f) Community without social fund investment
- (g) Accessibility to the communities.

The quality of the match was tested and confirmed for each of the social fund–assisted communities using information from the OED household surveys on:

- (a) The household characteristics
- (b) The average economic status
- (c) The religious make-up
- (d) The socioeconomic problems faced by the community
- (e) The ways of interaction of community members
- (f) The level of participation by community members in collective action
- (g) The role of community leaders and government officials
- (h) The level of social network.

The analysis resulted in some matching problems. These problems were addressed as follows:

- In Nicaragua, a pair of social fund–assisted community and its match was dropped because the subproject selected was a project that was implemented in 1995, before FISE’s emphasis on community participation. The retained subprojects are 1998 or post-1998 approvals, when community participation was an explicit emphasis of FISE.
- In Jamaica, the road subproject selected did not have a comparable subproject in the matched community. Thus, the match was not considered for the analysis of the sustainability-related issue.
- In Malawi, three communities selected as matched communities had received social fund financing for another type of subproject, and thus these communities could not be used for comparison relating to changes in capacity building and social capital resulting from the social fund. These three matched communities were dropped for purposes of the capacity building and social capital analysis. Such elimination of (three of five) communities can lead to a bias, since the five social fund–assisted communities were compared to two matched communities. A simple t-test was conducted to see the mean difference in the two groups of social fund–assisted communities (group 1 with a suitable match and group 2 with no match). The result indicated that for all but three variables (testing over 15 relevant variables) the differences were insignificant. For three variables the mean of group 2 was larger than the mean of group 1. Thus, a comparison between the social fund–assisted communi-

ties and the matched communities could result in a bias, and the bias, if any, would be in favor of social funds.

Two techniques were used to analyze the data. First, t-statistics for difference of means on disaggregated data (based on gender and economic status within social fund–assisted com-

munities) and difference-in-difference between the treatment and the control group. Second, probit or ordered probit multivariate regressions were used to analyze the impact of social fund investment. A Heckman two-step procedure—two-step consistent estimators and maximum likelihood estimates—were also conducted, and all the multivariate analyses gave broadly similar results.

**Table M.1****Priority Problems of the Community in the Base Year**

	<b>Jamaica</b>	<b>Malawi</b>	<b>Nicaragua</b>	<b>Zambia</b>	<b>Total</b>
Top priority addressed	27%	34%	23%	22%	27%
Top priority (within social fund menu) addressed	31%	47%	26%	37%	34%
One of top three priorities addressed	42%	52%	35%	38%	43%
Total number of social fund–assisted communities' respondents	284	499	252	490	1,525

*Note:* The problem “No school building” could refer either to the school building being too far away, the lack of appropriate grades in the school, the lack of classrooms, or to the actual absence of a school. Since the social fund project financed rehabilitation or expansion of a school building in the community, the analysis was “adjusted” to account for the fact that the community mentioned “No school building” as a problem when in fact there was a school in the community. For each respondent who stated “No school building” as a problem in the base year but did not mention it as a problem in the year of the survey (2000), it was assumed that his/her problem was addressed.

Similar adjustment methodology adopted for clinics.

In Jamaica, the problem identified by community #4 was “Lack of safety or sports field.” The social fund financed a sports stadium in that community. The M2 table considers this to be a good match between the problem and the financed subproject—participatory research by Moser and Holland in 1997 had identified the importance of community facilities (such as sports complexes) for addressing issues of violence in Jamaica.

**Table M.2** Participation (percent)

Question	Base	Jamaica	Malawi	Nicaragua	Zambia
Who had the most important role in the decision of what type of project to apply for? [leader]	Heard of SFs	53	78	71	32
Did any of the following encourage you to attend the meeting? [leader]	Knew of meeting	39	53	36	60
What was the most important factor in deciding how much contribution each household should make? [leader]	Heard of SFs	12	72	4	44
What happened to households that did not make a contribution? [they could not use the facility, or other punitive action]	Heard of SFs	3	70	2	35
Have you heard of [the social fund]?	All SFAC	65	98	97	47
	All MC	47	92	79	30
At the time you first heard about [the social fund] what type of projects did you think you could apply for? [school, clinic, water or road/bridge]	All SFAC	15	89	71	37
At the time you first heard about [the social fund] what did you think the community would have to do to obtain the funds? [contribute cash, labor, raw material]	All SFAC	7	49	23	21
Did the community have a meeting to decide about the project?	All SFAC	39	79	60	33
	Heard of SFs	60	81	62	71
Did you attend the meeting?	All SFAC	28	58	27	23
	Heard of SFs	43	59	28	50
	Knew of meeting	72	73	45	71
Did you say anything at the meeting?	All SFAC	13	16	12	14
	Heard of SFs	20	17	12	31
	Knew of meeting	34	21	19	44
	Attend meeting	48	28	42	62
Were you or your household asked to make contributions of time, money, or materials during the construction? <sup>a</sup>	All SFAC	25	91	10	50
	Heard of SFs	37	92	10	84
Did your household contribute the following items during the construction period? [cash and/or kind and/or sand or stones, unpaid time] <sup>a</sup>	All SFAC	14	91	10	49
	Heard of SFs	21	91	10	83
	Contribute	56	100	100	98
How did you first hear of [social fund]? [media]	All SFAC	18	45	31	3
	All MC	28	46	31	4
How did you first hear of [social fund]? [leader]	All SFAC	13	31	18	24
	All MC	3	17	7	10

Note: (i) All SFAC: All respondents in the social fund-assisted communities; (ii) All MC: All respondents in the matched communities; (iii) Heard of SFs: All respondents who have heard of social fund within the social fund–assisted communities; (iv) Knew of meeting: All respondents who knew about the community meeting held for selection of the social fund subproject; (v) Attend meeting: All respondents who attended the community meeting that was held for selection of the social fund subproject; and (vi) Contribute: All respondents who said that were asked to contribute.

a. The results for these questions are reported by household (rather than by respondent) because of the nature of the questions (where the focus is on household—not individual—behavior).

Table M.3

## Did You Attend the Meeting?

	Jamaica	Malawi	Nicaragua	Zambia
No=0	57%	41%	72%	50%
Yes=1	43%	59%	28%	50%
Total	186	489	245	230
	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
Dummy for community #1	0.349 <sup>b</sup>	-0.144 <sup>a</sup>	0.086	-0.228 <sup>a</sup>
Dummy for community #2	0.375 <sup>b</sup>	-0.171 <sup>b</sup>	-0.210 <sup>c</sup>	-0.301 <sup>b</sup>
Dummy for community #3	0.364 <sup>c</sup>	0.061		-0.344 <sup>b</sup>
Dummy for community #4		0.025		-0.198
<b>Dummy for a SFAC's woman</b>	<b>-0.060</b>	<b>-0.072</b>	<b>0.099<sup>a</sup></b>	<b>-0.051</b>
<b>Economic status</b>	<b>-0.071<sup>b</sup></b>	<b>0.004</b>	<b>-0.035<sup>a</sup></b>	<b>0.011</b>
Size of the household	0.052	0.004	-0.003	-0.020
Number of school-going children	-0.058	-0.011	-0.019	0.016
Highest education level achieved in the household	0.011	-0.009	0.021 <sup>a</sup>	0.024
Dummy for a Christian household	-0.118	-0.027	-0.105	0.226
Dummy for a household following another religion	0.124	-0.184		
Dummy for a young respondent (age below 25)	0.268	-0.170 <sup>a</sup>	0.201	-0.201
Dummy for a respondent who never married	-0.226 <sup>b</sup>	0.223	0.000	
Age of the respondent	-0.001	-0.002	0.029 <sup>b</sup>	-0.014
Age square	0.000	0.000	0.000 <sup>a</sup>	0.000
Dummy for traditional ways of interaction (base year)	0.170	-0.114	0.128	-0.075
Dummy for social ways of interaction (base year)	-0.022	0.053	-0.035	-0.138
Dummy for communal ways of interaction (base year)	-0.003	0.098 <sup>a</sup>	0.102	-0.130
Dummy for top problem being a public good	0.061	0.017	0.123 <sup>a</sup>	-0.048
Number of leaders known within community (base year)	0.091 <sup>b</sup>	0.078 <sup>c</sup>	0.003	0.138 <sup>c</sup>
Number of leaders known outside community (base year)	0.070 <sup>b</sup>	-0.006	-0.055	-0.053
Level of participation in meetings (base year)	0.136 <sup>b</sup>	0.070 <sup>b</sup>	0.368 <sup>c</sup>	0.166 <sup>b</sup>
Dummy for blue collar skills (base year)		0.006		0.002
Dummy for managerial skills (base year)		0.075		0.028
Number of observations	177	455	241	189
Wald Chi square (18/22)	60.85 <sup>c</sup>	79.44 <sup>c</sup>	94.95 <sup>c</sup>	31.10 <sup>c</sup>
R-squared	0.300	0.126	0.407	0.172

Note: Assuming that respondents who hadn't heard of social fund project did not attend the meeting. (i) Annex M, table M.25 for explanations for independent variables used in the multi-variate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

**Table M.4** Did You Speak at the Meeting?

	Jamaica	Malawi	Nicaragua	Zambia
No=0	80%	83%	88%	69%
Yes=1	20%	17%	12%	31%
Total	186	489	245	230
	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
Dummy for community #1	0.266 <sup>b</sup>	-0.045	-0.013	-0.042
Dummy for community #2	0.181	-0.053	-0.023	-0.168
Dummy for community #3	0.371 <sup>c</sup>	0.056		-0.052
Dummy for community #4		-0.079 <sup>a</sup>		0.087
<b>Dummy for a SFAC's woman</b>	<b>-0.156<sup>c</sup></b>	<b>-0.087<sup>a</sup></b>	<b>-0.016</b>	<b>-0.130<sup>a</sup></b>
<b>Economic status</b>	<b>0.020</b>	<b>0.006</b>	<b>-0.020<sup>b</sup></b>	<b>0.032</b>
Size of the household	0.035	0.016	-0.018 <sup>c</sup>	-0.005
Number of school-going children	-0.060	-0.020	0.003	0.000
Highest education level achieved in the household	-0.001	0.002	0.007	0.021
Dummy for a Christian household	0.033	-0.017	-0.121 <sup>b</sup>	-0.039
Dummy for a household following another religion	0.049	-0.079		
Dummy for a young respondent (age below 25)	0.281	0.022	-0.024	-0.062
Dummy for a respondent who never married	0.030	0.057	0.004	
Age of the respondent	0.016	0.007	0.005	0.001
Age square	0.000	0.000	0.000	0.000
Dummy for traditional ways of interaction (base year)	-0.077	-0.039	-0.012	-0.019
Dummy for social ways of interaction (base year)	-0.099	0.011	-0.052 <sup>b</sup>	-0.057
Dummy for communal ways of interaction (base year)	0.124	-0.042	0.054 <sup>a</sup>	-0.077
Dummy for top problem being a public good	-0.099	-0.087 <sup>b</sup>	-0.045	-0.211 <sup>a</sup>
Number of leaders known within community (base year)	0.008	0.037 <sup>c</sup>	-0.020	0.080 <sup>b</sup>
Number of leaders known outside community (base year)	0.029	-0.008	-0.006	-0.024
Level of participation in meetings (base year)	0.094 <sup>b</sup>	0.028	0.087 <sup>c</sup>	0.176 <sup>c</sup>
Dummy for blue collar skills (base year)		0.080 <sup>b</sup>		0.024
Dummy for managerial skills (base year)		0.021		-0.009
Number of observations	177	455	241	189
Wald Chi square (18/22)	37.89 <sup>c</sup>	69.77 <sup>c</sup>	55.06 <sup>c</sup>	40.35 <sup>c</sup>
R-squared	0.213	0.195	0.270	0.213

Note: Assuming that respondents who hadn't heard of social fund project did not speak at the meeting. (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.5

**Were You or Your Household Asked to Make Contributions of Time, Money, or Raw Material During the Construction (for Respondents Who Have Heard of Social Funds)?**

	Jamaica	Malawi	Nicaragua	Zambia
No=0	63%	10%	89%	17%
Yes=1	37%	90%	11%	83%
Total	186	489	245	230
	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
Dummy for community #1	0.570 <sup>c</sup>	-0.112 <sup>c</sup>	-0.047	-0.281 <sup>b</sup>
Dummy for community #2	0.325 <sup>a</sup>	0.016	-0.024	-0.198 <sup>a</sup>
Dummy for community #3	0.594 <sup>c</sup>	0.007		-0.268 <sup>a</sup>
Dummy for community #4		0.030		-0.113
<b>Dummy for a SFAC's woman</b>	<b>-0.129</b>	<b>0.028</b>	<b>-0.025</b>	<b>0.045</b>
<b>Economic status</b>	<b>0.019</b>	<b>-0.005</b>	<b>0.007</b>	<b>-0.010</b>
Size of the household	0.046	0.011	-0.014 <sup>b</sup>	0.005
Number of school-going children	0.008	-0.019	0.040 <sup>c</sup>	-0.009
Highest education level achieved in the household	0.005	-0.010 <sup>c</sup>	0.002	0.009
Dummy for a Christian household	0.045	0.029	-0.206 <sup>c</sup>	0.773 <sup>c</sup>
Dummy for a household following another religion	0.297	-0.061		
Dummy for a young respondent (age below 25)	0.413 <sup>a</sup>	0.000	-0.004	0.054
Dummy for a respondent who never married	0.216 <sup>b</sup>		-0.022	
Age of the respondent	0.045 <sup>b</sup>	-0.001	0.001	-0.006
Age square	0.000 <sup>a</sup>	0.000	0.000	0.000
Dummy for traditional ways of interaction (base year)	0.085	0.116 <sup>b</sup>	0.000	0.245 <sup>b</sup>
Dummy for social ways of interaction (base year)	-0.166	0.033	-0.008	0.081 <sup>a</sup>
Dummy for communal ways of interaction (base year)	0.079	0.026	-0.051 <sup>c</sup>	-0.019
Dummy for top problem being a public good	0.065	0.054 <sup>b</sup>		0.043
Number of leaders known within community (base year)	0.046	0.011	-0.013	0.031
Number of leaders known outside community (base year)	0.021	-0.003	-0.015	0.012
Level of participation in meetings (base year)	0.021	0.043 <sup>c</sup>	0.072 <sup>c</sup>	0.112 <sup>c</sup>
Dummy for blue collar skills (base year)		0.034		0.186 <sup>c</sup>
Dummy for managerial skills (base year)		0.013		-0.067
Number of observations	177	447	220	189
Wald Chi square (18/22)	54.05 <sup>c</sup>	58.37 <sup>c</sup>	48.81 <sup>c</sup>	30.27 <sup>c</sup>
R-squared	0.235	0.215	0.341	0.262

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.6

How Did You First Hear of [Social Fund]?  
[Leader]

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
No=0	87%	97%	69%	83%	82%	93%	76%	90%
Yes=1	13%	3%	31%	17%	18%	7%	24%	10%
Total	284	294	499	195	252	257	490	487
	Jamaica		Malawi		Nicaragua		Zambia	
	dF/dx		dF/dx		dF/dx		dF/dx	
<b>Dummy for social fund–assisted community</b>	<b>0.050<sup>c</sup></b>		<b>0.115<sup>b</sup></b>		<b>0.128<sup>c</sup></b>		<b>0.188<sup>c</sup></b>	
Dummy for community #1	0.101 <sup>b</sup>		-0.078		-0.010		-0.075	
Dummy for community #2	0.044		-0.125 <sup>b</sup>		0.035		-0.008	
Dummy for community #3	0.177 <sup>c</sup>		-0.165 <sup>c</sup>				-0.092 <sup>b</sup>	
Dummy for community #4			-0.119 <sup>b</sup>				-0.006	
<b>Dummy for a SFAC's woman</b>	<b>0.038<sup>b</sup></b>		<b>0.087</b>		<b>0.025</b>		<b>-0.055<sup>a</sup></b>	
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>-0.022</b>		<b>-0.039</b>		<b>-0.068<sup>b</sup></b>		<b>-0.016</b>	
Economic status	-0.005		-0.063 <sup>c</sup>		-0.030 <sup>c</sup>		0.007	
Size of the household	-0.002		0.016		-0.008		-0.003	
Number of school-going children	0.012 <sup>a</sup>		-0.010		0.030 <sup>b</sup>		0.028 <sup>b</sup>	
Highest education level achieved in the household	0.000		-0.003		0.018 <sup>c</sup>		0.010 <sup>a</sup>	
Dummy for a Christian household	0.007		-0.066		-0.037		0.038	
Dummy for a household following another religion	-0.010		0.062					
Dummy for a young respondent (age below 25)	0.034		-0.147 <sup>b</sup>		-0.040		-0.072	
Dummy for a respondent who never married	0.000		0.162		-0.015			
Age of the respondent	0.000		-0.021 <sup>b</sup>		-0.003		0.002	
Age square	0.000		0.000 <sup>c</sup>		0.000		0.000	
Dummy for traditional ways of interaction (base year)	-0.015		0.024		0.002		0.026	
Dummy for social ways of interaction (base year)	0.041 <sup>b</sup>		-0.035		-0.043		0.037	
Dummy for communal ways of interaction (base year)	-0.018		-0.029		-0.032		-0.030	
Dummy for top problem being a public good	0.003		-0.059		0.024		0.062 <sup>b</sup>	
Number of leaders known within community (base year)	0.010 <sup>b</sup>		0.001		-0.005		0.000	
Number of leaders known outside community (base year)	0.004		-0.012		-0.011		0.021	
Level of participation in meetings (base year)	0.022 <sup>c</sup>		-0.002		0.077 <sup>c</sup>		-0.006	
Dummy for blue collar skills (base year)			0.022				0.093 <sup>c</sup>	
Dummy for managerial skills (base year)			-0.031				0.070 <sup>b</sup>	
Number of observations	530		648		496		757	
Wald Chi square (21/26)	80.11 <sup>c</sup>		69.44 <sup>c</sup>		48.84 <sup>c</sup>		117.79 <sup>c</sup>	
R-squared	0.283		0.103		0.122		0.179	

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.



Table M.7

## Social Capital

	Base	Jamaica	Malawi	Nicaragua	Zambia
Have you become able to engage in blue collar skills <sup>d</sup> or has your level of ability improved?	All SFAC		36%		21%
	All MC		44%		25%
	t-statistics		-0.08 <sup>a</sup>		-0.04
Have you become able to engage in managerial skills <sup>e</sup> or has your level of ability improved?	All SFAC		25%		23%
	All MC		28%		28%
	t-statistics		-0.03		-0.05 <sup>a</sup>
Compared to [base year], is it more difficult or easy to participate in groups and associations of people outside your immediate household? [Much more easy/more easy]	All SFAC	55%	61%	43%	42%
	All MC	44%	66%	53%	37%
	t-statistics	0.10 <sup>b</sup>	-0.05	-0.09 <sup>b</sup>	0.05
How often last year did you participate in collective action, for example attended a community meeting, etc? [compared to] How often did you participate in collective action [in base year]? [more]	All SFAC	15%	22%	7%	18%
	All MC	11%	17%	18%	11%
	t-statistics	0.04	0.04	-0.11 <sup>c</sup>	0.07 <sup>c</sup>
Compared to [base year], is the level of trust and community cooperation between people from different backgrounds and ethnic groups in your community better or worse or the same? [more]	All SFAC	45%	7%	37%	11%
	All MC	35%	13%	36%	20%
	t-statistics	0.10 <sup>b</sup>	-0.07 <sup>c</sup>	0.01	-0.09 <sup>c</sup>
Compared to [base year], is it more difficult or easier to get the whole community to agree on a decision? [easy/very easy]	All SFAC	50%	61%	49%	43%
	All MC	44%	66%	57%	34%
	t-statistics	0.05	-0.04	-0.08 <sup>a</sup>	0.10 <sup>c</sup>
Does the government respond more effectively to your needs now than it did [in base year]?	All SFAC	25%	50%	18%	7%
	All MC	16%	46%	24%	6%
	t-statistics	0.10 <sup>c</sup>	0.08 <sup>a</sup>	-0.07 <sup>a</sup>	0.02
Do you feel your local leadership <sup>f</sup> responds more effectively to your needs now than [in base year]?	All SFAC	29%	30%	26%	23%
	All MC	21%	46%	35%	20%
	t-statistics	0.07 <sup>a</sup>	-0.16 <sup>c</sup>	-0.12 <sup>c</sup>	0.03

Note: (i) All SFAC: All respondents in the social fund–assisted communities; (ii) All MC: All respondents in the matched communities; and (iii) t-statistics: The value in this row indicates the difference in the mean value of the SFAC and the MCs. Notes a–c indicate level of statistical significance using student's difference-in-means test (t-statistics).

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

d. Blue collar skills include carpentry, masonry, brick making, or other skilled labor.

e. Managerial skills include managing construction/maintenance/upkeep, bookkeeping/accounting, resolving disagreements, etc.

f. Local leadership includes village chief, village headman, local elected official, ward chairperson, etc.

Table M.8

**Have You Become Able to Engage in [Carpentry, Masonry, Brick Making, or Other Skilled Labor] or Has Your Level of Ability Improved?**

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
No=0			64%	56%			79%	75%
Yes=1			36%	44%			21%	25%
Total			499	195			490	487
	Jamaica		Malawi		Nicaragua		Zambia	
	dF/dx		dF/dx		dF/dx		dF/dx	
<b>Dummy for social fund–assisted community</b>			<b>-0.003</b>				<b>0.013</b>	
Dummy for community #1			0.046				-0.014	
Dummy for community #2			-0.003				0.007	
Dummy for community #3			-0.034				-0.120 <sup>c</sup>	
Dummy for community #4			-0.064				-0.017	
<b>Dummy for a SFAC's woman</b>			<b>-0.038</b>				<b>-0.019</b>	
<b>Dummy for SFAC's bottom quartile respondent</b>			<b>-0.115<sup>a</sup></b>				<b>-0.079<sup>a</sup></b>	
Economic status			-0.012				-0.009	
Size of the household			-0.019				0.002	
Number of school-going children			0.024				-0.021	
Highest education level achieved in the household			-0.004				0.017 <sup>c</sup>	
Dummy for a Christian household			0.001				0.137 <sup>b</sup>	
Dummy for a household following another religion			-0.087					
Dummy for a young respondent (age below 25)			0.089				0.036	
Dummy for a respondent who never married			-0.151					
Age of the respondent			0.007				-0.003	
Age square			0.000				0.000	
Dummy for traditional ways of interaction (base year)			-0.040				-0.074	
Dummy for social ways of interaction (base year)			0.009				-0.026	
Dummy for communal ways of interaction (base year)			-0.004				-0.069 <sup>b</sup>	
Dummy for top problem being a public good			-0.130 <sup>c</sup>				0.050	
Number of leaders known within community (base year)			0.066 <sup>c</sup>				0.020	
Number of leaders known outside community (base year)			0.036 <sup>b</sup>				-0.020	
Level of participation in meetings (base year)			0.064 <sup>b</sup>				-0.008	
Dummy for blue collar skills (base year)			0.415 <sup>c</sup>				0.430 <sup>c</sup>	
Dummy for managerial skills (base year)			0.025				0.126 <sup>c</sup>	
Number of observations			648				757	
Wald Chi square (21/26)			163.95 <sup>c</sup>				256.70 <sup>a</sup>	
R-squared			0.217				0.378	

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.9

**Have You Become Able to Engage in [Managing Construction/Maintenance/Upkeep of Facilities or Bookkeeping/Accounting or Resolving Disagreements etc.] or Has Your Level of Ability Improved?**

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
No=0			75%	72%			77%	72%
Yes=1			25%	28%			23%	28%
Total			499	195			490	487
	Jamaica		Malawi		Nicaragua		Zambia	
	dF/dx		dF/dx		dF/dx		dF/dx	
<b>Dummy for social fund–assisted community</b>			<b>-0.043</b>				<b>0.013</b>	
Dummy for community #1			0.066				0.071	
Dummy for community #2			-0.030				0.085	
Dummy for community #3			-0.005				-0.128 <sup>c</sup>	
Dummy for community #4			-0.063				0.068	
<b>Dummy for a SFAC's woman</b>			<b>0.132<sup>c</sup></b>				<b>0.016</b>	
<b>Dummy for SFAC's bottom quartile respondent</b>			<b>-0.035</b>				<b>-0.060</b>	
Economic status			-0.009				-0.001	
Size of the household			-0.012				0.009	
Number of school-going children			0.026				-0.032 <sup>b</sup>	
Highest education level achieved in the household			0.010 <sup>a</sup>				0.018 <sup>c</sup>	
Dummy for a Christian household			-0.017				0.073	
Dummy for a household following another religion			-0.022					
Dummy for a young respondent (age below 25)			0.055				0.080	
Dummy for a respondent who never married			-0.099					
Age of the respondent			0.001				0.012	
Age square			0.000				0.000	
Dummy for traditional ways of interaction (base year)			-0.068				-0.039	
Dummy for social ways of interaction (base year)			0.022				-0.109 <sup>c</sup>	
Dummy for communal ways of interaction (base year)			0.055 <sup>a</sup>				-0.066 <sup>a</sup>	
Dummy for top problem being a public good			-0.050				0.050	
Number of leaders known within community (base year)			0.047 <sup>c</sup>				0.024 <sup>a</sup>	
Number of leaders known outside community (base year)			0.015				-0.004	
Level of participation in meetings (base year)			0.022				0.034	
Dummy for blue collar skills (base year)			-0.013				0.115 <sup>c</sup>	
Dummy for managerial skills (base year)			0.580 <sup>c</sup>				0.476 <sup>c</sup>	
Number of observations			648				757	
Wald Chi square (21/26)			234.03 <sup>c</sup>				280.71 <sup>c</sup>	
R-squared			0.443				0.443	

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.10

**Compared to [Base Year], Is It More Difficult/Easy to Participate in Groups and Associations of People Outside Your Immediate Household?**

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Much more difficult=1	8%	8%	3%	2%	4%	1%	3%	5%
More difficult=2	12%	26%	8%	7%	6%	19%	10%	10%
Same=3	23%	19%	27%	26%	46%	28%	42%	47%
More easy=4	36%	35%	52%	55%	37%	53%	29%	28%
Much more easy=5	19%	9%	8%	10%	6%	0%	13%	10%
Don't know/missing= .	1%	3%	0%	0%	0%	0%	2%	1%
Total	284	294	499	195	252	257	490	487
Pearson Chi-square	24.74	<sup>c</sup>	2.43		53.32	<sup>c</sup>	4.22	

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>0.400<sup>b</sup></b>	<b>-0.292<sup>b</sup></b>	<b>0.190</b>	<b>0.222<sup>b</sup></b>
Dummy for community #1	-0.705 <sup>c</sup>	-0.093	-0.079	0.158
Dummy for community #2	-0.940 <sup>c</sup>	0.376 <sup>b</sup>	-0.428 <sup>c</sup>	-0.030
Dummy for community #3	-1.079 <sup>c</sup>	-0.344 <sup>b</sup>		0.452 <sup>c</sup>
Dummy for community #4		-0.091		-0.915 <sup>c</sup>
<b>Dummy for a SFAC's woman</b>	<b>-0.030</b>	<b>0.143</b>	<b>-0.171</b>	<b>-0.035</b>
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>0.011</b>	<b>-0.255<sup>a</sup></b>	<b>0.131</b>	<b>0.115</b>
<b>Economic status</b>	<b>-0.027</b>	<b>-0.031</b>	<b>-0.067<sup>a</sup></b>	<b>-0.032</b>
Size of the household	0.006	-0.060	0.018	0.046 <sup>a</sup>
Number of school-going children	-0.023	0.078	0.051	-0.088 <sup>b</sup>
Highest education level achieved in the household	0.009	-0.013	0.026	0.031 <sup>a</sup>
Dummy for a Christian household	0.055	0.024	-0.414 <sup>b</sup>	-0.035
Dummy for a household following another religion	0.550 <sup>b</sup>	-0.332		
Dummy for a young respondent (age below 25)	-0.466 <sup>b</sup>	-0.210	-0.629 <sup>c</sup>	0.078
Dummy for a respondent who never married	-0.177 <sup>a</sup>	-0.521	-0.185	0.093
Age of the respondent	-0.024	-0.037 <sup>b</sup>	-0.076 <sup>c</sup>	0.008
Age square	0.000	0.000 <sup>b</sup>	0.001 <sup>c</sup>	0.000
Dummy for traditional ways of interaction (base year)	0.185	-0.133	0.045	-0.390 <sup>b</sup>
Dummy for social ways of interaction (base year)	-0.156	0.080	0.092	-0.276 <sup>c</sup>
Dummy for communal ways of interaction (base year)	0.122	-0.007	0.056	-0.449 <sup>c</sup>
Dummy for top problem being a public good	-0.076	-0.342 <sup>c</sup>	-0.046	0.135
Number of leaders known within community (base year)	0.001	0.169 <sup>c</sup>	0.233 <sup>c</sup>	-0.026
Number of leaders known outside community (base year)	-0.024	-0.043	0.013	0.057
Level of participation in meetings (base year)	0.171 <sup>c</sup>	0.054	-0.090	0.054
Dummy for blue collar skills (base year)		0.285 <sup>c</sup>		0.393 <sup>c</sup>
Dummy for managerial skills (base year)		0.029		0.279 <sup>c</sup>
Number of observations	523	648	496	747
Wald Chi square (21/26)	119.22 <sup>c</sup>	94.16 <sup>c</sup>	72.14 <sup>c</sup>	266.05 <sup>c</sup>
R-squared	0.072	0.051	0.066	0.094

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

**Table M.11**

**How Often Last Year Did You Participate in Collective Action, for Example Attended a Community Meeting, etc.? [Compared to How Often Did You Participate in Collective Action [in Base Year]?**

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Less=1	17%	20%	16%	13%	11%	12%	10%	7%
Same=2	68%	69%	63%	70%	83%	70%	72%	82%
More=3	15%	11%	22%	17%	7%	18%	18%	11%
Total	284	294	499	195	252	257	490	487
Pearson Chi-square	2.84		3.20		15.04 <sup>c</sup>		15.34 <sup>c</sup>	

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>0.107</b>	<b>-0.144</b>	<b>-0.076</b>	<b>0.005</b>
Dummy for community #1	0.343	-0.260	-0.404 <sup>c</sup>	-0.254
Dummy for community #2	0.385 <sup>b</sup>	0.073	-0.165	-0.471 <sup>b</sup>
Dummy for community #3	0.166	-0.341 <sup>a</sup>		-0.625 <sup>c</sup>
Dummy for community #4		-0.040		-0.665 <sup>c</sup>
<b>Dummy for a SFAC's woman</b>	<b>-0.005</b>	<b>0.090</b>	<b>-0.209</b>	<b>0.256<sup>a</sup></b>
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>-0.183</b>	<b>0.003</b>	<b>-0.314<sup>a</sup></b>	<b>-0.269<sup>a</sup></b>
<b>Economic status</b>	<b>-0.059</b>	<b>-0.033</b>	<b>-0.056</b>	<b>-0.102<sup>c</sup></b>
Size of the household	-0.060	-0.040	-0.039	0.009
Number of school-going children	0.161 <sup>b</sup>	0.116 <sup>a</sup>	0.024	-0.043
Highest education level achieved in the household	0.048 <sup>b</sup>	0.042 <sup>b</sup>	0.031	0.039 <sup>b</sup>
Dummy for a Christian household	-0.236	0.061	0.050	0.534 <sup>a</sup>
Dummy for a household following another religion	0.038	0.286		
Dummy for a young respondent (age below 25)	0.241	0.230	-0.674 <sup>b</sup>	0.081
Dummy for a respondent who never married	0.166	-0.620	-0.189	-0.067
Age of the respondent	0.035	0.001	-0.013	-0.011
Age square	0.000	0.000	0.000	0.000
Dummy for traditional ways of interaction (base year)	-0.248 <sup>a</sup>	-0.108	-0.273	0.292
Dummy for social ways of interaction (base year)	0.513 <sup>c</sup>	0.136	-0.137	-0.149
Dummy for communal ways of interaction (base year)	0.035	0.284 <sup>c</sup>	0.071	0.018
Dummy for top problem being a public good	-0.091	-0.108	-0.268	0.069
Number of leaders known within community (base year)	0.135 <sup>c</sup>	0.161 <sup>c</sup>	0.142 <sup>b</sup>	0.185 <sup>c</sup>
Number of leaders known outside community (base year)	-0.001	0.007	0.030	-0.035
Level of participation in meetings (base year)	-0.861 <sup>c</sup>	-1.091 <sup>c</sup>	-1.089 <sup>c</sup>	-0.798 <sup>c</sup>
Dummy for blue collar skills (base year)		0.082		0.323 <sup>c</sup>
Dummy for managerial skills (base year)		0.146		0.211 <sup>a</sup>
Number of observations	530	648	496	757
Wald Chi square (21/26)	185.42 <sup>c</sup>	234.71 <sup>c</sup>	136.13 <sup>c</sup>	161.28 <sup>c</sup>
R-squared	0.167	0.194	0.188	0.135

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.12

**Compared to [Base Year], Is the Level of Trust and Community Cooperation Between People from Different Backgrounds and Ethnic Groups in Your Community Better or Worse or the Same?**

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Worse=1	17%	29%	42%	50%	2%	4%	40%	31%
Same=2	37%	33%	51%	37%	61%	60%	46%	47%
Better=3	45%	35%	7%	13%	37%	36%	11%	20%
Don't know/missing=.	1%	3%	1%	0%	0%	0%	3%	1%
Total	284	294	499	195	252	257	490	487
Pearson Chi-square	14.40	<sup>c</sup>	14.78	<sup>c</sup>	1.62		19.70	<sup>c</sup>

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>0.602<sup>c</sup></b>	<b>-0.082</b>	<b>0.167</b>	<b>-0.489<sup>c</sup></b>
Dummy for community #1	-0.756 <sup>c</sup>	-0.269 <sup>a</sup>	0.097	0.213
Dummy for community #2	-1.043 <sup>c</sup>	-0.491 <sup>c</sup>	-0.202	0.260
Dummy for community #3	-1.061 <sup>c</sup>	0.148		-0.258
Dummy for community #4		0.030		0.952 <sup>c</sup>
Dummy for a SFAC's woman	-0.168	0.172	-0.087	0.141
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>-0.173</b>	<b>0.225<sup>a</sup></b>	<b>0.269</b>	<b>0.057</b>
<b>Economic status</b>	<b>-0.046</b>	<b>-0.034</b>	<b>0.016</b>	<b>0.062<sup>a</sup></b>
<b>Size of the household</b>	<b>-0.030</b>	<b>0.016</b>	<b>0.029</b>	<b>0.049<sup>a</sup></b>
Number of school-going children	0.067	-0.004	0.053	-0.017
Highest education level achieved in the household	0.033 <sup>a</sup>	0.046 <sup>c</sup>	-0.003	-0.023
Dummy for a Christian household	0.367 <sup>b</sup>	0.062	-0.430 <sup>a</sup>	0.192
Dummy for a household following another religion	-0.030	0.645 <sup>c</sup>		
Dummy for a young respondent (age below 25)	-0.269	0.095	0.101	-0.107
Dummy for a respondent who never married	0.026	-0.092	0.312	-0.054
Age of the respondent	0.003	-0.009	0.048 <sup>a</sup>	-0.011
Age square	0.000	0.000	-0.001 <sup>b</sup>	0.000
Dummy for traditional ways of interaction (base year)	0.145	0.046	-0.023	0.785 <sup>c</sup>
Dummy for social ways of interaction (base year)	-0.040	0.085	-0.028	0.056
Dummy for communal ways of interaction (base year)	0.114	0.132	0.146	0.113
Dummy for top problem being a public good	-0.262	0.159	-0.498 <sup>c</sup>	-0.231 <sup>b</sup>
Number of leaders known within community (base year)	0.037	-0.150 <sup>c</sup>	0.294 <sup>c</sup>	0.000
Number of leaders known outside community (base year)	-0.043	0.080 <sup>a</sup>	0.037	-0.047
Level of participation in meetings (base year)	0.154 <sup>b</sup>	-0.095	-0.148 <sup>a</sup>	0.040
Dummy for blue collar skills (base year)		-0.276 <sup>c</sup>		-0.310 <sup>c</sup>
Dummy for managerial skills (base year)		0.131		0.024
Number of observations	522	646	496	749
Wald Chi square (21/26)	101.86 <sup>c</sup>	71.34 <sup>c</sup>	72.33 <sup>c</sup>	140.77 <sup>c</sup>
R-squared	0.091	0.059	0.095	0.104

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.13

**Compared to [Base Year], Is It More Difficult or Easier to Get the Whole Community to Agree on a Decision?**

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Much more difficult=1	12%	7%	2%	3%	4%	3%	3%	4%
More difficult=2	13%	27%	10%	14%	9%	16%	10%	15%
Same=3	22%	16%	26%	17%	37%	24%	41%	46%
More easy=4	34%	23%	50%	51%	44%	56%	27%	24%
Much more easy=5	16%	20%	11%	14%	5%	2%	16%	10%
Don't know/missing=.	3%	5%	1%	0%	0%	0%	3%	1%
Total	284	294	499	195	252	257	490	487
Pearson Chi-square	28.22	<sup>b</sup>	8.21	<sup>a</sup>	19.99	<sup>c</sup>	14.85	<sup>c</sup>

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>0.164</b>	<b>0.046</b>	<b>0.020</b>	<b>0.332<sup>c</sup></b>
Dummy for community #1	-0.193	-0.045	-0.084	0.230
Dummy for community #2	-0.986 <sup>c</sup>	0.352 <sup>b</sup>	-0.488 <sup>c</sup>	-0.093
Dummy for community #3	-0.873 <sup>c</sup>	0.037		0.426 <sup>b</sup>
Dummy for community #4		0.028		-0.964 <sup>c</sup>
<b>Dummy for a SFAC's woman</b>	<b>-0.036</b>	<b>-0.175</b>	<b>-0.022</b>	<b>-0.045</b>
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>0.019</b>	<b>-0.332<sup>b</sup></b>	<b>0.037</b>	<b>0.063</b>
<b>Economic status</b>	<b>-0.007</b>	<b>-0.007</b>	<b>-0.004</b>	<b>-0.052</b>
Size of the household	-0.018	0.001	-0.007	0.019
Number of school-going children	0.131 <sup>a</sup>	-0.008	0.063	-0.053
Highest education level achieved in the household	0.013	-0.036 <sup>b</sup>	-0.014	0.032 <sup>a</sup>
Dummy for a Christian household	0.013	-0.101	-0.377 <sup>a</sup>	-0.039
Dummy for a household following another religion	0.035	-0.337		
Dummy for a young respondent (age below 25)	-0.151	0.107	0.112	-0.127
Dummy for a respondent who never married	0.060	-0.658 <sup>a</sup>	0.146	0.490 <sup>c</sup>
Age of the respondent	0.034	0.005	0.010	-0.011
Age square	0.000 <sup>a</sup>	0.000	0.000	0.000
Dummy for traditional ways of interaction (base year)	0.114	-0.202	0.076	-0.897 <sup>c</sup>
Dummy for social ways of interaction (base year)	0.013	0.020	0.167	-0.253 <sup>c</sup>
Dummy for communal ways of interaction (base year)	0.324 <sup>c</sup>	0.002	-0.034	-0.547 <sup>c</sup>
Dummy for top problem being a public good	-0.474 <sup>c</sup>	-0.198 <sup>a</sup>	0.178	0.033
Number of leaders known within community (base year)	0.043	0.179 <sup>c</sup>	0.254 <sup>c</sup>	0.042
Number of leaders known outside community (base year)	-0.035	-0.123 <sup>c</sup>	0.026	0.010
Level of participation in meetings (base year)	0.065	0.040	-0.142 <sup>a</sup>	0.093
Dummy for blue collar skills (base year)		0.289 <sup>c</sup>		0.359 <sup>c</sup>
Dummy for managerial skills (base year)		0.020		0.225 <sup>b</sup>
Number of observations	513	645	495	748
Wald Chi square (21/26)	119.92 <sup>c</sup>	59.37 <sup>c</sup>	54.99 <sup>c</sup>	253.98 <sup>c</sup>
R-squared	0.069	0.038	0.055	0.110

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.



Table M.14

### Does the Government Respond More Effectively to Your Needs Now Than It Did [in Base Year]?

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
No=0	66%	77%	41%	52%	77%	67%	78%	82%
Yes=1	25%	16%	50%	46%	18%	24%	7%	6%
Don't know/missing=.	9%	8%	9%	2%	4%	9%	15%	13%
Total	284	294	499	195	252	257	490	487

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>0.091<sup>a</sup></b>	<b>-0.067</b>	<b>-0.156<sup>c</sup></b>	<b>0.025</b>
Dummy for community #1	-0.050	-0.227 <sup>c</sup>	0.144 <sup>c</sup>	-0.025
Dummy for community #2	-0.051	-0.061	0.120 <sup>b</sup>	0.083 <sup>a</sup>
Dummy for community #3	-0.100 <sup>a</sup>	-0.267 <sup>c</sup>		0.025
Dummy for community #4		0.095		-0.027
<b>Dummy for a SFAC's woman</b>	<b>-0.042</b>	<b>0.043</b>	<b>0.019</b>	<b>-0.013</b>
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>-0.034</b>	<b>-0.076</b>	<b>0.091</b>	<b>-0.012</b>
Economic status	0.004	-0.010	0.021	-0.001
Size of the household	-0.025 <sup>a</sup>	-0.025	-0.009	-0.005
Number of school-going children	0.017	0.021	0.036 <sup>a</sup>	0.009
Highest education level achieved in the household	0.002	0.009	0.004	0.002
Dummy for a Christian household	-0.039	0.002	-0.079	-0.009
Dummy for a household following another religion	-0.134 <sup>a</sup>	-0.166		
Dummy for a young respondent (age below 25)	0.234 <sup>b</sup>	-0.004	0.219 <sup>b</sup>	-0.032
Dummy for a respondent who never married	-0.039	-0.206	-0.047	
Age of the respondent	0.015	-0.012	0.030 <sup>c</sup>	-0.005
Age square	0.000	0.000	0.000 <sup>c</sup>	0.000
Dummy for traditional ways of interaction (base year)	-0.025	-0.061	0.047	-0.157 <sup>c</sup>
Dummy for social ways of interaction (base year)	-0.007	-0.024	-0.003	-0.033 <sup>a</sup>
Dummy for communal ways of interaction (base year)	-0.014	-0.040	-0.115 <sup>c</sup>	-0.046 <sup>b</sup>
Dummy for top problem being a public good	0.034	0.007	-0.028	0.000
Number of leaders known within community (base year)	-0.025	-0.015	-0.023	0.005
Number of leaders known outside community (base year)	0.043 <sup>c</sup>	0.060 <sup>c</sup>	0.018	0.026 <sup>c</sup>
Level of participation in meetings (base year)	0.010	-0.041	-0.058 <sup>a</sup>	-0.008
Dummy for blue collar skills (base year)		0.116 <sup>b</sup>		0.022
Dummy for managerial skills (base year)		-0.115 <sup>c</sup>		0.026
Number of observations	489	619	463	651
Wald Chi square (21/26)	33.47 <sup>c</sup>	69.16 <sup>c</sup>	55.45 <sup>c</sup>	62.42
R-squared	0.061	0.091	0.124	0.135

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

**Table M.15**

**Do You Feel Your Local Leadership (Village Chief, Headman, Ward Chairperson, etc.) Responds More Effectively to Your Needs Now than [in Base Year]?**

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
No=0	62%	64%	64%	50%	71%	56%	63%	66%
Yes=1	29%	21%	30%	46%	26%	35%	23%	20%
Don't know/missing=.	10%	16%	7%	4%	4%	9%	15%	15%
Total	284	294	499	195	252	257	490	487

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>0.043</b>	<b>-0.032</b>	<b>-0.189<sup>c</sup></b>	<b>0.023</b>
Dummy for community #1	-0.266 <sup>c</sup>	0.441 <sup>c</sup>	-0.235 <sup>c</sup>	0.269 <sup>c</sup>
Dummy for community #2	-0.183 <sup>c</sup>	0.243 <sup>c</sup>	-0.065	0.327 <sup>c</sup>
Dummy for community #3	-0.188 <sup>c</sup>	0.041		0.150 <sup>b</sup>
Dummy for community #4		0.073		-0.274 <sup>c</sup>
<b>Dummy for a SFAC's woman</b>	<b>-0.034</b>	<b>-0.003</b>	<b>0.057</b>	<b>-0.026</b>
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>-0.001</b>	<b>-0.155<sup>c</sup></b>	<b>-0.047</b>	<b>0.072</b>
Economic status	-0.033	0.016	0.045 <sup>c</sup>	-0.013
Size of the household	-0.028 <sup>a</sup>	0.002	-0.002	0.022 <sup>b</sup>
Number of school-going children	0.027	-0.034	0.008	-0.034 <sup>b</sup>
Highest education level achieved in the household	0.020 <sup>b</sup>	0.012	-0.001	0.009
Dummy for a Christian household	-0.047	0.046	0.018	
Dummy for a household following another religion	-0.040	-0.068		-0.190 <sup>b</sup>
Dummy for a young respondent (age below 25)	0.252 <sup>b</sup>	-0.034	0.272 <sup>b</sup>	
Dummy for a respondent who never married	0.039	-0.170	0.056	0.051
Age of the respondent	0.020 <sup>a</sup>	0.002	0.040 <sup>c</sup>	0.015 <sup>a</sup>
Age square	0.000 <sup>a</sup>	0.000	0.000 <sup>c</sup>	0.000
Dummy for traditional ways of interaction (base year)	-0.042	-0.077	-0.070	-0.048
Dummy for social ways of interaction (base year)	0.040	0.054	-0.088 <sup>a</sup>	-0.086 <sup>b</sup>
Dummy for communal ways of interaction (base year)	0.025	0.001	-0.129 <sup>c</sup>	-0.055
Dummy for top problem being a public good	0.049	-0.173 <sup>c</sup>	-0.022	-0.017
Number of leaders known within community (base year)	0.033	0.032 <sup>b</sup>	0.011	0.018
Number of leaders known outside community (base year)	0.045 <sup>c</sup>	0.050 <sup>c</sup>	0.030	-0.025 <sup>a</sup>
Level of participation in meetings (base year)	0.019	0.055 <sup>a</sup>	-0.038	-0.014
Dummy for blue collar skills (base year)		0.076 <sup>a</sup>		0.047
Dummy for managerial skills (base year)		-0.036		0.019
Number of observations	469	634	466	652
Wald Chi square (21/26)	56.15 <sup>c</sup>	103.99 <sup>c</sup>	59.83 <sup>c</sup>	129.58
R-squared	0.109	0.147	0.108	0.248

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

**Table M.16 Sustainability**

	Base	Jamaica	Malawi	Nicaragua	Zambia
Do you feel there are enough staff at the facility?	Heard of SFs	43%	69%	91%	36%
	All MC	33%	58%	63%	17%
How would you describe the facility's supply of supplies? [reasonably well/extremely well]	Heard of SFs	46%	33%	69%	33%
	All-MC	26%	21%	48%	11%
How does staff attendance compare to the situation [in base year]? [more]	Heard of SFs	34%	69%	73%	44%
	All-MC	21%	73%	55%	10%
	t-statistics	0.06	-0.03	0.10 <sup>b</sup>	0.10 <sup>b</sup>
How does supply availability compare to the situation [in base year]? [more]	Heard of SFs	39%	45%	51%	28%
	All-MC	23%	41%	16%	4%
	t-statistics	0.18 <sup>c</sup>	0.06 <sup>a</sup>	0.44 <sup>c</sup>	0.29 <sup>c</sup>
How often is the facility clean and well maintained? [always/usually]	Heard of SFs	72%	88%	94%	67%
Do you think the facility needs physical improvements?	Heard of SFs	67%	42%	17%	89%
Who makes repairs—fixes windows, furniture and the roof—when they are needed? [don't know]	Heard of SFs	42%	18%	9%	40%
	All-MC	57%	17%	30%	53%
Who pays for repairs? [don't know] [no one]	Heard of SFs	60%	43%	14%	42%
	Heard of SFs	9%			
	All MC	61%	48%	33%	56%
Would you be willing to pay for the improvements? [yes/maybe]	SFAC-Need Improvement	88%	85%	71%	90%
When repairs are needed, how long does it take for them to get done? [quickly]	Heard of SFs	35%	39%	29%	10%
	All MC	23%	40%	14%	9%
When repairs are needed, how long does it take for them to get done? [always long]	Heard of SFs	41%	4%	9%	13%
	All MC	47%	3%	18%	8%

Note: (i) All MC: All respondents in the matched communities; (ii) Heard of SFs: All respondents who have heard of social fund within the social fund–assisted communities; (iii) SFAC-Need Improvement: All respondents from the social fund-assisted communities who felt that the facility funded by social fund needed improvement; (iv) t-statistics: The value in this row indicates the difference in the mean value of the SFAC and the MCs. Notes a–c indicate level of statistical significance using student's difference-in-means test (t-statistics).

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.17

## Do You Feel There Are Enough Staff at the Facility?

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
No=0	16%	14%	24%	33%	4%	18%	47%	53%
Yes=1	43%	33%	69%	58%	91%	63%	36%	17%
Don't know/missing=.	41%	53%	8%	9%	4%	19%	17%	30%
Total	186	222	489	493	245	257	230	487

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>-0.092</b>	<b>0.096<sup>b</sup></b>	<b>0.172<sup>c</sup></b>	<b>0.154<sup>b</sup></b>
Dummy for community #1	0.266 <sup>c</sup>	-0.235 <sup>c</sup>	-0.060	-0.356 <sup>c</sup>
Dummy for community #2	0.074	0.294 <sup>c</sup>	-0.127 <sup>c</sup>	0.032
Dummy for community #3	0.373 <sup>c</sup>	0.057		-0.321 <sup>c</sup>
Dummy for community #4		0.121 <sup>c</sup>		-0.363 <sup>c</sup>
<b>Dummy for a SFAC's woman</b>	<b>0.063</b>	<b>0.044</b>	<b>-0.013</b>	<b>0.062</b>
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>-0.035</b>	<b>-0.022</b>	<b>0.056</b>	<b>0.124</b>
Economic status	0.062 <sup>a</sup>	0.020	-0.015 <sup>a</sup>	0.013
Size of the household	0.018	0.002	-0.006	0.019
Number of school-going children	0.012	0.008	0.021	0.005
Highest education level achieved in the household	-0.009	-0.014 <sup>b</sup>	0.007	-0.006
Dummy for a Christian household	0.149	-0.060	0.051	-0.087
Dummy for a household following another religion	0.081	-0.111		
Dummy for a young respondent (age below 25)	0.086	-0.053	-0.001	0.068
Dummy for a respondent who never married	0.157 <sup>b</sup>	0.094	-0.135 <sup>b</sup>	
Age of the respondent	0.013	-0.006	0.000	0.016
Age square	0.000	0.000	0.000	0.000
Dummy for traditional ways of interaction (base year)	0.068	-0.040	0.019	-0.174
Dummy for social ways of interaction (base year)	0.010	-0.023	-0.033	0.003
Dummy for communal ways of interaction (base year)	-0.074	-0.073 <sup>b</sup>	0.023	-0.013
Dummy for top problem being a public good	0.142	-0.099 <sup>c</sup>	0.166 <sup>c</sup>	-0.183 <sup>c</sup>
Number of leaders known within community (base year)	0.027	-0.012	-0.011	-0.036
Number of leaders known outside community (base year)	-0.055 <sup>b</sup>	0.000	0.009	-0.001
Level of participation in meetings (base year)	-0.097 <sup>b</sup>	0.011	-0.028	-0.031
Dummy for blue collar skills (base year)		-0.006		0.032
Dummy for managerial skills (base year)		-0.017		-0.033
Number of observations	198	835	431	419
Wald Chi square (21/26)	40.31 <sup>c</sup>	157.89 <sup>c</sup>	60.83 <sup>c</sup>	163.04 <sup>c</sup>
R-squared	0.157	0.163	0.232	0.339

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.18

## How Would You Describe the Facility's Supply of Supplies?

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Very poor=1	1%	4%	10%	14%	1%	1%	15%	18%
Poor=2	4%	10%	26%	36%	5%	25%	31%	35%
Reasonably good=3	30%	18%	23%	18%	52%	45%	30%	11%
Extremely good=4	16%	8%	10%	3%	17%	3%	3%	0%
Don't know/missing=.	48%	60%	30%	29%	25%	26%	21%	36%
Total	186	222	489	493	245	257	230	487
	Jamaica		Malawi		Nicaragua		Zambia	
	dF/dx		dF/dx		dF/dx		dF/dx	
<b>Dummy for social fund–assisted community</b>	<b>0.971<sup>c</sup></b>		<b>0.371<sup>c</sup></b>		<b>1.060<sup>c</sup></b>		<b>0.443<sup>c</sup></b>	
Dummy for community #1	-0.149		0.152		-0.295 <sup>a</sup>		-1.125 <sup>c</sup>	
Dummy for community #2	0.454				-0.082		-0.551 <sup>b</sup>	
Dummy for community #3	-0.693 <sup>b</sup>		-0.533 <sup>c</sup>				-1.082 <sup>c</sup>	
Dummy for community #4			0.263 <sup>b</sup>				-0.711 <sup>c</sup>	
<b>Dummy for a SFAC's woman</b>	<b>-0.098</b>		<b>0.019</b>		<b>-0.177</b>		<b>0.062</b>	
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>-0.463</b>		<b>0.012</b>		<b>0.480<sup>b</sup></b>		<b>0.035</b>	
Economic status	-0.106		-0.013		0.050		0.003	
Size of the household	0.148 <sup>b</sup>		0.004		0.014		-0.104 <sup>c</sup>	
Number of school-going children	-0.201		0.013		0.043		0.164 <sup>c</sup>	
Highest education level achieved in the household	-0.113 <sup>c</sup>		-0.006		0.003		-0.020	
Dummy for a Christian household	-0.362		-0.165		0.577 <sup>c</sup>		0.242	
Dummy for a household following another religion	-0.258		-0.024					
Dummy for a young respondent (age below 25)	0.331		-0.023		-0.008		0.069	
Dummy for a respondent who never married	-0.204		-0.161		0.043			
Age of the respondent	0.027		-0.001		-0.007		0.040	
Age square	0.000		0.000		0.000		0.000	
Dummy for traditional ways of interaction (base year)	-0.333		-0.377 <sup>b</sup>		-0.187		0.517 <sup>a</sup>	
Dummy for social ways of interaction (base year)	-0.717 <sup>c</sup>		0.098		-0.241 <sup>a</sup>		0.206	
Dummy for communal ways of interaction (base year)	0.194		-0.004		-0.036		-0.202	
Dummy for top problem being a public good	0.523		-0.151		0.468 <sup>b</sup>		-0.153	
Number of leaders known within community (base year)	-0.068		0.004		0.121 <sup>a</sup>		-0.003	
Number of leaders known outside community (base year)	-0.001		0.063		0.085		-0.081	
Level of participation in meetings (base year)	-0.012		0.050		0.056		-0.093	
Dummy for blue collar skills (base year)			-0.161 <sup>a</sup>				0.212	
Dummy for managerial skills (base year)			-0.196 <sup>b</sup>				-0.198	
Number of observations	171		654		363		395	
Wald Chi square (21/26)	75.40 <sup>c</sup>		101.41 <sup>c</sup>		104.83 <sup>c</sup>		75.99 <sup>c</sup>	
R-squared	0.157		0.059		0.155		0.105	

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.19

**How Does Staff Attendance Compare to the Situation [in Base Year]?  
(Better=3, Same=2 and Worse=1)**

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Worse=1	3%	8%	5%	4%	1%	2%	12%	18%
Same=2	22%	11%	15%	14%	18%	23%	27%	40%
Better=3	34%	21%	69%	73%	73%	55%	44%	10%
Don't know/missing=.	41%	59%	11%	9%	7%	45%	17%	32%
Total	186	222	489	493	245	257	230	487
Pearson Chi-square	11.95	c	0.91		6.15	b	84.37	c

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>0.571<sup>a</sup></b>	<b>-0.065</b>	<b>0.475<sup>b</sup></b>	<b>0.918<sup>c</sup></b>
Dummy for community #1	-0.544	0.210	-0.336 <sup>a</sup>	-0.485 <sup>b</sup>
Dummy for community #2	-0.306	-0.399 <sup>c</sup>	-0.616 <sup>c</sup>	0.318
Dummy for community #3	-1.040 <sup>c</sup>	-0.311 <sup>b</sup>		-0.498 <sup>b</sup>
Dummy for community #4		0.580 <sup>c</sup>		-1.423 <sup>c</sup>
<b>Dummy for a SFAC's woman</b>	<b>0.441<sup>a</sup></b>	<b>0.060</b>	<b>-0.241</b>	<b>0.090</b>
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>0.126</b>	<b>-0.234</b>	<b>0.276</b>	<b>-0.003</b>
Economic status	-0.185 <sup>b</sup>	0.104 <sup>b</sup>	-0.059	-0.014
Size of the household	0.027	-0.059 <sup>a</sup>	-0.153 <sup>c</sup>	-0.032
Number of school-going children	-0.043	0.063	0.251 <sup>c</sup>	0.071
Highest education level achieved in the household	0.080 <sup>b</sup>	0.009	0.078 <sup>c</sup>	0.033
Dummy for a Christian household	-0.032	-0.152	-0.108	0.246
Dummy for a household following another religion	0.499	-0.043		
Dummy for a young respondent (age below 25)	-0.006	-0.051	-0.201	0.237
Dummy for a respondent who never married	-0.009	-0.185	-0.108	
Age of the respondent	0.047	0.016	-0.047	0.027
Age square	0.000	0.000	0.000	0.000
Dummy for traditional ways of interaction (base year)	0.525 <sup>b</sup>	0.003	-0.066	-0.578 <sup>b</sup>
Dummy for social ways of interaction (base year)	-0.432 <sup>b</sup>	-0.090	-0.136	-0.014
Dummy for communal ways of interaction (base year)	-0.127	-0.023	-0.022	-0.121
Dummy for top problem being a public good	0.107	-0.201 <sup>a</sup>	0.344 <sup>a</sup>	0.256 <sup>a</sup>
Number of leaders known within community (base year)	-0.133	0.074 <sup>a</sup>	0.056	0.020
Number of leaders known outside community (base year)	0.112	0.047	0.181 <sup>b</sup>	-0.061
Level of participation in meetings (base year)	0.203	0.089	-0.013	0.153
Dummy for blue collar skills (base year)		0.158		-0.289 <sup>b</sup>
Dummy for managerial skills (base year)		-0.318 <sup>c</sup>		0.238 <sup>a</sup>
Number of observations	186	819	423	419
Wald Chi square (21/26)	43.52 <sup>c</sup>	75.00 <sup>c</sup>	61.62 <sup>c</sup>	180.30 <sup>c</sup>
R-squared	0.127	0.083	0.113	0.191

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.20

## How Does Supply Availability Compare to the Situation [in Base Year]?

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Worse=1	1%	5%	10%	11%	1%	4%	29%	44%
Same=2	9%	9%	14%	17%	22%	44%	20%	13%
Better=3	39%	23%	45%	41%	51%	16%	28%	4%
Don't know/missing=.	52%	64%	31%	30%	26%	36%	23%	38%
Total	186	222	489	493	245	257	230	487
Pearson Chi-square	11.02	<sup>c</sup>	3.18		68.33	<sup>c</sup>	77.78	<sup>c</sup>
	Jamaica		Malawi		Nicaragua		Zambia	
	dF/dx		dF/dx		dF/dx		dF/dx	
<b>Dummy for social fund–assisted community</b>	<b>1.101<sup>c</sup></b>		<b>0.170</b>		<b>1.369<sup>c</sup></b>		<b>1.199<sup>c</sup></b>	
Dummy for community #1	6.963 <sup>c</sup>		0.415 <sup>c</sup>		-0.314 <sup>a</sup>		-1.142 <sup>c</sup>	
Dummy for community #2	-0.699 <sup>a</sup>				-0.035		-0.631 <sup>b</sup>	
Dummy for community #3	-1.457 <sup>c</sup>		-0.358 <sup>c</sup>				-0.939 <sup>c</sup>	
Dummy for community #4			0.512 <sup>c</sup>				-1.509 <sup>c</sup>	
<b>Dummy for a SFAC's woman</b>	<b>-0.145</b>		<b>0.143</b>		<b>-0.330</b>		<b>-0.343</b>	
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>-0.364</b>		<b>-0.126</b>		<b>0.292</b>		<b>0.101</b>	
Economic status	-0.188 <sup>a</sup>		0.021		-0.082		0.034	
Size of the household	-0.043		-0.034		0.009		0.005	
Number of school-going children	0.171		-0.056		0.105		-0.016	
Highest education level achieved in the household	0.058		-0.017		0.038		-0.046	
Dummy for a Christian household	0.384		-0.085		0.176		-0.626 <sup>a</sup>	
Dummy for a household following another religion	0.299		-0.203					
Dummy for a young respondent (age below 25)	0.227		0.002		-0.007		0.279	
Dummy for a respondent who never married	-0.312		-0.078		0.286			
Age of the respondent	0.038		-0.020		0.007		0.055	
Age square	0.000		0.000		0.000		-0.001	
Dummy for traditional ways of interaction (base year)	0.063		-0.525 <sup>b</sup>		0.075		-0.123	
Dummy for social ways of interaction (base year)	0.015		-0.196 <sup>a</sup>		-0.214		-0.027	
Dummy for communal ways of interaction (base year)	-0.331		0.124		-0.428 <sup>c</sup>		-0.234	
Dummy for top problem being a public good	-0.227		0.094		0.168		0.296 <sup>a</sup>	
Number of leaders known within community (base year)	0.098		0.118 <sup>c</sup>		0.015		0.053	
Number of leaders known outside community (base year)	-0.088		-0.044		0.293 <sup>c</sup>		-0.052	
Level of participation in meetings (base year)	0.245		0.078		-0.091		0.238 <sup>b</sup>	
Dummy for blue collar skills (base year)			0.060				-0.157	
Dummy for managerial skills (base year)			-0.112				-0.154	
Number of observations	157		647		334		377	
Wald Chi square (21/26)	2019.62 <sup>c</sup>		92.11 <sup>c</sup>		106.36 <sup>c</sup>		182.35 <sup>c</sup>	
R-squared	0.171		0.082		0.212		0.225	

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.



Table M.21

## Do You Think the Facility Needs Physical Improvements?

	Jamaica	Malawi	Nicaragua	Zambia
No=0	33%	57%	82%	9%
Yes=1	67%	42%	17%	89%
Don't know/missing=.	0%	1%	2%	2%
Total	186	489	245	230

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
Dummy for community #1	-0.302 <sup>b</sup>	-0.303 <sup>c</sup>	-0.037	-0.092
Dummy for community #2	-0.223	-0.448 <sup>c</sup>	0.226 <sup>b</sup>	0.018
Dummy for community #3	-0.213 <sup>a</sup>	-0.294 <sup>c</sup>		-0.055
Dummy for community #4		-0.406 <sup>c</sup>		-0.003
<b>Dummy for a SFAC's woman</b>	<b>-0.108</b>	<b>-0.011</b>	<b>0.034</b>	<b>0.015</b>
<b>Economic status</b>	<b>0.000</b>	<b>0.042<sup>b</sup></b>	<b>0.011</b>	<b>-0.021<sup>c</sup></b>
Size of the household	-0.006	0.001	0.047 <sup>c</sup>	0.006
Number of school-going children	0.007	-0.008	-0.043 <sup>a</sup>	0.003
Highest education level achieved in the household	-0.005	0.016	-0.013	0.011 <sup>a</sup>
Dummy for a Christian household	0.118	0.004	0.034	
Dummy for a household following another religion	0.108	0.003		
Dummy for a young respondent (age below 25)	0.205	-0.048	0.064	0.000
Dummy for a respondent who never married	0.004	-0.121	-0.085 <sup>a</sup>	
Age of the respondent	0.028	-0.011	0.014	-0.020
Age square	0.000	0.000	0.000	0.000
Dummy for traditional ways of interaction (base year)	-0.029	-0.217 <sup>b</sup>	-0.120	
Dummy for social ways of interaction (base year)	-0.071	0.083	-0.035	-0.007
Dummy for communal ways of interaction (base year)	0.120	0.015	0.055	-0.017
Dummy for top problem being a public good	0.029	-0.177 <sup>c</sup>	-0.107	0.025
Number of leaders known within community (base year)	-0.016	0.069 <sup>c</sup>	-0.050 <sup>b</sup>	0.013
Number of leaders known outside community (base year)	0.021	-0.062 <sup>c</sup>	0.063 <sup>c</sup>	-0.010
Level of participation in meetings (base year)	-0.017	0.008	0.067 <sup>b</sup>	0.005
Dummy for blue collar skills (base year)		0.149 <sup>c</sup>		0.010
Dummy for managerial skills (base year)		0.170 <sup>c</sup>		0.012
Number of observations	177	452	237	166
Wald Chi square (21/26)	19.10 <sup>c</sup>	102.76 <sup>c</sup>	46.16 <sup>c</sup>	23.24 <sup>c</sup>
R-squared	0.085	0.186	0.267	0.127

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.22

## When Repairs Are Needed, How Long Does It Take for Them to Get Done?

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Worse=1	3%	8%	5%	4%	1%	2%	12%	18%
Always long=1	41%	47%	4%	3%	9%	18%	13%	8%
Usually long=2	7%	2%	13%	15%	14%	26%	16%	13%
Usually quickly=3	17%	12%	16%	17%	26%	16%	15%	13%
Quickly=4	35%	23%	39%	40%	29%	14%	10%	9%
Don't know/missing=.	0%	16%	29%	24%	21%	26%	46%	58%
Total	186	222	489	493	245	257	230	487

	Jamaica dF/dx	Malawi dF/dx	Nicaragua dF/dx	Zambia dF/dx
<b>Dummy for social fund–assisted community</b>	<b>0.104</b>	<b>0.141</b>	<b>0.539<sup>c</sup></b>	<b>-0.059</b>
Dummy for community #1	-0.899 <sup>c</sup>	-0.182	-0.022	0.176
Dummy for community #2	-0.630 <sup>c</sup>	0.774 <sup>c</sup>	0.429 <sup>b</sup>	-0.479
Dummy for community #3	-0.505 <sup>b</sup>	-0.237 <sup>a</sup>		-0.989 <sup>c</sup>
Dummy for community #4		-0.128		-1.174 <sup>c</sup>
<b>Dummy for a SFAC's woman</b>	<b>0.028</b>	<b>-0.075</b>	<b>0.122</b>	<b>0.093</b>
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>0.057</b>	<b>-0.232</b>	<b>0.266</b>	<b>-0.071</b>
Economic status	-0.075	-0.035	-0.039	0.030
Size of the household	-0.043	-0.058	0.027	-0.069 <sup>a</sup>
Number of school-going children	-0.003	0.073	0.199 <sup>c</sup>	0.081
Highest education level achieved in the household	-0.015	0.016	0.058 <sup>b</sup>	0.044
Dummy for a Christian household	-0.178	0.083	0.209	-0.110
Dummy for a household following another religion	-0.232	0.127		
Dummy for a young respondent (age below 25)	0.217	-0.042	-0.097	0.135
Dummy for a respondent who never married	-0.104	-0.405	-0.094	
Age of the respondent	0.033	-0.020	-0.070 <sup>b</sup>	-0.015
Age square	0.000	0.000	0.001 <sup>b</sup>	0.000
Dummy for traditional ways of interaction (base year)	-0.320 <sup>b</sup>	0.198	-0.144	0.220
Dummy for social ways of interaction (base year)	-0.014	0.013	0.012	0.193
Dummy for communal ways of interaction (base year)	0.037	-0.096	0.091	-0.100
Dummy for top problem being a public good	0.165	-0.046	0.158	-0.409 <sup>b</sup>
Number of leaders known within community (base year)	0.111 <sup>a</sup>	0.003	0.062	-0.034
Number of leaders known outside community (base year)	-0.019	-0.025	0.050	0.129 <sup>a</sup>
Level of participation in meetings (base year)	0.198 <sup>b</sup>	0.117 <sup>a</sup>	0.104	0.349 <sup>c</sup>
Dummy for blue collar skills (base year)		0.008		0.307 <sup>a</sup>
Dummy for managerial skills (base year)		0.148		-0.531 <sup>c</sup>
Number of observations	337	665	374	261
Wald Chi square (21/26)	53.94 <sup>c</sup>	73.90 <sup>c</sup>	72.99 <sup>c</sup>	109.54 <sup>c</sup>
R-squared	0.063	0.048	0.081	0.148

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.23

### Who Makes Repairs—Fixes Windows, Furniture and the Roof—When They Are Needed? [Don't Know]

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Know=0	58%	43%	82%	83%	91%	70%	60%	47%
Do not know=1	42%	57%	18%	17%	9%	30%	40%	53%
Total	186	222	489	493	245	257	230	487
	Jamaica		Malawi		Nicaragua		Zambia	
	dF/dx		dF/dx		dF/dx		dF/dx	
<b>Dummy for social fund–assisted community</b>	<b>-0.388<sup>c</sup></b>		<b>-0.029</b>		<b>-0.279<sup>c</sup></b>		<b>-0.031</b>	
Dummy for community #1	0.446 <sup>c</sup>		0.256 <sup>c</sup>		0.023		0.130	
Dummy for community #2	0.367 <sup>c</sup>		-0.052		0.151 <sup>c</sup>		0.071	
Dummy for community #3	0.332 <sup>c</sup>		-0.001				0.215 <sup>b</sup>	
Dummy for community #4			0.027				-0.233 <sup>c</sup>	
<b>Dummy for a SFAC's woman</b>	<b>0.092</b>		<b>0.111<sup>c</sup></b>		<b>0.001</b>		<b>0.166<sup>b</sup></b>	
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>0.086</b>		<b>-0.011</b>		<b>0.198<sup>b</sup></b>		<b>-0.143</b>	
Economic status	0.054 <sup>a</sup>		-0.019 <sup>b</sup>		0.017		-0.016	
Size of the household	-0.003		-0.004		-0.003		-0.006	
Number of school-going children	-0.021		0.003		-0.001		-0.009	
Highest education level achieved in the household	0.008		0.000		-0.010		-0.014	
Dummy for a Christian household	0.025		0.003		-0.009		-0.126	
Dummy for a household following another religion	0.173		0.120 <sup>a</sup>					
Dummy for a young respondent (age below 25)	-0.144		0.018		0.019		-0.058	
Dummy for a respondent who never married	0.076		-0.016		-0.020			
Age of the respondent	-0.013		0.007		-0.008		0.001	
Age square	0.000		0.000		0.000		0.000	
Dummy for traditional ways of interaction (base year)	-0.080		0.016		-0.046		0.149	
Dummy for social ways of interaction (base year)	-0.214 <sup>c</sup>		0.009		-0.088 <sup>b</sup>		0.074	
Dummy for communal ways of interaction (base year)	-0.229 <sup>c</sup>		-0.024		-0.040		0.154 <sup>c</sup>	
Dummy for top problem being a public good	-0.011		0.028		0.000		-0.062	
Number of leaders known within community (base year)	-0.058 <sup>a</sup>		-0.022 <sup>c</sup>		0.024		-0.082 <sup>c</sup>	
Number of leaders known outside community (base year)	-0.049 <sup>a</sup>		-0.014		-0.041 <sup>b</sup>		-0.033	
Level of participation in meetings (base year)	-0.063		0.008		-0.058 <sup>b</sup>		-0.080 <sup>b</sup>	
Dummy for blue collar skills (base year)			-0.074 <sup>c</sup>				-0.131 <sup>c</sup>	
Dummy for managerial skills (base year)			-0.012				-0.037	
Number of observations	368		909		489		565	
Wald Chi square (21/26)	75.99 <sup>c</sup>		112.88 <sup>c</sup>		78.50 <sup>c</sup>		122.17 <sup>c</sup>	
R-squared	0.192		0.150		0.176		0.170	

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.24

### Who Pays for Repairs—Fixes Windows, Furniture and the Roof—When They Are Needed? [Don't Know]

	Jamaica		Malawi		Nicaragua		Zambia	
	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF	SFAC	Non-SF
Know=0	40%	39%	57%	52%	86%	67%	58%	44%
Do not know=1	60%	61%	43%	48%	14%	33%	42%	56%
Total	186	222	489	493	245	257	230	487
	Jamaica		Malawi		Nicaragua		Zambia	
	dF/dx		dF/dx		dF/dx		dF/dx	
<b>Dummy for social fund–assisted community</b>	<b>-0.076</b>		<b>-0.150<sup>c</sup></b>		<b>-0.189<sup>c</sup></b>		<b>0.012</b>	
Dummy for community #1	0.191 <sup>a</sup>		0.424 <sup>c</sup>		-0.149 <sup>c</sup>		0.146	
Dummy for community #2	0.176 <sup>b</sup>		0.033		0.049		0.063	
Dummy for community #3	0.120		0.148 <sup>c</sup>				0.179 <sup>a</sup>	
Dummy for community #4			0.139 <sup>b</sup>				-0.197 <sup>b</sup>	
<b>Dummy for a SFAC's woman</b>	<b>0.085</b>		<b>0.169<sup>c</sup></b>		<b>-0.070</b>		<b>-0.010</b>	
<b>Dummy for SFAC's bottom quartile respondent</b>	<b>0.095</b>		<b>0.017</b>		<b>0.050</b>		<b>-0.168<sup>a</sup></b>	
Economic status	0.023		0.010		0.019		-0.040 <sup>c</sup>	
Size of the household	0.015		-0.014		0.008		0.015	
Number of school-going children	-0.015		0.020		-0.008		-0.016	
Highest education level achieved in the household	-0.003		-0.006		-0.008		-0.037 <sup>c</sup>	
Dummy for a Christian household	0.076		-0.021		-0.012		0.083	
Dummy for a household following another religion	0.155		0.033					
Dummy for a young respondent (age below 25)	-0.130		0.075		0.001		0.125	
Dummy for a respondent who never married	0.059		0.084		0.071			
Age of the respondent	-0.008		0.012		-0.007		0.029 <sup>b</sup>	
Age square	0.000		0.000		0.000		0.000 <sup>b</sup>	
Dummy for traditional ways of interaction (base year)	0.125 <sup>b</sup>		0.119 <sup>a</sup>		-0.132 <sup>c</sup>		0.161	
Dummy for social ways of interaction (base year)	-0.170 <sup>c</sup>		-0.009		-0.080 <sup>b</sup>		0.079	
Dummy for communal ways of interaction (base year)	-0.119 <sup>a</sup>		-0.005		0.009		0.074	
Dummy for top problem being a public good	-0.059		0.100 <sup>b</sup>		-0.010		-0.077	
Number of leaders known within community (base year)	-0.067 <sup>b</sup>		-0.059 <sup>c</sup>		0.020		-0.084 <sup>c</sup>	
Number of leaders known outside community (base year)	-0.022		0.043 <sup>c</sup>		-0.057 <sup>c</sup>		-0.012	
Level of participation in meetings (base year)	-0.020		0.003		-0.135 <sup>c</sup>		-0.140 <sup>c</sup>	
Dummy for blue collar skills (base year)			-0.081 <sup>b</sup>				-0.087 <sup>a</sup>	
Dummy for managerial skills (base year)			-0.118 <sup>c</sup>				-0.050	
Number of observations	368		909		489		565	
Wald Chi square (21/26)	44.69 <sup>c</sup>		127.77 <sup>c</sup>		89.09 <sup>c</sup>		129.01 <sup>c</sup>	
R-squared	0.096		0.117		0.166		0.199	

Note: (i) Annex M, table M.25 for explanations for independent variables used in the multivariate analysis.

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

**Table M.25****Definition of the Independent Variables Used in the Multivariate Analysis**

<b>Independent variable</b>	<b>Definition</b>
Base year	The base year was the year shortly prior to the start of the subproject. In Jamaica and Nicaragua, the base year was 1995 across all communities. In Malawi and Zambia, the base year varied by community depending on the year of subproject approval
Dummy for a household following another religion	Rastafarians in Jamaica; Muslims in Malawi
Dummy for traditional ways of interaction (base year)	Traditional/cultural festivals, weddings, funerals, birthdays, religious festivals and services
Dummy for social ways of interaction (base year)	Independence/freedom day, sports/games, cultural; outings, water source and market/grinding mill
Dummy for communal ways of interaction (base year)	Local government, political rallies, community meetings, social clubs, women's groups, communal works
Number of leaders known within the community (local and [base year])	Village chief, local elected official, project committee chairperson, PTA chairperson, health advisory committee chairperson
Number of leaders known outside the community [base year]	MP, SF official, junior official in ruling party, policeman, NGO staff, contractor, and senior police official
Dummy for blue collar skills (base year)	Carpentry, masonry, brick making, or other skilled labor
Dummy for managerial skills (base year)	Managing construction, maintenance/upkeep, bookkeeping/accounting, resolving disagreements

Table M.26

## Disaggregation by Gender within Social Fund-assisted Communities

	Jamaica		Malawi		Nicaragua		Zambia	
	Female	Male	Female	Male	Female	Male	Female	Male
Have you heard of [the social fund]?	0.623	0.692	0.964	1.000 <sup>c</sup>	0.958	0.985	0.363	0.582 <sup>c</sup>
Who had the most important role in the decision of what type of project to apply for? [leader]	0.175	0.085 <sup>b</sup>	0.361	0.263 <sup>b</sup>	0.202	0.165	0.188	0.297 <sup>c</sup>
Did you attend the meeting?	0.534	0.586	0.599	0.654	0.319	0.260	0.470	0.528
Did you say anything at the meeting?	0.205	0.329 <sup>a</sup>	0.114	0.237 <sup>c</sup>	0.107	0.134	0.193	0.382 <sup>c</sup>
Were you or your household asked to make contributions of time, money, or materials during the construction?	0.333	0.411	0.904	0.902	0.088	0.125	0.866	0.864
Have you become able to engage in blue collar skills or has your level of ability improved?	—		0.290	0.429 <sup>c</sup>			0.141	0.281 <sup>c</sup>
Have you become able to engage in managerial skills or has your level of ability improved?	—		0.246	0.255			0.141	0.305 <sup>c</sup>
Compared to [base year], is it more difficult or easy to participate in groups and associations of people outside your immediate household?	3.404	3.515	3.540	3.534	3.286	3.406	3.353	3.411
How often last year did you participate in collective action, for example, attended a community meeting, etc? [compared to] How often did you participate in collective action [in base year]?	1.968	2.008	2.067	2.057	1.941	1.977	2.115	2.043
Compared to [base year], is the level of trust and community cooperation between people from different backgrounds and ethnic groups in your community better or worse or the same?	2.232	2.357	1.675	1.610	2.319	2.376	1.730	1.664
Compared to [base year], is it more difficult or easier to get the whole community to agree on a decision?	3.228	3.381	3.532	3.626	3.356	3.376	3.365	3.498
Does the government respond more effectively to your needs now than it did [in base year]?	0.234	0.314	0.578	0.518	0.209	0.175	0.062	0.104
Do you feel your local leadership responds more effectively to your needs now than [in base year]?	0.290	0.353	0.302	0.335	0.304	0.234	0.234	0.294
Do you feel there are enough staff at the facility?	0.754	0.712	0.796	0.693 <sup>c</sup>	0.946	0.959	0.485	0.398
How does staff attendance compare to the situation [in base year]?	2.574	2.500	2.743	2.702	2.725	2.822 <sup>a</sup>	2.403	2.384
How would you describe the facility's supply of supplies?	3.125	3.250	2.539	2.389	3.119	3.160	2.385	2.207
How does supply availability compare to the situation [in base year]?	2.727	2.848	2.555	2.468	2.639	2.714	1.968	1.991
Do you think the facility needs physical improvements?	0.625	0.722	0.407	0.445	0.204	0.141	0.927	0.902
Who makes repairs—fixes windows, furniture and the roof—when they are needed? [don't know=1; otherwise=0]	0.458	0.389	0.240	0.126 <sup>c</sup>	0.088	0.084	0.518	0.338 <sup>c</sup>
Who pays for repairs? [don't know=1; otherwise=0]	0.646	0.556	0.517	0.336 <sup>c</sup>	0.114	0.160	0.459	0.393
When repairs are needed, how long does it take for them to get done?	2.469	2.433	3.196	3.306	3.011	2.894	2.395	2.372
<b>Number</b>	154	130	252	247	119	130	234	230

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.

Table M.27

## Disaggregation by Bottom Quartile within Social Fund-assisted Communities

	Jamaica		Malawi		Nicaragua		Zambia	
	Bottom	Top 3	Bottom	Top 3	Bottom	Top 3	Bottom	Top 3
Have you heard of [the social fund]?	0.651	0.657	0.949	0.994 <sup>c</sup>	0.948	0.983	0.387	0.517 <sup>c</sup>
Who had the most important role in the decision of what type of project to apply for? [leader]	0.105	0.146	0.372	0.290 <sup>a</sup>	0.156	0.194	0.224	0.254
Did you attend the meeting?	0.525	0.573	0.592	0.640	0.324	0.272	0.552	0.491
Did you say anything at the meeting?	0.150	0.311 <sup>b</sup>	0.179	0.178	0.155	0.107	0.293	0.320
Were you or your household asked to make contributions of time, money, or materials during the construction?	0.339	0.385	0.899	0.905	0.111	0.107	0.909	0.850
Have you become able to engage in blue collar skills or has your level of ability improved?			0.321	0.373			0.132	0.251 <sup>c</sup>
Have you become able to engage in managerial skills or has your level of ability improved?			0.182	0.276 <sup>b</sup>			0.178	0.249 <sup>a</sup>
Compared to [base year], is it more difficult or easy to participate in groups and associations of people outside your immediate household?	3.553	3.413	3.467	3.564	3.494	3.286 <sup>a</sup>	3.455	3.351
How often last year did you participate in collective action, for example, attended a community meeting, etc? [compared to] How often did you participate in collective action [in base year]?	2.000	1.980	2.088	2.052	1.857	2.006 <sup>c</sup>	2.007	2.109 <sup>b</sup>
Compared to [base year], is the level of trust and community cooperation between people from different backgrounds and ethnic groups in your community better or worse or the same?	2.286	2.291	1.696	1.622	2.416	2.320	1.651	1.716
Compared to [base year], is it more difficult or easier to get the whole community to agree on a decision?	3.349	3.275	3.441	3.631 <sup>b</sup>	3.429	3.339	3.531	3.391
Does the government respond more effectively to your needs now than it did [in base year]?	0.230	0.288	0.520	0.559	0.167	0.201	0.085	0.084
Do you feel your local leadership responds more effectively to your needs now than [in base year]?	0.384	0.293	0.219	0.355 <sup>c</sup>	0.151	0.318 <sup>c</sup>	0.308	0.247
Do you feel there are enough staff at the facility?	0.679	0.753	0.737	0.747	0.986	0.939	0.420	0.433
How does staff attendance compare to the situation [in base year]?	2.733	2.463 <sup>b</sup>	2.625	2.757 <sup>b</sup>	2.812	2.759	2.434	2.374
How would you describe the facility's supply of supplies?	3.111	3.217	2.551	2.430	3.226	3.107	2.340	2.244
How does supply availability compare to the situation [in base year]?	2.808	2.781	2.483	2.520	2.712	2.667	2.085	1.946
Do you think the facility needs physical improvements?	0.679	0.669	0.352	0.453 <sup>b</sup>	0.153	0.178	0.931	0.904
Who makes repairs—fixes windows, furniture and the roof—when they are needed? [don't know=1; otherwise=0]	0.411	0.431	0.208	0.173	0.137	0.064 <sup>a</sup>	0.328	0.430
Who pays for repairs? [don't know=1; otherwise=0]	0.643	0.585	0.431	0.423	0.123	0.145	0.362	0.436
When repairs are needed, how long does it take for them to get done?	2.571	2.400	3.148	3.284	3.089	2.891	2.241	2.421
<b>Number</b>	86	198	137	362	77	175	152	338

a. 90% confidence level.

b. 95% confidence level.

c. 99% confidence level.



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## ANNEX N: BEST PRACTICE EXAMPLES/ELEMENTS OF SOCIAL FUND PROJECTS

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### **Albania: Clear Division of Roles and Responsibilities, Key to a Successful Partnership**

Under a series of four Bank-supported projects since 1993, the Albanian Development Fund (ADF) has developed a partnership with local governments to rehabilitate small-scale infrastructure, assigning roles and responsibilities according to each partner's comparative advantage and capacity. At the national level, the ADF negotiates and communicates with the government of Albania and the donors, coordinates the overall program, and provides technical, financial, and logistical support to local governments. At the local level, the local governments are in the driver's seat. With technical support from the ADF, and in consultation with local communities, they make the final decisions on subprojects within the financial envelope provided by the ADF. Once a decision has been made, the ADF assists the local government in contracting out the works through public tenders.

The partnership is working well because the ADF has devolved to local governments the functions they perform best. In addition, the ADF has built up their capacity to do so—through study tours, short courses, and learning by doing. The partners, in turn, have also made room for the private sector where appropriate. The system is not working perfectly—local communities are not always adequately consulted during decisionmaking, and the infrastructure is not always sufficiently maintained—but the ADF has succeeded in building effective partnerships based on a shared vision among the partners.

### **Bolivia: From Social Fund to Co-financing Mechanism**

The government of Bolivia introduced the Emergency Social Fund (ESF) in 1986. The ESF operated between 1986 and 1991 with the primary objective of generating short-term employment and alleviating the social costs of a macroeconomic adjustment program. By 1991, the need for alleviating the social costs of adjustment was lessening. ESF changed its name and mandate to "Social Investment Fund" (SIF) and to investments in social sector infrastructure projects. In 1994, with the passage of the government's Popular Participation Law in Bolivia, the municipalities assumed a much more important role in public investment vis-à-vis the central government. While the requirements of the Popular Participation Law created some challenges for SIF, it adapted its role and began working more closely with municipalities. All requests to SIF had to be submitted through the municipalities.

In the last half of 2000, further modifications are being made to SIF in order to integrate better within a decentralized system of social service delivery. The SIF will be replaced by a new co-financing mechanism. Under the new mechanism, municipal governments will continue to have the main responsibility for investing. Central ministries are to have a normative role and will be involved in quality assurance, but not in executing investments. The new mechanism, to be implemented through an agency in the Ministry of the Presidency, will become a vehicle to bring consistency between central and local priorities for poverty reduction.

### **Cambodia: Meeting Post-Conflict Challenges**

Cambodia's social fund faced the question of whether to focus on short-term results through the rapid delivery of infrastructure or to move at a slower pace and emphasize long-term results such as capacity-building, sustainability, and community development. Although it was acknowledged that addressing these problems rapidly could make achieving sustainability difficult, the decision was made to focus on the rapid reconstruction of infrastructure because of the urgent needs of the population for basic social and economic infrastructure. Nearly continuous civil war since 1970 had played havoc on the infrastructure, requiring urgent action. Roads and bridges were destroyed throughout Cambodia, making access to many parts of the country impossible. Health centers, schools, and water facilities were damaged and often abandoned. The Cambodia Social Fund delivered significant infrastructure on the ground quickly.

### **Egypt: Multi-Donor Partnership and Coordination**

The Egypt Social Fund for Development (SFD), one of the largest in the world, has had as many as 17 donors, providing widely differing mixes of loans, grants, technical assistance, and training with very different objectives, requirements and procedures. Donor contributions have amounted to more than \$1.5 billion since this social fund was established in 1991. Over its nine years of existence, the agency and its donors have devised various practices to improve donor support and coordination:

- High-level donor meetings with government to help resolve key issues to get initial "lift-off" of the agency.
- Division of responsibilities among donors for providing advice and for conducting supervision on the basis of their comparative advantages and interests.
- A Cairo Donors Advisory Group dedicated to the SFD, meeting monthly with a rotating six monthly chairmanship. This has provided a forum for catching policy and implementation issues early, and has facilitated efforts to combine/coordinate supervision, standardize

donor reporting and reduce the administrative cost to the SFD of so many donors.

- Comprehensive joint-donor review of the SFD, resulting in development of an Action Plan by SFD, approved by its Board and by the Prime Minister, to address the strategic issues identified.

### **Eritrea: Coordination with the Government's Investment Planning Process**

Eritrea's social fund, Eritrean Community Rehabilitation Fund (ECRF), started in 1993, has been coordinated with the government's investment planning process from the start. Project proposals for the coming fiscal year are put together by ECRF regional offices in collaboration with regional government staff. A list including those proposals presented by communities which meet the selection criteria detailed in the operational manual and have passed desk and field appraisals is put together toward the end of the summer and submitted to the ECRF management unit.

ECRF's management unit receives the lists from all regional offices, and consolidates them in an Annual Work Program and Budget (AWPB). In November, the AWPB is submitted to the Minister of Finance (MOF) and donors for approval and financing, as well as to involved line ministries to seek their approval on the proposed subproject. At that time, the MOF allocates to ECRF the whole amount of counterpart funds (15 percent of the value of the activities for that year), and the necessary recurrent costs to the line ministries.

### **Ethiopia, Moldova: Incorporating Mechanisms for Sustainable Service Delivery**

Eligibility criteria for the **Ethiopia** Social Rehabilitation and Development Fund (ESRDF) included a minimum 10 percent community contribution for capital costs in cash or kind with a higher contribution to be encouraged where feasible. The project aimed to develop infrastructure to standards commensurate with the community's technical, managerial, and financial capacity. Arrangements for cost recovery to

finance maintenance were in place: a clear contract in the financing agreement concerning maintenance responsibilities of the sector bureaus and communities; a specific maintenance schedule and standards; an organizational structure at the community level responsible for managing the assets or services; ensuring availability of spare parts and maintenance services and technical training in maintenance of community specialists; and agreements for monitoring maintenance and screening new proposals based on maintenance performance. The water supply component of ESRDF was coordinated with the national programs for the sectors and involved Bank sector specialists.

The **Moldova** Social Fund (MSIF) project has made a strong effort to focus on sustainability of subproject investments. With every subproject, a Beneficiary Association is created in the form of a parent-teacher association, water users association, or any other form chosen by the community. Community participation is required at all stages, including a 15 percent contribution for investment costs. MSIF staff conduct social monitoring of subprojects through follow-up visits for one year after completion of subprojects and provide any necessary advice. Recently, MSIF, as part of a two year performance contract, has started rewarding Beneficiary Associations that successfully raise additional private funds with a matching grant of up to \$500 a year. These funds can be used to improve operations through supplemental (not routine operations and maintenance) activities, for example, buying books for the library or educational trips for students.

### **Malawi: Effective Promotion and Outreach**

Malawi Social Action Fund (MASAF) promotion activities, tailored for specific groups, are conducted through various channels, including workshops, radio, TV, posters, flipcharts, community drama, and press conferences, as well as MASAF News, handbooks, and manuals. There is a focus on targeting under-served areas, women, and vulnerable groups. In a new initiative, MASAF is collaborating with the Malawi Institute of Education to develop low-cost and culturally sensitive information materials. The

success of these efforts is evident from the household surveys conducted by OED: in Malawi, 98 percent of the households had heard of the social fund, compared to only 39 percent in neighboring Zambia where promotion efforts have been less intensive. A major promotion campaign can also bring challenges: it may generate demand and expectations that may be difficult to meet. MASAF was aware of this tradeoff. It chose a policy of open information dissemination and the payoffs came in terms of offsetting rent-seeking behavior. Going beyond promotion, MASAF is recently supporting sharing of subproject experience and lesson learning between communities, and between service providers and communities.

### **Moldova: Training “Prime Movers”**

In the two years since the Social Investment Fund was established (one year since credit was declared effective), community meetings to select priority micro-projects have been held in about 650 villages. About 300 mayors and community leaders received training for improving their community organization and facilitation skills and more than 50 community-based organizations (CBOs) received training in community strategic planning. Technical assistance has been provided to about 400 villages and more than 200 implementing agencies received training in micro-project preparation and implementation, including fund raising.

### **Nicaragua: Broad-based Local Planning**

Since 1998, the micro-planning process (MPP) has become the basis for subproject selection in 60 out of the 147 municipalities in Nicaragua. Under MPP, municipalities organize workshops in communities, sometimes with the help of NGOs, in which the population can express its demand for subprojects and prioritize them. On the basis of these priorities, the municipalities make a Municipal Investment Plan, and different groups including FISE finance different parts of this plan.

### **Peru: Achieving Success in Targeting**

The Peruvian Social Fund, FONCODES, changed its targeting mechanism in 1996. Previously, a

province-level poverty map had been used with self-targeting through a positive list of subprojects. In 1996, a district-level map was introduced, combined with more disaggregated poverty information. Active promotion and outreach were begun to help poorer communities prepare proposals. Some communities were also assisted by being allowed to submit a “pre-screening” proposal. The low wages offered helped self-target the employment programs. In later years, the Peru social fund focused on rural areas. These changes have resulted in large improvements in targeting performance over time.

### **Thailand: Fostering Partnerships**

In Thailand, the Social Fund Office collaborates with provincial and regional level members of civil society as well as different government agencies. Even civil servants have embraced the concept of participatory community support in place of top-down determination of community development. This concept encourages collaboration between communities and civil servants because the communities are capable of determining needs, while the funds, the technical expertise, and the necessary supporting manpower remain in the hands of civil servants.

The Social Fund Office has managed to mobilize thousands of volunteers all over the country, including NGO members, civil servants, academics, physicians, teachers, and religious leaders, to help prepare, review, screen, and implement projects. All of them put in long hours without receiving compensation for their invaluable support. The SIF is widely recognized in Thailand as a major element of the government’s crisis alleviation strategy and a pathway toward government collaboration with CSOs.

### **Yemen, Zambia: A Shift Toward “Software”: Changing Social Fund Activities?**

The Second **Yemen** social fund will attempt the transition from a focus on infrastructure provision to a capacity building agency. It will adjust its project menu to include more “software” type interventions, such as informal education and training to help particularly disadvantaged groups like the disabled or particularly poor and women and children in difficult circumstances. The Yemen Social Fund has also decided to reorganize its capacity building program to go beyond beneficiary communities and to target the lowest level of formal local government as this level will have added development responsibilities under Yemen’s new decentralization law.

In the **Zambia** Social Recovery Project II, findings of the Beneficiary Assessment prompted a significantly enhanced emphasis on training compared to the first project, including a number of initiatives to improve the content and delivery of training and information, as well as expansion of these programs. Under the recent ZAMSIF, training and capacity building are further emphasized. Resources for capacity building and skills training will be provided on a demand basis to community members and district officers. Training for community members will cover areas such as business and entrepreneurship development, traditional birth attendant skills, and community health worker training. Training for district officers will cover areas such as planning, financial management, design and costing for projects, and training of trainers for community capacity building. A capacity building manager and two support staff will be recruited by ZAMSIF to organize and coordinate capacity building under this component.

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## ANNEX O: COMMUNITY PARTICIPATION AND SOCIAL CAPITAL

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About 32 percent (21 of 66 projects) of the Bank's social fund projects mentioned community participation in the discussion of objectives.<sup>1</sup> Participation has been expected to contribute to: (a) the highest priority problems being addressed; (b) effective subproject execution (including subproject formulation, submission, implementation); (c) community capacity building/skills development and social capital enhancement; and (d) sustainability of benefits (discussed in chapter 3). This Annex presents the results of OED's community-level field research comprising household surveys and qualitative focus group and key informant interviews in four countries supplemented by OED's portfolio assessment, literature review, and institutional analysis based on (qualitative) field research in an additional country (Argentina). The household surveys were conducted in 3 to 5 randomly chosen social fund–assisted communities and 3 to 5 matched non-social fund communities in each of the four field research countries, Jamaica, Malawi, Nicaragua, and Zambia, and was administered on approximately 50 randomly chosen households in each community for a total of 1,687 randomly-selected households (845 social fund–assisted households and 842 households in the matched communities). In the former 1,525 respondents were interviewed (roughly 2 per household, household head and where available another household adult of opposite sex). This amounted to 284 respondents in 4 communities in Jamaica, 499 respondents in 5 communities in Malawi, 252 respondents in 3 communities in Nicaragua, and 490 respondents in 5 communities in Zambia). Among non-social fund households, 1,531 respondents were interviewed (294 in Jamaica, 493 in Malawi, 257 in Nicaragua, 487 in Zambia).

The total number of respondents, thus, amounted to 3,056. All results are reported by respondent unless indicated otherwise. The country-level percentages refer to responses from the *sampled* households in each of those countries rather than to the population as a whole.

### Subproject Identification Process

#### Project Assumptions

The community model of social fund projects—even when other entities as well as communities are eligible to submit proposals—relies on some key assumptions which are implicit in social fund beneficiary assessments and a Bank review of them:<sup>2</sup>

- “Community” is a meaningful construct.
- Community members are aware of the opportunities offered.
- The terms of the offer are conveyed in an unbiased way.
- Community members understand the costs, benefits, and obligations of the offered options and their own potential roles and responsibilities.
- The community makes an informed choice with different groups in the community having a say.

#### The Practice

The concept of community as envisaged in the social funds approach fits best in rural areas which are relatively homogenous and have higher degrees of social cohesion. In urban areas, the community may well be determined by the nature of the subproject rather than vice versa. The Zambian social fund has adopted a pragmatic and flexible approach to identifying “communities,” financing subprojects such as water supply

at a boys' reformatory for which teachers and students constituted the "community."

In terms of the participatory process, many rural communities in Malawi and Zambia fit a different pattern than implied by the social funds model. In Zambia, where the majority of subprojects are schools, a school headmaster usually initiates the application. Occasionally a teacher, PTA member, or village leader takes the initiative, although the headmaster tends to play an important role thereafter. The situation is different in Malawi where an intensive outreach campaign has reached both leaders and other members of the community. Even so, and unsurprisingly, community leaders dominate the formulation of subprojects.<sup>3</sup>

The next step is to discuss with the whole PTA, which brings together important local figures (such as larger farmers and retirees<sup>4</sup>) with "ordinary people." The PTA will then seek the agreement of the village leaders.<sup>5</sup> The village leaders in turn seek the backing of the chief and then call the community together. At this meeting, which may be addressed by the chief, the community is told of the plan to apply for help rehabilitating the school,<sup>6</sup> and that they need to provide labor. All adults are expected to contribute and the leaders keep a register. Fines are also imposed on those who do not contribute, usually additional workdays, though the fine may be money or livestock (a chicken).

The application can only be made to the social fund once a substantial part of the community contribution has been made. So, the community meeting with social fund staff or local officials may take place once considerable work has already been done—there is little room at that stage for dissension even if the dynamic of a public meeting permits it. In fact, the focus group discussions seem to indicate that many would have preferred something different than that generated by the process (even though most were satisfied with what was finally chosen).

The project committee is chosen through public meetings, though evidence varies as to how representative the process is. The leaders and the project committee members (key informants) both say the committee was elected. How-

ever, the focus group participants did not mention taking part in an election.

The process has been working somewhat differently in Jamaica and Nicaragua although there are many similarities as well. The differences derive both from differences in social structures and from varying project designs. For example, in Malawi and Zambia communities are the only entities eligible to sponsor subprojects while in Jamaica and Nicaragua other entities (government and NGOs) are also eligible. The similarities lie in the role of local leadership in the development process; in both Jamaica and Nicaragua, mayors, engineers, and religious leaders have typically acted as intermediaries for getting social fund subprojects to communities.

In Jamaica, JSIF's first in-person contact with the community is usually at the field appraisal stage—after the subproject has already been identified and the application has been sent in from the community. When required, JSIF holds community meetings to agree on the terms of the implementation or provide training to community leaders to strengthen the sponsoring agency's capacity to manage the project. A subproject steering committee, comprising a contractor and a community representative, follows up on subproject implementation. The committee may also include other members of the community as well as local representatives of the line ministry. Conflicts between the committee and the community typically arise only in respect to employment of key personnel, especially contractors.

In Nicaragua, until 1998, subproject selection did not follow a systematic pattern: FISE engineers traveled around with the FISE subproject menu and followed the suggestions of local representatives or communities. In 1998, FISE aimed to give organized communities and municipalities a greater role in the selection of subprojects by supporting a participatory planning process at the municipal level (MPP) in 60 municipalities. The MPP can be expected to bring in the voice of a larger part of the community into the local investment prioritization process ("Nicaragua Broad-Based Local Planning;" Annex N). While the MPP, as designed, has yet to be fully implemented in many com-



munities, early experience shows that it has led to the expression of more varied community demand, including a higher demand for water than in past years.<sup>7</sup>

The above decisionmaking process based on OED's institutional analysis conducted during field visits was broadly confirmed by OED's quantitative and qualitative survey data (box O.1.).

The nature of participation in social fund projects was also illuminated by the results of the OED Stakeholder Survey according to which

only 36 percent of the respondents thought that the choice of subprojects was made with the active participation of diverse groups in the community. Twenty-six percent thought that the choice was usually made with active participation of the community but that some groups had little voice. Eleven percent thought that the choice was inappropriately influenced by NGOs, private contractors, and community leaders. Among World Bank respondents, none thought that the choice of subprojects was usually made with the active participation of diverse groups

### Box O.1

## OED Quantitative and Qualitative Survey Results

**Role of "Prime Movers" in Subproject Selection Process.** According to the OED household survey data, a large percentage of the respondents who had heard of social funds noted that local leaders<sup>a</sup> ("prime movers") played a major role in the subproject selection (53 percent in Jamaica, 78 percent in Malawi, 71 percent in Nicaragua, and 32 percent in Zambia).<sup>b</sup> This role of the leader extended to encouraging the community to attend the subproject selection meeting: of the respondents who knew of the meeting for subproject selection, the percentage of respondents encouraged by local leaders to attend the meeting was 39 percent in Jamaica, 53 percent in Malawi, 36 percent in Nicaragua, and 60 percent in Zambia. Many quotes from the focus groups support this view, for example: "the chief called a meeting with the village headmen and sent them to tell the people that there was a project to be done that involved community participation"; "after hearing from the politicians that MASAF has come in the country, the traditional authority called all the headmen and group village headmen to decide what type of projects they could apply for"; and "we were not consulted on what project we wanted, the headman just imposed [it]." This view was also expressed in Nicaragua: "the teacher and mayor have decided, but everyone supported the project" and "the mayors are the ones who are really involved in the application process." One of the subprojects was for assistance to a school run by a religious group, and the qualitative data clearly show that many community members felt that the process had not been participatory. Indeed, in Nicaragua, more respondents (10 percent) felt they had had a larger role in another project in the same community than they had had in the social fund subpro-

ject (6 percent). The OED household survey did not find evidence of contractors leading the subproject identification process, but local political leaders such as mayors were found to be important.

**Role of "Prime Movers" in Deciding Community Contribution for Construction:** In Malawi and Zambia, the social fund subproject requires up-front community contributions. This is not the case in Jamaica and Nicaragua, where the contributions are to be made during construction. The requirement in Malawi and Zambia was taken seriously; the qualitative data in Malawi confirms that the lack of up-front community contribution was one reason why the matched community's application for social fund financing was turned down. "Prime movers" in Malawi and Zambia assume an important role in mobilizing and enforcing community contributions. Seventy-two percent of the respondents who had heard of social funds in Malawi and 44 percent in Zambia indicated that household contributions were decided by local leaders.

**Role of Local Leaders (Headmen, Village Chief) in Enforcing Community Contributions:** In addition, local leaders played a role in ensuring that the required contributions are actually made. Evidence is found of enforcement mechanisms from the qualitative data: "the village headmen fined individuals for lack of participation by asking them to pay a chicken" and "if someone did not participate, the chief forced him to pay money." The OED household survey data support this view: 70 percent of the Malawian and 35 percent of the Zambian respondents who had heard of social funds replied that there were some penalties for non-contribution.

a. Local leaders include, for example, village chiefs, headmen, community leaders, religious leaders, teachers, local elected officials, PTA members, or community health workers.

b. These figures use "respondents who have heard of the social fund" as the base. This is because respondents were not asked about the subproject selection process if they had not heard of the social fund.

Source: OED quantitative and qualitative surveys.

in the community, and 42 percent thought that choice was usually made with the active participation of the community but that some groups had little voice.

### Participation and Addressing the Highest Priority Problems

OED field research found that subproject selection has been less a unified expression of community will than a process in which “prime movers” usually determine project choice. Even where virtually the whole community participated in some aspect of the subproject, this did not necessarily mean that the community as a whole *drove* project choice. While the vast majority of beneficiaries have been satisfied with the subprojects financed,<sup>8</sup> the OED household surveys of 845 randomly selected social fund-assisted households in four countries found that the subproject selection process could not be counted on necessarily to meet the highest priority problem of the majority of households, even if the relevant investments were on the subproject menu. The OED household survey data for 284 respondents in Jamaica, 499 in Malawi, 252 in Nicaragua, and 490 in Zambia (for a total of 1,525 respondents from 845 households) showed that (Annex M, table M.1):

- The top priority was met for 27 percent of the respondents in Jamaica, 34 percent in Malawi, 23 percent in Nicaragua, and 22 percent in Zambia.
- Even if only problems that were on the subproject menu are considered the top priority was met for 31 percent of the respondents in Jamaica, 47 percent in Malawi, 26 percent in Nicaragua, and 28 percent in Zambia.
- One of the top three priorities was met for 42 percent of the respondents in Jamaica, 52 percent in Malawi, 35 percent in Nicaragua, and 38 percent in Zambia.
- OED household survey results by community showed that considering only the problems that could be addressed by an investment on the subproject menu, in 9 of 17 communities the top priority problem was addressed. In at least 2 of these 9 communities, however, focus group interviews (which allowed for a more specific definition of community priorities,

e.g., that distance to the nearest school was a priority problem rather than improving the existing building, or that a “technical school” was a priority not just simply a “school”) indicated that the top priority was not met. In 4 of the remaining 8 communities the second ranked problem was addressed.

In order to avoid a bias in the household response, the OED survey did not directly ask beneficiaries if the selected subproject was their priority (often the case in existing studies). Instead, the OED survey asked the question “in your personal opinion what were the three biggest problems facing your community (in the year prior to the approval of the subproject).” This question was open ended and was asked immediately following questions related to basic socio-economic and demographic issues, well before the community was asked about the particular subproject financed by the social fund. Then, OED compared the household response with the subproject actually financed by the social fund in that community. This analysis provided an indication of the extent to which the biggest community problems were (or were not) addressed by the social fund.

Several factors were found to influence the demand-driven process, including the role of “prime movers,” who were critical to the mobilization of support and preparation of a successful subproject proposal and whose interests were determined by the nature of their position.<sup>9</sup> For example, when “prime movers” existed in the form of headmasters or health workers, a bias was found toward subproject investments in schools and health facilities. Typically, social fund staff visited the community once they had been informed of the community’s interest in a particular type of subproject or had received an application. By this time, “prime movers” had already mobilized support for particular subprojects. However, OED found that the vast majority of the respondents still do express satisfaction with the chosen subproject indicating that the subproject was *a* community priority (but not necessarily their highest priority). Overall, these findings are broadly consistent with the Bank’s review of social fund Beneficiary Assess-



ments which noted: “Beneficiaries usually felt that projects reflected their needs and priorities even when they had not been involved in identification...in Peru where 96 percent of respondents said the project was a community priority, [only] 66 percent of the beneficiaries said the project was prioritized by the community itself...On the whole, the insertion of intermediaries, be they local governments, NGOs, promoters, or private contractors, was not found to have adversely affected the relevance of the project to the community. This may be due, in part, to the basic types of investments eligible for financing by social funds and the large range of unmet needs existing in poor communities.”<sup>10</sup> Satisfaction with what was received may also result from lack of knowledge about what else might have been available or because the required community contribution for that investment was low.

The *Social Funds 2000 Impact Evaluation* addressed the issue of community priorities and preferences primarily through qualitative beneficiary assessments asking about the importance or priority of the subproject in reference to the already-financed social fund subproject. The overall result was that communities considered the investments they had received to be meeting their most important needs (Annex E, table E.4). When OED applied a similar methodology, the results were also positive, for example, when asked, in reference to the actually chosen social fund subproject “would you have preferred that another project was chosen instead,” a vast majority of respondents in the four countries answered “no.” This response confirms the OED conclusion that a vast majority of beneficiaries are satisfied with the financed subprojects. It is not inconsistent with the results of the OED household surveys on the extent to which the biggest community problems are met in that such a response may have been influenced by beneficiary perceptions of what their options were and what they assumed they could realistically have got. In its general conclusion, *Social Funds 2000* signals the need to ensure greater relevance to community needs and to move toward more participatory local planning in order to identify investment priorities within the broader goals and activities of a community.

***Knowledge of Social Fund Project:*** *Why were the community’s highest priority problems not addressed? Was it due to lack of knowledge about the social fund project on the part of households or was it the nature of participation within these communities?* The knowledge of the existence of the social fund project in the social fund-assisted communities was low among survey respondents in Jamaica (65 percent had heard of JSIF) and Zambia (47 percent had heard of MPU). Furthermore, only 15 percent of all the respondents in Jamaica and 37 percent in Zambia knew about at least one subproject type that was eligible for social fund financing.<sup>11</sup> While there could be other reasons, it is not surprising that the highest priority problems of each sampled community in the two countries were not addressed as the respondents had little knowledge about the social fund’s existence, or the nature of the offer.

In Malawi and Nicaragua, nearly all respondents in the social fund-assisted communities had heard of the social fund (98 percent in Malawi and 97 percent in Nicaragua). The percentage of respondents who knew of at least one subproject eligible for social fund financing was 90 in Malawi and 71 in Nicaragua. The figures for knowledge about the requirement of community contributions were 50 percent and 23 percent, respectively. In these two countries, a large percentage of respondents had knowledge of the social fund project, still the highest priority problems of each community were not addressed. Thus, knowledge about the social fund does not necessarily guarantee that the highest priority problems will be addressed—knowledge is a necessary but not sufficient condition. The nature of participation within the community (e.g., level of input into the subproject selection meeting) also plays a role.

***Nature of Participation in Selection Process.*** According to the OED household survey, in Malawi, of those who had heard about the social fund project (MASAF), 81 percent knew about the subproject selection meeting. Of these respondents, 73 percent attended the meeting. Of those attending the meeting, only 28 percent actually spoke at the meeting.<sup>12</sup> In Nicaragua, of those who had heard about the social fund proj-

ect (FISE), 62 percent knew about the subproject selection meeting. Forty-five percent of these respondents, actually attended the meeting.<sup>13</sup> Forty-two percent of those who attended the meeting, spoke at the meeting. These numbers appear to over-estimate participation: for each consecutive item, the base gets reduced. If the base is all respondents, then only 16 percent in Malawi and 12 percent in Nicaragua spoke at the meeting; this low proportion of respondents who expressed their views at the meeting fits with the picture of the participatory process described above.<sup>14</sup> This view is also supported by qualitative data from focus groups and open-ended questions in the questionnaire, for which respondents indicated the subproject choice was *announced* at the meeting.

Other aspects of participation also inhibit meeting the highest priority problems of the poor. For example, the MASAF II Project Appraisal Document notes “The criteria for upfront community contribution has met with problems in those parts of the country where the natural environment does not allow those people to produce fire-baked bricks or acquire materials such as river sand and stones for construction purposes. In such places, it has become difficult for these communities to apply for their first choice projects that require substantial contribution in local materials, instead they have ended-up with boreholes which do not require much material contribution.” The Zambia social fund faced a similar situation where counterpart contribution requirements meant that communities chose subprojects with a high unskilled labor component than others for which they would have to make a larger cash contribution. Another factor influencing community choice is that communities request what they think they are likely to get rather than what they truly want and are willing to pay for—in many countries, social funds are known primarily as builders of schools, so that a large proportion of community requests they receive are for schools.

### **Participation and Subproject Execution**

The successful application for, and implementation of, a social fund subproject requires three things:

- The drive and initiative (usually in an individual or small group) to initiate the process (subproject selection, mobilizing the community for community contribution, and enforcing the contribution)—and to carry it through to subproject completion.
- Sufficient community support to actually realize the community contribution before or during construction.
- Community capacity to implement the subproject, which means specific skills of mobilization, literacy, bookkeeping, and the ability to interact with officials.

The existence of a PTA or other existing organization to serve as an initial focal point helps, but it is usually a headmaster who meets the second and third conditions. Respondents are well aware of this point. While the qualitative data from social fund-assisted communities points to the role of leaders, respondents from matched communities lamented how lack of local leadership impeded making a social fund application: “we don’t have any strong leader, that’s why we have a lot of problems, such as lack of assistance” (Jamaica), “the mayor here is the only problem” (Nicaragua), and “no leadership” (Malawi).

Four conclusions can be drawn:

- Community participation in social fund subprojects is sufficient to see subprojects through to completion. To the extent that the social fund process uses existing community structures, it is following good practice.<sup>15</sup>
- Depending on the particular social structure of the community, “prime movers” may or may not represent the interests of the majority of community members. This puts a strong onus on the social fund to ensure dissemination of relevant information and, where necessary, to undertake a longer-term and more intensive participatory process.
- The role of facilitation is stressed. A similar percentage of respondents in social fund-assisted communities and matched communities had heard of the social fund from the media (around one-quarter in Jamaica, just under half in Malawi, 31 percent in Nicaragua, and around 4 percent in Zambia). However, a larger percent of respondents in social

fund–assisted communities compared to matched communities had heard of the social fund from local leaders, which seemed to be instrumental in their getting the social fund subproject (Annex M, table M.2).<sup>16</sup> So, in addition to pursuing promotion “to let them know about it,” facilitation (through local leaders, for example) will also typically be required to get communities to successfully apply.<sup>17</sup>

- The results also show how facilitation should work: that is, motivating local structures to take control of the process rather than creating parallel ones not rooted in the existing social structure. A recent social fund aims at improving facilitation skills among existing local leaders. (“Moldova Training “Prime Movers”: Annex N).

These structures can be expected to work better for some sectors than for others. The conditions for successful subproject formulation are met for schools and hospitals because they are more likely to have “prime movers” and existing organization that roads or water supply may not, and may lack the community structures to enforce operations and maintenance. Water and road subprojects may require a different participatory process—proactive information dissemination about the social fund and its offer and/or external agents “igniting”—but not “leading”—the subproject process and nurturing latent “prime mover” capacity in local actors. Effective subproject execution in these sectors will also be facilitated by the formation of community-based organizations dedicated to these sectors, for example, road or water associations. Sufficient time and resources are crucial for fostering the growth of such organizations and it is critical that they are rooted in existing social structures.

A number of sources confirmed the nature of the participatory process in social fund projects, for example a review of beneficiary assessments (Annex K) and OED’s review of ICRs/PARs. The beneficiary assessment review found, for instance, that: “The characterization that communities organize, enter into direct communication with the social fund, and prepare their own projects was not fully borne out in the

beneficiary assessments. Beneficiaries perceived a more complex web of actors inserted between the social fund and the community in terms of promoting and preparing projects” (Owen and Van Domelen 1998). OED’s review of ICRs/PARs found that the bottom-up process was not always followed, and that project selection was not necessarily based on any clear process and procedure for considering and analyzing options—whether by community members, the social fund, or other entity. According to a recent review of social fund operational manuals “participatory planning is regarded as an essential ingredient in the work of most social funds, but not all of the operations manuals discuss the explicit procedures that are to be used to ensure the participation of the community in the project cycle. Without explicit directions that explain how the participatory process is expected to work, the actual participation of community members is left to chance and for the sake of expediency, may never take place” (Weissman 2001). A study of the design of social fund projects also found weaknesses in terms of supporting participatory processes (Narayan and Ebbe 1997).

In Jamaica, of those principal respondents who had heard of the social fund, 37 percent responded that they were asked to make contributions during construction (time, money, raw material).<sup>18</sup> These figures were 92 percent, 10 percent, and 84 percent for Malawi, Nicaragua and Zambia, respectively. Of the households who were asked to contribute during construction, 56 percent in Jamaica, 100 percent in Malawi, 100 percent in Nicaragua, and 98 percent in Zambia said they actually did contribute.<sup>19</sup> The very high percentages of community members making contributions in Malawi and Zambia are a result of the way in which the participatory process is embedded in existing social structures (e.g., with social sanctions imposed by community leaders), and indicate that social funds in these countries crowd-in local resources.

### **Participation, Capacity Building, and Social Capital**

Thirty-two percent (21 of 66) of social fund projects in the portfolio included community

capacity building among their objectives. Community empowerment was mentioned among social fund objectives in 12 percent of projects. Five percent of projects mentioned increasing social capital<sup>20</sup> and social cohesion among their objectives.<sup>21</sup> The emphasis on social capital is intended to be further strengthened in future social fund projects (World Bank 2000f).

Social funds use a variety of mechanisms to support capacity building/skills development and social capital: project committee members receive training and gain experience on the job;<sup>22</sup> other community members may learn new skills through participation in various sub-

project activities; and the whole community has the experience of working together. This last element is called building “bonding social capital”: increasing community cohesion and thereby increasing the likelihood of future community-based initiatives. Social funds can also build “bridging social capital,” which is the community’s links with outsiders. Higher bridging social capital opens the channels through which community members can hold local leaders accountable and increases access to resources. This section examines these linkages. Box O.2 summarizes the results from the OED household survey.

Box O.2	Indicators for Capacity Building, Bonding, & Bridging Social Capital: Mixed Impacts				
Question		Jamaica	Malawi	Nicaragua	Zambia
<b>Capacity Building</b>					
Have you become able to engage in [carpentry, masonry, brick making, or other skilled labour] or has your level of ability improved?	MA	—		—	
	TS	—	Negative	—	
Have you become able to engage in [managing construction, managing maintenance/upkeep of community facilities, or bookkeeping/accounting] or has your level of ability improved?	MA	—		—	
	TS	—		—	Negative
<b>Bonding Social Capital</b>					
Compared to [base year], is it more difficult or easy to participate in groups and associations of people outside your immediate household?	MA	<b>Positive</b>	Negative		Positive
	C2	<b>Positive</b>		Negative	
	TS	<b>Positive</b>		Negative	
How often last year did you participate in collective action, for example attended a community meeting, etc? [compared to] How often did you participate in collective action [in base year]?	MA				
	C2			Negative	Positive
	TS			Negative	Positive
Compared to [base year], is the level of trust and community cooperation between people from different backgrounds and ethnic groups in your community better or worse or the same?	MA	<b>Positive</b>			<b>Negative</b>
	C2	<b>Positive</b>	Negative		<b>Negative</b>
	TS	<b>Positive</b>	Negative		<b>Negative</b>
Compared to [base year], is it more difficult or easier to get the whole community to agree on a decision?	MA				<b>Positive</b>
	C2	Positive	Negative	Negative	<b>Positive</b>
	TS			Negative	<b>Positive</b>
<b>Bridging Social Capital</b>					
Does the government respond more effectively to your needs now than it did [in base year]?	MA	<b>Positive</b>		<b>Negative</b>	
	TS	<b>Positive</b>	Positive	<b>Negative</b>	
Do you feel your local leadership responds more effectively to your needs now than [in base year]?	MA			<b>Negative</b>	
	TS	Positive	Negative	<b>Negative</b>	
<i>Source:</i> This analysis is based on OED’s household surveys of 1, 687 households and 3,056 respondents. Only results that are statistically significant on multivariate analysis and are confirmed by the difference-in-difference approach (t-statistics and chi-square test) are reported here. MA: Statistically significant with multivariate analysis; C2: Statistically significant with Chi-square test and TS: statistically significant using t-statistics (details are provided in Annex M, table M.7). Shaded area show confirmation of results by both multivariate analysis and difference-in-difference approach (t-statistics and/or chi-square test).					

## Community Capacity Building and Skills Development

Community participation is intended as an important means by which community capacity is enhanced. The quantitative data from the OED household surveys showed that in Malawi 36 percent and in Zambia 21 percent of all respondents noted improvements in blue collar skills (carpentry, masonry, and/or brickmaking) and 25 percent in Malawi and 23 percent in Zambia noted improvements in managerial skills (managing construction, bookkeeping, resolving disagreements).<sup>23</sup> However, these did not represent any statistically significant differences compared with the non-social fund communities (using both multivariate and difference-in-difference approaches; Annex M, table M.7).<sup>24</sup>

The limited capacity enhancing effect indicated by the household survey may reflect the fact that not many community members outside of the project committee participate actively in most subproject activities—the project committee of about 10 people is only a small part of the community and a community-wide survey may not pick it up. This argument fits with the qualitative finding of new skills being mentioned in key informant interviews, particularly with project committee members: “in the past we did not know of any accounting but now we can at least do it here and there. We received training on lead-

ership, accounting, and this was done [in our village], only four members were trained” (Malawi).

## Social Capital Effects

The different kinds of possible social capital effects are demonstrated by Beneficiary Assessments conducted by the Participatory Poverty Assessment Group for the Zambia social fund project (box O.3.).

*Bonding Social Capital.* Four aspects of bonding social capital were examined: (i) the respondent’s ease of participation in community activities; (ii) the number of times the respondent participated in collective action; (iii) the level of trust and community cooperation between people of different ethnic groups; and (iv) ease in getting the community to agree on a decision.

OED’s household survey data (Annex M, table M.7) showed that:

- Fifty-five percent of the respondents in Jamaica, 61 percent in Malawi, 43 percent in Nicaragua, and 42 percent in Zambia reported an increase in the ease of participation in community activities compared to the base year. Using both multivariate and difference-in-difference approaches, in one case (Jamaica), this increase was significantly higher than in non-social fund communities. In the other three cases (Malawi, Nicaragua, Zambia), no significant differences were found.<sup>25</sup>

### Box O.3

### Zambia: Diverse Social Capital Effects

**Beneficiary Assessments show that the social capital effects of projects differ depending on factors of project design, leadership, and the social dynamics of a community. Three distinct possibilities of impact on social capital emerge from findings in Zambia.**

***Positive Social Capital Effects.*** Enhancement of social capital through project participation is the most desired result in a participatory process. One water project exemplifies what can be accomplished. The project was highly successful in bringing together the members of a recently established farm community who hardly knew each other. It created a true sense of community, enhanced social capital, and even encouraged beneficiaries to jointly plan activities beyond the scope of the original project.

Source: Milimo 1994.

***No Social Capital Effects.*** A complete absence of any positive or negative social capital effects is also possible. This was found to have occurred in a community that was excluded from project implementation and did not contribute in any way. Instead, the church and the district council did all work. Consequently, the sense of ownership and responsibility among community respondents was nil and social capital remained unaffected.

***Negative Social Capital Effects.*** Some interventions may actually harm social capital. In one school project the PTA responsible for construction work divided the community by hiring skilled labor only from one village and discouraged free labor contributions by beneficiaries, thus disrupting community participation and compromising the sense of responsibility and ownership.



- Fifteen percent of the respondents from Jamaica, 22 percent in Malawi, 7 percent in Nicaragua, and 18 percent in Zambia perceived more participation in collective action since the base year. Using both multivariate and difference-in-difference approaches, these differences were not found to be significantly different from those in the matched non-social fund communities for any of the countries.<sup>26</sup>
- Forty-five percent of the respondents from Jamaica, 7 percent in Malawi, 37 percent in Nicaragua, and 11 percent in Zambia perceive that the level of trust and community cooperation among people of different ethnic groups has increased since the base year. Using both multivariate and difference-in-difference approaches, when compared with changes in the matched non-social fund communities, only Jamaica indicated a significant positive social fund impact; in Zambia, the result was significantly negative for the social fund community; and for Malawi and Nicaragua, no significant differences were found.<sup>27</sup>
- Fifty percent of the respondents in Jamaica, 61 percent in Malawi, 49 percent in Nicaragua, and 43 percent in Zambia perceived improved ease in getting the community to agree on a decision. Using both multivariate and difference-in-difference approaches, a significant positive social fund effect was found only in Zambia; no significant differences were found in the other three countries.<sup>28</sup>

The community-level qualitative data in the OED field research countries also provided a few examples of how the social funds have in some cases led to future collective action and raised hopes and expectations for future development activity. In one focus group in Malawi, all agreed that they would work together in the future having seen the fruits of MASAF, and the headman confirmed that they were in the process of applying to build a bridge. In a Nicaraguan focus group, it was said that “all people were motivated and we worked together. Then, some people proposed we build a place like a garden where the children play” (Nicaragua).

The OED qualitative studies for the social funds review pointed to the possibility of negatively affecting social capital through social fund project activities, although these instances were not widespread. In Nicaragua, it was felt that the conflict resolution method did not appropriately take into account the partiality of leaders representing different groups within the community. Respondents in Zambia, Jamaica, and Malawi emphasized access to information and transparency of committee activities and project processes as essential for building and preserving trust.

*Bridging Social Capital.* Two aspects of bridging social capital were examined: the effectiveness of the government in responding to community needs and the effectiveness of the local leadership in responding to community needs.

- OED’s household survey data showed that 25 percent of the respondents from Jamaica, 50 percent in Malawi, 18 in Nicaragua, and 7 percent in Zambia perceived that the government responded more effectively to their needs now than it did in the base year. In comparison with the non-social fund communities, this represented a significant positive social fund impact in Jamaica but a significantly negative one in Nicaragua. No significant differences were found in the other two countries (Annex M, table M.7).<sup>29</sup>
- As for the effectiveness of the local leadership in responding to community needs, 29 percent of the respondents in Jamaica, 30 percent in Malawi, 26 percent in Nicaragua, and 23 in Zambia perceived an improvement. In comparison with non-social fund communities, a significant negative social fund impact was found for Nicaragua—the only country where the difference was statistically significant.<sup>30</sup>

Key informant interviews were more positive, for example, “the needs from the community to the ministries are more accessible now.” This difference is not surprising considering that the quantitative survey included a wide range of community members many of whom may have had little involvement in social fund decision-making and management; however, for the hand-

ful of community leaders (key informants) who have been involved in the contacts made with the outside world, the social fund process was reported by them to have had a positive impact.

### **Understanding the Findings on Capacity Building and Social Capital**

Overall, the results with respect to the capacity building and social capital effects of social fund projects are mixed with the qualitative data providing a more positive picture than the quantitative data. This may have been because those more involved in the social fund projects were likely to both attend and then self-select for speaking-up in a focus group discussion or qualitative interview. The qualitative data show that, for the communities studied in each of the four field research countries, there has been capacity building and skill development impact among the community leaders who were active in decision making. On the other hand, using both multivariate and difference-in-difference approaches, the quantitative data showed no significant community capacity building or skill development impact of the social fund in the two countries (Malawi and Zambia) for which data were available on this question.

With regard to social capital effects, using both multivariate and difference-in-difference approaches, there are larger improvements in some elements of bonding social capital in social fund-assisted communities in Jamaica and Zambia compared with matched communities, and no significant social fund impacts in Malawi and Nicaragua. With regard to bridging social capital, using both multivariate and difference-in-difference approaches, only Jamaica shows positive social fund effects, Nicaragua shows a negative social fund effect, and Malawi and Zambia show no significant social fund impact. Possible reasons for the differences across countries are: the predominance of “new” construction in the sampled social fund-assisted communities in Jamaica versus rehabilitation in other cases; and the participatory research (Moser and Holland 1997) which highlighted the linkage between community centers/sports complexes and violence and influenced JSIF in financing such investments (Rao and Ibanez

forthcoming). The findings in Jamaica suggest that, in some social contexts, using in-depth participatory research may be a more effective method of identifying community priorities and building social capital than the invitation of sub-project proposals.

It is important to appreciate that social fund projects have varied greatly in the priority attached to capacity building and social capital objectives. For example, while some elements of the Guatemala FIS strategy suggested an objective of community empowerment, other elements suggested that participation was a way to expedite project implementation. The priorities were clear: in the first two years of operation, these contradictions were worked out in favor of subproject-oriented objectives. In Argentina FOPAR, priority was given from the outset to community development. OED’s qualitative field research in Argentina (comprising semi-structured interviews with key stakeholders in government and non-government including community leaders, four community visits, focus groups with beneficiaries, review of project files, literature review) comparing the social capital impacts of two projects in Argentina found that the social fund project contributed to bonding within the community and to linking individual communities with formal organizations. It was less successful in generating changes in the way formal organizations related to poor communities due to the limited leverage that the poor can have when acting from the isolation of their individual communities. The sectoral (agricultural) project, on the other hand, increased this leverage by organizing a large number of the rural poor around a single identity shared *across* communities—that is, being small farmers. This greater leverage allowed the poor to pressure national and subnational governments to take them into account in policy and budgetary issues. The creation of inter-community ties was facilitated not only by organizing around a common identity, but also by involving beneficiaries in state-level managerial structures, accompanying beneficiary groups for periods of three years or more, (compared to an average of eight months for the social fund), and adopting a flexible and decentralized managerial strategy (box O.4).



## Box 0.4

## Argentina: Bonding Versus Bridging Social Capital

“OED’s qualitative field research in Argentina (comprising semi-structured interviews with key stakeholders in government and non-government including community leaders, four community visits, focus groups with beneficiaries, review of project files, literature review<sup>a</sup>) indicates that FOPAR (Fondo Participativo de Inversion Social) contributed mainly to *bonding* social capital (within-community ties) while PSA (Programa Social Agropecuario) was effective mainly at strengthening *bridging* social capital (inter-community ties). This difference had implications for the impact that each program had in terms of linking social capital (ties between the poor and formal organizations). The bonding capital created by FOPAR, coupled with community contracting capacity-building, did allow *individual* communities to create new and better connections with formal institutions such as more and better articulated demands to local governments, increased capacities to contract and oversee technical assistance, and increased capacities to deal with banking institutions. These connections remained a capital of individual communities isolated from each other, though, and they did not provide the amount of leverage that the poor need as a collective actor to demand formal organizations to be more pro-poor, demanding more participatory and transparent municipal planning processes. The bridging capital created by PSA, on the other hand, did increase this leverage by organizing a large number of the rural poor around a single identity shared *across* communities—i.e., being small farmers. This greater leverage allowed the poor to pressure national and subnational governments to take them into account in policy and budgetary issues. FOPAR is trying a new strategy to create ties across communities (bridging social capital).

At least four elements differentiate PSA from FOPAR and other social fund projects that might explain why it has been easier for the former to generate bridging social capital. *First*, PSA had a sectoral (rural development) rather than a multi-sectoral approach. PSA’s clients shared a concrete and vital identity as “small farmers” that facilitated collective-action endeavors

*across* communities. Additionally, there is a history of producers organizing work which PSA could tap on and strengthen. *Second*, involving beneficiaries in PSA’s state-level managerial structures created incentives for inter-community links and demystified the notion of government as an inaccessible space. Beneficiary groups periodically gathered in each state to elect and monitor the members representing them in the state public-private councils—these councils were responsible for issues such as targeting and subproject approval. In contrast, FOPAR and other social funds involve beneficiaries mainly at the individual subproject level. *Third*, building social capital takes time and while PSA accompanies groups for prolonged periods (three years or more), FOPAR’s average time with a group is eight months, after which there is no other formal contact with the group. *Finally*, the more flexible and decentralized managerial strategy of PSA is better suited for strengthening social capital than FOPAR’s more rigid approach. State-level coordinators and public-private councils in PSA enjoy significant discretion to propose interventions that, although may not qualify as “projects,” are crucial for sustaining social capital—e.g., assisting a network of 36 small farmers’ town-markets to partner with provincial and national governments to solve a sanitary problem that was threatening the continuity of the network. This type of intervention (quick, “light,” customized) does not match well with the project-cycle driven logic of social funds. Social funds are designed as “subproject processing machines,” with the framework for intervention being strictly predetermined by the subprojects menu, and although changes in the menu are allowed they are not common and take time. Usually, subprojects do not include interventions such as addressing bottlenecks threatening the survival of organizations of the poor. The quick response needed for certain problems is often inconsistent with the project cycle timing. The “subproject processing machine” design is appropriate for outputs where the input mix can be specified in advance, such as building schools or clinics. It appears less appropriate for strengthening collective action capacities.

*Note:* This box compares FOPAR and PSA because both had community development/social capital creation as an explicit program goal (while TRABAJAR did not). a. Field research in Argentina comprised semi-structured interviews, focus groups, a short survey among FOPAR’s provincial managers, and a desk-review. Semi-structured interviews were conducted with a wide array of stakeholders: national- and provincial-level managers in government; key staff and fieldworkers of each of FOPAR, TRABAJAR, and PSA; past and current managers from the Social Information Monitoring and Evaluation of Targeted Social Programs (SIEMPRO); mayors and councillors; Ministers and key staff working in the areas of social development and rural development in the provincial government; and NGOs and community leaders who had been assisted by these programs. Two focus groups were conducted with FOPAR beneficiaries from about 15 subprojects. Key staff from the World Bank office in Argentina and TRABAJAR’s task manager were also interviewed. A short e-mail survey among the six FOPAR provincial managers aimed at gathering data on the extent to which: (i) FOPAR practices had been adopted by deconcentrated national agencies and provincial and local governments; and (ii) communities had increased their influence on government. The desk review comprised a review of Operational Manuals, World Bank documentation (such as PADs and ICRs), ex-post impact evaluation reports contracted by SIEMPRO, consultants’ reports, and academic literature.

*Source:* Serrano 2000, OED portfolio assessment.

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## ANNEX P: STATEMENT OF THE EXTERNAL ADVISORY PANEL

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The members of the External Advisory Panel welcome the OED review of World Bank experience with social funds as an important contribution to ongoing debate regarding the most appropriate uses of this instrument. The review draws extensively on evidence from earlier studies, and adds new survey-based evidence regarding the character and impact of community participation in social fund projects and the implications of social fund operations for local and national government institution-building. The review also contributes to a more differentiated and nuanced appreciation of the advantages and drawbacks of this approach in different sectors, for varied objectives, and in widely divergent country contexts. Overall, the review provides a carefully considered and balanced appraisal.

The panel finds that the conclusions of the report do not build fully on—nor reflect the gist of—the evidence presented in the body of the report. The conclusions are more positive and “tender-hearted” than the evidence warrants with respect to social funds as an effective instrument of service delivery. More specifically, the panel believes the data and analysis in the report call for stronger conclusions with regard to the need to rethink the rationale of the Bank’s expanding support to social fund projects. The panel is concerned that social funds have become something of a “sacred cow,” not subject to the same standards of objective assessment used for other kinds of projects.

Despite these reservations, the Panel endorses the general direction of the conclusions, in particular the calls for:

- Closer attention and analysis of how ongoing or proposed new social funds mesh with evolving institutions in client countries and with World Bank comparative advantage;
- Fuller consideration of the relative merits of social funds versus alternative approaches to goals of poverty reduction and improved governance; and
- Fresh thinking regarding ways to address weaknesses of conventional social fund approaches in specific contexts, including the possibilities of modest or major changes in design of the fund itself, strengthened complementary activities, transformation, or phase-out.

**Samuel Morley**

*International Food Policy Research Institute*

**Joan Nelson**

*Woodrow Wilson Center of the Smithsonian and School of International Science at American University*

**Elinor Ostrom**

*Indiana University*

**Christina Paxson**

*Princeton University*

**Judith Tendler**

*Massachusetts Institute of Technology*

**Carol H. Weiss**

*Harvard University*

## I. Introduction

Social funds represent an innovative approach to development assistance, and in recent years have become increasingly popular with the Bank's borrower countries. From the first social fund project in Bolivia in FY87, the portfolio has grown to almost 100 projects in about 60 countries as of end-FY01. In addition to the \$3.5 billion in Bank lending (45 percent of total social fund resources), Bank-financed social funds have leveraged \$2.1 billion from bilateral sources (27 percent), \$1.6 billion in local financing (20 percent), and \$630 million in multilateral assistance (8 percent).<sup>1</sup> Social funds remain a small share of the Bank's overall efforts—2 percent of total disbursements and 9 percent of poverty-targeted interventions. Nonetheless, given the innovations and growing importance of this approach, this is an appropriate moment to evaluate experience to date.

Over the past ten years, there has been considerable adaptation and innovation in the basic social fund mechanism. Programs have been molded to country circumstance, and program objectives have been broadened. Originally conceived of as emergency operations to address the short-term social costs of economic crisis and adjustment, social funds have evolved to address longer-term poverty reduction objectives, including improving access to basic services, as well as strengthening local governance and civil society.

Management welcomes this effort by the Operations Evaluation Department (OED) to take stock of what has been learned from the social fund experience. The OED review assesses the development effectiveness of social fund projects, and distills lessons and implications for future Bank support. This Management

Response discusses the report's main findings and presents management's views on the key issues in supporting social funds. The OED review identifies constructive areas for future work, as agreed by Management in the attached Management Action Record matrix; however, concerns remain regarding the database and methodology used in some of the specific areas of the study, as noted below. The management response was developed through consultations with a broad range of stakeholders within the Bank.<sup>2</sup>

## II. General Comments

**Social Fund Performance.** Social fund projects have received some of the highest outcome ratings among projects in the Bank's portfolio. OED evaluations of social fund projects closed as of the end of fiscal year 2000 rate 96 percent as "satisfactory" or better, compared to a Bank average of 71 percent and a poverty-targeted interventions project average of 74 percent for the same time period.<sup>3</sup> OED's *2000 Annual Review of Development Effectiveness* found that among the lowest-income countries, the Bank's social protection projects—comprised largely of social funds in this income group—had the highest overall satisfactory ratings among sectoral areas (World Bank 2001). Empirical findings, OED's own ratings of social fund performance, and Quality Assurance Group (QAG) ratings all verify that social funds have met their basic objectives and have proven to be effective mechanisms for delivering assistance in support of poverty reduction.

**Social Funds 2000 Study and Methodology.** Unlike most OED sectoral or thematic reports, this one comes on the heels of a major impact evaluation of social funds undertaken by

Bank staff: *Social Funds 2000* study (SF2000).<sup>4</sup> SF 2000 is a comprehensive and methodologically advanced impact evaluation based on outcomes of social funds in six countries (Armenia, Bolivia, Honduras, Nicaragua, Peru, and Zambia). The study was a joint effort of the Social Protection Unit of the HD Network, the Poverty Analysis Unit of the PREM Network, and the Latin America and Caribbean, Africa, and Europe and Central Asia Regions. The evaluation uses some of the latest and most robust approaches available, spanning both experimental and quasi-experimental designs, approaches rarely applied to development projects. In all cases, control groups were constructed to identify the counterfactual “What would have been the status of beneficiaries without the social fund intervention?” Data were drawn from over 19,000 household surveys in social fund communities and 42,000 households from national household surveys, as well as facilities surveys of over 700 schools, health centers, water and sanitation projects, and 600 non-social fund facilities used for comparison. To ensure transparency and independence, the evaluations in each of the case study countries were carried out by individuals or agencies external to the social fund.

The OED report draws on many of the findings of SF2000. This management response, therefore, takes note of how the SF2000 evidence and findings are presented, used and interpreted in the OED study, as well making comparisons with some of OED’s own findings. In both cases, the Management Response raises issues for consideration.

**OED Study and Methodology.** Besides drawing on SF2000 results and desk reviews of social fund projects, the OED report also presents supplemental information on sustainability and social capital based on its fieldwork in a sample of social fund project sites in four countries (three to five social fund communities per country, or 17 of the total of more than 10,000 communities benefiting from social fund investments in these countries).<sup>5</sup> The number of communities sampled is not sufficient to build solid recommendations for the social fund portfolio from this data alone, nor are they large enough to represent all communities in the case study coun-

tries. OED acknowledged this limitation during the initial design of its study, stating that “the evaluation will not pretend that the case study findings are representative of the entire portfolio or that the communities being studied represent all communities in the case study countries.” The limitations of these data must be explicitly recognized.<sup>6</sup>

### III. Summary of OED Review Findings

#### A. Findings on Which There Is General Consensus

**Social Fund Outputs.** As reported in the OED review, OED project evaluations, and the SF2000 report, expanded access to primary schools, health facilities, water supply and sanitation, and improved rural roads have benefited millions of people. In almost all of the cases studied, social fund investments had a positive impact on infrastructure, leading to an expansion in physical capacity and higher quality service delivery compared to control groups. The SF2000 impact evaluations indicate that this increased access was accompanied by increased utilization as a result of social fund interventions.

**Improvements in Household Welfare.** In addition to the direct benefits of expanded access to basic services, increased utilization usually translated into improvements in household welfare. While the OED report presents a more qualified interpretation of the findings as “varied,” the impact results from the *Social Funds 2000* impact evaluations tell a clear and compelling story about changes at the household level in communities that received social fund financing, namely:

- Social fund investments in primary health centers resulted in a dramatic reduction in infant mortality in the one country (Bolivia) where this could be assessed. Infant mortality dropped from about 60 deaths per 1000 live births to 30 in social fund households, but increased from 60 to 67 in control group households.
- Substantial health gains were also observed from expanding access to water supply, particularly in rural areas, including significant drops in child mortality (all countries with data) and reductions in diarrhea compared to

control groups (most countries with data). Where the investments studied were rehabilitation of pre-existing urban water systems (Honduras), no net health impacts were observed. In all of the countries studied, households benefited from a decrease in the time and/or distance to access water compared to nonbeneficiary households.

- Social fund interventions increased school size in all of the countries studied and primary enrollment rates in most of the countries studied. Typically, there was a positive impact on the number of years of schooling and/or age for grade, pointing to a direct link with future poverty outcomes. No significant improvement in achievement test scores was found in the one country where this could be analyzed.
- Impacts in the sanitation sector varied between sewerage and latrines. No net health benefits could be detected from social fund investments in sewerage systems, although investments in latrines tended to reduce the incidence of diarrhea.

**Poverty Targeting.** There has been a great deal of speculation about whether demand-driven mechanisms are capable of reaching poor areas and poor households. As reported in the OED review, the data from SF 2000 point to pro-poor targeting outcomes. At the geographic level, poorer areas received more social fund resources per capita than better-off areas. This result attests to the strong demand for support expressed from poor areas, as well as improved outreach and targeting efforts by the social funds. At the household level, the majority of beneficiaries were poor, and the poorest of the poor showed reasonable access to benefits—the poorest ten percent of the people represented between 8 and 15 percent of social fund beneficiaries, depending on the country studied. As community infrastructure cannot exclude any community member from access, better-off households also benefited. In all cases analyzed, social funds were at least as well targeted and usually better targeted than other social programs, and typically much better targeted than general public social and municipal spending.

The Social Protection Unit is currently working with Development Economics Research Group to determine the extent to which household targeting can be improved using better poverty targeting maps, taking into consideration the limits on targeting that come with the financing of community infrastructure to which all households have access.

**Efficiency.** The OED review reports the SF 2000 findings that the overhead expenses of the social funds studied ranged between 7 and 14 percent. Both central and local government investments in similar infrastructure typically had much higher overhead expenses. However, in terms of the unit costs of social fund sub-projects, no clear trend emerged between social funds, nongovernmental organizations (NGOs), local governments, or central agencies, and there was great variability by country and sector. Where community contributions were high and/or communities directly managed funds and contracts, unit costs of investment were lower. These findings have broader implications, pointing to potential efficiency gains in community-driven programs.

**Sustainability.** Drawing from the impact evaluation results as well as OED fieldwork, the review findings point to better sustainability than has generally been anticipated. The quality of infrastructure was typically quite good and generally better than comparators—an important factor in long-term sustainability.<sup>7</sup> More importantly, for social services such as schools and health centers, social fund facilities were found to be at least as well staffed and equipped as comparator facilities, and usually better so. The meeting of recurrent cost obligations appeared less strained in the education sector than in the health sector, where systemic difficulties were observed in both social fund and non-social fund facilities in securing a reliable supply of all essential drugs. Notwithstanding this pattern, in several countries social fund-supported health centers were better stocked with key medicines than their non-social fund counterparts, and in two of the countries studied, average health center staffing was below ministry norms for social funds and control group facilities alike.

Physical maintenance and repairs varied by country and sector. OED fieldwork found a high proportion of community members willing to contribute toward maintenance activities of social fund investments. From the impact evaluations, deficiencies in maintenance were more likely to occur in water systems than in other types of infrastructure, although almost all systems were found to be operating several years after construction. Similar maintenance issues may apply to rural roads, particularly for tertiary roads with through traffic. In water projects, cost recovery was typically insufficient to ensure long-term operations and maintenance, though this was true of social fund and non-social fund water systems alike. Management recognizes the challenges to sustainability, particularly in community-managed services. In response to previous concerns, social fund projects of more recent origin have paid increased attention to training of water-user groups, and to establishing preventive maintenance funds and maintenance contracts with communities, as the review notes. There is still a great deal to do to improve communities' capacity to ensure proper maintenance in all sectors. Approaches need to be tailored to the specific sector, taking into account evolving lessons learned from the sectoral experience. This process is under way. For example, in the Latin America and Caribbean and Africa Regions, there have already been regional conferences bringing together social fund and sectoral ministries in the water and sanitation sector to integrate sectoral concerns into the social fund project cycle.

Against the backdrop of this empirical evidence, the report raises the general concern that prevailing fiscal and sectoral constraints within a country may impact the provision of recurrent cost financing. The availability of recurrent cost financing will condition the ultimate mix of rehabilitation versus expansion of infrastructure and the sectoral mix of investments, and it may ultimately determine the scale of social fund operations. The availability of recurrent cost financing—whether to hire teachers and health workers, to operate water systems, or to maintain rural roads—depends on the presence of adequate sector policies and strategies. Management is of the view that most general issues

of public finance are best addressed through economywide and sectoral reform programs. Such programs are long term in nature because they require fundamental institutional changes. These reform programs typically involve some degree of decentralization of expenditure decisions. In this context, social funds that approve small-scale investments on a case-by-case basis, requiring evidence of recurrent cost financing and, where appropriate, prior ministry approval, have an important role to play in fostering these longer-term reforms while minimizing risks of escalating recurrent cost obligations.

## **B. Findings under Question**

***Community Priorities.*** The review discusses the extent to which social fund investments are relevant to community priorities. OED bases its conclusion on the small sample of communities subject to OED fieldwork. In 9 of the 17 communities studied, the top priority was financed, and in most of the others the second eligible priority was financed. There may be legitimate reasons why a community decides to opt for its second or third priority, for example, one intervention may be desired but technically or economically infeasible, or one intervention may better fit the financial and human capacity of the community. The larger body of evidence from impact evaluations and beneficiary assessments confirms that community members consistently report that social fund investments reflect priority community needs. All studies, including the OED fieldwork, show that community priorities were met in the majority of cases, leadership and citizens were actively engaged in the process, and community members as a whole express high levels of satisfaction. The fact that community leaders and existing local organizations are involved in mobilizing citizen support and participation is a positive sign that these investments are relevant to the community and embedded in its social fabric.

## **C. Findings Where Evidence Is Unclear or Further Research Is Necessary**

OED's project evaluation rating of the institutional development impact of social funds is higher than the average for all Bank projects—58 percent were rated “substantial” compared to 36 per-



cent for all Bank projects as of end-FY00. These impacts extend beyond the social fund and include effects on central and local governments, the private sector, NGOs, and communities. Management agrees with OED that these impacts are difficult to capture, and that it is difficult to generalize because of variations in social fund design between countries and over time in the same countries. As a consequence of limited data, the report is unable to fully evaluate the correlation between social funds and institutional development. The report raises appropriate flags of caution to indicate areas of possible conflict between social fund design and institutional development. This useful contribution directs country teams toward a more complete consideration of a wide range of development issues related to social funds.

**Effects on Central Government.** The OED report recognizes social fund agencies' achievements in innovation, modern management techniques, transparency, and adaptation, which it attributes to their operational autonomy. As the report states, views differ concerning the continuing justification for and ultimate effects of this autonomy. To fill the empirical gap, the Social Funds Thematic Group and the Civil Service and Administrative Reform Thematic Group are assessing social funds in terms of institutional structure, budgeting, personnel, procurement, and accountability procedures for coherence with broader public sector management objectives. A first set of lessons learned and guidance for task teams, based on a checklist of key public sector concerns already drafted by the Public Sector Management Group, Poverty Reduction and Economic Management Network (PRMPS), will be available to task teams in the second half of FY02.

The report notes that institutional impacts on other central agencies take many forms. Some initial social funds had explicit objectives to strengthen line ministries. This has either remained, appropriately, within the narrower confines of the social fund project cycle (involving ministry staff in appraisal and supervision, for instance) or has been largely superseded by the growing trend of local governments and community groups taking on increased responsibilities for community infrastructure. Coordination and synergy are the

main issues with central agencies, not training line ministries to “do as social funds do.” Ministry representatives are usually part of the governance structure of social funds. However, experience shows that coordination is best achieved at the local level, among the community, local government, and local representatives of the line ministries. As the OED report states, these mechanisms have been sufficient to secure central government acknowledgment, where relevant, of recurrent cost obligations for the facilities financed by the social fund, with follow-up by these central agencies variable.

**Effects on Local Governments.** In response to the growing importance of local governments, three years ago the Social Funds Thematic Group and the Decentralization Thematic Group initiated joint research with the United Nations Capital Development Fund in six countries to study the interface between social funds and the evolving decentralization framework. The OED report draws from the initial lessons generated from this cross-Network cooperation. Sometimes, social funds have been drivers of greater local government involvement; other times they have simply responded to shifts in national decentralization policies, or have lagged behind them. As local governments increasingly assume responsibility for providing basic services, social funds may present an opportunity to support this process—or they may undermine the development of local governments. To ensure that social funds fully support national decentralization policies, best practice approaches and toolkits for task teams are being developed. The Community-Driven Development and Decentralization thematic groups are researching the interface between local governments and community-based organizations to identify possible synergies and tradeoffs between the two that will provide valuable insights into social fund design in terms of supporting improved local governance.

**Community Capacity-Building and Social Capital Effects.** At the community level, evidence of building community capacity and social capital remains based on case study approaches, and appears to vary by community and by social fund. Certainly, social funds have engaged community members to an important degree in solv-



ing local development problems. The OED fieldwork found mixed effects from their 17 community case studies in term of social capital impacts, with possible positive, negative, and neutral effects depending on the community and the measure. Therefore, in management's opinion, OED data confirm management's conclusion that more research and analysis is needed before we can say anything definitive on this subject. Solid operational recommendations in this area will have to await both sufficient experience from the more recent models that enter more intensely into community facilitation, and more systematic and robust evaluation of capacity-building and social capital effects. The Social Protection Anchor is currently exploring options for developing the analytic framework and empirical investigation necessary to begin to answer these questions.

#### **IV. Management's Views: Issues Going Forward**

Management welcomes the acknowledgement in the OED report that country circumstance should dictate social fund design and relevance. One of the strengths of social funds has been their capacity to evolve and adapt to changing country circumstance. As recognized, this evolution is not always linear. For example, although social funds may have moved away from emergency objectives to longer-term poverty reduction, their experience with swift delivery of community-level infrastructure has enabled them to respond effectively to natural disasters with emergency reconstruction. It is important to preserve this flexibility and responsiveness to national circumstance.

The report rightly highlights the challenges of multisectoral programs. Multisectoral approaches afford communities choice and allow investments to be tailored to local needs. They also require a great deal of sector content and coordination to ensure that investments are not out of step with national policies. Social funds have adopted many approaches to reconciling these tensions. There have been shortcomings both on the side of social funds in incorporating policies fully into operating procedures, as well as on the side of sectoral ministries in clearly defining

these policies and providing technical input. However, there have also been substantial improvements in incorporating sectoral experience within social fund design and operation. The Cross-Network Community-Driven Development Group, comprised of staff working on both sectoral and multisectoral operations, is supporting the development of Bankwide guidelines and toolkits for improving sectoral approaches within multisectoral projects, under the technical guidance of the various infrastructure-related thematic groups. This experience will be relevant beyond social funds, as the Bank moves more into multisectoral instruments in community-driven development, decentralization support, and programmatic lending. At the country level, better definition of sectoral policies, including coherence among various investment mechanisms in terms of technical norms, approaches to recurrent cost financing, and policies for community cost-sharing, will help to better integrate the various national programs that are investing at the community level.

Management fully expects the evolution of social funds to continue. In some countries, social funds are merging with the decentralization process, as in Bolivia, where the social fund operates entirely through the municipal planning and budgeting process, and in Zambia, where social funds are leading the experimentation with shifting investment responsibilities to district councils. In other countries, social funds are bringing communities more directly into the development process, improving local governance from the bottom up, and strengthening civil society, particularly in post-conflict and transition economies. Management is excited about recent adaptations and innovations to better address vulnerable groups, support the decentralization agenda, and further strengthen communities. Some of the innovations of the social fund model have been picked up in other Bank investment projects, encouraging an important diversification in delivery mechanisms for poverty reduction.

Management does not believe that social funds are the best instrument to address all poverty and institutional development concerns. Social funds have always been viewed as complementary to the broader public sector management, decen-

tralization, and sectoral policy initiatives. One of the great dangers has been to heap multiple and competing objectives onto social funds because of their proven operational performance. OED cautions about investing heavily in social funds in the absence of progress on broader reforms of the state. However, the report also recognizes that social funds have been extremely useful in emergency and post-conflict situations and in environments characterized by ineffective central agencies. This tension requires social funds to operate in suboptimal policy and institutional settings, but to remain attentive to supporting these broader reforms as they are developed. Management agrees with OED that the choice of instruments to meet Bank program objectives tailored to client demand and client circumstances is an issue to be discussed in preparing Country Assistance Strategies.

The OED report states that as social funds become permanent, one measure of institutional development should be a declining share of external support, in order to show long-term government commitment. This may be appropriate in certain cases. However, many of the poorest countries still rely heavily on donor funding. The demonstration of government commitment may need to take other forms if the social fund remains the most viable option for attracting and channeling donor resources to poor communities.

## V. Major OED Recommendations and Management Response

The following Management Action Record matrix provides management responses to the specific recommendations highlighted in the report's conclusions.

### Management Action Record

Major OED Recommendation	Management Response
<p><b>1. Strengthen integration of social funds into the Bank's country assistance and sectoral strategies, and into clients' PRSPs, where relevant.</b></p> <ul style="list-style-type: none"> <li>• Rationale and objectives of Bank support need to be clear and should drive the choice of instrument rather than the other way around.</li> <li>• Social fund projects should not displace policy reform but should be designed as part of a package of Bank support rather than as isolated interventions.</li> <li>• In order to achieve compliance with Bank sectoral policies and technical standards and consistency with country sectoral and public sector management reform strategies, the Bank should improve country-team coordination on social fund projects.</li> </ul>	<p><b>1. Management agrees with this recommendation in principle. Specific actions are outlined below.</b></p> <p><b>Ensuring coherence with CASs.</b> The CAS is the appropriate instrument to ensure the consistency and coherence of the broad range of Bank support for a country, including the relationship between macroeconomic, sectoral policy reform, and specific investment interventions. QAG QEA of social funds in the FY98 and FY99 samples gave highly satisfactory ratings to project links with CAS objectives (average rating 1) and to rationale for project approach, including choice of instrument (average 1.5). Management will track QAG results to ensure continued consistency of social funds with CAS objectives. Determining whether or not a social fund is appropriate given the unique institutional setting and how the design will complement the country's institutional development will be explicitly addressed in each Project Concept Document (PCD), consistent with the draft OP10.06, <i>Institutional Analysis in Bank-Financed Operations</i> (currently pending final approval). Task teams will refer to the Institutional Assessment Tool developed by PRMPS for guidance during project preparation.</p> <p><b>Social Funds and PRSPs.</b> PRSPs are country documents. It is not the Bank's role to determine PRSP content. However it is worthwhile to review country experience in order to provide information to client countries. HDNSP will conduct a review of PRSPs in countries with social funds to assess the coherence and integration of social funds within these national poverty alleviation strategies, to be completed in FY02.</p>

## Management Action Record

Major OED Recommendation	Management Response
	<p><b>Social Funds and SSPs.</b> Future SSPs will contain a menu of lending and nonlending services to guide country teams. HDNSP will work with staff preparing SSPs to ensure that social funds are considered in this context.</p> <p><b>Integration of sectoral expertise and country teams.</b> The cross-Network CDD group (including representation from HDNSP) and sectoral thematic groups are currently devising approaches for incorporating sectoral strategies in multisectoral instruments. PRMPS is encouraging public sector thematic groups to contribute toward a work program examining key areas of concern for public sector management with regard to social funds (e.g., impact on civil service, flexibility and coordination of budget, impact on local government incentives). Specific products under preparation will provide guidance to staff working on social funds, including:</p> <ul style="list-style-type: none"> <li>• Rural Water TG will produce guidelines on appropriate water and sanitation approaches for use by multisectoral instruments, to be available in FY02.</li> <li>• Rural Transport TG has committed to produce guidelines on appropriate transport approaches for use by multisectoral instruments, to be available in FY02.</li> <li>• Rural and Microfinance TG and the Social Funds TG are currently finalizing research into best practice case studies of microfinance approaches for social funds, with guidelines to be developed in FY02.</li> <li>• Joint research supported by HDNSP and PRMPS will review existing institutional arrangements of social funds and identify best practice, in FY02.</li> </ul> <p>In addition, increased efforts will be made to bring in sectoral staff as full-fledged members of task teams. Efforts will be made to ensure that technical input to multisectoral instruments be an explicit objective of the Bank's sector unit strategy, and recognized in sectoral staff work programs. Both the Bank's Water and Sanitation Board and the Transport Sector Board will facilitate engagement of sectoral expertise to ensure consistency of sectoral practice in social funds. Increased norms for project preparation and supervision in the FY02 budget will help better resource these multisectoral operations.</p>
<p><b>2. Give more attention to long-term impacts.</b></p> <ul style="list-style-type: none"> <li>• In design of social fund projects, the tradeoffs between speed and efficiency of subproject processing and long-term impacts need to be explicitly acknowledged and addressed, and reflected in performance indicators.</li> <li>• The continuation or extension of Bank financing to a social fund should be based on evidence of that project's development impact.</li> </ul>	<p><b>2. Management agrees with general thrust of this recommendation.</b></p> <p><b>Tradeoffs.</b> At the margin, there may be tradeoffs between efficiency and impact, but these should be determined in each specific case, consistent with the overall objectives of that particular social fund. A social fund engaged in emergency reconstruction will face that tradeoff differently than one focused on longer-term, community capacity building.</p> <p><b>Demonstrated impact.</b> Continued financing of any Bank project should be contingent on demonstrated impact. In terms of longer-term impacts on household welfare, the recent impact evaluations on social funds provide a richer basis for judgment than</p>

## Management Action Record

Major OED Recommendation	Management Response
<ul style="list-style-type: none"> <li>The appropriate role and focus of the social fund agency and its relationship with existing institutions should be anticipated as far as possible from the outset because of the difficulties experienced in changing the orientation once the agency is well-established.</li> </ul>	<p>exists in most other Bank projects. HDNSP is currently developing a toolkit to assist task teams in development of appropriate impact evaluation approaches based on the experience of the <i>Social Funds 2000</i> study. This product will be available in late FY02.</p> <p><b>Role and Focus.</b> In terms of the role and focus of social funds, design should be coherent with the prevailing institutional framework and government objectives at the time, and highly responsive to changes in that framework as they occur. Maintaining the capacity for innovation and flexibility to changing circumstances will remain an important design feature of social funds. HD's Social Protection Board will monitor this role and focus as part of its responsibility for project quality assurance, including the use of QERs.</p>
<p><b>3. Ensure efficiency of resource allocation.</b></p> <ul style="list-style-type: none"> <li>Social fund projects should ensure that investment decisions include a systematic articulation of the benefits as well as the costs of alternative investments by the community and/or local government concerned, who should also be charged with monitoring actual benefits in relation to their expectations at subproject appraisal.</li> <li>Stronger measures are needed to ensure that beneficiaries are adequately informed and consulted on investment options, costs, and benefits.</li> <li>The appropriate scale and scope of social fund activities should be addressed at the project design stage, and reassessed regularly during implementation, with reference to budgetary processes and public expenditure analysis.</li> </ul>	<p><b>3. Management agrees with the general principle, with a caveat on some of the specific implications.</b></p> <p><b>Local Planning.</b> Development of investment priorities must come from the community level, using broad citizen consultations and/or established local planning processes where available. In many countries, such processes do not yet exist or are very weak. While social funds support these consultation and participatory planning processes, having community groups and local governments able to perform systematic cost-benefit analysis on all competing investment alternatives in that community should be viewed as a long-term goal, taking into consideration that this is not yet achieved even in industrial countries. In the short and medium terms, ensuring relevance and efficiency of community investments is furthered by (a) the ex-ante economic analysis social funds apply to each subproject proposal, (b) strengthening of local consultation processes to identify priority investments, and (c) requirements for local contributions to upfront investment costs, where appropriate.</p> <p><b>Informed Beneficiaries.</b> Regarding beneficiary input to monitoring and evaluation, social funds have been at the forefront in systematizing the use of beneficiary assessments in Bank projects. Guidelines and best practice for beneficiary assessments of social funds have been developed for staff and training modules on related topics have been carried out since FY99. Such direct community member feedback will continue to be used to monitor beneficiary awareness of their opportunities and obligations within social fund programs, as well as to gauge citizen assessment of benefits.</p> <p>To promote improved information flows at the community level, the cross-Network Community-Driven Development Group (including the Social Funds Thematic Group) is supporting research into best practice approaches for information, education and communications campaigns at the local level and the use of facilitation to identify priorities and inform citizens. The results will be available to staff to improve the design</p>

## Management Action Record

Major OED Recommendation	Management Response
<p><b>4. Develop policy requirements</b></p> <p>Policy requirements on support to social fund projects should be developed to provide clear criteria and procedures for Bank support to social funds. The policy note should identify conditions that indicate appropriateness or inappropriateness of using the social fund instrument and its strategic justification within the CAS and PRSP, provide guidance on the country-specific information and analysis needed to ensure alignment of the social fund with the institutional context, and identify viable transformation or exit strategies. (See detailed list of recommended items to include in the recommendations section of the report.)</p>	<p>the level of program knowledge by citizens and will provide a format to monitor these improvements over time.</p> <p>The scope and scale of social fund activities and their links with general public expenditures are contained within the PAD. Recent QAG reviews have found these issues to be addressed satisfactorily. Management will track performance in QAG reviews and highlight these issues within QERs and other upstream quality enhancement activities.</p> <p><b>4. Management agrees with the need to provide clear criteria and guidance for Bank support to social funds.</b></p> <p>Criteria and advice are appropriately set out through guidance to staff, rather than through the preparation of separate policy directives. Currently, the relevant policy statements are provided as part of the Bank's overall policy requirements for investment lending, which includes social funds. The overall policies cover the use of economic, social, financial and institutional analysis.</p> <p>The Bank's Human Development Network already provides a considerable body of guidance to Bank staff with respect to the use, design, and implementation of social funds in areas such as project design and implementation, economic analysis, gender, environmental guidelines, decentralization, emergency reconstruction/response, employment creation, impact evaluations and beneficiary assessments, management information systems, procurement and community contracting, participation, working with NGOs, poverty targeting, inclusion of vulnerable groups and the disabled, and delivery of social services, with specific reference resources. These guidelines are available on the HDNSP Social Funds Web Site.* Training programs in conjunction with WBI and relevant thematic groups are conducted on an on-going basis to further disseminate these guidelines and best practice experience. In consultation with PREM, PSI, and ESSD, the HD Network will, as necessary, augment and update the guidance provided to staff. Background work on several important inputs is already underway, including public sector management considerations and integration of sectoral strategies in multisectoral instruments, as discussed in Recommendation 1 above. In addition, the Bank's Safeguard Unit is currently preparing guidelines on the application of safeguard policies to projects that use CDD approaches. This includes standard guidelines for environmental classification to be applied consistently across Networks and Regions. HDNSP is currently developing a discussion paper on future directions of social funds that will review recent innovations and discuss institutional options for social funds that reflect lessons learned from current practice, to be available to staff in FY02.</p> <p>*<a href="http://ispace3.worldbank.org:7001/intranet/jsp/sectors_view.jsp?tab=2&amp;gwitem=474008">http://ispace3.worldbank.org:7001/intranet/jsp/sectors_view.jsp?tab=2&amp;gwitem=474008</a></p>

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## ANNEX R: REPORT FROM CODE: COMMITTEE ON DEVELOPMENT EFFECTIVENESS

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The Committee on Development Effectiveness (CODE) met on October 24, 2001 to discuss the OED report *Social Funds: A Review of World Bank Experience* (CODE2001-0090) and the draft Management Response (CODE2001-0091). The OED review is in response to the Bank's rapidly expanding social funds portfolio. A self-evaluation study of social funds projects undertaken by Management, *Letting Communities Take the Lead: A Cross Country Evaluation of Social Fund Performance* (CODE 2001-0092), was circulated as background information. The Chair noted the serious effort made by OED, resulting in a comprehensive review. He also commended management for its self-evaluation report and said both reports could be used to provide future guidance to staff and to improve social funds. The Committee welcomed the management response and was pleased to note the broad alignment between the OED recommendations, Management's self-evaluation, and the management response. The Committee endorsed the OED report's findings and its recommendations.

**The OED Review.** The review confirmed that social funds had: (a) been highly effective in delivering and improving access to small-scale infrastructure; (b) improved their performance on poverty targeting over time; (c) been disbursed rapidly and had produced visible results quickly in difficult situations; and (d) had resulted in some positive institutional development impacts, mostly at the local level. While the vast majority of beneficiaries had been satisfied with the resulting social infrastructure, the review noted that social fund projects faced a number of challenges. These included the: (i) varied results on outcomes and welfare impacts in social fund communities; (ii) need to improve

mechanisms to ensure the efficient allocation of social fund investments and that the highest priority community problems were addressed; (iii) significant number of non-poor beneficiaries participating and benefiting from the social fund projects; (iv) insufficient complementary inputs for ensuring adequate operations and maintenance; (v) negative impacts on public sector management in large-scale operations; and (vi) the mixed impact of the social fund participatory process in building community capacity or social capital.

Members commented on a wide range of issues raised in the report, including:

**Broad Support for Report Findings.** The Committee recognized the positive results of social funds and appreciated the report's attention to poverty impact, sustainability and institutional development of social funds. Many members believed that the report presented a balanced view of the social funds' experience and supported the report's findings, although one member felt the tone of the report was more critical than warranted. Management emphasized the finding that 96 percent of the closed social fund projects in the review had been rated "satisfactory" on outcome by OED, and both cautioned that a negative tone could lead to the report being misinterpreted by other audiences. The DGO noted that according to the External Advisory Panel for the report, the conclusions of the OED report could have been even more forceful in its recommendation that the Bank revisit its expanding support to social fund projects.

**Integration of Social Funds with Country Strategies.** The Committee stressed the importance of improving the "alignment" of social funds with sector, CAS, and PRSP interventions,



to become part of an integrated country strategy. Members underlined that the Bank should continue to address issues of public participation, poverty targeting and budget setting in its policy-level engagements and some underlined that social funds not become permanent, parallel, competing structures to other public sector institutions, although it was noted by one member that industrial countries have institutions similar to social funds that operate successfully in parallel to other public sector institutions. The DGO expressed his view that the Management Response needed to address, in fuller detail, the relationship between social funds, country-assistance strategy, and country-institutional setup, particularly with regard to resource allocation. Management informed the Committee that many client governments did not view social funds as temporary parallel structures but rather they had become part of a more varied mix of public institutions and that some funds were financed through the budget, and through Bank lending. It added that social funds had been mainstreamed into governments' overall programs and the Bank's CASs in Eritrea and Ethiopia and in the Latin American region.

**Context and Design of Social Funds.** The Committee discussed a number of issues related to the design of social funds and the challenges to using them to realize long-term development goals. Members noted the need for management to: (a) clarify better what social funds could and could not do; (b) a graduation path for social funds and an exit strategy; and (c) the need to consider whether the Bank could have realized similar or better results using alternative, less costly instruments. Members especially underlined the importance of paying more attention to the sustainability and institution-building dimensions of social funds and the need to address broader, contextual and systemic problems that may impact on social fund performance. They underlined the importance of ensuring "complementary" inputs for subprojects and of explicitly addressing issues of recurrent cost and capacity and maintenance at the local level. They also noted the need to gain a fuller understanding of the life cycle of social funds and how to address structural problems beyond

local-level control. One member asked that follow-up to OED's recommendations extend beyond a focus on fixing design issues to a focus on addressing broader, contextual problems for which the social fund may be an inappropriate response. Management cautioned that social funds were limited in terms of what they could be expected to accomplish, given their inherent characteristics, and that this needed to be better recognized. OED noted that the issue of recurrent costs extended beyond social funds to the facilities in the comparator communities, and that it was an issue that often is not resolvable at the community level. Speakers appreciated the best practice examples given in Annex N and they suggested that this information be disseminated more widely.

**Guidance on Social Funds.** The Committee supported management's proposal to update the operational guidelines for social funds based on best practice as opposed to developing separate policy requirements, as had been recommended by OED. They asked that the guidelines be kept simple so as to not tax the capacity of clients. OED, however, did not believe that the current policy requirements for investment lending adequately covered all aspects of social funds, and it stressed that a formal good-practice statement would need to be developed as a benchmark for evaluation. In its view, this would help in harmonizing sector policies and standards between social funds and other Bank programs. One speaker believed that it would be more useful to undertake a strategic analysis of when and how the Bank should proceed with respect to social funds, prior to developing operational guidelines.

**Community Priorities.** The Committee discussed the challenges to ensuring that projects remained "demand-driven" and the scope and limits of social funds in delivering public goods across communities. They noted, in particular, the tension between ensuring that projects reflected community priorities and the needs of the poor and the role of "prime movers" in developing proposals. OED noted that the challenge was to ensure that communities were well informed so that community priorities would reflect informed choice. One member asked



that in focusing on how to make social funds more responsive to the poor, fuller attention be given to how to reduce vulnerability. OED noted there was a limit to the extent to which social funds could provide public goods and distribute risk across communities, given that social funds were community-driven. Management stated that most community members were satisfied with the social-fund project choice and that the key was to continue to strengthen participatory planning processes.

**Conclusion.** The Chair noted the great enthusiasm of staff and beneficiaries for social fund projects and also noted the impressive performance ratings of OED's evaluation. He noted that the OED report had raised important ques-

tions about how social funds could be improved to help address longer-term poverty-reduction goals on a sustainable basis. He also noted that the benefits of social funds, as a tool to respond to local client needs, should not be lost in this process. He concluded that by responding to the concerns raised by OED in the report, social funds could be made even stronger and more sustainable, as well as better equipped to develop institutions in countries. OED will issue the report with the revised management response. Management will update the operational guidelines for social funds.

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*Pieter Stek, Chairman*

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# ENDNOTES

## Overview

1. Management notes, “although OED characterizes the Social Funds 2000 Impact Evaluation as a ‘self-evaluation,’ the impact analysis in six countries used experimental and quasi-experimental designs and in all cases data collection and analysis was contracted to agencies outside of the social fund, following best practice on evaluation design. The evaluation was a joint effort between HD’s Social Protection Unit, PREM’s Poverty Analysis Unit, the AFR, LAC, and ECA Regions, with input from DEC.”

2. Management notes that the OED fieldwork showed that in the majority of communities the top priority was financed, and the broader body of evidence from impact evaluations and beneficiary assessments consistently report that the vast majority of social fund projects reflect community priorities.

3. Management notes that OED’s evaluation of social fund experience is a comprehensive piece of work in some very difficult territory, particularly with respect to the impact of social funds on institutional development. The paper raises salient points in this regard, mainly noting where experience has suggested possible conflicts between social fund design and institutional development. However, due to very limited data, the report is unable to answer outstanding questions that are necessary for evaluating how social funds have affected institutional development. Given the lack of data, Management believes that conclusions cannot be drawn; and the report could have been more explicit about the empirical gaps in our understanding of the impact of social funds on government.

## Chapter 1

1. This review uses the Social Protection Unit’s list as of May 2000 to define the social funds portfolio (Annex A), although this list does not include some projects with the same or similar characteristics (such as AGETIPS and some rural development projects). The figures represent total Bank lending to the project concerned, although in some cases the social fund was only one component in the project.

2. In addition to Bank financing, social funds have attracted substantial financing from other donors.

3. Social Funds Website, Social Protection Unit, November 2000.

4. The Social Protection Unit’s definition uses the term “demand” in a general sense (what beneficiaries ask for) rather than in an economic sense (what they are willing and able to pay for).

5. “To make them more efficient social funds usually enjoy special status for example: an independent legal persona; control over the project approval process; and/or exemption from prevailing public sector rules and regulations relating to issues such as civil service salary schedules, procurement and/or disbursements,” Social Funds Website, Social Protection Unit, November 2000.

6. At the far end of this spectrum, Argentina’s FOPAR is integrated in the Ministry of Social Development (Serrano 2000).

7. The 2001 social protection strategy set social funds in a risk-management framework. To the extent that social and economic infrastructure investments reduce risk, social funds contribute to risk management and these outcomes are captured as part of the general welfare impact of social fund projects. The present review could not assess social fund projects specifically for their risk-management impact: few projects included explicit risk-management objectives, incorporated explicit mechanisms for risk-management in their design, or used specific performance indicators for monitoring risk management effects.

8. Management notes that “although OED characterizes the *Social Funds 2000* as a ‘self-evaluation,’ the impact analysis in six countries used experimental and quasi-experimental designs and in all cases data collection and analysis was contracted to agencies outside of the social fund, following best practice on evaluation design. The evaluation was a joint effort between HD’s Social Protection Unit, PREM’s Poverty Analysis Unit, the AFR, LAC and ECA Regions, with input from DEC.”

## Chapter 2

1. Based on task manager responses to the basic information questionnaire and, where

these were unavailable, staff appraisal reports (SARs) or project appraisal documents (PADs) and operational manuals.

2. Based on SARs/PADs.

3. Management notes that 8 out of 12 QAG reviews of social fund projects rated monitoring and evaluation as “satisfactory,” with 4 “marginally satisfactory.” While there is always scope for improving monitoring and evaluation (M&E), none of the QAG reviews found fully unsatisfactory M&E; and there were examples of review findings where monitoring indicators, both outputs and outcomes in terms of development impact, were judged as very good.

4. These ratings relate to the 23 projects that had closed as of end-fiscal year 2000 and for which ICR reviews were conducted by OED. For the current review, OED examined all 66 social fund projects in the social fund portfolio as of end-fiscal 1999.

5. These numbers include all relevant projects approved between fiscal year 1987–99 and closed by the end of fiscal year 2000. Percentages exclude projects not rated. There were 23 closed social fund projects, 103 closed PTI projects, and 1,678 closed World Bank projects in the OED project database of February 28, 2001.

6. Social funds overwhelmingly support development of social infrastructure. Improving education and health outcomes are an important part of the broader conception of poverty; measuring the impact of social funds on income poverty is overall not relevant especially in the case of those social fund projects that do not support income transfers or microfinance.

7. Of nine QAG social fund quality at entry reviews, three were rated highly satisfactory, three satisfactory, and three marginal for appropriateness of approach.

8. OED reviewed a random sample of eight CASs. Two were found to be moderately satisfactory with regard to a strategic discussion, the rest were unsatisfactory.

9. Management notes that QAG has consistently rated as satisfactory or highly satisfactory the links between social fund projects and achieving specific CAS objectives. Results are similar for QAG ratings of social funds in terms of project rationale, including choice of instru-

ment. In a sample of six quality at entry reviews of social funds, 50 percent were rated as highly satisfactory, 33 percent as satisfactory and 17 percent (one project) marginally satisfactory in these arenas.

10. This result should be considered in light of other possible explanations provided in the literature, for example, that satisfaction may be influenced by the fact that communities have a large range of unmet needs, or that communities lack knowledge about options (confirmed overall by the OED household survey in four countries) and assume they are confronted with a “this or nothing” choice.

11. Management notes that “Given the size of the community survey sample, the discussion on the effectiveness of the demand-driven process cannot be generalized. Given the expected heterogeneity of the population under review (benefiting from at least 66 different social funds, in various Regions of 42 countries), this field research is not adequate to support the generalization across the entire portfolio of social fund projects. While the results are an important addition to our knowledge of social funds in these communities, the OED report should be careful in the presentation of its findings. Management also notes that “In almost all cases where the second-ranked problem was addressed, the top problem not addressed was water supply, where technical feasibility, cost, and greater organizational demands on the community all come into play. More importantly, more extensive data from impact evaluations, including cases with sample sizes representative of the national level, found that “in every country surveyed, social fund investments were consistent with the expressed priorities of the majority of community members” (World Bank forthcoming). This is consistent with qualitative findings from 15 beneficiary assessments covering 8 countries that concluded that “social fund projects overwhelmingly reflect felt needs of poor communities.” Most beneficiary assessments covered the issue of community priorities in some way and the responses were consistently very high that projects indeed reflected pressing needs of the community” (Owen and Van Domelen 1998)”. OED points out

that it is not generalizing results across all 66 social fund projects. Furthermore, OED has found no evidence to show that water was not financed for reasons of technical feasibility. Finally, OED's methodology to get at this issue reduced the chances of biased responses.

12. In a few social funds, the social fund agency makes contact with the community before the community sends in an application for a subproject. For example, in Argentina, FOPAR itself selects the communities or neighborhoods eligible for applying to the social fund in contrast to other funds that allow all communities in the country (or within regions) to apply. Then, FOPAR's staff directly assists community decisionmaking processes through participatory techniques, again in contrast to most social funds that enter in direct contact with communities only after the latter have selected a subproject. A facilitation process such as FOPAR's increases the likelihood of a broad-based participatory process, either by allowing new "prime movers" to emerge or by encouraging existing "prime movers" to take the lead in obtaining investments that the community wants even if they are not of direct personal interest to them.

13. For example, in Malawi, 60 percent of the community subprojects financed by MASAF were in the education sector as of October 1999; in dollar terms, 65 percent of MASAF resources were spent on education. In Zambia, the percentage of education subprojects approved by MPU exceeded 80 percent during 1995–98; in dollar terms, MPU allocation was dominated by education, which absorbed 79 percent of the total commitments. In Yemen, schools accounted for about 60 percent of the total portfolio as of June 1999.

14. Other reasons for the dominance of school projects may include their localized benefits, which makes it easier for communities to mobilize around them or the lower levels (or different types) of required community contribution compared with larger or more complex infrastructure subprojects.

15. Participatory research had indicated the importance of communal facilities in addressing issues of violence: a JSIF-financed sports complex

involved limited community participation in identification, but was perceived by community members to have directly addressed the violence problem by keeping youth off the streets.

16. The report contains a detailed discussion of participation and collective action issues in the Jamaica Social Investment Fund.

17. Efficacy with respect to institutional development goals is discussed in Chapter 4.

18. According to the authors, the precise groups that were directly hurt were not assisted since they were assisted by other programs and miners received substantial severance packages.

19. Lustig 1997. Direct impact is limited to employment effects in infrastructure, microenterprise, or employment programs—all a small share of total social fund spending. Indirect impacts through enhanced human capital translate into income gains only if other conditions are in place (e.g., jobs).

20. Dijkstra 2000, Dijkstra and Green 2000, OED portfolio assessment.

21. In particular, the *Social Funds 2000* finding that much lower stunting in FISE communities in Nicaragua is the result of FISE water facilities may not be fully accurate since the facilities are relatively recent while stunting is a longer-term indicator. A similar point applies to the finding of reduced stunting in Zambia, especially as wasting has increased.

22. Experience in the water and sanitation sector has demonstrated that health benefits are maximized by a three-pronged approach: providing safe water, sanitation, and health education.

23. Further explanations provided by *Social Funds 2000* are presented in Annex E.

24. A holistic approach is based on putting all the complementary components for achieving a specific *result* in place simultaneously or in an appropriate sequence (for example, health clinic together with safe water, access road, and nutrition education). This need not necessarily be done through the social fund project itself.

25. The target groups are defined with varying degrees of specificity. A majority of the projects refer to broad and general categories of poor populations without further defining "poor," "poorest," "vulnerable," or "low income."

26. Based on task manager responses to the Basic Information Questionnaire and, where these were unavailable, SARs/PADs and operational manuals. N=59.

27. There are well-established tradeoffs between both Type I and Type II error and between the resources devoted to improving targeting and those available to spend in communities. It is quite possible that there are cases in which the balance of these tradeoffs suggests that further targeting efforts are not worthwhile.

28. Using data on the geographic distribution of poverty often combined with population data, proactive targeting allocates a specific quantity of resources up front to each area. By contrast, after applications have been received, reactive targeting uses poverty data in prioritizing them to ensure that resources reach poor areas.

29. Management notes that QAG ratings on quality at entry for social funds have consistently given technical and economic aspects a satisfactory rating. All social funds use ex-ante economic analysis criteria. The type of analysis is appropriate to the specific type of subproject and ranges from unit cost analysis to rate of return and ability to pay analysis on larger investments in water and sanitation. These approaches to economic analysis are presented in de Castillo 1998 and de Castillo and Lema 1998.

30. Different methods have been used to calculate administrative costs. A number of social funds consider promotion and outreach activities an investment rather than an administrative cost. For example, in Argentina, FOPAR decided to count the field time spent by the promoters, evaluators, and supervisors as capacity building. With this definition the administrative expenditures of FOPAR I were 16 percent and in FOPAR II are expected to be around 10 percent, similar to the average of other social funds. If the field time of FOPAR staff is factored in as administrative cost, the figure increases from 16 percent to 30 percent in FOPAR I (Serrano 2000).

31. OED ratings relate to the 23 projects that had closed as of end-fiscal year 2000 and for which ICR reviews were conducted by OED. For the current review, OED examined all 66 social fund projects in the social fund portfolio as of end-fiscal 1999.

32. These numbers include all relevant projects approved between fiscal years 1987 and 1999 and closed by the end of fiscal year 2000. Percentages exclude projects not rated. There were 23 closed social fund projects, 103 closed PTI projects, and 1,678 closed World Bank projects in the OED project database of February 28, 2001.

33. Management believes that this observation is inconsistent with recent QAG findings. A sample of six recent quality at entry reviews (CY98-99) revealed all projects were rated either highly satisfactory or satisfactory in their environmental aspects, including adequate analysis and treatment of environmental impacts, adequate arrangements for mitigating/managing environmental impacts, and compliance with Bank safeguards on environmental assessment.

### Chapter 3

1. OED ratings relate to the 23 projects that had closed as of end-fiscal year 2000 and for which ICR reviews were conducted by OED. For the current review, OED examined all 66 social fund projects in the social fund portfolio as of end-fiscal 1999. The issue is complicated by the fact that the rating may refer to either or both the sustainability of the social fund agency or that of subprojects.

2. These numbers include all relevant projects approved between fiscal years 1987 and 1999 and closed by the end of fiscal year 2000. Percentages exclude projects not rated. There were 23 closed social fund projects, 103 closed PTI projects, and 1,678 closed World Bank projects in the OED project database of February 28, 2001.

3. Three caveats need to be placed on the findings. First, social fund facilities and the comparator facilities are not of the same age. Second, the social fund facilities surveyed were 1 to 3 years old, while sustainability problems typically show up in later years. Third, the coverage is mostly of schools, health, and water and sanitation, not of other social fund activities such as roads.

4. Tandler points out that not all projects are amenable to participatory design, a telling example being given by Richard Burghart, 1993, "His Lordship at the Cobblers' Well," in Mark Hobart (ed.) *An Anthropological Critique of Develop-*

ment: *The Growth of Ignorance*. In a recent paper, Asim Ijaz Kwaja (2000) reviews 132 community-maintained infrastructure projects (no social funds were included). He finds that increased community participation in project decisions has a positive effect on maintenance for non-technical decisions, but a negative effect for technical decisions. This finding is particularly interesting given the common perception that all forms of community participation are universally beneficial for sustainability.

5. In Zambia, the picture varies between position, in some cases staffing has fallen at both social fund and non-social fund facilities but by less for the former, in some risen though by more in the former, and in some risen for the former and fallen for the latter. However, the difference-in-differences are significant in only a few cases.

6. Of those who had heard of the social fund project.

7. The analysis compared the perceptions of respondents at the time of the survey with those before approval of the social fund project (base year). The base year was the year before the start of the subproject. In Jamaica and Nicaragua, the base year was 1995 across all communities. In Malawi and Zambia, the base year varied by community depending on the year of subproject approval.

8. The multivariate analysis confirms positive social fund impact in Malawi, Nicaragua, and Zambia for adequacy of staff and in Jamaica, Nicaragua, and Zambia for improvement in staffing. For improvement in staffing it indicates positive correlation with women respondents from the social fund–assisted communities in Jamaica (Annex M, tables M.17 and M.19).

9. The multivariate analysis confirms a positive social fund impact for all countries and improvements in supplies in Jamaica, Nicaragua and Zambia. For adequacy of supplies it also indicates a positive correlation with the poorest-strata respondents in Nicaragua (Annex M, tables M.18 and M.20).

10. The multivariate analysis indicates that the likelihood of the facility needing physical improvement is positively correlated with the economic status in Malawi and negatively correlated in Zambia (Annex M, table M.21).

11. *Social Funds 2000* background research on Honduras.

12. The multivariate analysis confirms the positive social fund impact for perception that repairs are done quickly in Nicaragua.

13. These conditions are drawn from a comprehensive review of the literature including systematic quantitative analysis, for example, Ostrom, Scgriederm and Wynne 1993 and OED analyses of sustainability.

14. OED sustainability matrix.

15. *Social Funds 2000* background research for Honduras and Nicaragua.

16. In Argentina, there was the confusion over the legal ownership of the FOPAR infrastructure. If the NUB (Nucleo of Beneficiaries) was a subgroup of a legal community organization, and each of these two groups (viz., the NUB and the community organization) was headed by a different leader, it sometimes happened that the two leaders entered into conflict about which faction was the real owner of the facility. Having observed this situation in a considerable number of cases, FOPAR decided that wherever there is a community organization with legal status, the existing leadership will conform the NUB and the facility will belong to existing organization. NUBs will be created only if there is no legal community organization, and no interest in creating one (Serrano 2000).

17. The multivariate analysis confirms that the likelihood of knowing who is responsible for making repairs is (i) positively correlated with being in social fund–assisted community in Nicaragua and Jamaica, (ii) negatively correlated with women from the social fund–assisted communities in Malawi and Zambia, and (iii) negatively correlated with the poorest-strata respondents from the social fund–assisted communities in Nicaragua (Annex M, table M.23).

18. Data for these indicators used “respondents who have heard of the social fund” as the base. This was because respondents were not asked about upkeep and maintenance of the subproject if they had not heard of the social fund. Where the base is different, this is specified in the text.



19. The multivariate analysis confirms that the likelihood of knowing who is responsible for paying for repairs is (i) positively correlated with being in social fund–assisted communities in Malawi and Nicaragua, (ii) negatively correlated with women from the social fund–assisted communities in Malawi and (iii) positively correlated with the poorest-strata respondents from the social fund–assisted communities in Zambia (Annex M, table M.24)

20. *Social Fund 2000* background research on Honduras.

21. Federal Ministry for Economic Cooperation and Development (BMZ), Germany, Division 411 (Poverty Reduction), Bonn November 1999.

22. Based on task manager responses to the basic information questionnaire and, where these were unavailable, SARs/PADs and operational manuals.

## Chapter 4

1. Management notes that OED's evaluation of social fund experience is a comprehensive piece of work in some very difficult territory, particularly with respect to the impact of social funds on institutional development. The paper raises salient points in this regard, mainly noting where experience has suggested possible conflicts between social fund design and institutional development. However, due to very limited data, the report is unable to answer outstanding questions that are necessary for evaluating how social funds have affected institutional development. Given the lack of data, Management believes that conclusions cannot be drawn; and the report could have been more explicit about the empirical gaps in our understanding of the impact of social funds on government.

2. OED ratings relate to the 23 projects that had closed as of end-fiscal year 2000 and for which ICR reviews were conducted by OED. For the current review, OED examined all 66 social fund projects in the social fund portfolio as of end-fiscal 1999.

3. These numbers include all relevant projects approved between fiscal years 1987 and 1999 and closed by the end of fiscal year 2000. Percentages exclude projects not rated. There were

23 closed social fund projects, 103 closed PTI projects, and 1,678 closed World Bank projects in the OED project database of February 28, 2001.

4. OED portfolio assessment.

5. OED portfolio assessment.

6. Based on task manager responses to the Basic Information Questionnaire and, where these were unavailable, SARs/PADs and operational manuals.

7. OED portfolio assessment; Dijkstra 2000; Dijkstra and Green 2000.

8. OED 2000b. See also, OED 2001: "For example, most social protection projects in low income countries are social funds which operate outside line agencies to finance and implement projects, often through local communities. Yet, while "enclave" approaches can improve service delivery to the poor, they may limit the catalytic influence of projects and undermine government capacity if not properly designed."

9. Based on task manager responses to the Basic Information Questionnaire and, where these were unavailable, SARs/PADs and Operational Manuals.

10. AGETIP stands for Executing Agency for Public Works for Employment. The Mauritania Urban Infrastructure and Pilot Decentralization project, Benin Urban Rehabilitation and Management project, and the Togo (Lomé) Urban Development project are AGETIPs. AGETIP management does not have investment programming powers but simply executes subprojects selected by the municipalities and presented to it for execution (principal-agent relationship).

11. Management notes that OED's review of ten years of social fund activities in Bolivia (OED Precis No. 147, May 1997) found that "FIS has become an efficient organization capable of financing investments in basic social sectors relatively quickly. It has successfully translated policies into actions and clarified the roles and responsibilities of the central government and local authorities in the delivery of social services to the poor."

12. Of the 160 respondents, 35 percent were from social fund agencies, 17 percent from NGOs, 14 percent from government, 12 percent from the World Bank, and 8 percent from other donor agencies.



13. Based on SARs/PADs.
14. OED Institutional Development Matrix.
15. OED portfolio assessment.
16. As reported in Daniel Owen and Julie Van Domelen, 1998, when central government agencies have filled this role, their methods were found to be less participatory than other agencies.
17. Guatemala Ministry of Education, OED portfolio assessment.
18. Nicaragua FISE, for example, finances health posts only if the ministry of health approves and it also asks for approval at departmental and municipal levels. Nevertheless, health posts have been found closed due to the non-availability of health personnel. During OED field research, FISE personnel confirmed that 6 FISE health posts were without personnel in 1999 (Dijkstra 2000).
19. Education Sector Strategy, World Bank, May 18, 1999; Sector Strategy, Health, Nutrition and Population, World Bank, 1997.
20. In the context of tracking poverty-reducing public spending in heavily indebted poor countries, IMF and World Bank staff concluded that creating separate institutional poverty funds would, in many cases, undermine the significant progress already achieved in most HIPCs in providing comprehensive budgets, making it more difficult to track aggregate performance in increasing public resources allocated to poverty reduction.
21. Based on SARs/PADs.
22. Based on task managers' responses to the Basic Information Questionnaire and, where these were unavailable, SARs/PADs and Operational Manuals.
23. In Honduras, until recently individual communities could request intercommunity piped water systems, but only municipalities are now eligible to sponsor these investments. This change resulted from, among other things, the realization that the community was not the appropriate level for decisionmaking for such investments.
24. From beneficiary assessments, interviews with task managers, Serrano 2000.
25. Parker and Serrano 2000; Dijkstra and Green 2000.
26. OED's qualitative review of 4 JSIF road and water projects in Jamaica.
27. The Bank financed only one of these funds.
28. Social capital is "a community's capacity for collective action" (Woolcock and Narayan 2000). This definition encompasses: the nature and density of social networks in a community that build bonds *within* the community and bridges *across* communities, civil society, and government; and the community's ability to internalize information and experience and enhance its (present and future) ability to manage projects. Social capital effects may be positive or negative: social funds may decrease or increase divisiveness and stratification in the community; they may include or exclude the poor/poorest members; and they may or may not replace one set of elite networks with another (equally or more exclusionary) one.
29. Based on SARs/PADs.
30. Malawi and Zambia. Data relating to capacity building and skill development was not available for Jamaica and Nicaragua.
31. This is despite the fact that all sampled projects in Nicaragua were 1998 or post 1998-approved projects by when FISE had given explicit attention to community participation.
32. Field research in Argentina comprised semi-structured interviews, focus groups, a short survey among FOPAR's provincial managers, and a desk-review. Semi-structured interviews were conducted with a wide array of stakeholders: national- and provincial-level managers in government; key staff and fieldworkers of each of FOPAR, TRABAJAR, and PSA; past and current managers from the Social Information Monitoring and Evaluation of Targeted Social Programs (SIEMPRO); mayors and councilors; Ministers and key staff working in social development and rural development in the provincial government; and NGOs and community leaders who had been assisted by these programs. Four community visits were undertaken. Two focus groups were conducted with FOPAR beneficiaries from about 15 subprojects. Key staff from the World Bank office in Argentina and TRABAJAR's task manager were also interviewed. A short e-mail survey among the six FOPAR Provincial Managers aimed at gathering data on the extent to which: (i) FOPAR practices had been

adopted by deconcentrated national agencies and provincial and local governments; and (ii) communities had increased their influence on government. The desk review comprised a review of operational manuals, World Bank documentation (such as PADs and ICRs), ex-post impact evaluation reports contracted by SIEMPRO, consultants' reports, and academic literature.

33. Participatory research had indicated the importance of communal facilities in addressing issues of violence: a JSIF-financed sports complex involved limited community participation in identification, but was perceived by community members to have directly addressed the violence problem by keeping youth off the streets.

34. The report contains a detailed discussion of participation and collective action issues in the Jamaica Social Investment Fund.

35. This information is available for 53 of the 66 social fund projects in the portfolio. Of the 53 projects, 13 included microcredit activities.

36. OED portfolio assessment, Dijkstra 2000.

37. Based on SARs/PADs.

38. Based on task manager responses to the Basic Information Questionnaire and, where these were unavailable, SARs/PADs and Operational Manuals.

## Chapter 5

1. For example, in Jamaica, the identification of the sports complex (financed by JSIF) involved little community participation, but reflected the findings of participatory research which had shown the linkages between communal facilities and violence: the sports complex addressed the top priority problem (lack of security) of the community.

2. Education Sector Strategy, World Bank, May 18, 1999; Sector Strategy, Health, Nutrition and Population, World Bank, 1997.

3. For example, OED field research in Argentina found that the social fund (FOPAR) had less impact in building bridging social capital than a sectoral rural development project which accompanied communities for three years or more, compared to an average of 8 months for FOPAR (Serrano 2000; Annex O, box O.3).

4. For example, in Albania, Armenia, or Honduras (after Hurricane Mitch).

5. This was found to be the problem in Bolivia under the SIFs where the activities of the social fund were impeding the intergovernmental fiscal framework.

## Chapter 6

1. OD 4.15 Poverty Reduction, December 1991, paragraph 26 noted that "Because social action programs in many cases have a multi-sectoral focus and are administered by separate project units, special efforts are required to ensure the consistency of the program's sub-projects with sectoral strategies."

## Annex B

1. A random sample (stratified by region) of 30 social fund projects was selected out of the universe of 66 social fund projects. Of the 30 projects, 21 were active. PSRs for these active projects were reviewed. In addition, PSRs for all active social fund projects in the four field research countries (i.e., Jamaica, Malawi, Nicaragua, and Zambia) were also examined; there were a total of 8 social fund projects in the four field research countries of which 5 were active. In total, PSRs for 26 projects were reviewed.

2. Included six consultants, one international NGO, one social development partnership organization, one networking institute, one UN specialized agency, and one university.

## Annex E

1. While utilization of both FISE and non-FISE health centers increased significantly, a slightly greater and significant increase was observed in the FISE health posts.

## Annex F

1. For example, "the development objective of the project is to increase on a sustainable basis the incomes of the poor and improve their access to services" (SAR, Tajikistan Pilot Poverty Alleviation Project), or "the project aims at poverty alleviation by addressing the demand of the poor for priority infrastructure and services" (PAD, Panama Social Investment Fund Project). Alternatively, reaching the poor is listed as one of several objectives; for example, the Philippines

SZOPAD Social Fund Project has the overall objective of facilitating the implementation of development activities in areas formerly affected by the civil war, but the specific objective is “to increase the access of the population in the poor and most conflict-affected areas to basic economic and social infrastructure, services and employment opportunities” (PAD, p. 2).

2. Project documents mention television (10 projects), radio (7 projects), newspapers (9 projects), and leaflets, brochures, and posters (13 projects).

3. Project documents mention public meetings (16 projects) but also using NGOs (8 projects), government (10 projects), local leaders (2 projects), and politicians (1 project).

4. This result reflects the finding that 30 percent of beneficiaries of health and education facilities are from the bottom decile, reflecting both good geographic targeting and, for education, targeting within communities.

5. For school infrastructure, “the incidence of investments in educational infrastructure is more pro-poor when these are made by FONCODES than when they are made by Parent’s Committees or INFES.” (Paxson and Schady 1999.) [OED notes that FONCODES has a more progressive distribution than that of the INFES program, but this is to be expected given that the latter focuses on secondary schools in urban areas].

6. Management notes that the authors of the Social Funds 2000 study have stressed that caution is needed in directly comparing geographic targeting (Figure F.1) with household targeting (Figure F.2) due to differences in time span, sectoral mix and types of measurement used.

7. For results on other countries, see *Social Funds 2000*.

8. Walker and others 2000, table 6.5, p. 22.

9. Data from Social Protection Unit, 12/4/00.

10. Although education did well in reaching the bottom 10 percent.

11. There are well-established trade-offs between both Type I and Type II error and between the resources devoted to improving targeting and those available to spend in communities. It is quite possible that there are cases in which the balance of these trade-offs suggest that further targeting efforts are not worthwhile.

12. Expenditure incidence is from Bank data. Poverty headcount is from same source for Zambia and *World Development Indicators* for Nicaragua; these data use national poverty lines and so are not comparable between countries.

13. World Bank data.

14. Under FHIS 1, the target for resource distribution to municipalities with “deficient,” “regular,” and “acceptable” levels of poverty (i.e., non-poor municipalities) was 48 percent, and under FHIS 2, the target was 50 percent.

15. Fumo and others 2000. Phrase in italics added.

16. The bias is the result of the population weighting rather than the indicators chosen.

17. Dijkstra 2000.

18. For the other quintiles there is not too great a deviation from their “expected” share of 20 percent.

19. Under this rule, 45 percent of resources are planned to be spent in the poorest district quintile (OED field visit Zambia 2000). The allocation for district  $i$  ( $A_i$ ) is given by:

$$A_i = \frac{P_i / (1 - P_{0,i})}{\sum_{j=1}^n P_j / (1 - P_{0,j})}$$

20. *Social Funds 2000* research for Nicaragua, page 16.

21. E-mail from J. Van Domelen 12/4/00.

22. Schady 1999.

23. World Bank communication.

24. World Bank communication.

## Annex I

1. These numbers include all relevant projects approved between fiscal year 1987–99 and closed by the end of fiscal year 2000. Percentages exclude projects not rated. The data are from OED’s project database and includes closed projects as of end-fiscal 2000. There were 23 closed social fund projects, 103 closed PTI projects, and 1,678 closed World Bank projects.

2. QAG defines “at risk” projects as those that are at risk of not meeting their development objectives and including both actual and potential problem projects. Actual problem projects are those for which Implementation Progress is

unsatisfactory and/or the Development Objectives are not likely to be achieved. Potential problem projects are those that are rated satisfactory on IP and DO but have other risk factors historically associated with unsatisfactory outcomes.

3. A Category C rating is given to projects likely to have minimal or no environmental impact. No environmental assessment is required for Category C projects. (World Bank OP 4.01 *Environmental Assessment*.)

4. Management notes that on safeguard and environmental issues, on average QAG assessments, both quality at entry and quality of supervision, consistently found social fund performance on environmental issues to be rated as satisfactory. The cases cited here do not reflect the general findings. A sample of six recent quality at entry reviews (CY98–99) showed that all projects were rated either ‘highly satisfactory’ or ‘satisfactory’ in their environmental aspects, including adequate analysis and treatment of environmental impacts, adequate arrangements for mitigating/managing environmental impacts, and compliance with Bank safeguards on Environmental Assessment.

## Annex O

1. Based on World Bank data.
2. Owen and Van Domelen 1998.
3. As argued later, the issue is not that leaders should not bring project ideas to the community (leaders play a crucial role in a demand-driven process), but whether there are mechanisms to ensure that the ideas of the leaders are also the most important ones for the community.
4. Retired officials, police, or army occupy an important position in the community.
5. A single school will have a catchment area of several villages, typically around six for a primary school.
6. In practice, rehabilitation usually includes the construction of new classroom blocks, often replacing wood and thatch structures.
7. Wider local planning processes (as opposed to exclusively community-centered ones) appear to emphasize a shift away from schools in other social fund projects as well, for example, in Albania or Bulgaria where roads or other sub-

projects have dominated.

8. Commentators have pointed out that satisfaction may be influenced by the fact that communities have a large range of unmet needs, or that communities lack knowledge about options and assume they are confronted with a “this or nothing” choice.

9. The issue is not that “prime movers” should not bring project ideas to the community (leaders play a crucial role in any demand-driven process), but whether there are mechanisms to ensure that the ideas of the leaders are also important ones for the community.

10. Owen and Van Domelen 1998, p. 20, para. 3.6.

11. The OED stakeholder survey found that 28 percent of respondents thought that at the time they make their proposal communities are fully aware of the full range of eligible subproject types. Forty-three percent thought they were partially aware, and 6 percent that they were unaware.

12. Youths, particularly males, saw themselves as excluded from the participatory processes. As a consequence, they were also apart from social capital accumulation. In one community in Malawi, youths reportedly would not work without being paid.

13. Multivariate analysis indicates that the likelihood of attending the meeting is (i) negatively correlated with economic status in Jamaica and Nicaragua and (ii) positively correlated with women from social fund-assisted communities in Nicaragua. And the likelihood of speaking at the meeting is (i) negatively correlated with economic status in Nicaragua, and (ii) negatively correlated with women from the social fund communities in Jamaica, Malawi, and Zambia (Annex M, table M.3).

14. The participatory process for Malawi and Nicaragua discussed earlier showed that the community often comes together in a meeting only after the “prime mover” has already selected and proposed a particular subproject. The meeting is more concerned about discussing next steps, rather than re-opening questions of subproject choice. While speaking up at such a meeting may be futile in influencing the choice of the subproject, this may not necessarily be the case—it

is conceivable that if a large number of community members attend the meeting and speak up, the “prime mover” might feel pressured to reconsider the chosen subproject in favor of other subprojects that may better meet community priorities (though this is unlikely if the “prime mover” is associated with their preferred project).

15. The case for participatory interventions rooting themselves in existing social structures is well-established in the literature; see, for example, Wade 1988.

16. Multivariate analysis confirms the social fund impact for all four countries. Furthermore, the likelihood of having heard of the social funds from their local leader is (i) positively correlated to women from the social fund-assisted communities in Jamaica and (ii) negatively correlated to the poorest strata respondents from the social fund-assisted communities in Nicaragua, and (iii) negatively correlated to women from social fund-assisted communities in Zambia (Annex M, table M.6).

17. FOPAR in Argentina itself selects the communities or neighborhoods eligible for applying to the social fund in contrast to other funds that allow all communities in the country (or within regions) to apply. Then, FOPAR directly assists community decision-making processes, again in contrast to most social funds that enter in direct contact with communities only after the latter have selected a subproject. A facilitation process such as FOPAR’s can allow new “prime movers” to emerge or encourage existing “prime movers” to take the lead in obtaining investments that the community wants even if they are not of direct personal interest to them.

18. The question asked was: “were you or your household asked to make contributions of time, money, or materials during the construction?”.

19. The multivariate analysis indicates that the likelihood to be asked to contribute not related to gender or economic status (Annex M, table M.5).

20. Social capital is “a community’s capacity for collective action.” (Woolcock and Narayan 2000). This definition encompasses: the nature and density of social networks in a community that build bonds *within* the community and bridges *across* communities, civil society, and

government; and the community’s ability to internalize information and experience and enhance its (present and future) ability to manage projects. Social capital effects may be positive or negative: social funds may decrease or increase divisiveness and stratification in the community; they may include or exclude the poor/poorest members; and they may or may not replace one set of elite networks with another (equally or more exclusionary) one.

21. Based on Bank data.

22. This is true in three of the four countries studied. JSIF works through intermediaries, handling contracting itself, and does not provide training to community members in project management.

23. The multivariate analysis indicates that the improvements in the blue collar skills were negatively correlated with the poorest strata respondents of the social fund-assisted communities in Malawi and Zambia. And the improvements in the managerial skills were positively correlated to the women from the social fund-assisted communities in Malawi. (Annex M, table M.8 and table M.9).

24. In all cases, the change over time before and after the introduction of the social fund was examined. A positive difference between the social fund-assisted community and the matched community implies that the variable under consideration improved more in the social fund-assisted community. Two techniques were used to compare the social fund community with the matched community: difference-in-difference and multivariate regression. The analysis used all respondents in the OED survey in each country and compared the perceptions of respondents at the time of the survey with perceptions preceding approval of the social fund project in the country (base year). The base year was 1995 for Jamaica and Nicaragua, 1996 for Malawi, and 1992 for Zambia. Data for Jamaica and Nicaragua relating to capacity building and skill development was not available.

25. For an increase in the ease of participation in community activities, the multivariate analysis confirm a positive social fund impact for Jamaica and Zambia. The difference-in-difference confirms the social fund impact for Jamaica. For Malawi, the multivariate analysis also indicates



a negative correlation with (i) being a respondent from social fund-assisted communities; and (ii) the poorest strata respondents from the social fund-assisted communities (Annex M, table M.10).

26. For increased participation in collective action, the multivariate analysis indicates (i) a positive correlation with women from the social fund-assisted communities in Zambia, and (ii) negative correlation with poorest strata respondents from the social fund-assisted communities in Nicaragua and Zambia (Annex M, table M.11).

27. For increase in level of trust and community cooperation among people of different ethnic groups, the difference-in-difference and multivariate analysis confirm a positive social fund impact for Jamaica and a negative one for Zambia. The multivariate analysis also indicates a positive correlation with being a respondent from the poorest strata from the social fund-assisted communities in Malawi (Annex M, table M.12).

28. For improved ease in getting the community to agree on a decision, the difference-in-difference and multivariate analysis confirm a positive social fund impact in Zambia. The multivariate analysis also indicates a negative correlation with the poorest strata respondents in social fund-assisted communities in Malawi (Annex M, table M.13).

29. For a more effective government response, the difference-in-difference and multivariate analysis confirm a positive social fund impact in Jamaica and negative social fund impact in Nicaragua. (Annex M, table M.14).

30. The multivariate analysis and the difference-in-difference approach indicate negative social fund impact for Nicaragua. And indicates a negative correlation with poorest strata respondents from the social fund-assisted communities in Malawi (Annex M, table M.15).

## Annex Q

1. Data from the Social Funds Database, Social Protection Unit, Human Development Network (HDNSP), accessible at the World Bank website (click Sectors, Social Protection, Social Funds).

2. Comments and inputs were received from the Social Protection Board of the Human Development

(HD) Network, the Private Sector and Infrastructure (PSI) Network, the Poverty Reduction and Economic Management (PREM) Network, the Environment and Sustainable Development (ESSD) Network, and country departments of the various Regions active in social funds.

3. OED notes that these ratings relate to the 26 projects (roughly a third of the social fund portfolio) that have closed and for which implementation completion report reviews were conducted by OED. For the current review, OED examined all 66 social fund projects in the social fund portfolio as of end-fiscal 1999.

4. See HDNSP's Social Funds website, accessible at the World Bank website (click Sectors, Social Protection, Social Funds). OED notes that as with any research, SF2000 has both strengths and weaknesses. For example, there are divergent views on methodological issues relating to the SF2000 study. The counterfactual used by the SF2000 study (comparing social fund households with households who have not received a comparable investment) sets a low bar for assessing social fund performance. Management notes that the counterfactual applied is consistent with international best practice for impact evaluations.

5. OED notes that its social funds review is based on a portfolio assessment of all 66 social fund projects approved by the Bank as of end-fiscal 1999, a literature review, task manager interviews, stakeholder surveys, household surveys of 1,687 randomly-selected households and community-level key informant interviews and focus groups in four countries, and institutional analysis based on field research in seven countries. Conclusions relating to the portfolio in all cases are based not just on its household survey results but on triangulation of information from all the sources listed here as well as SF2000.

6. Management notes that Bank Management/staff and client-country officials have had limited access to the OED country-level case studies quoted in the report. While these country cases studies will now be available on request, it would have been preferable for the Management Response to have been based on a full review of this work.

7. These findings were drawn from impact evaluations of subprojects in education, health, water supply, sewerage and latrines—the main sectors financed by social funds. Roads and other sectors were not included as they account for a small share of the portfolio of the social funds studied.



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