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# Chapter 12 – Social Funds: Project and Program Issues

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## A. Introduction

**T**he first section of this chapter provides a brief overview of social funds and alternatives in social fund design. The second section sets out a checklist of issues to be considered in coming to a decision on whether a social fund would be an appropriate country intervention, and the detailed design features to be considered in different contexts.

### 1. A Common Methodology

Social funds and social fund-type projects are defined by a methodology:

- (i) They finance small-scale schemes, typically social and economic infrastructure, but often including microcredit, business start-up funds, agricultural development etc.
- (ii) The schemes are proposed by local government or local organizations, which are also responsible for organizing the implementation, and commonly contribute to the financing and future operation and maintenance (O&M).
- (iii) Specially created institutions, outside the government's established structure of administration, usually manage social funds.

### 2. Different Continents, Different Histories

Since the first fund was established in Bolivia in 1986, the World Bank had approved 108 social fund loans up to mid-2000. The Inter-American Development Bank (IADB) is also a significant funder in Latin America, where most countries now have social funds averaging US\$240 million in size. The number of funds is growing in Africa. In Asia, social funds have been

much less common. The World Bank (WB) currently has a portfolio of nine Asian funds. Excluding the recently approved large loan to Thailand, the average fund size in Asia is just US\$18 million, an order of magnitude much smaller than in Latin America. The growth of social funds in Latin America was due to a combination of the need to protect poorer communities from public expenditure reductions following from debt crisis and structural adjustment and the need to promote social harmony and poverty alleviation in post-conflict countries. In Africa, social funds have mainly been compensatory measures following structural adjustment programs.

Circumstances have been different in most of Asia. South Asia has a long history of public works schemes, while the present and former communist countries offered a variety of state-organized social protection schemes. The 1997 financial crisis and the increased number of countries undergoing economic transition have led to an increase in social funds and social fund-style projects in Asia. The use of social fund methodology based within local government, as a means of promoting good local governance and piloting decentralized management and financing of small infrastructure, was pioneered in Africa but is now being introduced in some countries in Asia.

### **3. Projects Rather than Programs**

The great majority of social funds are heavily dependant on donor financing. They were designed with substantial donor input and have to meet donor accountability and reporting requirements. Combined with the fact that social funds are normally run by project management units (PMUs) outside the established administrative structure, this “project” character raises important issues about institutional and financial sustainability.

### **4. Multiple Problem Contexts**

Social funds, and social-fund-type projects, have proven to be an effective public response to a variety of different problems, including chronic and/or acute poverty, post-economic crisis, transition to a market economy, post-natural disaster, post-civil conflict, refugee reintegration, and the problems of isolated and ethnic minority communities.

### **5. Combination of Objectives**

The goal of all social funds is poverty reduction in the shorter or longer term, but the nature of the linkage between the fund activities and the poverty

reduction goal varies substantially between funds. This is because different funds give different priorities to combinations of six objectives:

- (i) Creating short-term labor opportunities;
- (ii) Social and economic infrastructure creation and rehabilitation;
- (iii) Non-infrastructure income generation;
- (iv) Private sector promotion;
- (v) Civil society strengthening; and
- (vi) Decentralization and strengthening local governance.

There are unavoidable trade-offs between these various objectives. In crisis situations, pressure to disburse rapidly in order to create manual labor opportunities tends to affect the other objectives, which depend on systems development, capacity building, social organization and other software inputs. It is important that fund designs clarify which objectives they are seeking to maximize, and the relative priority of the various objectives.

## **6. Policy and Institutional Issues**

The great majority of social funds are structured as projects, supplementary to mainstream government programs, and outside the normal administrative framework. Much of the success of social funds has been attributed to the relative autonomy, administrative and procedural freedoms of the project management unit, fostered by a close donor presence and external audit. Social funds can thus be seen as an attempt to increase implementation efficiency by creating quasi-governmental agencies that enjoy more of the freedoms available to organizations in the private and nongovernmental organization (NGO) sectors. Beneficiary communities and politicians, who are anxious to see that their good intentions translated into real impact on the ground, have benefited from the greater efficiency and effectiveness which social fund normally achieve.

However, establishing parallel executing agencies can meet opposition and provoke difficulties and delays. Some funds have faced allegations of corruption, improper relations with sponsors and contractors, and political patronage, despite efforts to establish more accountability and transparency. Most importantly, the institutional sustainability of such agencies, beyond the life of donor support, has not been tested. Some funds are partly designed to model a more efficient way of working for the rest of the civil service, although there is scant evidence of such managerial replication to date.

## **7. Social Funds and Public Administration/Governance Reform**

One consequence of social funds is that the existence of a new and relatively well-resourced poverty agency will tend to divert the attention of politicians and senior officials away from the task of making mainstream public services more efficient, effective and pro-poor. The opportunity cost of social funds in this respect has not been researched, but there are clear indications that new institutional arrangements, specially targeted towards the poor, tend to divert attention, time and resources away from line ministry and local government reform. The use of social funds located within local government are an interesting albeit new and ambitious attempt to co-opt the benefits of demand-driven local planning as a means of promoting local government reform and strengthened local governance.

## **8. Social Funds and Poverty Reduction**

### **a. Labor Opportunities**

Different combinations of objectives within social funds entail different linkages between the activities financed by the fund and the poverty reduction goal. If the principal social protection objective is the creation of short-term labor opportunities, particularly in immediate post-crisis situations, social funds have clear efficiency limitations. The labor content of small-scale infrastructure schemes is commonly only about one-third of total investment cost. Social funds also tend to have relatively high overheads due to support for large numbers of small schemes, organizing community facilitation etc. Hence, labor-intensive public works schemes (cash-for-work and food-for-work) are normally a more efficient means of creating short-term incomes for large numbers of people, while social fund interventions tend to have longer-term mitigating benefits as a result of strengthening social and economic infrastructure, systems and capacities.

### **b. Social and Economic Infrastructure**

Most social funds emphasize the poverty impact of the social and economic infrastructures created, rather than the benefits of short-term employment. The poverty impact of improving schools, clinics, water supplies, access roads, etc. is well established. Although the beneficial impact of such schemes is identified in many post-project evaluations, the effectiveness of arrangements for management, maintenance and financing

over the longer term is less certain. Some projects devote considerable attention to achieving community commitments to future maintenance, including the creation of maintenance funds.

All commentators agree that the local choice element of social fund methodology is essential. Where there is real community participation in the selection process—rather than domination by local elites or bureaucratic selection by local government—the prospects for future operations and maintenance appear to be much better. Although the great majority of social infrastructure schemes are refurbishments, rather than new facilities requiring additional staff and running costs, arrangements for future recurrent cost-provision and coordination with line agencies and local government are very variable, and are ad hoc rather than planned in many social fund designs.

### **c. Non-Infrastructure Income Generation**

Because of the short-term benefit of wage-labor, and the long-term returns of investment in social infrastructure, all social funds face pressure to make a more sustainable impact on poverty through financing directly productive income generation activities. The record of such schemes is much more mixed than the generally positive outcome of small-scale infrastructure.

There are two general lessons. First, the effectiveness and sustainability of non-infrastructure schemes (credit, agricultural extension, enterprise support, etc.) depends on the availability of qualified and experienced intermediaries. This is particularly true for microcredit supply schemes, the most common non-infrastructure activity financed by social funds. Success depends on professional agencies that know how to run a sustainable credit operation. Where social funds supply capital to well intentioned but inexperienced credit organizations or to “beneficiary-driven” schemes (large loans, long terms, low interest rates, etc.) the cumulative impact on poverty is much weaker. Second, the other categories of directly productive interventions, which are relatively successful, are those with a strong public-good character: irrigation, community stores, common agricultural equipment and input supply schemes and agricultural training. These also depend on the existence of agencies with experience of managing such schemes, and with the institutional strength to avoid the management of the common resource pool created being taken over by local elites.

### **d. Construction Industry Development**

Some social funds see development of the private sector, principally in the construction industry, as an important subsidiary objective. This objective

is essentially a variant of the directly productive income generation objective, but achieved through the design of scheme procurement procedures rather than through direct financing. In countries where private building firms are new, very small or disorganized, some social funds have programs for organizing building firms and providing training in technical skills, pricing and tendering procedures, complemented by systems development and training in open tendering and effective procurement for local government staff and communities responsible for contracting. Some projects specify that scheme contractors must be from the local area, to avoid dominance by larger firms based in regional cities or the capital.

#### **e. Building Social Capital**

Quantifying the poverty impact of social fund methodology, through the mechanism of civil society strengthening and social capital formation, is methodologically difficult, and no one appears to have attempted it to date. However there is plenty of qualitative and anecdotal evidence about the benefits the methodology can bring in promoting social cohesion and building community commitment to schemes, at least in the short term. This is evidenced, for example, by the high local contribution for schemes where there is an authentic sense of local ownership, and the continuing commitment of staff, users and community to maintaining social infrastructure in the longer term. Whether the increased degree of local organization and cooperation prompted by social fund methodology is sufficient to make a sustainable impact on the nature of social trust relations, which have developed over centuries, must be open to doubt. Funds are therefore probably right to view civil society strengthening as a secondary benefit rather than a central objective, and to plan use of resources accordingly.

#### **f. Decentralization**

The linkage between decentralization and poverty reduction is indirect, and dependent on factors such as local accountability, transparency and the quality of participatory procedures at local level. A decentralization objective is only appropriate where government is already committed to such a course, or where it is interested in piloting decentralized approaches. The experience of projects from Africa and Asia, notably those assisted by United Nations Capital Development Fund (UNCDF), clearly indicate that a social fund methodology, based within local government, is a valuable incentive to developing new procedures for participatory scheme selection and implementation.

## **9. Targeting**

### **a. Geographical Targeting**

Social funds can be geographically targeted relatively efficiently, and offer a means of providing social protection in situations where acute or chronic problems are geographically localized. The potential for geographical targeting is constrained mainly by information requirements. In the Philippines, for example, a conflict zone can be precisely targeted; in Mongolia, infrastructure was allocated to rural rather than urban areas; and in Viet Nam to mountainous poorer communes where ethnic minorities are concentrated. Good data on returning asylum seekers in Viet Nam enabled available investment funds to be proportionately allocated down to commune level.

### **b. Women and Children**

The types of infrastructure most commonly created through social funds (clinics, schools and water points) are of particular benefit to women and children. The extent to which fund activities benefit women can be increased through measures such as imposing minimum shares for women's employment, equal wage provisions and the establishment of schemes with women-only access conditions. There may, however, be examples of trade-offs between the degree of benefit accruing to women and to the poor. For example, sewerage schemes in urban areas may achieve a higher share of female beneficiaries because the incidence of female-headed households is higher in urban areas, whereas poverty is higher in rural areas.

### **c. The Poorer of the Poor**

Minimum wage rates for short-term labor can be targeted quite accurately according to local circumstances. This both increases the efficient use of resources (although labor is normally only about one third of total scheme costs) and increases the precision with which unskilled and semi-skilled labor on infrastructure works can be made self-targeting towards the very poor, through setting wage rates at, or even slightly below, the locally prevailing minimum wage.

#### **d. The Poorest of the Poor**

The labor opportunities created through social fund schemes is normally of little benefit to the poorest of the poor and the most vulnerable households, which do not have able-bodied laborers. Although social infrastructure (clinics, schools and water points) benefits such households, the creation of a special social assistance funds alongside social funds is a recognition of the fact that labor opportunities on roads and buildings are of little direct value to the elderly, the disabled and others unable to participate in manual labor. Social funds are not the most appropriate instruments in dealing with idiosyncratic household crises.

### **10. Sustainability**

#### **a. Social Funds**

There is little evidence to date about the financial or institutional sustainability of social funds in terms of becoming mainstream government functions. With the exception of three funds in Latin America, social funds continue to be heavily donor dependant. Whether there would be a sufficient political constituency in many countries to maintain both the management freedoms enjoyed by social fund PMUs, and the level of hardware and software financing required to maintain social fund operations at an efficient scale, against the pressure from under-resourced line ministries, must be open to doubt.

#### **b. Financed Schemes**

The purpose of short-term job creation is to provide immediate income support rather than longer-term benefit. Some public works schemes in Asia have included elements such as compulsory savings and/or skills training with a view to increase the sustainability of benefits from cash-for-work or food-for-work schemes, but there are no known examples of such requirements being applied in social funds. The sustainability of small-scale infrastructure schemes is better where there is authentic local choice in scheme selection. In this respect, social fund methodology offers substantial advantages compared with typical line ministry implementation methods. The sustainability of credit schemes, and other income generating activities, depends on the quality and institutional strength of the implementing agencies financed by the fund.



## **11. Social Funds and Social Protection**

From the foregoing the role of social funds within social protection can be summarized as follows:

- (i) Social funds have proven to be practical and effective responses in a wide variety of situations, including economic crisis and transition, natural disaster, resettlement, post-conflict, and in addressing chronic and acute poverty. The ability to target benefits geographically makes them a relatively efficient means of concentrating resources in particularly distressed areas. Within a target area, active promotion and outreach is required to ensure that poorer and less vocal communities are not excluded.
- (ii) The efficiency, effectiveness and accountability achieved by establishing social funds outside mainstream administrative structures and procedures, with accountability to the highest level of government and to donors, have produced clear benefits both for target communities, and for governments anxious to be seen to be delivering results.
- (iii) The coverage achieved by the short-term labor element of social funds creation is considerably less than for well-managed public works schemes.
- (iv) The impact and sustainability of public infrastructure provided through social funds with effective procedures for local selection, which engender a real sense of local ownership, appear to be considerably better than for traditional line agency programs. To the extent that improved social and economic infrastructure and services achieve a sustainable improvement in living standards over time, social fund investments have a preventive and mitigating role, in addition to the coping benefits flowing from short-term labor creation.
- (v) In supporting farm and non-farm enterprise development, the impact of social funds depends on the existence of experienced and effective providers of credit, training, extension and other business development services. Social funds are financing agencies, not implementers, and in the absence of suitable credit and business-support intermediaries, social funds are faced with either supporting infrastructure facilities alone, or diverting resources to strengthening the capacity of local agencies to provide other services.
- (vi) Social fund methodology offers a potential means of strengthening the skills and experience of private construction firms.
- (vii) Locating social funds within local government, together with systems development in relation to participatory planning, implementation and

accountability, provides a means of piloting decentralized systems for planning and implementing capital schemes and strengthening local governance institutions.

- (viii) Social fund methodology brings significant additional benefits in building social organization and civil society, although these are difficult to quantify in terms of social protection impact, and are highly dependant on the intensity and quality of the methods of participation adopted by the fund.
- (ix) Despite the proven achievements of social funds to date, two central and important questions remain unresolved: their institutional and financial sustainability, and the extent to which they tend to divert attention and resources away from the institutional development task of strengthening central and local governance and helping mainstream public sector functions become more efficient and pro-poor.

## **B. Future Support to Social Funds: Identification and Formulation Stage Issues to be Addressed**

This section provides a checklist of key issues and associated notes (drawn from typical social fund experience) to guide the Asian Development Bank (ADB) and developing member countries (DMCs) in appraising: (i) when and where a social fund might be an appropriate intervention (identification); and (ii) the specific design characteristics of a new fund (formulation).

### **1. Problem Situations**

Social funds have proved to be valuable interventions in the following problem situations:

- (i) *Economic crisis and transition*—following structural adjustment or economic shock;
- (ii) *Natural disaster*—especially where a fund exists and can be rapidly scaled up;
- (iii) *Chronic and acute urban or rural poverty*—particularly efficient where good poverty information enables precise targeting;
- (iv) Refugee resettlement—particularly useful for building support in the host community;
- (v) *Post-civil conflict; and*
- (vi) *Piloting decentralization and developing good local governance*—with fund management based within local government.

## **2. Applicability in ADB “Subregions”**

Social Funds have potential benefit in all four “subregions”. There are no subregion-specific design differences.

- (i) *South Asia*: long history of public works. Increasing community ownership and involvement through social funds methodology may be of benefit.
- (ii) *Southeast Asia*: social funds already used to address poverty; post-conflict situations and post-1997 crisis; two “within local government” social funds.
- (iii) *Transition Economies*: social fund numbers growing, mainly as a response to persistent poverty.
- (iv) *Pacific*: No formal social funds to date.

## **3. Institutional Capacity**

Social funds, with specially created project management units, reporting to a newly created board, may be appropriate where:

- (i) There is limited confidence in existing agencies (line ministries, local government, parastatals) and a history of poor performance. However, the creation of a social fund will tend to divert attention from necessary good governance reform, institutional development in public administration and the need to make existing programs more efficient and pro-poor.
- (ii) Conflict with existing agencies can be a significant problem. The institutional context and the potential for strengthening existing institutions and for basing a social fund methodology within them (notably within local government structures) must be thoroughly appraised first.
- (iii) Civil service rules make it difficult to hire suitable staff and adopt flexible, transparent, participatory procedures. However, efficiency also depends on:
  - Good procedures within the PMU, transparency, sufficient management independence, and effective audit;
  - Efficient government/donor procedures for fund transfer, reporting, accounting, etc.; and
  - Professionally designed financial and activity monitoring procedures.
- (iv) Government and/or donors have substantial funds to invest.
  - Investment in the establishment of a new PMU; the development of new systems for scheme selection and approval, tendering,

supervision; and other principal-agent procedures required, are only worthwhile if the fund value is substantial.

- Sustainability questions are central. There are very few examples to date of social funds becoming established government structures, independent of donor support.

#### **4. Social Fund Objectives**

Social funds can include any combination of the following objectives:

- (i) Creation of short-term wage labor opportunities
  - Short-term benefit only
  - Typically less than 30 percent of scheme financing goes to labor
  - Well-managed public works schemes are more cost-effective in job creation.
- (ii) Improvement of social and economic infrastructure such as clinics, schools, water supplies, access roads, irrigation, flood protection.
- (iii) Non-infrastructure income generation. Experienced and efficient agencies able to manage credit, agricultural extension, small and medium enterprise development etc. must exist. Setting up agencies from scratch, or major retraining, is time-consuming, and risky.
- (iv) Private sector promotion
  - Typically involves the organization and training of local construction firms and systematizing procurement procedures
  - Contractor organization, publicity, training, etc. adds to “software” costs.
- (v) Civil society strengthening
  - Strengthening community organization, skills and confidence has limited short-term social protection benefits, but may offer significant long-term returns.
  - Social funds normally contract NGO’s or local government staff or hire their own specialist staff to perform this role
  - The “within local government” funds devote considerable effort to developing participatory methods suitable for replication within government.
- (vi) Decentralization
  - An ambitious objective, appropriate where government has a clear commitment to decentralization.
  - Building good local governance and systems for fiscal transfers and accountability, community participation, etc., requires intensive investment in systems development, capacity building, training and community facilitation.

- Social protection is a relatively minor objective, at least in the medium term.

## **5. Trade-offs Between Objectives**

Because social funds address poverty in different ways (as a result of different priorities and combinations of objectives) the trade-offs between different objectives have to be thoroughly considered at design stage. The common trade-offs are:

- (i) Rapid disbursement vs. all other objectives
  - Pressure to disburse in an emergency situation will entail rough-and-ready scheme selection, community participation, targeting, contracting etc. procedures, in the short-term.
  - Established and experienced funds can scale-up activities in response to crises.
- (ii) Labor incomes vs. all other benefits
  - Maximizing short-term job-creation means prioritizing earthwork-type schemes, and minimizing other hardware and software inputs. At the limit, this approaches traditional public works.
- (iii) Creating parallel structures vs. public sector reform
  - Social funds may “model” more efficient procedures for the public sector.
  - However, the creation of a special “poverty” fund diverts attention and resources from reforming line agencies and local government structures to become more efficient, effective and pro-poor.
- (iv) Public, private and civil sector involvement
  - Some funds see building civil society as the priority objective. For others it is relatively insignificant.
  - All funds require clarity about which agencies will be responsible for scheme proposals, selection, management, contracting, future ownership and O&M.
- (v) Sustainable income generation vs. infrastructure and construction jobs
  - The performance of social funds in achieving sustainable income generation (credit, extension, business development etc.) is weaker than in rehabilitating public infrastructure.
  - All social funds face community pressure for loans and other non-infrastructure private-goods assistance. Clear policy in this regard is essential.
  - If qualified and experienced intermediaries do not already exist, creating them is difficult and risky.
- (vi) Capacity building vs. scheme investments

- All “software” objectives (participation, civil society building, contractor training, etc.) have an opportunity cost in time, expense and management, but the benefits of authentic participation can be substantial.

## **6. When are Social Funds not Appropriate?**

Social funds are not appropriate in the following situations:

- (i) When the priority is short-term income generation on a large scale
  - If there is acute time pressure and there are large immediate employment needs, a traditional public works approach is likely to be quicker to launch and more efficient than the more ambitious social fund approach.
- (ii) When the prime target group are the elderly, disabled or other vulnerable groups
  - Social funds are not an appropriate response to idiosyncratic household crisis, and cannot target particularly vulnerable individuals directly.
- (iii) When the priority is public administration reform and/or strengthening central or local governance
  - Social Funds are new institutions parallel to the existing administration and tend to divert resources and attention away from institutional reform.
  - Except for the local government-based funds, social funds are a weak instrument for strengthening governance.
- (iv) When the priority is strengthening social sector systems and software
  - Social funds rehabilitate education, health and other infrastructure. They are not appropriate for strengthening health and education systems, upgrading teachers, curricula and methodologies, medical systems, equipment, etc.

## **7. Governance, Structure and Staffing**

How can a new social fund achieve efficient and transparent governance, structure and staffing?

- (i) Governance
  - Is a new board required? Membership (government, local government, community, NGOs, etc.)? Terms of reference?
  - Should the Fund be based inside local government or another agency?
- (ii) Management

- Organizational structure
- Authority/terms of reference of fund management
- Experience profile of senior management
- Recruitment procedure
- (iii) Staffing
  - Which tasks will be performed in house and which contracted out? (e.g. can local government or NGOs provide promotion, outreach, scheme appraisal, etc.?)
  - How many staff are required? Salaries and conditions? Recruitment process?
- (iv) Offices
  - Are regional/local offices required? (Evidence is that regional offices are important in funds covering a large area.)
  - Locations, staffing and costs?
- (v) Systems and procedures
  - Bank and financial transfer and control procedures
  - Audit arrangements
  - Personnel procedures
- (vi) Activity and financial monitoring
  - Who will design the system and train staff?
- (vii) Impact evaluation
  - In-house capacity or contract with external agency?

## **8. Financing**

Social funds are financed from three sources:

- (i) Government
  - *For central government:* Is the fund intended as a “one off”? Is there planning and budget provision for future financing and sustainability? What planning is in place for the recurrent costs of new capital schemes?
  - *For local government:* Will the provision of matching financing starve other services? Will local government contributions be raised from additional community levies? What are the implications of this?
- (ii) Donors
  - Disbursement, monitoring, reporting and audit procedures?
- (iii) Community
  - Policies are required for: a) minimum local contributions for different types of scheme and different income groups, b) valorizing labor and in-kind contributions.

- Systems are required for collecting or organizing the local contribution.

## 9. Community Participation

How can a new social fund achieve effective community participation?

- (i) Are there clearly specified participation procedures for each stage? (Community needs assessment, scheme identification, prioritization selection, proposal, implementation, monitoring, O&M arrangements?)
  - *Worst practice*: No specification of procedures—social fund offices invite proposals from anyone. Result: elites and the most vocal submit and benefit. Participation and local ownership minimal; allocative efficiency low; O&M poor.
  - *Best practice*: Clear procedures specify the nature of community involvement required for each stage, how it will be organized, and the proof that the specified procedures occurred.
- (ii) Outreach
  - Who is responsible for informing, motivating and organizing the community (local government, NGOs, etc.)?
  - Are they able/trained/motivated to do it well?
  - Is the objective of outreach clearly specified? (Is it purely instrumental (community organization in order to assess needs and obtain proposals for the fund) or an objective-in-itself (using the existence of the social fund to create new community organizations)?)
  - Is the outreach mechanism cost-effective?
  - What provisions for hard-to-reach areas and groups are included?
- (iii) Labor and local contribution
  - Provision of labor power and local contribution in cash or kind is not a sufficient condition for effective participation.
  - Voluntary local contribution rates are a good indicator of local ownership.

## 10. Targeting

Social funds can be efficiently targeted, geographically and socially:

- (i) On particular regions or areas within the country
  - Post-conflict zones, disaster-hit areas, rural areas, particular administrative areas
- (ii) On particular communities within an area



- Villages rather than towns, ethnic minority communities; returning refugee communities.
- (iii) On the poor
  - By poverty mapping at national, district or local level; by establishing visible criteria for unmet basic needs; by ensuring outreach, facilitation and support to poor and remote communities; by setting labor wage rates low; by establishing criteria to prioritize schemes from poor areas.
- (iv) On women and children
  - By prioritizing particular types of scheme proposal (e.g., clinics, maternity centers, schools and dormitories, kindergartens, drinking water supply); by establishing target participation rates or “women-only” access conditions and funds (e.g., for credit or business development).

## **11. Eligible Schemes**

Policies are required for determining eligible types of schemes:

- (i) Economic infrastructure
  - Roads, irrigation, embankments, bridges, culverts, communal storage, market sheds, etc., with eligible sizes, locations, construction types.
- (ii) Social infrastructure
  - Schools, clinics, maternity centers, community and sports centers, water points, sanitation, sewerage, etc., with eligible sizes, locations, construction types.
- (iii) Microcredit supply
  - Does an experienced provider exist, or can one be brought in to work in the area? (Establishing microfinance intermediaries from scratch is especially difficult and time-consuming.)
- (iv) Other business development
  - Agricultural extension, input supply and marketing, business training, etc. Do experienced providers exist, or can they be brought in?
- (v) “Others”
  - Should the fund make provision for other proposals, outside the specified categories
  - Are larger “intercommunity” schemes (roads, irrigation, etc.) eligible? How will they be handled?

## 12. Proposals, Approval and Finalization

Transparent procedures are required for the whole project cycle: canvassing, approving and finalizing scheme:

- (i) Project cycle
  - Are all the steps in the project cycle clearly defined, with clear responsibilities?
- (ii) Promotion
  - How will communities be made aware of the fund and procedures?
  - What measures are necessary to reach remote and disadvantaged areas?
- (iii) Proposals
  - Who has the right to apply?
  - Must a detailed design and costing be included? If not, who will prepare?
  - Are standard designs available (e.g., for school buildings)?
  - Formats and procedures?
- (iv) Shortlisting
  - Who is responsible? Are the criteria clear?
- (v) Appraisal
  - Appropriate technical appraisal will be required before final approval—who will provide it?
  - How will liaison with the responsible line departments be achieved?
  - Arrangements for ensuring recurrent cost provision?
- (vi) Pricing
  - Once the detail of the scheme is agreed, how will the maximum contract price be finalized?
- (vii) Contingencies
  - What provision will be included for price and non-price contingencies?

## 13. Scheme Contracting

Clear and transparent policies for infrastructure contracting are required, including:

- (i) Scheme ownership and management
  - Is it clear who is responsible for managing scheme implementation?
  - Are financial management, transfer and monitoring procedures clear?
- (ii) Community or contractor implementation?

- Will small simple schemes be implemented by the community or will all schemes be tendered?
- Will government/local government force account labor be involved or eligible to bid?
- (iii) Contractors
  - Do sufficient local contractors able to implement typical schemes exist?
  - Do contractors require organization and/or training in tender procedures, etc.?
- (iv) Procedures
  - Is prequalification of contractors required?
  - Tender procedures: area ring-fencing? Open or restricted procedures? Formats and time scales? Tender evaluation procedures?
  - Staged payment system and policy on advances and guarantees?
  - How will the community contribution be incorporated?
- (v) Monitoring
  - Will independent monitors be engaged to supervise works? How will they be managed? How to avoid collusion?
  - What role does the community have in monitoring works?
  - What role should social fund staff have in monitoring implementation?
- (vi) Completion and hand-over
  - Is the final ownership of the scheme clear?
  - Who signs-off on completion? With what safeguards?
  - Is there a retention policy?

#### **14. Future Operation and Maintenance (O&M)**

International experience shows that completing infrastructure works is straightforward, compared to ensuring their proper operation, management and maintenance in the long term.

- (i) Responsibilities
  - Is it clear who has ownership of the scheme and is responsible for future operation and maintenance?
- (ii) Financing
  - How will future O&M be financed?
  - Does a special fund need to be established?
- (iii) Community organization
  - If the community is responsible for a scheme (e.g., a village water point), what O&M motivation, training and organization is necessary?

- (iv) Liaison with line ministries/departments
  - Are ex-post and/or ex-ante agreements with the education or health line departments required?