

Experiences with Social Investment Funds

PowerPoint Presentation for the UN-Expert Working Group Meeting on Social Funds and Poverty Reduction, New York – 15-16 October 2003

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Personal Introduction (Slide #2)

Piet Goovaerts

- Belgian, Civil Engineer-Architect, residing south of Washington DC
 - Graduated from KUL Leuven University/Belgium 1976
graduation project and university thesis : social housing in Rwanda
 - Lived and worked overseas with the UN : 1977 – 1987
Africa & South East Asia; Social Development & Refugee Settlement
- “STUMBLED” into SIFs 1993-94 : Lebanon & Armenia (WB/Alexander Marc)
- Got involved with ILO on a SIF-initiative in Uzbekistan (Jean Majeres)
- Am an independent consultant, have worked on more than 20 SIFs in Africa, Middle East, Eastern Europe, Caucasus, Central Asia, South East Asia

A summary of the ILO's objectives & experiences with its involvement in SIFs
(slide #3)

How do SIF's fit in ILO's mandate on "EMPLOYMENT"

- For ILO : structural poverty alleviation ⇔ employment policy : closely interrelated
- SIF > employment generation
- ILO supports the concept of "mainstreaming investments for the poor", meaning particularly two things : (i) employment generation is not necessarily the sole objective in a poverty alleviation program, and (ii) investments targeting the poor have to be made as a matter of policy

Some views on SIF's :

- Poverty alleviation is a complex issue, ILO supports non-sectorial support : flexible and versatile, responding to a wide variety of needs
- SIF's should not be simply transfers, both because it may be macro-economically inappropriate, and to achieve sustainability of the investments
- SIF's have been more than usually gender sensitive, but in terms of employment generation this still is unsatisfactory
- Employment-intensive public works programs are still amongst the most cost-effective measures for poverty alleviation

A summary of the ILO's objectives & experiences with its involvement in SIFs
(slide #4)

A widened "local resource-based" approach for SIFs,
intended to emphasize the following objectives :

- Create rapid employment and income for the poor
- Create a basis for longer-term employment and income generation
- ensure cost-effective construction and locally sustainable social infrastructures
- strengthen backward and forward linkages in the local economy
- promote decentralization and joint participation of local authorities and their constituents in local development
- promote private contracting with labor-intensive methodologies and local resource-based technologies
- strengthen institutional capacity at local level of the three pillars in society : local authorities, local private sector and community-based organizations
- promote local resource-based investment policy
- contribute to the creation of an overall policy environment favorable to large-scale replicability of the approach

Observations :

- weaknesses :

- gender has not been adequately addressed
- ILO observes a reduction of the objective “employment” in newer funds
- AGETIP's losing touch with community development and poverty alleviation
- Poverty and employment are policy-issues and require longer term approaches

- directions ILO wishes to pursue :

- decentralization and joint participation in development between local authorities, local private sector and communities
- diversification of typology to address poverty more comprehensively, particularly giving access to more productive oriented local investment opportunities through SIFs
- improve impact measuring
- putting employment and income generation for the poor as a policy statement in any effort of poverty alleviation and in all government policy statements, including the “gender” dimension of employment and poverty

Some Points of View

- SIFs are complex instruments : basically for 2 reasons :
 - The demand-driven nature : multiple audiences, delegation of decision-making, operating with weak implementing partners, outreach requirements and remoteness, building partnerships,
 - The need to respond to a complexity of small-scale dispersed needs: diversified material needs, need to build institutional capacity
- I believe in SIFs which are seriously structured (Operations Manuals), I believe that many of the present less-structured CDD experiments which avoid extensive procedures will sooner or later adopt a more structured approach – maybe in different forms, maybe for the better
- Institutional Capacity is the key characteristic of Poverty
- Economy of scale : but many SIFs have driven down unit construction costs, improved quality in better timeframes and more profitably for the local contractors and their workforce
- I have seen what “micro-projects” can achieve in poor communities, I have seen how it can be replicated and achieve larger impacts : I haven’t seen one good impact assessment report reflecting those achievements for policy making
- Political “good-will” is a problem
- The poor need to be given thousands of times more opportunities, at least equivalent as what is being given to the middle class and the wealthy, they might not make more out of the opportunities (in the so-called developed world, min. 30% of new business ventures are broke within 2-5 years), but there will be many times less of them remaining poor, they will contribute to the overall economy and cost less to the poverty safety nets

Are SIFs/CDDs a Wrong Approach?

- Not really, but it is not being done right yet
- ? Contradiction : centralized SIF versus decentralized development and poverty alleviation > move towards delegated management by local actors
- ? Opposition between independent institution and local government development > move toward supporting local government (Carrot & stick)
- ? Is institutional development an overhead cost or a cost in function of the objectives
- SIFs/CDDs will not make social safety nets obsolete, they can make them more affordable by lifting numerous “beneficiaries” into the regular economic environment
- SIFs/CDDs are at their best if given some time to mature

What has been achieved so far, and what could/should be achieved?

- **With whatever funds available, in whatever operational conditions : the SIF system has proven :**
 - to deliver effectively, to the satisfaction of most relevant stakeholders,
 - to improve the living conditions of the beneficiaries,
 - to contribute to local institutional capacity building
 - to be an effective developmental instrument when operating in an emergency environment
 - that serious decisions can be delegated to the grass-roots level
 - that local institutional arrangements can be transparent, accountable, effective and efficient
- **Substantial numbers of social safety net beneficiaries should transfer into the regular economy : requirements to achieve this :**
 - Provide more opportunities for the target beneficiaries :
 - More funds & Denser investments
 - Provide better opportunities
 - More diversification of outputs/deliverables & More self-management
 - Improve the operating designs and learn from the better ones
 - Sustainability, sustainability, sustainability, ...
 - Institutional capacity building, institutional capacity building, institutional capacity building, ...
 - Delegation of decision-making, delegation, delegation, ...
 - Improve the monitoring of the impacts of the ongoing and future programs : to prove the point, to get policy support, to get more funds

Concluding Observations :

- SIFs = no panacea But nothing is : bottom-up development isn't, top-down economic development isn't,
- SIFs and CDDs are pretty good work-horses for poverty alleviation : I have seen the beneficiaries before and after!
- A lot of criticism : likely correct, but some of the conclusions are not correct
- Complex : ... yes ...?? but is POVERTY not complex, versatile, ..
- SIFs > CDDs : versatile, flexible, incremental, developmental, institution-building (local authorities), provides opportunities to the least accessible
- Complex management - yes, but ... it works in many places
- Local authorities : get a more central role with adequate community participation
- 3 billion US\$ invested 1986-1996 : is that really a lot of money? Absorption capacity, political will, risks, macro-economics
- We need to better measure impacts and participation
- More diversified menus > complexity of poverty
- I am not an economist, but one should learn to trust the target people more : their successes and failures are not worse than in big and medium and small business!

Thank You for Your Attention

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