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## *Main Outcomes and Recommendations*

### **Objectives and Results of the International Workshop**

The International Workshop on Social Funds, held May 27–30, 1997, at the World Bank's headquarters in Washington, D.C., had the following objectives:

- To assess a decade's implementation experience of social funds and their impact on poverty reduction
- To establish a broad consensus on their main achievements, weaknesses, and risks
- To generate a set of recommendations for improving existing operations as well as for the design of future social funds
- To facilitate the integration of international and regional networks of social funds.

The workshop participants included: (a) general managers and high-level staff of social funds; (b) representatives of central government institutions that oversee the operations of the funds; (c) representatives of municipal governments that interact with social funds in the selection and implementation of subprojects and of their regional associations; (d) representatives of nongovernmental organizations (NGOs) and civil society organizations that work with social funds; (e) staff of the World Bank and of other multilateral and bilateral development agencies that finance, design, and supervise the implementation of social funds; and (f) observers including researchers, academicians, and consultants involved with social funds and representatives of national governments that are establishing new social funds operations.

Stock-taking occurred in different forms: through the presentation of the World Bank's and of the Inter-American Development Bank's studies on social funds, as well as through many individual interventions by social funds' managers during the plenary sessions and in working groups. Ten original papers were also presented by relevant practitioners on specific topics related to social funds' design, management, and implementation. These papers provide an overview of current design and implementation challenges and concerns facing social funds.

More than two of the workshop's four days were devoted to group discussions, organized by topic, constituency, or regional perspective. It was in these discussion groups that the consensus and common understanding of the specific successes, weaknesses, and risks of social funds were achieved. Each of these groups also generated a set of specific recommendations that were presented briefly in plenary sessions and that were reviewed by the workshop participants.

In itself, the international workshop was also the first step in integrating the international and regional networks of social funds by bringing together families of programs that started with different sector priorities and approaches, such as the AGETIPs in Western Africa and the social investment funds in Latin America, and by stimulating the creation of social funds networks in Eastern Africa, Eastern Europe and Central Asia, and Northern Africa and the Middle East.

The international development agencies and the NGOs at the workshop committed themselves to more integrated and coordinated support to social funds. They also committed to the promotion of a more systematic use of Internet-based tools, such as the social funds World Wide Web page launched by the World Bank just before the workshop, to maintain the global

dimension of the information exchange and to promote further collaboration among the regional networks and the programs themselves. The publication of these workshop proceedings is a contribution to this broad international effort.

### **Social Funds: Main Achievements and Weaknesses**

On the basis of the results of the plenary presentations and discussions, of the contents of the two new studies by the World Bank and the Inter-American Development Bank, and of the ten specific papers commissioned for the workshop, the following understanding of the main achievements and weaknesses encountered by social funds over their first ten years of implementation (1986–96) was summarized.

While it was clear to all participants that social funds have performed differently in accordance with their objectives and their national contexts, they agreed on their commonalities and the major achievements and weaknesses of social funds, which were analyzed under four main angles:

- National poverty reduction strategies
- Effectively reaching the poor
- Social participation and partnerships in development
- Sustainable approaches for service delivery.

#### *National Poverty Reduction Strategies*

- Social funds have forcefully and effectively made a case for the importance of social equity objectives in national development and for addressing the needs of marginalized groups as a priority both in structural adjustment and in economic growth.
- They have piloted numerous successful innovations in emergency and development work. Their accomplishments enabled them to outlive the emergency phase during which they generally were created and to become permanent instruments for economic and social development.
- However, their visibility and high-level support often arouse misplaced expectations that social funds will eradicate structural poverty, while their budgets are small percentages of overall public spending and macroeconomic policies may be driven by growth objectives with no poverty reduction or income distribution goals.
- Social funds are also experiencing a complex transition from the creation of short-term employment in the emergency phase to permanent job establishment, which is required to address issues of structural poverty in the more challenging context of promoting social development.

#### *Effectively Reaching the Poor*

- Social funds have successfully served the poor and those communities that, on account of physical isolation, social exclusion, or gender and ethnic barriers, were not benefiting from the national investment programs or from the state's ordinary social safety nets, if available.
- In doing so, they have shown the ability to respond quickly to the needs of the beneficiary target groups and to deliver jobs, services, and infrastructure efficiently, using modern and cost-effective management tools and techniques at low administrative costs.
- While social funds have improved the quality of life in targeted communities, their actual impact on the permanent level of income of the beneficiaries is difficult to assess, due to the provisional nature of the jobs created and to a general lack of baseline information on ex ante incomes.

- At times social funds do not reach the poorest of the poor, who are unable to express their needs, formulate requests, obtain a sense of ownership of the projects, and marshal the required participation. Cultural, gender, and ethnic barriers to development require special efforts through social communication and community outreach programs.

### *Social Participation and Partnerships in Development*

- Social funds have highlighted the importance of civil society participation in both emergency and development projects and represent the first family of development programs with a clear role for community-based organizations in the design and implementation of subprojects.
- They also successfully introduced and practiced innovative partnerships between the public and private sectors, promoted the creation and access to markets of microenterprises, and strengthened the capacity of municipalities and local governments in delivering services.
- But the relative independence of social funds may be difficult to coordinate within the public sector and sometimes causes conflicts with line ministries. The stable management of social funds may suffer from the discontinuity of the political cycles. Social funds still depend heavily on international funding, while their programs are not always integrated in national budgets and planning processes.
- In countries with decentralized national governments, the social funds' centralized management of significant amounts of resources to be invested locally may undermine the authority of municipalities. Local priorities may not match the centrally driven menu of subprojects, and high subproject preparation standards may contrast with low local capacity.

### *Sustainable Strategies for Service Delivery*

- Social funds' accomplishments in job creation and the rehabilitation or building of social and productive infrastructure are remarkable. These in turn have improved significantly the quality of life of the beneficiary communities.
- Moreover, social funds have re-established functional links between the state and the beneficiary communities, returning credibility to the public sector and introducing a culture of contractual commitments, transparency, and accountability in the management of public resources.
- Cost recovery and user fee policies, often the result of painful sector reform processes, may be disregarded by the social funds' goals of rapid service delivery, and lessons learned in the implementation of sector projects may not be always incorporated in the design of subprojects.
- The insufficient operation and maintenance of subprojects, especially of social and economic infrastructure, jeopardizes the long-term benefits of these investments. The ability of line agencies, municipalities, and communities to take over and continue subprojects has so far been limited.

### **Major Recommendations for the Future Role of Social Funds**

This consensus on the achievements and weaknesses of social funds was based, among other things, on the differences between social funds that are created and operate within an emergency context and those that are governed by developmental objectives. Regional and cultural contexts also account for the diverse challenges, constraints, and opportunities that each program faces. Recognition of diversity was assumed as the basis for the collective agreement on future directions.

The format of the global consultation process at the workshop did not call for the development of recommendations to be formally endorsed by the participants before the end of the event. Rather, the conclusions and recommendations of the working groups and of the plenary sessions were summarized by the session leaders and by the chairpersons, based on the consensus obtained.

Throughout these summaries, as well as in the presentations of the World Bank and Inter-American Development Bank studies and in the ten original papers, three major recommendations for the future of social funds emerged that policymakers, practitioners, and social funds stakeholders seem to agree:

1. Social funds should seek a better integration and more definite role within national macroeconomic policies and strategies for the reduction of structural poverty.
2. Social funds should pay more attention to developing sustainable communities and local organizations and to building their capacities.
3. Social funds should systematically mainstream their innovations, operating principles, and techniques throughout the public sector.

Each of these recommendations has been articulated from different angles and with different emphasis according to regional or constituency perspectives, but they seem to suggest the general direction of the next generation of social funds and concrete recommendations for activities that could be introduced in the work-program of the existing ones. The following ideas are more detailed and were drawn from various sources and presentations to articulate the three main recommendations:

1. Social funds should seek a better integration and more definite role within national macroeconomic policies and strategies for the reduction of structural poverty.
  - Social funds can play an active role in obtaining political commitment to the incorporation of social equity objectives in macroeconomic growth policies and at the same time dispel unjustified expectations about the effect of social funds on structural poverty.
  - Social funds should not duplicate or overlap other national initiatives but serve as a specific instrument in the arsenal of social safety net programs that reach out to isolated regions, ethnically or socially excluded communities, and marginalized groups.
  - Representatives of a key social fund stakeholder group, namely, the poor themselves, should be consulted systematically by the management of funds to ensure that the program's priorities are shared, as well as the ownership and participation of beneficiary communities.
  - The institutional location of social funds within the public sector should better address the issues of coordination with line ministries, of integrating sector policies, and of making social fund financing more sustainable and an integral part of public spending.
  - Municipalities that have the mandate and the capacity should assume the funding and responsibilities from social funds for subproject identification and implementation, limiting the fund's role to contract managers and to supporting linkages with community groups. In turn, municipalities should allocate resources to sustainable operation and maintenance of infrastructure and services.
2. Social funds should pay more attention to developing sustainable communities and local organizations and to building their capacities.
  - To enable socially isolated communities to establish functional and productive links with both public and private sectors, social funds should work with more flexible menus that respond to community needs as they evolve over time.

- Social funds should promote projects for sustainable local economic development; these will include the organization and nurturing of microenterprises, skills training to facilitate access to the labor market, and access to credit for productive initiatives.
  - Social funds should support the development of social capital through the involvement of NGOs in the design, not only in the implementation, of subprojects, the training of community-based organizations, and facilitating the open selection of subprojects based on the needs of women.
  - The promotion of sustainable provision of basic services to the poor should be supported beyond capital investments with capacity building in operation and maintenance. This training will be targeted at user groups, local contractors, and municipal technical and administrative staff.
3. Social funds should mainstream their innovations, operating principles, and techniques systematically throughout the public sector.
- In those regions and countries where social funds have a track record of accomplishments, social funds should present their management approaches and innovations routinely to national policymakers and promote them with the legislative and the executive branches.
  - Social funds should help introduce community participation, responsiveness to demand, and the use of willingness-to-pay indicators to all public social sector programs and innovative procedures—social communication and outreach, management information systems, and delegated contract key line ministries.
  - In their dialogue with international development agencies, social funds should promote the adoption of participatory development policies and strategies, to be discussed and negotiated with national governments as the basis for financial assistance.

### **Specific Recommendations from the Ten Parallel Sessions**

The following condensed summaries of recommendations were made by the working groups after analyzing and debating the ten following topics and after extensive discussions about the papers written and presented by selected social funds practitioners.

#### ***Social Funds: From Responses to Emergency and Crisis to Development***

- Social funds' objectives need to be redefined within the national poverty reduction strategy and integrated with sectoral policies. Their investments should concentrate on the neediest regions and communities.
- While support at the highest political levels is necessary, funds can be protected from political interference by a stringently defined mandate and beneficiary selection criteria.
- Funds should consider retraining their personnel in capacity building within communities and NGOs. They should obtain staff specialized in social sciences who can be effective within the new mandate in community participation.
- The quality of projects needs to be sustained. Indicators need to be defined for participatory processes, institutional development, and improved quality of life in target communities, so that reliable evaluations can be conducted.

#### ***Financial Resources Mobilization for Social Funds***

- Credit programs should be an element of social funds to facilitate the creation of a revolving pool of resources.

- As social funds mature, they should try to mobilize resources from local institutions and donors and eventually to borrow from commercial sources.
- Social funds should raise additional resources through financial participation of the community, which can supplement public investments in rural areas significantly.
- The mandate of social funds should be flexible, so that they may eventually transfer to line ministries or to local governments the activities that are their ultimate institutional responsibility, while retaining those that do not belong to other institutions.
- Their organization should be parallel to that of the government, so that their activities can be in line with the policies and plans of ministries and sector agencies.

### *Role of NGOs in Design, Management, and Implementation of Social Funds*

- Social fund programs need to be integrated into a national public investment for long-term poverty reduction, making use of NGO participation and civil society consultations, as in those countries where NGOs help prepare country assistance strategies.
- The World Bank should study the role of social funds in macroeconomic policies.
- Donor agencies should negotiate with national governments the roles of NGOs and civil society in the management, design, implementation, monitoring, and evaluation of social funds and formally inscribe these roles in project documents and contractual agreements.
- Social funds should allocate specific budgets for the participation of community-based groups in their activities, parallel to but separate from the financing of NGO interventions.
- Capacity-building activities should become a full-fledged component of the social fund menu, instead of being merely part of administrative overhead costs.

### *Decentralization, Local Governments, and Social Funds*

- Local governments should avoid replicating centralized decisionmaking processes and ensure that investment decisions are participatory and taken at the lowest appropriate level. Furthermore, local governments should ensure the principles of subsidiarity, transparency, and accountability in the use of their resources.
- Local governments must strengthen and diversify their financial resource bases through better revenue collection, as well as through the identification of local sources of revenue and the increase of national transfers.
- Social funds should enhance coordination of efficient local social investment, and should work closely with municipalities to ensure the sustainability of projects.
- Where decentralization is in place, social funds should foster the creation of municipal funds for local social and economic development, assist municipalities in obtaining access to external sources of funds, and transfer their expertise in identifying locally needed subprojects.

### *Social Funds, Private Sector Development, and Microenterprises*

- Social funds should reinforce the accountability of public sector management through the delegated implementation of projects by medium and small private operators.
- This approach has so far been applied to public works and construction contracts, but it should be extended to other sectors, such as rural development, natural resources management, and trade.
- The competitiveness of medium and small private operators should be supported through microfinancing programs, managed by social funds working through national financial institutions.

- Training programs for small operators should be developed and implemented to improve their professional skills as well as their overall management capacities.

### *Designing Components of Social Funds: Sectors, Themes, and Access*

- The choice between a project menu that defines the initiatives that can be financed and one that defines only those that are excluded should be based on the local characteristics of poverty and the scope and role of the social fund within the government's overall poverty reduction strategy.
- Participatory research should define the social context of support, and communities should be organized, trained, and sensitized before needs are identified.
- A study to evaluate the impact of institutional, capacity-building, and participatory processes should be undertaken to delineate tradeoffs between investments for physical infrastructure and investments for building social capital.
- A consultative process that provides continuous and vigilant feedback and involves key stakeholders at national, regional, and local levels should be established, and clear criteria and procedures for facilitating the access of marginalized social groups should be provided.

### *The Monitoring and Evaluation of Social Funds*

- Monitoring is the basis of evaluation, and both should be conceived as an integral part of the project cycle, so that learning can take place as events unfold.
- The most important audience of the evaluations are the beneficiaries themselves. Participatory evaluation should be promoted, so that communities can be involved through rapid appraisal techniques.
- Evaluations should focus on the effectiveness of social funds in improving the quality of life in participating communities. They should be clear and focused with modest and realistic objectives, so that they provide answers to questions.
- Coordination on evaluations is needed among donors and line ministries so they can exchange and share the learning that comes from evaluations and avoid costly duplications. Regional networks can provide opportunities to agree on common evaluation methodologies.
- The dissemination of evaluation findings among policymakers deserves considerable attention.

### *Sustainability of Subprojects, Maintenance, and Operations*

- A sound project design, adapted to local conditions and based on simple technologies that facilitate beneficiary involvement should always be chosen and beneficiaries should be involved in the selection.
- Technical and administrative competencies for operations and maintenance should be provided to users and local agencies through training and should be accompanied by the necessary funds.
- Long-term financial resource mobilization for operations and maintenance is related to expanding the financial resource bases of municipalities and district administrations; reforms of sector policies and administrative processes need to be supported by the government and by all donors.
- Infrastructure should be managed like a business, not a bureaucracy, by introducing competition and giving users and other stakeholders a strong voice and real responsibility.

### *Appraisal and Environmental Assessment of Social Funds Subprojects*

- Environmental concerns in development projects are connected directly to poverty reduction goals. Social funds should strive for more environmental awareness across the public sector and strengthen their linkages with environmental agencies.
- Social funds should actively promote environmental subprojects related to the sustainable use and conservation of natural resources; they have a strong link to improving the role of women in development.
- Environmental assessment procedures should be simple and practical, and a handbook for this specific purpose should be developed and adapted to regional contexts.
- Regional workshops and the use of the Internet can facilitate the exchange of relevant experiences on environmental issues among social funds and their networks across countries and regions.

### *Information Systems, Outreach, and Communication of Social Funds*

- To develop an information, outreach, and communication strategy, social funds need to analyze stakeholders to identify the main actors, their interests and attitudes, and how they can be reached. The findings of the client consultations can be used to develop appropriate messages.
- The information, education, and communication strategy design should highlight the features of social funds of interest to each target group to ensure a long-term relationship between the communities and the program. The information flow has to be two-way and will evolve over time.
- Institutional responsibility for communication strategy is determined by the nature of the information to be disseminated and may require partnerships with other public or private sector agencies.
- An information, education, and communication strategy must have adequate resources to achieve its objectives, which are germane to the overall purpose of social funds.

### **Follow-Up Work from the Perspective of Main Constituencies**

#### *Social Funds' Directors*

- Social funds should introduce productive projects that address structural poverty and transfer their management culture, innovations, and lessons learned to national, state, and local agencies.
- The creation of new regional networks of social funds in Sub-Saharan Africa, in Eastern Europe and Central Asia, and in the Middle East and North Africa is encouraged.
- La Red Social and AFRICATIP will strengthen their ties and collaborate to assist emerging networks and to build an international network based on regional groupings.
- International donor agencies will support the creation and the integration of social funds networks worldwide, and the World Bank will manage the global World Wide Web page on social funds.

#### *NGO Representatives*

- NGOs should establish more permanent relationships with social funds and become involved in their management structures, as well as in the identification, design, and evaluation of projects.
- Social funds should focus on building the social capital of communities they work with and the capacity of NGOs, community-based organizations, and municipalities.



- NGOs should establish an international network to exchange information on their experiences with social funds and further explore areas such as local economic development and gender issues. This network should interact systematically with La Red Social and with AFRICATIP.
- NGOs should develop and maintain high standards of professionalism and ethics in their administrative practices and their interactions with social funds.

#### *Local Government Representatives*

- Where decentralization will allow it, social funds should foster the creation of municipal funds for local economic development and transfer to them their current responsibilities and capacities.

#### *International Development Agencies*

- Employment promotion and income generation at the local level should be among the initiatives that are financed by social funds. Gender issues should be addressed more forcefully in the design and implementation of these initiatives to overcome current barriers.
- Donor coordination is required in every country where a social fund is operating, especially for reporting and evaluation, as well as to maintain flexibility in components financing.
- International coordination should be established among all agencies that support social funds via: regular exchanges of information and meetings; the development and maintenance of the global World Wide Web page; the joint preparation of handbooks, studies, and evaluations.
- The impact of social funds on national institutional development and public sector management reform should be studied internationally.

### **Future Challenges for Social Funds in Their Regional Contexts**

#### *Eastern Europe and Central Asia*

The nature of the transition economies of Eastern Europe and Central Asia defines the key regional roles of social funds:

- They can actively foster privatization by introducing competitive procurement, provide training to small-scale operators, and rehabilitate infrastructure to be privatized.
- Especially in the area of health and education infrastructure, social funds can help achieve the balance between community participation and social sector reform strategies.
- Social funds can introduce managerial capacity, help give legitimacy to local governments in the provision of services, and introduce municipal cost recovery.
- Social funds can help create and build capacity of community associations and facilitate their links with local governments and line agencies.

#### *Latin America and the Caribbean*

In view of the completed transition from structural adjustment to economic growth in most of the countries of the region, social funds are now expected to carry out the following functions:

- Facilitate the transition to peace and social reconciliation in Central America
- Combat the current economic crisis and emergency situations in the Caribbean

- Contribute to structural poverty reduction in South America, where their integration with macroeconomic policies and other poverty reduction programs is essential.

La Red Social will continue to play a key role in facilitating the exchanges among social funds; its electronic InterRedSocial network will further facilitate the interaction among its members and its global connections.

### *Middle East and North Africa*

Social funds in the Middle East and North Africa can contribute to the social stability of those countries embarking on a process of economic and political modernization; other countries in the region still face violent internal conflicts and require emergency social funds interventions. Social funds were introduced to the Middle East and North Africa quite recently, but national governments seem eager to adopt and replicate this approach.

### *Sub-Saharan Africa*

Africa is still undergoing a process of economic stabilization, and many countries are facing specific issues of post-conflict reconstruction that call for emergency social funds interventions. The region already has the largest concentration of social funds, with the AGETIP agencies of West Africa regrouped within AFRICATIP. The social funds of Eastern and Southern Africa will develop their own network to be called Social Funds NET. While AGETIPs have a strong track record with delegated contract management of small-scale infrastructure and public works, the African social funds have concentrated in human resources development (health and education). Once Social Funds NET is operational, the two networks are expected to establish a close relationship.