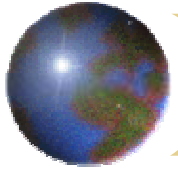
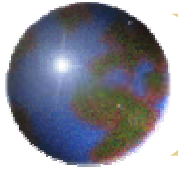


Social Funds : History, Concept, Issues



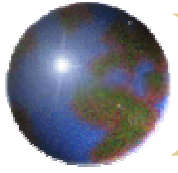
SFs, SIFs, MPs : A Methodology

- Project Financing Mechanism
 - Canvass - Select - Finance - Monitor
- Local proposals & implementation
 - By villages, CBOs, NGOs, LGs
 - Typical projects : small-scale infrastructure, IG and social support
- Quasi-governmental
 - Para-statal, outside ministries & LG structure



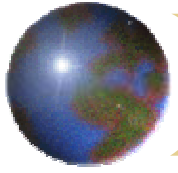
History & Geography

- Bolivia ESF 1986 - first formal SF
 - now WB SF's in 50 countries
 - many projects have SF characteristics
- Latin America
 - 16 SFs. Big.
 - Paraguay \$31m; Dominican Rep \$44m up to
 - Peru \$890m; Colombia \$1.25bn.
 - IADB is main funder
- Africa
 - Growing - post structural adjustment- mainly WB



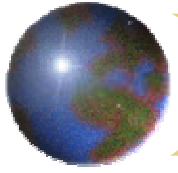
History & Geography

- Europe
 - Transition & post-conflict countries
- Asia : Few and New
 - World Bank - 8 SFs \$660m (o/w Thailand \$460)
 - History of public works and state social protection (esp. Communist countries)
- OECD
 - Private Foundations & Lottery Funds



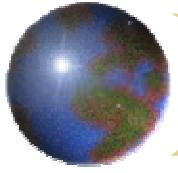
6 possible objectives

1. Short-term labour
2. Social & economic infrastructure
3. Non-infrastructure IG & services
 - microfinance, training etc. (needs intermediaries)
4. Private sector promotion
 - construction industry skills, tendering, contracting
5. Civil society strengthening
 - community motivation, organisation, contracting
6. Decentralization
 - SF linkages to LG



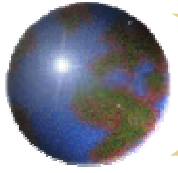
Trade-offs amongst Objectives

- Often under-specified in SF design
 - max job-creation vs. good infrastructure
 - fast disbursement vs. community outreach
 - SF independence vs. state-building
 - infrastructure formation vs. sector strategies and SWAPs
 - new 'community' systems vs. decentralisation
- SF Evaluations
 - What was to be maximised ?



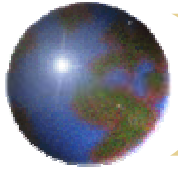
Participation

- Who and How ?
 - adverse selection
 - elite capture
 - outreach & project development support :
time and cost
- Who is not participating ?



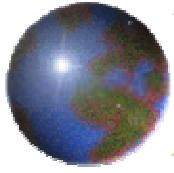
SF Popularity 1

- Multi-purpose
 - post-structural adjustment & ec. crisis
 - post-conflict & natural disaster
 - chronic & acute poverty
 - rural & urban.
 - refugee resettlement
 - ethnic minority communities



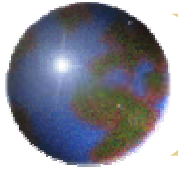
SF Popularity 2

- Efficient Financial Targeting
 - Region, district, county, village, quarter
 - Dependant on poverty/needs data
- Participatory
 - Community selection, implementation, management, o&m
 - Allocative efficiency
 - CS Building
- Innovation & Modelling
 - Local choice, participatory, pro-poor



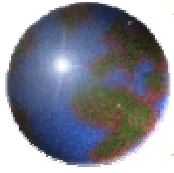
SF Popularity 3 : They Deliver

- Governance
 - Special Board : usually under PM, President, MoF
 - Management Unit
 - relative independence
 - freedom from CS rules
 - salary, recruitment, procurement, sub-contracting
 - donor reporting disciplines
 - larger SFs : local offices
- ⇒ Efficient, effective, corruption-free
- But not always....



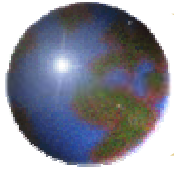
Problem 1 : Sustainability

- Institutional : modelling for whom ?
 - Disconnect with ministry/LG systems
 - staffing, management, planning, budgeting, procurement
- Financial : Capital
 - most SFs highly donor dependant
 - LM & LG resentment - political opposition
- Financial : Recurrent
 - Disconnect with
 - national and local revenue flows - o&m
 - budget formation and execution

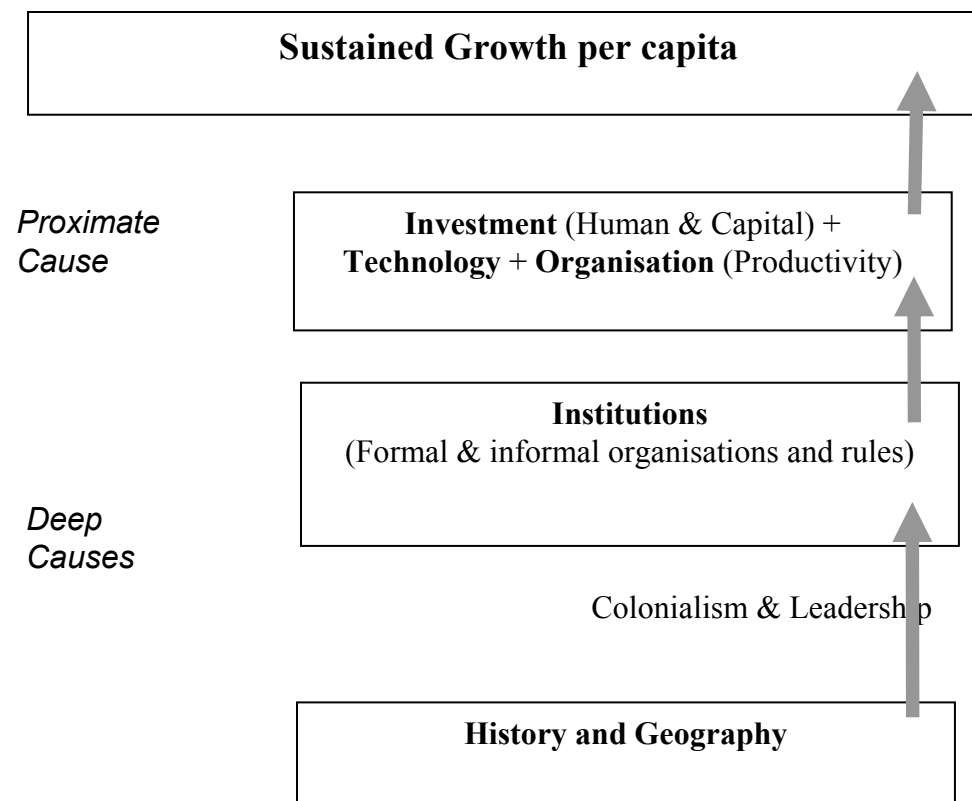


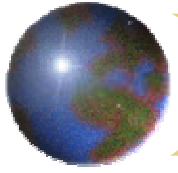
Problem II : Governance & ID

- Strengthening LG systems ?
- Strengthening LM systems ?
- Opportunity Cost ?
- Diverting political, human, financial capital away from GG & ID ?



Poverty Reduction





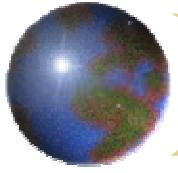
SF Impact on Poverty

✓ Proximate causes

(local demand, clinics, schools, irrigation etc)

? Deep causes

- Nat/Sub-national Governance & Dec'n ?
- Sector planning, financing, Eff&Eff, o&m ?
- Capacity draining ?
- Political opportunity cost ?



Alternatives : Use SF to strengthen devolved systems ?

- Development challenge
 - poor infrastructure or poor institutions ?
- Decentralisation
 - national & system : political, admin, financial
- cf Uganda LG development financing
 - LGA 1997 & LGFAR 1998
 - DDP (UN) & LGDP (WB)
 - statute-based + performance standards + central monitoring
 - incentive & penalty systems