

How Have Social Funds Performed?



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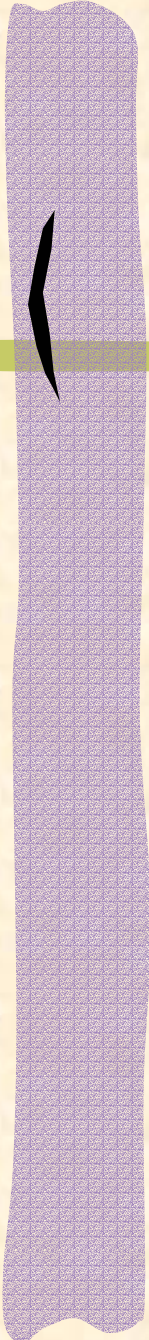
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Outline

- # Defining “performed” by looking at objectives.
- # What have we learned about impacts?
 - “Shorter term” investment objectives
 - Longer term systemic objectives
- # Policy Issues / Debates

First a definition: Social Fund, at its most basic

- # A program that provides (grant) financing for (small-scale) public investments (in a variety of sectors, and including capacity building), targeted at meeting priority needs.
 - Usually targeted to poor and vulnerable communities, but may target other valued priorities (e.g., cultural heritage).
 - Usually emphasize community participation, but degree can vary greatly.
 - Projects usually identified, and often carried out, by local actors (communities, NGOs, local governments).
 - Increasingly emphasize contributions to social capital and “local development”, because these are increasingly valued.
 - Philosophy: Practice precedes policy.
- # Many models, continuous evolution



“Performance” must be assessed
in light of objectives.

So what are the objectives of
Social Funds?

A metaphorical way to think about Social Fund objectives: a Gap and a Bridge

- # Gap between service delivery system and clients of that system:
Basic service needs of poor communities not being met

Gap and Bridge (cont'd)

- # SFs often used as a means of (i) bridging that gap—delivering basic infrastructure, capacity building in streamlined, efficient ways. Aim: improve services in poor communities, today.
 - Often assume special bridging roles during times of crisis, natural disaster (may emphasize employment generation, reconstruction)

Gap and Bridge (cont'd)

SFs also (ii) work on factors contributing to the gap. Aim: Improve the way development is done, today & tomorrow

■ Community side

- help communities develop mechanisms to identify needs, to use local governance structures to plan, to develop capacities to operate and maintain services;
- social capital, empowerment

Gap and Bridge (cont'd)

* SFs also (ii) work on factors contributing to the gap (cont'd)

■ Public sector side

- help advance decentralization strategies (building capacities, accountability (downward and upward)),
- strengthen public sector institutions (capacities in sector agencies and among sectoral staff—through direct interventions, training, competition, demonstration effects, setting standards)
- incubate innovative new programs and approaches (R&D function), including for poverty targeting, impact evaluation, social protection

Gap and Bridge (cont'd)

- ✦ SFs also (ii) work on factors contributing to the gap (cont'd)
 - ▣ Other actors (building up the floor of the canyon?)
 - ▣ help integrate other actors into the strategy: private sector, NGOs, etc.

What do we know about impacts?

- # Most serious evaluation work to date has focused on impacts related to the "bridge" function
- # We have long known about outputs:
 - Efficient, quick-disbursing, agile, flexible, community oriented, beneficiary satisfaction
- # Recent work looked at *impact* of SF investments in achieving the objective of "improving access to economic & social infrastructure & services among the poor"
 - Focusing on main sectors of intervention
 - World Bank Economic Review, Vol 16, no. 2,
 - *Evaluating Social Fund Performance: A Cross-Country Analysis of Community Investments*, Rawlings, Sherburne-Benz, Van Domelen (Armenia, Bolivia, Honduras, Nicaragua, Peru, Zambia)

What do we know about investment impacts?

- # Poverty targeting
 - Reaching poor districts, and poor households
- # Impacts on Well-being
 - increased access, and (in most cases) utilization
 - household impacts: varied by country/sector, but many positive findings
- # Sustainability
 - Investments reflect local priorities
 - SF infrastructure usually as well or better equipped/maintained
 - As with all social infrastructure, needs for improvement
- # Costs
 - Operating costs lower than most comparator programs

Mind the Gap:

What about "systemic" impacts?

- # More questions than answers.
- # Many hypotheses, assumptions—little evidence. Straw man arguments.
- # Impact evaluation complicated: counterfactual?
- # Note: impacts may be positive or negative.

Social Capital & other "community-level" impacts

What is Social Capital?

- Collective action, Associational characteristics, Trust, Participation, Empowerment/voice, Inclusion
- Words can clarify or obscure
- Do SFs build social k, or do we exploit it

How to measure?

- New tools being developed/field tested

Operational design features matter a lot

- E.g., how / by whom investment decisions are made, menu options, who implements, capacity building)

Institutions/Public Sector Management

- # Do they distort public sector? (Bhatia, forthcoming)
 - Autonomy: Often exaggerated; operational more than policy
 - Salaries: Comparisons of base salaries not valid; relevant comparison should be cost/investment.
 - Procurement/Financial Management: Pioneering (e.g., contracting out; direct financing of communities) & accountable

Institutions/Public Sector Management

✦ Do they distort public sector (cont'd)?

✦ Budgetary/Accountability Issues:

- ✦ Integration into nat'l budgets improving, but still an issue
- ✦ Donor fragmentation
- ✦ Recurrent expenditures seem to be covered
- ✦ Little evidence of crowding out, may be crowding in (& to poorer areas)

✦ Political Influence:

- ✦ Design features matter
- ✦ No evidence that other govt programs subject to less influence

✦ Corruption

- ✦ Little evidence
- ✦ Design features matter (e.g., MIS, allocation criteria)

Institutions/Public Sector Management

- # Do they distort public sector (cont'd)?
 - Many of these issues are generic to IFI-financed programs (PIU issues).
- # Decentralization - a special category...

Coming to Decentralization

Means & Ends: A stylized history of Social Funds

- # Social compensation (investments as means to end)
- # Investments in basic infrastructure (community participation as means to end [of identifying the right projects, and enhancing sustainability])
 - Some attention to social services started
- # Community participation (capacity building, voice, empowerment, social capital) and investments both ends

So why are SFs now focusing on decentralization and local governance?

Means to current ends

- (To sustain community participation) Sustainable community participation, empowerment, means linking communities to the “system”
- (Works need maintenance and operation) Sustainable service delivery often demands local government intervention
- (To order project requests) Intra-district competition seems fairer than first-come, first-served, or handpicking communities; may result in better decisions

But also part of new end of “improving development systems” (fixing the gap)

Other reasons?

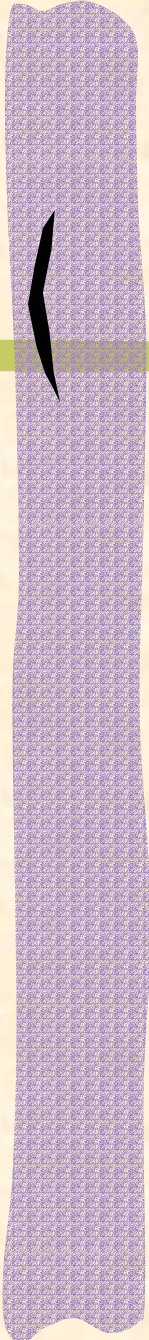
- Political pressure?
- New fad?

Questions about SFs and Decentralization

- # Does it go without saying that SFs should focus on decentralization?
 - Are there contexts in which SFs should remain relatively centralized?
 - Is an emphasis on decentralization a luxury for less poor countries?
 - Are there some investments that should not be decentralized (or is it all or nothing)?
 - What about special needs groups?

Questions about SFs and Decentralization

- * Are there conditions that need to be met first? (elections, fiscal transfers, municipal capacities)
Should SFs lead, or support?



Questions about SFs and Decentralization

When SFs do focus on decentralization, what operational features are most important—best practices?

- Balancing community and local government for implementation
- Participatory Planning
- Maintenance Funds

Questions about SFs and Decentralization

- * Does this new role have implications for expected duration of SFs? (if so, what are we going to do about making the institutions sustainable?)

What is the long-term perspective?

- # Is there a long-term role for a bridge?
 - Many years before all social and infrastructure programs can be financed through taxes; so needs for external financing likely to remain great
 - But even then, SF may be better for some functions than alternatives
- # Is there a long-term role for gap-mending?
 - Exit/Transition strategies increasingly tied to Local Development Strategies
- # If so, what to do about making the institutions sustainable?

Existential Questions

- # Can a program that “only” does lots of little things have as much impact as a big reform project? Some even ask whether they *undermine* good policy development / implementation?
 - Filling gaps vs. developing policy: you need both
 - SFs should ideally fit in with a development strategy.
 - But does policy have to precede practice?
 - In any case: Aim for convergence.
 - Need to apply “best practices”, esp. in rural infrastructure
 - Are SFs to blame when governments fail to tackle policy issues?

Existential Questions

- # What is more important: targeting the poorest, or broadening coverage of basic services?
- # Prioritizing among various objectives leads to decisions about operational features; operational features may reveal preferences regarding objectives

Other, more operational, challenges:

- # Maintaining transparency (move to community contracting helps); dealing with political mandates
- # Grant mentality (not good for everything: productive projects?)
- # Replicating / scaling up pilots
- # Bulldozers vs. Think-Tanks: may not be best "Poverty Reduction Board" (but sometimes put in that role)
- # Need multisectoral teams (always tough)

Concluding Remarks

- # Social Funds are flexible and effective instruments that have
 - Helped develop new approaches and instruments
 - Had proven impacts on living conditions of the poor; 10, 100, 1000 projects DO matter.
- # But as time wears on, their "systemic" impacts are gaining in relevance. In particular, as strategic importance of Local Development grows, we need to address some key analytical challenges
 - To clarify desired "social capital" and "institutional" impacts, and the hypotheses for how SFs are supposed to help
 - To evaluate impacts at all levels
 - To clarify the conceptual framework for "local development", and attack the problem holistically. SFs may be helpful for this goal, but are not sufficient.