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# Design of Social Funds

*Participation, Demand Orientation, and  
Local Organizational Capacity*



*Deepa Narayan  
Katrinka Ebbe*

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Local Organizational Capacity*

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*Deepa Narayan  
Katrinka Ebbe*

*The World Bank  
Washington, D.C.*

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# Foreword

**T**he failure of centralized agencies and top-down planning to reach the poor with sustainable development solutions has led to a search for more effective approaches. This reassessment has resulted in project designs that attempt to devolve decisionmaking and resources to lower levels of government and to communities and user groups. Now, a growing body of evidence confirms that community involvement in the initiation, planning, implementation, operation, and maintenance of development projects does indeed lead to more sustainable results. However, with this new approach come several important challenges, including reorienting agencies toward participation, designing projects with the flexibility to respond to the demands of the poor, and improving the capacity of local-level organizations to effectively participate in planning and implementing projects.

Social funds have proved to be an important instrument for creating projects that reach the poor using community-based strategies. This paper examines the mechanisms used and the

degree to which the present cohort of social fund projects supports the framework of sustainable development: community participation, demand orientation, and investment in local organizational capacity.

Social funds have provided much valuable experience on the mechanisms for reorienting development agencies toward participation and demand-based projects. They have also instituted groundbreaking initiatives to increase community involvement and control in project implementation. The results of social fund work are also beginning to show the importance of building the capacity of local organizations—a form of social capital—and the huge potential of development projects to do this.

If development projects can strengthen local-level social capital, they may indeed leave in place the capacity for communities to continue to help themselves. When that occurs, projects will be seen as an input into the lives of the poor, rather than the poor being seen as an input into development projects.

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# Abbreviations and Acronyms

AGETIP	Agence d'Exécution des Travaux d'Intérêt Public
BA	Beneficiary Assessment
CDA	Community Development Advisor
CPC	Community Project Committee
IA	Implementing agency
IDA	International Development Association
M&E	Monitoring and Evaluation
MIS	Management Information System
MOU	Memorandum of Understanding
NGO	Nongovernmental organization
O&M	Operation and maintenance
PHRD	Policy and Human Resource Development Fund
PSP	Poverty and Social Policy Department, World Bank
PTI	Program of Targeted Interventions
QAG	Quality Assurance Group
S&C	Savings and credit
SA	Sponsoring agency
SAR	Staff Appraisal Report
SCC	Systematic Client Consultation
SAF	Social Action Fund
SIF	Social Investment Fund
TA	Technical assistance

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# Abstract

**S**ocial funds are becoming an increasingly important lending instrument in the World Bank's efforts to reach the poor. As part of a social fund portfolio review of 51 projects at the end of fiscal 1996, this paper examines the extent to which social fund subprojects are designed to support community participation, demand orientation, and investment in local organizational capacity to achieve sustainability at the community level.

Social funds, which were first designed to cushion the effects of a country's fiscal and institutional crisis, have shown considerable ability to adapt and evolve in response to a new focus on service delivery and local capacity building. There have been many innovations in the design of social funds, particularly in the past

two years, involving the devolution of authority and control over decisions and financial resources to community groups. However, the demand orientation of most projects could be further strengthened and only a handful of funds invest systematically in local organizational capacity. This raises concerns about the long-term sustainability of subprojects at the community level. If social funds are to meet their potential as lending instruments for alleviating poverty on a sustainable basis, more attention will have to be focused on community participation, demand orientation, and investment in local organizational capacity. This paper offers a number of specific design recommendations for improving these features in social fund projects.

## Introduction

Centralized approaches to development very rarely reach the poor with sustainable solutions to their problems. They are usually based on an assessment of “needs” by someone at the center, and employ a top-down planning process to determine priorities and what will happen where. The failure of these approaches has led to a search for new options, focusing especially on decentralization of authority and resources to lower levels of government and to communities and user groups. There is considerable evidence that community involvement in the initiation of subprojects and the investment of groups in self-organization at the local level are the key to achieving sustainable improvements in poor people’s welfare (Azfar 1997; Banerjee 1995; Binswanger, Kerr, and Piriou-Sall 1997; Meinzen-Dick, Reidinger, and Manzardo 1995, Narayan 1995a; Picciotto and Grover 1996; Tandler 1993; Uphoff 1996; Van Zyl and others 1995; Gueye and others 1996; World Bank 1996b).

A shift from supply-driven to demand-based or community-driven approaches to reach the poor is evident across the world, and in virtually every sector. In the World Bank’s portfolio there are examples in agriculture, primary education, primary health, family planning, natural resource management, rural infrastructure, urban shelter, and water and sanitation. One particular set of World Bank financed projects,

the social funds, is thought to be demand-driven and participatory, and generally receives highly satisfactory performance ratings in the Bank’s internal review system. The World Bank’s Quality Assurance Group therefore suggested a review of this portfolio of projects, to assess what lessons can be learned (World Bank 1997). As part of the larger review, this paper focuses on one important but narrow question:

*Does the design of social funds support community participation, demand orientation and investment in local organizational capacity to achieve sustainability of subprojects?*

Based on content analysis of staff appraisal reports, this paper makes an assessment of project design or quality-at-entry. The findings were cross-checked in discussions with task managers and a limited review of operational manuals. No assessment is made of how successful the projects have actually been in the field—that evaluation will be carried out for a sample of social funds in the next phase of the review.

This paper is organized into five chapters. The introduction places the social funds within a broader context of the World Bank’s Program of Targeted Interventions and community-driven projects, of which social funds are a subset. The chapter then sets out a working definition of social funds, describes typical social fund com-

ponents, and lays out the analytical framework and study methodology. Chapters 2, 3, and 4 address the three key features that are vital to sustainable community-level projects: community participation, demand orientation, and local organizational capacity. Chapter 2 briefly defines community participation, then examines the extent to which social funds are designed to promote this feature in their subprojects, highlighting good practices. Chapter 3 addresses the rules and incentives that contribute to demand orientation, and Chapter 4 discusses capacity building for community groups and intermediaries such as local government and nongovernmental organizations (NGOs). Chapter 5 draws some conclusions and makes recommendations for the design of future social funds.

### **Program of Targeted Interventions**

Between fiscal 1992 and fiscal 1996, 80 percent of projects in the World Bank's Program of Targeted Interventions, worth \$19.3 billion, included components using participatory mechanisms whose success depended on joint planning and decisionmaking with community groups. In fiscal 1996 alone, approval was given for 63 projects worth \$4.2 billion, in which demand-based, participatory and community-intensive approaches were to be used (statistics supplied by the Poverty Monitoring Unit in the World Bank's Poverty and Social Policy Department, September 1996). The social fund projects account for a small but increasingly significant fraction of these totals.

The project descriptions of these participatory, poverty-targeted projects mention demand- and community-driven features, but in reality the scope for community interaction and participation was quite limited. For example, in only 25 percent of these project descriptions was there any mention of interaction with groups of local people, whether user groups, community-based organizations, or other local organizations. Even fewer projects invested in community-level capacity building.

### **What Is a Social Fund?**

The working group for the social funds portfolio review specified two characteristics to distinguish these projects from other lending instruments aimed at reaching the poor.

- The unit managing the social fund has a special autonomy, with a clearly defined and protected budget, exemptions from civil service salary regulations, and exemptions from the government's usual procurement and disbursement procedures.
- The power to select or reject subprojects is vested in the unit managing the social fund, which determines the rules of interaction and the range of investment options available to eligible groups. These groups, community organizations, NGOs, municipalities, and private firms, design and implement subprojects. The social fund provides supervision and technical assistance but is not involved in implementation.

Social funds are meant to be demand-driven mechanisms that channel resources to the poor and support subprojects that respond directly to the priority needs of the poor.

### **The Social Fund Portfolio**

The social fund mechanism emerged as a response to acute fiscal and political crisis in Latin America (Jorgensen, Grosh, and Schacter 1993; Carvalho 1994). It quickly proved to be an effective and efficient mechanism of generating employment and getting resources to the poor in emergency situations. Over time, social funds began appearing in nonemergency scenarios, raising concerns about targeting, sectoral coordination, institutional strengthening, and sustainability of subprojects. The most dramatic shift toward demand orientation, community participation, and sustainability has occurred in the past two years.

The social fund portfolio is diverse and growing. The World Bank had approved 51 social funds in 32 countries, committing \$1 billion as of the end of fiscal 1996. All but five are

IDA-financed. Lending has increased steadily since 1987, when the first social fund was created in Bolivia. In 1996 almost half a billion U.S. dollars were committed, accounting for about 36 percent of total Bank lending for social funds.

At the end of fiscal 1996, only 19 percent of the total number of social funds were identified as "at risk," thus making them a "well-performing" portfolio. There is one caveat, however. The social funds portfolio is relatively young, with a large proportion of its projects approved in the past two years, and newer projects tend to have better ratings than older projects.

AGETIPs (Agence d'Exécution des Travaux d'Intérêt Public) are a special type of social fund. In addition to selection and financing of projects, AGETIP management also assumes responsibility for executing selected projects on behalf of the project-requesting agencies, typically the municipality. Thus AGETIP project management typically works with municipalities rather than directly with groups of the poor.

### Project Components

Social funds vary, depending on the political, institutional, fiscal, and social context. Despite their variation, it is useful to look at the kinds of

activities financed by such projects, irrespective of the size of the component. A breakdown of project components drawn from the financing section of staff appraisal reports shows that most projects (89 percent) support the creation of economic infrastructure, including roads, civil works, irrigation, land reclamation, and natural resource management activities (table 1.1). Domestic water supply was included in either economic or social infrastructure. The other most common activities were creation of social service infrastructure (schools, clinics, sanitation, and water facilities), in 59 percent of projects, and investment in developing social service program activities, in 65 percent. Overall, 23 percent of projects mentioned credit and enterprise development components, although projects may finance such activities without singling them out for mention in the financing list.

Financing to support community development and organization at the grassroots level was mentioned in 27 percent of the projects. Agency strengthening or institutional development of private firms, NGOs, or municipalities was mentioned in 16 percent of projects.

One of the shifts that has occurred over the years is greater commitment to reaching the poor and to using a learning process approach to

**Table 1.1 Distribution of project components financed with social funds**

<i>Component</i>	<i>Number of projects n = 51</i>	<i>Percentage of projects</i>
Social Service Programs	33	65
Social Service Infrastructure	30	59
Economic Infrastructure	45	89
Credit/Enterprise Development	12	23
Poverty Monitoring	11	22
Project Monitoring and Evaluation	12	24
Studies, Information Campaigns	15	29
Training, Technical Assistance, Contractors, Consultants	27	53
Community Development, Grassroots Participation	14	27
Institutional Development	8	16
Equipment, Administration	37	73
Parallel Financed Works	10	20
Contingencies	19	37

Source: Authors' data.

managing demand and community participation. Twenty-two percent of all projects include poverty monitoring and about a quarter include monitoring and evaluation as a specific component. Almost 30 percent invest in special studies and to a much lesser extent in information campaigns (two projects).

### **Analytical Framework**

Community participation means different things to different people. In order to throw further light on community participation and its impact on project outcomes in different contexts, two portfolio reviews were conducted. The first was a study of 121 rural water supply projects (Narayan 1995a). Beneficiary participation emerged as the single most important determinant of project outcomes—that is, water system functioning and maintenance over time—even after controlling for the influence of 18 other project determinants. The study then examined what determined beneficiary participation. At the community level the two most important criteria were demand and local organizational capacity. At the agency level three factors emerged as significant: the extent to which the agency made achieving beneficiary participation a goal that was monitored, evaluated, and rewarded; the degree to which the agency made use of local knowledge through extension workers, local assessment, or use of community-based organizations; and whether the agency had the autonomy to adjust resource allocations in response to community needs.

Similar findings emerged from a second, cross-sectoral review of more than 200 community-based programs of several agencies around the world (Narayan 1995b). The basic finding was that collective action by groups at the community level occurs and is sustained when there is a strong common interest or felt need that brings the group together; the benefits of working together outweigh the costs and cannot be achieved through individual action; the groups are embedded in the existing social organization; the groups have the capacity to manage the tasks (leadership

and technical); and the groups have control over assets and organizational rules.

At the agency level the challenge is to create institutional arrangements that support collective action in hundreds of communities with efficiency and accountability. This orientation to supporting collective action must be reflected in the agency's mission, strategy, and capacity, and in the set of rules that governs its internal functioning. Based on the results derived from completed projects and from the work of other agencies (Ostrom 1990), a simple analytical framework was developed to assess the extent to which results from field-based experiences are being reflected in the design of new community-driven projects.

### ***Community-driven Development***

On the basis of this earlier work, community-driven development can be defined as a process in which community groups initiate, organize, and take action to achieve common interests and goals. Successful community-driven projects, which lead to sustainable results at the local level, show three key characteristics: community participation, demand orientation, and investment in local organizational capacity or local-level social capital (box 1.1).

These three concepts are further elaborated in chapters 2 through 4. Before turning to a brief review of this paper's methodology, it is important to mention four caveats:

- *Principles not models.* Community-driven development works in a range of contexts because by definition it evolves in response to the priority needs of groups of people who because of various constraints (nature of the good, costs, ownership patterns, political and cultural context) cannot achieve the same outcomes through individual action. Hence, the characteristics highlighted in box 1 are guiding principles rather than models that can be transferred from one context to another. The institutional arrangements to achieve these principles will vary widely in different contexts.

**Box 1.1 Key elements of successful community-driven development*****Community Participation***

Community groups have control and authority over decisions and resources, including financial resources.

***Demand Orientation***

Outside agencies offer options and impartial information, especially about costs and benefits of options and service levels, to enable community groups to make informed choices; agencies require evidence of community interest and commitment through cash or

in-kind contributions, and/or initiation or completion of organizational tasks prior to implementation; and agencies support community control and authority during implementation.

***Local Organizational Capacity***

Groups of people have the capacity to work together, trust one another, organize their efforts, solve their problems, mobilize resources, resolve conflicts, and network with others to leverage resources and achieve shared goals.

Source: Narayan 1997b.

- *Community groups not communities.* Communities are not homogeneous entities; great differences exist within most communities, in power and interest, and by wealth, gender, and ethnicity. Formal village institutions may or may not represent the priorities of the poor and other marginal or vulnerable groups. Groups that receive resources from the outside are often "hijacked" by elites unless there are mechanisms in place for representation, transparency, and accountability. In the case of community-driven initiatives, the focus is on groups in a community that come together to take action.
- *Authority at the lowest appropriate level.* Most community groups do not function in isolation from the rest of the world. Hence the guiding principle is to devolve authority to the lowest appropriate level. Legislation to recognize community groups as legal entities is best made at the national level; river basin management requires decisions made at the level of river basins; network systems such as roads and railway systems need certain decisions best made at higher levels than at the level of neighborhoods or community groups.
- *Varying institutional arrangements.* As the community's role shifts from "recipient" to "initiator," the role of support agencies has to shift correspondingly. This means that agency roles will not only vary according to country circumstances, they will also vary over time and

among different communities in the same country. Such flexibility requires local government authorities who have incentives to work with community groups; legislation and policies that support self-organization by community groups; a thriving private or civil society; and technical and organizational capacity to work with community groups and to keep local governments accountable.

***Study Methodology***

This study is based on a detailed review of the staff appraisal reports of 51 projects classified as social funds for the purposes of the working group reviewing the social funds portfolio, supplemented by interviews with 15 task managers. Detailed matrixes were developed focusing on the extent to which the design of social funds enabled participation of the poor, demand orientation, and investment in local organizational capacity. The matrixes were corrected by task managers and staff working on the projects. Examples of these matrixes for 10 projects are found in the Annex.

The characteristics analyzed include:

- Project name, country, year, components, and cost breakdown.
- Project objectives and the relative importance placed on participation and community development.
- Project performance indicators, monitoring and evaluation processes, and the use of

results in management decisionmaking and program redesign.

- Outreach and information campaigns and the role of intermediaries, NGOs, private firms, and local government.
- Targeting, through predetermined sectoral, geographic, or poverty allocations, and demand management.
- Orientation of social fund agency toward community development, such as training for staff, involvement of NGOs, and field presence.
- Process of subproject initiation and proposal development; extent of participation of the poor and vulnerable in needs identification, planning, implementation, operation, maintenance, and evaluation; mechanisms to achieve representation and transparency in use of funds.
- Indicators of demand, such as the tasks that community groups must complete to qualify for funds, upfront community contributions

(gathering materials or funds prior to approval), and contributions during implementation and for operation and maintenance.

- Extent of community authority and control over decisions, including handling of funds and hiring, supervising, and paying contractors.
- Structure of subsidies or flow of funds and impact on demand.
- Sanctions for noncompliance with project requirements.
- Capacity building: of community groups to facilitate their involvement in operation, maintenance, and management; and of intermediaries such as local government and NGOs, to enhance their participation in community development.

The study makes no attempt to judge how projects fare during implementation, but examines in depth the quality-at-entry of the projects based on what is currently known about the design of successful community-driven projects.



# Design Features to Support Community Participation

*Community participation is the process by which community groups assume control and authority over decisions and resources.*

After a four-year learning process on participation, the Operations Policy Department report, *The World Bank and Participation*, concluded that “there is significant evidence that participation can in many circumstances improve the quality, effectiveness and sustainability of projects and strengthen ownership and commitment of government and stakeholders. Community participation strategies are found to be particularly important in reaching the poor” (World Bank 1994). Participation was defined as the process through which stakeholders influence and share control over developmental initiatives, decisions, and resources that affect them (World Bank 1994, 1996b). Community participation has come to mean different things to different people—in this paper, sharing information and consultation are considered no more than prerequisites for meaningful participation, and the emphasis is on community control and authority. This chapter examines the extent to which the design of social funds supports the participation of community groups, including the poor, and highlights good practices.

### Agency Orientation to Support Community Participation

Although it is widely assumed that social funds are, by definition, community-driven, it is useful to begin examination of this question within

the framework of key stated objectives, and to establish first whether a project was intended to be participatory and community-oriented. Stated objectives are critical because they send signals to project staff about what is important to achieve among a range of often conflicting objectives. Community participation is easily compromised by sectoral targeting (for example, stipulations that x percent will go to health and y percent to agriculture) and by pressures for quick disbursement and construction.

### *Project Objectives*

The fifty-one social funds that were examined listed a total of 189 objectives. Objectives can be conflicting, and hence it is important to consider whether a particular objective is stated at all, as well as its relative dominance in the hierarchy of objectives.

Forty percent of projects mentioned community development, community self-help, community capacity building, and community initiation among their objectives (table 2.1). Only four (8 percent) of these projects, all approved in 1996, mentioned community development as the overall objective, although others mention community development somewhere in the list of objectives. Overall, of the 189 objectives listed by social fund projects, 11 percent reflected a clear community development focus. Community

**Table 2.1 Social fund objectives**

<i>Objectives</i>	<i>Number of projects n = 51</i>	<i>Percentage of projects</i>
Community development		
In overall objective	4	8
Specific objective	8	16
Specific, but last in list of several objectives	4	8
Mentioned somewhere in objective list	4	8
<i>Total Community Development</i>	20	40
Demand-driven	8	16
Targeting poor and vulnerable	24	47
Employment creation	25	49
Sustainability	11	22
NGO involvement	13	25
Monitoring poverty	9	18
Social cohesion	4	8
Improvement in employee skills/firms	15	29

*Source:* Authors' data.

development objectives occur most frequently in the most recent cohort of projects approved.

Based on stated objectives, it appears that approximately 40 percent of all social fund projects aim to achieve community development objectives. Overall, employment creation (49 percent) and targeting the poor and vulnerable for project benefits (47 percent) are the two most frequent objectives listed.

#### ***Project Performance Indicators and Their Use***

If community participation in decisionmaking and resource allocation is not monitored and reflected in a project's indicators of success, it is unlikely to remain a guiding principle, as it is much easier to focus on disbursement rates and construction progress. More important, community-driven projects by definition cannot operate on blueprints but require a clear set of objectives, an overall strategy for achieving the objectives, monitorable benchmarks, and clear performance indicators. Because of the absence of blueprints, monitoring and evaluation linked to performance indicators are of greater importance to guide management decisionmaking than in blueprint projects. Hence, the promi-

nence of community participation among success indicators is a proxy for judging the underlying incentives for project staff.

Three issues relating to indicators were examined: the performance indicators themselves, monitoring and evaluation methodologies, and the linkage of findings to project decisionmaking. Information was collated from the sections describing mid-term and annual reviews and annexes listing performance indicators.

*Performance indicators.* The key performance indicators most commonly used by social funds include physical, financial, employment, sub-project cycle efficiency, and beneficiary characteristics (number and type). Overall, 20 percent of projects include degree of community participation and demand orientation (the extent to which subprojects reflect the priority needs of people, demonstrated by community financial contributions or attendance at meetings) among the key performance indicators. Another 8 percent monitor levels of participation on an annual basis without including participation of the poor as a key performance indicator (table 2.3). Only one project, Armenia Social Fund, gives the poor a voice in choosing the indicators to monitor

subproject progress. Overall, 22 percent of projects mention sustainability, although the precise indicators are not clear.

The most common explanation for not including participation in a set of performance indicators is the difficulty in specifying a measure. The most frequently used indicator appears to be "attendance at meetings," which can be very misleading without additional information. More generally, there appears to be much confusion in categorizing and tracking meaningful indicators of participation. However, there are a few examples (table 2.2) where indicators of participation have been incorporated in computerized Management Information Systems (MIS).

When participation is defined as the degree of control over decisions and resources (who initiates, who chooses, who allocates funds, who hires and so on), the job of identifying indicators is a little easier. However, to avoid massive data collection efforts, it is useful to consult with clients at different levels to get them to identify, agree on, and commit to use three or four key indicators of participation that can be tracked in the MIS.

Participation contributes to improved project outputs and hence should be reflected in output

indicators. Projects generally focus only on goods and services delivered (World Bank 1996c). In community-driven projects it is also useful to monitor and evaluate client satisfaction, ownership, capacity, and operation and maintenance of goods and services delivered (annex 2).

In contrast to the scarcity of participation indicators, most recent projects have systematically invested in monitoring poverty and the characteristics of beneficiaries reached. Overall, 61 percent of projects monitored whom they were reaching, based on poverty. Eight projects (16 percent) now include support for local organizations to conduct participatory poverty assessments (PPAs) in order to evaluate the outreach of social funds (table 2.3). The Malawi and Zambia Social Funds use PPAs as part of their overall monitoring strategies, and the Ethiopia Social Fund incorporates PPA methods in its welfare monitoring.

*Monitoring and evaluation methodologies.* All projects planned annual and semiannual reviews, usually conducted by joint teams of Bank and project staff. Many commissioned independent issue-specific studies as well. The methods used for monitoring and evaluation can be divided, broadly, into two types: computer-

**Table 2.2 Key performance indicators to assess community participation**

<i>Project</i>	<i>Indicator</i>
<b>Armenia FY96</b>	
Performance indicators tracked in Management Information System (selected)	<ul style="list-style-type: none"> <li>• Proportion of all proposals presented by community.</li> <li>• Proportion of subprojects with 15 percent or more community contribution.</li> <li>• Proportion of subprojects for which a maintenance trust fund was set up by community.</li> <li>• Women as percentage of total community project committee members.</li> </ul>
<b>Ethiopia FY96</b>	
Process indicator	<ul style="list-style-type: none"> <li>• Average total community investment as percentage of subproject costs.</li> <li>• Percentage of subprojects with "satisfactory" maintenance ratings.</li> <li>• Percentage of subprojects with "satisfactory" utilization ratings.</li> <li>• Percentage of women among beneficiaries reached.</li> </ul>

Source: World Bank internal reports.

**Table 2.3 Performance indicators and monitoring of poverty, community participation, and demand orientation**

<i>Indicator</i>	<i>Number of projects n = 51</i>	<i>Percentage of projects</i>
Projects monitor poverty level of client reached	31	61
Participatory poverty monitoring is carried out	8	16
Performance indicators include community participation	10	20
Projects monitor participation, but do not include it in key performance indicators	4	8
Management Information System tracks community participation	2	4
Beneficiary Assessment and client satisfaction surveys are conducted	26	51
Beneficiary Assessment feeds into management decisionmaking	9	18
Management Information System data feed into decisionmaking	22	43

*Source:* Authors' data.

ized MIS and beneficiary assessment. The computerized MIS is central in providing managers with feedback in 43 percent of the projects. The MIS is used to track progress in key performance indicators, mostly physical, financial, and project cycle progress, and, increasingly, type of beneficiary reached. Only two projects (4 percent) use MIS to track community participation (table 2.3).

Fifty-one percent of projects use beneficiary assessment techniques to get feedback from the poor and to learn their perceptions of the project. The use of beneficiary assessments has become pervasive over time. If one considers only the fiscal 1996 cohort, 85 percent of projects mention the use of beneficiary assessment in monitoring and evaluation. Four projects made specific mention of participatory monitoring and evaluation methodologies, including stakeholder workshops and participatory rapid appraisals.

*Use of information for project decisionmaking and adjustments.* One challenge for demand-oriented projects is that to remain responsive they must continue to adjust and evolve with experience. The use of MIS to manage this flexibility and adjustment was specifically mentioned in 43 percent of the projects. The use of beneficiary assessment and beneficiary feedback to adjust project strategy was specifically mentioned in 18 percent of projects.

#### *Personnel Orientation, Incentives, and Performance Criteria*

When project success is based on staff behaviors that are not part of bureaucratic cultures, it is particularly important to pay attention to the signals, orientation, and underlying incentives for staff. There was so little information in the project reports that this analysis could not be conducted. However, the fact that increasing numbers of projects are setting up regional offices and involving NGOs either in training or as intermediaries may signal increasing concern about orientation of staff to community participation.

The Egypt FY96 Social fund relies on the "demonstration effect" as a primary means of increasing the participatory orientation of fund and government staff. Because the fund collaborates with government line ministries, its staff are beginning to internalize the fund's participatory mode of interaction with NGOs and local community groups. In addition, the fund actively hires staff from and cooperates with intermediaries who have previously worked with poor communities. These staff members' familiarity with the cultural milieu and ability to communicate with the poor have proved to be effective in reaching targeted groups. Fund staff also receive training in participatory intervention methods and in the second phase of this project, efforts will be made to introduce an

incentive structure that rewards staff for adhering to participatory procedures.

In the Eritrea FY96 Social Fund, a participatory team environment is being created by training staff in team building, group problem solving, and group decisionmaking. It is hoped that this training will create a participatory environment and provide a strong orientation toward participatory methods in the field. In the Ethiopia FY96 project, staff training in promotion and community strengthening is one of six priority areas, along with other issues such as targeting investments and managing central accounting systems.

### *Regional Offices*

The necessity of working with hundreds of communities over large areas has led many social funds to establish regional offices in order to increase their presence in the field. The percentage of social funds using field offices has increased over time. Thirty-seven percent of the projects implemented from fiscal 1987 to fiscal 1994 established regional offices, while 53 percent of projects approved in fiscal 1995 and fiscal 1996 have created these decentralized offices.

Social fund task managers have noted several advantages to this decentralized system. Regional offices have the obvious advantage of allowing more personal contact between social fund staff and community clients. This results in better communication, trust, and understanding between fund staff and community groups. Increased contact and knowledge of the local areas also allows fund staff to design project outreach and implementation mechanisms suited to local conditions and to identify and work more closely with local facilitators and intermediaries (Schmidt and Marc 1995).

A beneficiary assessment of the Zambia Social Recovery Project (FY95) shows that sub-project committees pay greater attention to participation-related issues because they feel more accountable to regional offices. The beneficiary assessment of the Zambia project also identified logistical improvements, such as more frequent

and detailed monitoring of projects and increased speed in communications and disbursements through regional offices (Schmidt and Marc 1995).

### *Intermediation and Role of Nongovernmental Organizations*

Seventy-four percent of the social funds involve nongovernmental organizations in one capacity or another. Local NGOs are a logical partner for social funds because many of them work directly with the poor and have experience working on small-scale participatory projects (Malena 1996). NGO roles in social funds range over a wide spectrum of project activities:

- *Social fund governance.* NGOs have been tapped to sit on social fund advisory and approval boards at both the central and local levels. Armenia's board of directors and advisory committee each include one seat for NGOs, one for the private sector, and three for government. The Angola FY96 Fund has oversight boards at the provincial level with seats for representatives from two NGOs, two churches, two private sector organizations, and six government agencies.
- *Outreach.* NGOs are involved in social fund outreach activities both as recipients of information and as information providers. In Ecuador FY94, NGOs are targeted to receive promotional information about the social fund project. NGOs are often involved in disseminating program information through their own local networks (Honduras FY96). In some cases NGOs are contracted by the funds to advise on promotional strategies or to implement outreach activities themselves (Comoros FY94, Ecuador FY94).
- *Facilitation of community planning process.* NGOs also help communities prioritize their needs and prepare proposals. Sometimes social funds contract with NGOs directly to provide these services and the costs are borne directly by the fund. At other times NGOs are recognized as community sponsors and their

costs are covered retroactively by a line item in the subproject budgets (Ecuador FY94, Malawi FY96, Zambia FY95).

- *Project implementation.* NGOs play many different roles in subproject implementation and have been responsible for subproject administration, implementation, supervision of works, and handling of funds (Egypt FY96, Guatemala FY93, Honduras FY96).
- *Evaluation.* NGOs are often contracted to help with beneficiary assessments and other subproject ex post evaluations (Ecuador FY94). NGOs have also been involved in living standard and poverty monitoring activities used to inform social fund policy (Zambia FY95).
- *Capacity building.* Social fund projects frequently identify the need to train community groups, local officials, and fund staff in participatory planning, community development techniques or both. As NGOs are often the only entities with the capacity to undertake these kinds of training, they are hired by social funds to provide both training and technical assistance (Armenia FY96, Egypt FY94, Argentina FY96). A few projects involve international volunteer agencies—for example the Peace Corps in Honduras FY96 (box 2.1).

### Community Roles and Participation

Community participation can take different forms, but the basic goals of this process are to respond to priority needs; to build confidence,

problem-solving skills, and organizational capacity; and to promote ownership and the care of local assets. Community-driven development means that groups of people at the community level (rural and urban) come together to initiate collectively some action to improve their well-being. It implies community self-selection into a project (community initiation); community planning, management, and evaluation; and community operation and maintenance—with the support agency facilitating the community development process.

From the agency perspective, using participatory processes implies creating a framework of rules and choices for effective interaction with hundreds of heterogeneous communities. Agencies must respond to the priority needs of the poor within these communities, while at the same time building the capacity of local organizations of the poor to manage themselves. However, special care must be taken to ensure that external facilitators do not take initiative and leadership away from the local groups. The main challenge is the design of agency rules and incentives to make community responsiveness the driving force within the agency. Hence the focus is on clarity of roles, rules, and procedures and the implicit incentives these create.

### *Clarity of Subproject Cycle*

The essence of the social fund mechanism is to finance, monitor, and evaluate subprojects but

#### **Box 2.1 Working with communities: The Peace Corps in Honduras**

The Honduras FY96 Social Fund plans to use the Peace Corps to further its participation work in the water, sanitation, and microcredit sectors. The Peace Corps and its Honduran counterparts will be trained in the fund processes and availability of funds. They will assist in:

- Promotion and community organization.
- Identification or preparation of subprojects or both.
- Training of communities and municipalities in fund processes.
- Strengthening of community participation in all phases of implementation and maintenance of projects.
- Supervision and technical evaluation of the execution of subprojects.
- Monitoring activities and impact evaluation of subprojects.

Source: World Bank internal report.

not to implement them. The key to success is clarity and transparency in the subproject cycle process so that the rules of these partnerships are clear to all actors.

Only a handful of social fund projects have clear descriptions of the rules and approval criteria that signal movement through the critical junctures of the subproject cycle. (See, for example, the subproject cycle for Angola FY96, depicted in figure 2.1) In 28 percent of projects the subproject process was totally unclear or left undescribed in the staff appraisal report. In the majority of projects, reviewers were able to piece together the process only after much searching and interpretation of the staff appraisal report.

**Community Role in Initiation and Planning**

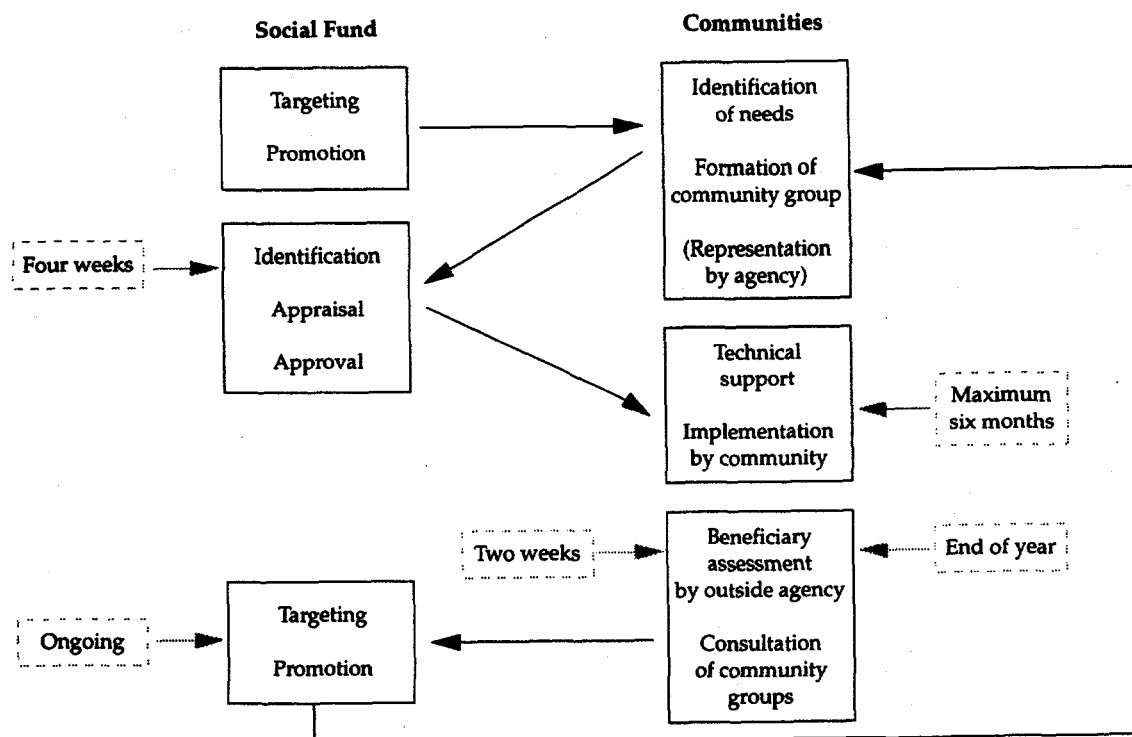
Overall, social funds score high in the extent to which the subproject cycle is geared toward community participation: 100 percent require the submission of proposals for subprojects. In 58 percent

of social funds the subproject proposal is initiated by community groups; in other cases it is initiated by municipalities, NGOs, or private sector entities, with or without community groups.

Almost all projects, 90 percent, make some attempt to involve community-level actors in the initial identification and planning of subprojects (table 2.4). However, in more than half the projects the mechanisms through which this would be achieved were not specified. In 34 percent of the cases, projects mentioned the need to ensure representation of vulnerable groups, including the poor, women and indigenous people.

But only a handful of these projects identified any specific criteria or procedures to achieve this representation. The Ethiopia FY96 Social Fund is one that does have requirements to enhance the representative nature of the planning process. To ensure that the election of the project committee is fair, signatures of 50 percent of the community's households are required on the minutes of the meeting that elects the committee. These min-

Figure 2.1 Angola FY96: Social action fund project cycle



Source: World Bank internal report.

**Table 2.4 Community roles in subproject cycle community role**

<i>Community role</i>	<i>Number of projects n = 51</i>	<i>Percentage of projects</i>
<b><i>Subproject Initiation</i></b>		
Community initiates NGOs, municipalities, or private entities initiate, with or without community groups	29	58
	21	42
<b><i>Participatory Planning</i></b>		
Community involved in planning	45	90
Attempt to include the poor and vulnerable in planning process	17	34
<b><i>Subproject Cycle</i></b>		
Proposal must be submitted to fund by community or sponsoring agency	50	100
Appraisal criteria include community participation	26	52
Appraisal criteria include:		
Community commitment to operation and maintenance	5	10
Community and/or sponsoring agency commitment to operation and maintenance	26	52
<b><i>Extent of Community Authority and Control</i></b>		
Community is legal signatory in agreement with fund	26	52
Community opens bank account, handles funds	5	10
Community has hiring, supervisory, contracting, and procurement authority	18	36
Community certifies satisfactory completion of work by contractors (completion sign-off)	5	10

*Source:* Authors' data.

utes must be countersigned by the local administration and attached to the subproject financing agreement. Prior to completion of the subproject appraisal, the fund project officer verifies through informal interviews with community members that the election took place in the manner required and that the signatories actually reside in the community. The arrangements for participation built into the Zambia Second Social Recovery Project FY95 are described in box 2.2.

#### ***Participation Reflected in Appraisal Criteria and Process***

Although 52 percent of projects mention assessment of participation in their field appraisals, relatively few include the criteria by which this is judged or measured. The annex describes ten social funds designed to support community participation, and provides examples of appraisal criteria, under the column entitled Subproject

Initiation and Proposal Development. Appraisal criteria used in the Armenian FY96 Social Fund are described in box 2.3.

#### ***Community Participation in Operation and Maintenance***

Since investment in economic and social infrastructure is a major part of social funds, responsibilities for long-term operation and maintenance need to be clear. This needs to be matched with commitment as well as capacity for operation and maintenance. The results of a lack of commitment to operation and maintenance are clear from the abandoned, under-maintained and underutilized water projects strewn across the rural landscape (Therkildsen 1988; McGowan, Soewandi, and Aubel 1991).

Most projects focus on responsibility for operation and maintenance (table 2.5). In addition, 42 percent require the creation of operation and



**Box 2.2 Subproject cycle geared toward participation: Zambia Second Social Recovery Project*****Subproject identification***

Once the social fund informs communities of the availability of funds, the community expresses its interest in accessing the resources by sending a request for a subproject (to be defined later) to the regional social fund office. The community must then hold a public meeting, at which the entire community is represented, to discuss the needs and priorities of the community. Selection criteria state that the subproject must meet a "priority need for a majority of the community." The required public meeting is attended by the fund regional project officer and after a thorough discussion, a project is identified and a community project committee is elected to develop a proposal.

***Community contributions to subproject costs***

Communities applying for subprojects are required to make a commitment to contribute, in cash or in-kind, up to 25 percent of project costs. Subprojects that do not meet this requirement are either rejected or referred back to the community for an increased contribution. For communities that are obviously very poor and are willing, but unable, to meet the full community contribution, the appraisal team may recommend a lesser contribution. In all cases the Zambian project requires that communities make the bulk of their contribution (usually materials) upfront, before the project is begun, as a clear indication of commitment.

***Community commitment to operation and maintenance***

Every community must establish an operation and maintenance committee as part of its subproject planning process. For example, school subprojects must have existing and active preventative maintenance committees in place. Water and sanitation subprojects must have operation and maintenance committees and a cost-sharing system in place before a project is approved.

***Community control and authority during implementation***

Once a subproject is approved, the community project committee must sign a legally binding agreement with the fund that describes the conditions for financ-

ing and the responsibilities and liabilities of all parties involved. Next, the subproject committee opens a bank account with two signatories (one of whom must be a woman) and receives its first disbursement (three additional disbursements are made when 75 percent of each previous disbursement is justified). The committee is then responsible for purchasing materials, hiring labor, organizing work schedules, monitoring progress (with the help of a technical supervisor), and reporting on physical progress and financial status to the fund. When the project is complete, the community project committee, along with the fund and any relevant line ministry, signs the completion certificate, confirming that the project is satisfactorily completed.

***Community evaluation***

Beneficiary assessments are done annually to evaluate a sample of communities on their satisfaction with the subproject process, results, and impact on the community. The findings from these evaluations are fed back into the design of subsequent funding rounds. Two initiatives resulting from this type of analysis are the increased use of subproject launch workshops and the development of a detailed implementation manual for communities.

***Capacity building in community development***

An important form of capacity building for communities is the experiential learning the communities gain through their participation in the subproject process. The implementation manual is a key piece of this capacity building, covering topics from how to open a bank account to the value of a democratically elected committee. Communities can also request training on any special topic they need, and community-based, vocational training is an eligible subproject activity. In addition, very poor and vulnerable communities are now receiving extra help from a local NGO in subproject identification and planning. Capacity building for fund staff includes in-the-field, on-the-job training in community development and facilitation techniques, technical appraisal, and monitoring. District-level government officials also receive training in how to assist communities with subproject identification, appraisal, implementation, and monitoring.

Source: Interview with Alan Dock 1996.

maintenance committees prior to subproject approval (see table 3.3). A few projects also require creation of an operation and maintenance fund with money in the bank before sub-

project approval. However, it is rare for appraisal criteria to be unambiguously specified so that an appraiser can actually verify the commitment and capacity of the community groups and the

**Box 2.3 Participation reflected in appraisal process**

The Armenia FY96 Social Fund emphasizes the transparency and representativeness of community participation in subproject planning by including specific indicators for appraising the level of participation in the subproject selection criteria. Acceptable levels of community participation in project planning must be demonstrated in one of three ways:

- The community must hold a meeting in which at least 30 percent of the adult population participates.
- A petition supporting the subproject must be organized by a person or group within the community and be signed by at least 50 percent of the community.
- A proposal by a local government or NGO must demonstrate to the satisfaction of the fund that it represents the community's priorities and needs.

Experience in the Armenian project shows that community meetings are the most reliable of these three methods for getting a true sense of local needs

and priorities. For example, the project has found that frequently local school teachers initiate subproject planning meetings for the purpose of discussing a new school. However, during the meeting the community will often have made it clear that they have a different priority, such as water, and this will become the focus of the subproject. The Armenian experience has shown that the second method, use of petitions, is not an effective means of determining demand because they can be worded so that everyone agrees, as in "Do you think our health clinic needs improvement?" Although most people will agree with this statement, merely signing the petition does not indicate that such a project is their top priority or that they are willing to make contributions toward it. For the third method, that is when NGOs or local governments develop proposals, the fund has found that also requiring a community meeting and some proof of the outcome is still the most effective way to verify that such projects are the top priority for communities.

*Source:* Interview with Alexandre Marc 1997.

agencies providing backup support for operation and maintenance. The same finding was highlighted by Tewari (1996).

The Albania Rural Development Project requires the establishment of a maintenance committee prior to subproject approval, and a two-year maintenance fund must be established before the commencement of a subproject. A slightly different approach is used in the Albania Urban Works and Enterprise Pilot Project. Users' associations are formed and municipalities collect a user fee. Part of this user contribution must be collected in advance and deposited into an account for

maintenance. The user fee will be fixed each year by a joint committee of users and municipalities.

### *Legal Agreements*

Fifty-two percent of projects require legal agreements between the fund and the community or sponsoring agency that spell out the responsibilities and liabilities of each party involved. For example, the Malawi Social Fund specifies in its implementation handbook the following broad outline of the items to be included in a legal agreement:

**Table 2.5 Entity responsible for operation and maintenance**

<i>Entity</i>	<i>Number of projects n = 50</i>	<i>Percentage of projects</i>
Community group only	5	10
Community group and/or sponsoring agencies	26	52
Municipalities only	11	22
Responsibility unspecified or not mentioned	8	16

*Source:* Authors' data.

- The amount of money that the fund has agreed to contribute to the community for carrying out the subproject.
- The agreement by the community to provide self-help contributions as specified and adhere to the implementation schedule.
- The agreement with the community to carry out the project in accordance with the fund procurement, management, and financial requirements.
- The fund's right to inspect by itself, or jointly with other agencies, the site, work, materials, and relevant records and documents.

**Community Authority and Control**

A cohort of recent projects is putting community groups in charge of critical decisions, including the allocation of financial resources, handling of funds, and procurement of local goods and services (figure 2.2). Obviously, this devolving of authority to community groups is important for capacity building, speed of implementation, ownership, and ensuring participation and partnership throughout the implementation process. The most common reasons for not giving com-

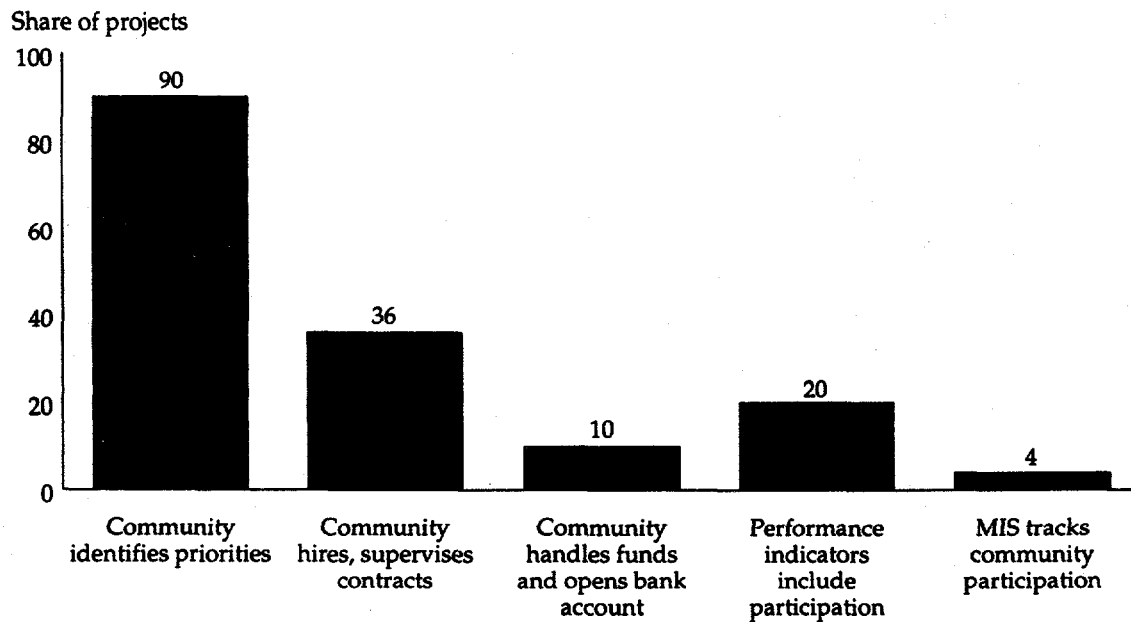
munity groups control over funds is a lack of trust in the quality of decisions that will be made and the fear that funds will be misused. Experience suggests that these fears are exaggerated, although it is obviously important to build in measures to achieve accountability and transparency of processes at the community level to ensure responsible use of resources.

**Community Bank Accounts and Handling of Funds**

In 20 percent of projects communities open bank accounts and handle project funds themselves (Albania FY93 and FY95, Armenia FY96, Eritrea FY96, Ethiopia FY92 and FY96, Malawi FY96, Peru FY94, Zambia FY91 and FY95).

The Malawi Social Action Fund FY96 trains communities and requires them to handle subproject funds in order to promote community empowerment and facilitate rapid implementation. The community project committee opens a bank account once their proposal is approved, and a check for the first tranche of assistance is handed to the community at the subproject launch ceremony. Armenia and Zambia Social

**Figure 2.2 Community participation in fifty-one social fund projects: Quality-at-entry**



Source: Authors' data.

Funds' approaches to handling this community responsibility are described in box 2.4.

### *Advance Payments and Verification of Use of Funds*

A key issue in effective relationships between contractors, community groups, and fund authorities is the timely advance and transfer of funds. In Ethiopia's Social Rehabilitation and Development Fund FY96, commercial contractors, offering appropriate security, can receive an advance payment for up to 10 percent of the total contract amount. Other types of implementing agencies (NGOs, community groups, and the like) can receive advances of up to 30 percent of the total fund contribution. The second payment to these groups, which is for 25 percent of the fund's contribution, is made only after the fund has received verification that 75 percent of the advance is accounted

for. A third payment for 25 percent is made once the balance of the advance and 75 percent of the third payment has been justified. The final payment for the remaining 20 percent of funds is made once the balance of the second payment plus 75 percent of the third payment is accounted for.

In the Albania Rural Development Project FY95, disbursements to the communes are made in three payments. A payment of not more than 40 percent of the total estimated project cost is made as an advance. The second payment is made according to actual expenses that have been justified by certified invoices. The total of the advance and second payment cannot exceed 80 percent of the total project cost. The final payment is equal to the difference between the total cost and all previous payments made by the fund. Final payment is made only after:

- Successful completion and operation of all works agreed under the contract.

#### **Box 2.4 Communities open bank accounts and handle funds**

##### *Armenia*

Microproject committees in the Armenia Social Investment Fund Project (FY96) are required to open bank accounts before signing subproject legal agreements. The agreement must contain details of the account, as well as identify the designated signatories. An advance deposit to initiate the works can be made for a maximum of 10 percent of the fund's contributions toward project costs. Subsequent payments may be made only upon satisfactory evidence of work completed and payments must be in proportion to the amount of work done. During site visits the follow-up engineer will calculate the amount of work that has been satisfactorily performed and enter it into a statement of works. At this point a request for payment in proportion to the work completed can be submitted.

##### *Zambia*

The Second Social Recovery Project in Zambia provides communities with detailed directions on how to open a bank account and handle funds. The account must be a new one that uses the official name of the community project. Since any interest earned on the account would legally belong to the government, it

must be a current or non-interest bearing account. This account can only hold money from the social fund—any community contributions must be placed in a separate account. There must be five signatories, four of whom are from the community project committee. The fifth signatory is the fund regional officer, who will use his power only if the project is closed or suspended for serious problems. The fund sends money to community accounts via bank transfers and requires a payment voucher signed by the community to be sent to the head office as acknowledgment of receipt of money.

The Zambia Fund highly recommends that all community payments for goods and services be made by check to avoid theft and suspicion. Therefore, all checks in the community checkbooks are "crossed" checks that must be paid directly into bank accounts. If suppliers, contractors, or laborers want cash paid on a check, two community project committee signatories must cancel the crossing by signing across the check. If people refuse to be paid by check, the fund recommends that the community project committee make out a check for an exact amount, cash the check, and hand the money over immediately, at the bank, if possible.

Source: World Bank internal reports.

- Provision of acceptable assurances for safeguarding and maintenance of the works by the village council.

The fund can reduce final payments depending on the quality and amount of works actually performed.

### *Community Procurement of Goods and Services*

In recent years the World Bank's procurement guidelines have been revised to support community-based projects (World Bank, 1996a; Gopal and Marc 1994). If the goal is to empower local groups to manage financial resources, they must have options to procure quality goods in the most cost-effective way. Methods of procurement in Eritrea that meet the World Bank guidelines are described in box 2.5.

#### *Community procurement and handling of funds.*

In the Malawi Social Fund, communities select and hire contractors of certain skill levels, depending on the type of work to be done. All subproject contractors must be registered in an industrial classification list prepared by the fund, which rates their skill levels and determines their wage rates. The project also requires local procurement of materials by communities

to avoid the delays and losses possible with bulk purchases. To aid communities in procurement, Malawi's Social fund Management Unit maintains standard price lists that are updated every three to six months and used by communities as price ceilings. Community groups procure materials by obtaining quotes from three suppliers, and selecting the supplier with the lowest price quote who fulfills their requirements

As subprojects progress, supervisors, either from the ministry of works or private individuals hired with subproject funds, supervise and certify the work. Each of the four tranches of social fund assistance is released to the subproject accounts only when 70 percent of the previous tranche's expenditures are accounted for and comparable amounts of work are certified as complete.

The Eritrea Community Development Fund FY96 has designed flexible community procurement measures to respond to such regional differences as the institutional capacity of communities and the local availability of goods, services, and contractors. Community project committees are generally responsible for handling funds and contracting the necessary labor and materials. If the committees do not have the

### **Box 2.5 Procurement procedures in Eritrea**

Subproject civil works contracts are generally scattered and too small (\$7,000 to \$300,000) to attract international competitive bidding. Therefore, community groups are expected to conduct procurement in one of the following ways:

- Where possible, civil works contracts (not to exceed \$300,000 each) will be procured through national competitive bidding.
- In remote areas, where national competitive bidding is not practical, contracts (not to exceed \$75,000 each) will be procured through limited competition with contractors selected from a short list. The fund will prepare this short list and update it on a periodic basis.
- In areas where it is difficult to find more than

one contractor to execute the works, direct contracting for works or labor will be permitted for contracts up to \$50,000 each. Prices for such contracts will be negotiated on the basis of a unit-cost database maintained by the fund.

- In order to further encourage community participation, up to \$1 million will be implemented through self-help projects, contracted out to community-based agencies such as community project committees. These committees will implement the works, contracting labor directly from the community, and purchasing goods and materials. Again, the unit-cost database will guide the negotiation of costs.

Source: World Bank internal report.

capacity to conduct procurement, they can authorize the fund to do so. However, in all cases the committees are responsible for monitoring and following up on procurement of goods, storage and release of goods, daily supervision of the contractors, and management of the community contribution.

Similarly, in order to increase community ownership, the Ethiopian Social Rehabilitation and Development Fund FY96 encourages communities to implement subprojects themselves. In such self-help projects the community project committees implement the works, contracting labor directly from the community and purchasing goods and materials. In remote areas community groups and other implementing agencies may procure goods through competitive national shopping for contracts estimated to cost \$50,000 or less by obtaining at least three bids. In cases where no bids are received, goods and services may be procured through direct contracting up to a total aggregate of \$1 million. Each regional office in Ethiopia will have two procurement officers to monitor and assist the community project committees.

*Community procurement with direct payment by the fund.* In several projects, communities are involved in the procurement of goods and services but payments to contractors are made directly by the fund. In Angola's Social Action Project FY96, for instance, communities are responsible for most procurement, and all contracts are signed between the community group and the contractor or supplier. However, payments are made by the fund directly to the supplier, on the beneficiary's written order, from funds deposited in provincial accounts.

Likewise, in the Comoros Population and Human Resources Project FY94, community committees organize the work, procure goods and contracts, and make sure that community commitments are honored by the project authorities. All payments to suppliers, small contractors, and artisans, however, are made directly by the fund.

### *Community Supervision and Authority to Certify Completion of Works*

If community groups have the power to withhold payments when contractors do not perform well, it creates incentives for contractors to listen to what communities want rather than ignoring them and concentrating only on building relationships with the fund authorities. In the Eritrea Community Development Fund FY96 community groups are responsible for handling funds, contracting labor and materials, and supervising the subproject. When making payments to the contractor, the community automatically withholds 10 percent of each installment. Half of this withheld amount (5 percent of the total contract amount) is paid to the contractor upon satisfactory completion of the project. The remaining 5 percent is retained for anywhere from two months to one year, as a guarantee against any defects caused by faulty materials, workmanship, or construction that appear during use. At the end of the defects liability period the final payment is made.

In the Armenian Social Fund FY96, rather than taking the responsibility for supervision themselves, community groups enter into a separate agreement with an independent supervisor for daily inspection of project works. This supervisor reports back to the community group and maintains a site logbook. Costs for the supervisor's services are included in subproject expenses, for up to 3 percent of total costs. The fund has been working on encouraging communities to make better use of supervisors in assuring the quality of their subprojects. Because of the past political system's emphasis on quantity rather than quality, communities are not familiar with the importance of quality control and do not understand how to work with the supervisor to demand quality in the project works. Consequently, the fund's engineers are still playing an important role in double-checking projects for construction quality.

Once a subproject in Armenia is complete, an on-site completion and handover meeting is

held. The fund follow-up officer, requesting agency, implementing agency, supervisor, contractors, and members of the community at large must be present to verify satisfactory completion of all works.

### ***Community Monitoring, Reporting, and Transparency Requirements***

Projects that give community groups control over decisions and resources must also put in place procedures for ensuring accountability and transparency. It is instructive to consider two examples.

In the Armenia Social Fund, the subproject committee is responsible for maintaining all financial accounts during subproject implementation. To ensure transparency, they must meet each month with the subproject implementing agency to discuss and verify the financial and physical progress of the subproject. The minutes of this meeting must show whether the accounts were found to be correct and must be signed by the committee members. The account books must be accessible to any members of the benefiting community, local government officials, or fund staff who ask for them. In addition, a summary statement of the accounts must be posted

in a public place where village people tend to gather, to inform them of how subproject funds are being utilized.

Malawi's Social Action Fund FY96 trains community project committee members in bookkeeping, banking procedures, and procurement standards. At the project launch ceremony the community at large is also made aware of all these requirements. In addition to understanding the procedures and requirements the community project committee must follow, the community is told that they have a right to ask for information on project spending and progress at any time during project implementation. To further increase accountability, two or more persons from the community project committee are made responsible for procurement, bookkeeping, and supervision.

Procedures to increase transparency at the community level in Zambia's Second Social Recovery Project are detailed in box 2.6.

### **Conclusion**

The extent to which social funds support community participation—that is, community groups being in charge or having control and authority over decisions and resources, within a

#### **Box 2.6 Encouraging transparency at the community level, Zambia**

The implementation manual for Zambia's Second Social Recovery Project emphasizes transparency in the training of subproject committee members by listing the following points on information sharing:

- What the community needs to be informed of: physical progress, money received, money spent, materials bought, problems with skilled or community labor, names of visitors to the project and what they said, and any current problems.
- Ways to make this information public: public meetings and meetings with other community committees such as PTAs or health advisory committees.
- What to bring to meetings: financial reports, bank statements, lists of materials purchased, stores records, minutes of community project committee meetings, correspondence between the fund and the project, and both physical and financial progress reports.
- Other ways of letting the community know what is happening:
  - Give the village head a regular verbal report on progress.
  - Have announcements read at church.
  - Post reports in public places.
  - Designate certain days when the community project committee is at the project site to answer questions.
  - Produce a small newsletter about the subproject.

Source: World Bank internal report.

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framework of rules—has increased dramatically in the last two years. This shift in emphasis is reflected in the fact that some social funds are

now labeled community development funds. These important innovations need to be widely disseminated.



# Designing for Demand Orientation

*Demand orientation is evidenced when projects offer clients a range of options from which to choose (for example, options in goods and services, technology, and service levels); provide impartial information, especially about costs and benefits, to assist clients in making informed choices; and require evidence of commitment and interest through cash or in-kind contributions, and/or the initiation and completion of organizational tasks (for example, formation of groups or clearance of land titles), as a condition of subproject approval and release of funds. During implementation, demand orientation is maintained by giving communities control and authority over decisions and resources. The more community groups are willing to invest in the creation of assets chosen from a range of possibilities, the greater the likelihood that the choice will reflect demand and that the community group will continue to organize in order to protect, maintain, and use the resource, facility, or service.*

**W**hat does demand orientation look like to someone conducting an institutional assessment of an agency? The fundamental purpose of social funds is to set the rules of the game but not to predesign subprojects. Subprojects are meant to be designed in response to the expressed priorities of the poor.

### **Agency Orientation to Community Demand**

Demand can be broadly gauged through beneficiary assessments and willingness to pay studies prior to subproject implementation. The most stringent means of measuring community commitment is to require upfront contributions of money or materials and clearly link these contributions to service levels. During implementation, demand can be determined directly if communities are required to initiate their partic-

ipation or inclusion in the subproject by submitting proposals. Another means of determining community demand is to require communities to demonstrate their commitment to a subproject through the completion of various tasks before the signing of contractual agreements or allocation of funds. Such tasks might be choosing among a range of subproject options, organizing management committees, clearing land titles, gathering local construction materials or collecting savings to put toward subproject costs.

The key features of demand orientation from the community perspective and from the agency perspective are highlighted in table 3.1. The rest of this chapter presents information on the extent to which social funds incorporate design features that are demand-oriented. Not every feature mentioned in table 3.1 is discussed because of a lack of information in the staff appraisal reports.

**Table 3.1 Key features of demand orientation at community and agency levels**

<i>Community level—households, groups</i>	<i>Agency level</i>
<p><b>1. Groups/community identify priorities.</b></p> <ul style="list-style-type: none"> <li>• Poor, vulnerable, women identify their priorities.</li> <li>• Groups/community reach consensus on priorities.</li> </ul>	<p><b>1. Agency conducts or facilitates demand assessment, including:</b></p> <ul style="list-style-type: none"> <li>• Willingness to pay studies.</li> <li>• Beneficiary assessments.</li> <li>• Participatory priority assessments.</li> <li>• Social assessment to identify key stakeholders and their interests and power.</li> </ul>
<p><b>2. Groups/community initiate action, including:</b></p> <ul style="list-style-type: none"> <li>• Contact with agency.</li> <li>• Preparation of proposal and plans.</li> <li>• Self-selection into project.</li> </ul>	<p><b>2. Agency informs and educates clients through:</b></p> <ul style="list-style-type: none"> <li>• Information campaigns about nature of project rules, funds.</li> <li>• Clear eligibility criteria contingent on demand.</li> <li>• Outreach mechanisms, field presence, and clear rules of engagement.</li> </ul>
<p><b>3. Groups/community choose among options.</b></p> <ul style="list-style-type: none"> <li>• Groups/community have information on costs and benefits of a range of options.</li> <li>• Groups/community have authority and control over choice of service providers and funds for proposal development.</li> </ul>	<p><b>3. Agency offers options and choices.</b></p> <ul style="list-style-type: none"> <li>• Field-workers offer impartial information on cost implications of options (technology, infrastructure, program content, loans).</li> <li>• Community is offered choice of service providers, including assistance for proposal development, if needed.</li> </ul>
<p><b>4. Groups/community make contributions.</b></p> <ul style="list-style-type: none"> <li>• Upfront cash contributions.</li> <li>• Upfront contributions—materials, land.</li> <li>• Percentage contributions toward capital costs.</li> <li>• Percentage contributions toward recurrent costs.</li> <li>• Clear resource and land titles (clarify ownership issues).</li> </ul>	<p><b>4. Agency outlines cost-sharing arrangements, specifying:</b></p> <ul style="list-style-type: none"> <li>• Clear rules for community contributions, linked to service level and conditions for project approval.</li> <li>• Funding mechanisms that reach communities quickly.</li> <li>• Mobilization of resources to fulfill commitment on recurrent costs agreed with communities.</li> </ul>
<p><b>5. Groups/community complete self-organization prior to funds' release.</b></p> <ul style="list-style-type: none"> <li>• Organize project group or committee prior to release of project funds.</li> <li>• Agree on rules: membership, roles, costs, benefits.</li> <li>• Create operation and maintenance fund, collect money.</li> <li>• Create and train operation and maintenance committees.</li> </ul>	<p><b>5. Agency supports capacity building for community organizational capacity.</b></p> <ul style="list-style-type: none"> <li>• Provides training funds.</li> <li>• Provides choice of facilitators to support capacity building.</li> <li>• Provides support through staff attitudes and skills.</li> </ul>
<p><b>6. Groups/community exercise control and authority during implementation.</b></p> <ul style="list-style-type: none"> <li>• Manage funds.</li> <li>• Manage technical assistance.</li> <li>• Hire and fire workers.</li> <li>• Use transparent rules and systems for accountability.</li> <li>• Manage operation and maintenance.</li> </ul>	<p><b>6. Project rules and incentives support demand orientation and community control throughout process.</b></p> <ul style="list-style-type: none"> <li>• Project objectives focus on supporting community self-help, demand, local control, and capacity building.</li> <li>• Achievement of these objectives is reflected in indicators of success.</li> <li>• Staff skills, incentives, and rewards support community control and capacity building.</li> <li>• Clear, agreed-upon rules and sanctions for disengagement are in place.</li> </ul>

Source: Narayan 1997b.

### *Integration in Project Objectives*

Social fund projects aim to reach the poor and often work in a policy environment of no user charges, especially from the poor. In these situations, unless demand orientation is reflected in objectives as a driving principle in design and implementation, it is unlikely to be maintained—with negative consequences for the sustainability of subprojects. Previous experience strongly suggests that social fund subprojects' developmental impact and sustainability depend on their responding to community group demand (Briscoe and Garn 1995; Garn 1995; Kessides 1997). As mentioned in chapter 2, only 16 percent of social fund projects mention achieving demand orientation as one of their objectives.

### *Reflection in Monitoring and Indicators of Success*

Given the relative lack of focus on demand orientation in overall project objectives, it is not surprising that only a few projects track the extent to which subprojects respond to the priority needs and demands of community groups. A few social fund projects use both qualitative methods and computerized Management Information Systems (MIS) to monitor the extent of community contributions to subprojects, and to keep track of any divergence between what was agreed on and actual community contributions (Ethiopia FY96, Armenia FY96; see table 2.3).

### *Degree of Choice in Subprojects*

From an agency perspective one way of managing uncertainty is by preallocating funds to particular sectors. In the past two years there has been a shift away from segmenting and earmarking subproject allocations by sector. Recent projects have left anywhere from 65 to 90 percent of project funds unallocated in order to respond to community requests irrespective of sector. The Angola Social Action Fund earmarks 79 percent of funds to unspecified subprojects. The

Argentina and Zambia Social Funds set aside 88 percent and 75 percent of project funds, respectively, for unspecified subprojects. However, many projects continue sectoral allocations and then try to bias community choice toward particular sectors through rules and incentives. These include applying a series of eligibility criteria, assigning high scores to proposals in priority sectors and increasing the levels of community contribution required in low-priority sectors. To maintain demand-orientation in single sector projects, it may be important to set contributions and organizational requirements high enough to ensure the selection of proposals that reflect genuine community priorities and hence long-term commitment. This may include demonstrating the availability of complementary inputs to ensure effective use of facilities (for example, for school facilities, requiring evidence that other inputs such as teachers, books, and desks will be in place.)

In projects with sectoral allocations the design of facilities is usually standardized (schools, health clinics), and there is little discussion of service-level choice linked to contributions. A handful of projects focus on informing communities about the implementation cost and operation and maintenance implications of technology choices. For example, in the Ethiopian Social Rehabilitation and Development Project FY96, rural water subprojects promote the use of low-cost and simple technologies appropriate for community participation and community-level maintenance. The Comoros Population and Human Resources Project FY94 stated that the costs of subprojects should not be beyond the capacity of community contributions or user charges. However, the Eritrea Community Development Fund FY96 was the only project that explicitly stated that communities would be helped to weigh these issues and constraints. This fund's staff discuss alternative technologies with communities to ensure that they are aware of the operation and maintenance requirements and recurrent cost implications of the schemes they select.

As projects are becoming more demand-oriented, social funds are expanding subproject menus beyond the traditional social and infrastructure choices. For example, the Moldova Fund, currently in the planning phase, will fund a children's social development component, which is to focus on early childhood development and the reintegration of institutionalized children into the community. The Honduras Social Fund FY96 has a component that allows \$5,000–\$10,000 grants to be made to NGOs that have programs for street children. These programs usually take the form of special houses that provide food, shelter, and training to the children. The Jamaica Social Fund conducted a detailed participatory needs assessment as part of project preparation. This work highlighted the problems of violence and crime and pervasive fear and mistrust in poor communities. As a result, subprojects that build social cohesion or social capital can be financed (Moser and Holland 1997). No economic development can take root when societies are in turmoil and when violence is pervasive. The Jamaica Social Fund is the first fund to support financing of social capital in addition to the more traditional physical or human capital. The types of activities that can be funded include rehabilitation of community centers, sports facilities, teen centers, and training facilities; and conflict resolution programs.

#### *Outreach and Information Dissemination*

A well-informed public is the best hedge against the "capture" of projects by vested interests. In addition, information dissemination to potential eligible groups about a project and its rules and procedures is critical for the success of decentralized, poverty-focused, community-based subprojects. Although some social funds have well-thought-out strategies for outreach, and information campaigns to elicit interest in subprojects, for the most part this is still an underdeveloped component of projects. Broadly, there are two systems of outreach: information dissemination through mass media; and informa-

tion dissemination through interpersonal contact (field workers and extension agents). Overall, social funds use a wide range of mass media: leaflets, posters, brochures, radio and television announcements, documentary films and slide shows of subprojects, competitions, jingles, reference centers (project information and funding schedules for large AGETIP projects), local subproject newsletters, social fund newsletters, listings of funded projects in national newspapers, seminars, workshops, and announcements at local meetings and local government assemblies.

The Madagascar Food Security and Nutrition Project FY93 developed an information, education, and communication strategy based on a beneficiary assessment that explored the nutritional, agricultural and economic environment of the project beneficiaries and the concerns, problems, and obstacles they face. The strategy includes hiring "animators" from experienced NGOs to inform community groups about what the project can provide and what is expected of communities (Gopal 1995). The information strategy also informs NGOs and other facilitators of the roles they can play in assisting poor communities, and aims to mobilize support for fund activities among policymakers and national and local opinion leaders.

The Armenia Social Fund FY96 has a promotions unit that uses teams of technical specialists and social promoters who facilitate community organization and problem solving. The criteria used to select social promoters are based more on behavioral characteristics than academic training. The fund has hired nonauthoritarian people who obviously enjoy interacting with people and have experience in community development and participatory techniques. Two other outreach strategies are described in box 3.1.

#### *Targeting and Demand Orientation*

There is a pervasive shift in social funds toward the targeting of poor and vulnerable groups. In

**Box 3.1 Outreach and information dissemination***Ecuador*

In order to reach the most vulnerable poor (women, children, and indigenous groups) the Third Social Development Project FY94 hires social scientists to refine its targeting strategy and develop promotional materials to reach such groups. Using these targeted promotional strategies, the fund identifies potential sponsoring agencies or community organizations to assist in the development of subproject proposals specifically responsive to the priorities of these groups.

*Eritrea*

Promotional activities for the Eritrea Community Development Fund FY96 are organized at two levels. At the national level promotional activities are aimed at increasing awareness and gaining support

for the fund's activities among government officials, national associations, community leaders, and other intermediary agencies. This campaign is conducted through the media, distribution of brochures and fund publications, and organization of meetings, seminars, workshops, and orientation sessions.

At the community level the project's outreach goals are to promote the fund objectives, explain its procedures, and place the fund in the context of other developmental initiatives involving the community. Outreach activities also include assessing the capacity of the community to identify needs and implement subprojects. Regional staff conduct outreach through existing networks of local government assemblies and community groups and at community events.

Source: World Bank internal report.

order to reach these target groups without distorting demand, a two-step process is increasingly being used: screening for eligibility based on poverty; and responding to expressed demand among those who qualify. Poverty maps are extensively used to preselect localities with high levels of poverty. Bias toward receiving and selecting proposals from these areas is achieved in two ways. The first is to target high-poverty areas for disseminating information about project resources and eligibility criteria. Within these areas, in recognition of the fact that the poor may be the least able to put together proposals for submission, projects provide poor groups with technical assistance for proposal development. The second way of targeting the poor without violating demand is by increasing the number of points given to proposals submitted by the poor. This system of ranking as it is used in Cambodia is described in box 3.2.

It should be noted that the ranking assigned to types of projects by the Cambodian fund is a ranking of importance based on the agency's assessment of social impact which may not tally with the community's own assessment.

**Designing for Demand Orientation**

In addition to the degree of choice offered in subproject selection, projects differ in the extent to which they make use of the following design features to ensure demand orientation:

- Community self-selection into the project.
- Upfront community contributions (prior to subproject approval or disbursement of funds) in the form of land, labor, materials, or money.
- Community contributions during implementation in the form of labor, materials, or money.
- Formation of project committees by communities.
- Formation of operation and maintenance committees by communities.
- Clearance of all land titles relevant to the project by communities.

***Community Self-selection into Project***

The most obvious way of ensuring demand orientation is by requiring community groups to apply for project funds rather than having the

**Box 3.2 Ranking criteria in the Cambodia Social Fund**

The Cambodia Social Fund FY95 ranks the proposals it receives according to three "simple poverty targeting criteria":

- **Intended beneficiaries.** Proposals whose intended beneficiaries are poor and vulnerable, such as female-headed households and the handicapped, receive the rank of one. Project proposals whose intended beneficiaries are relatively less poor and vulnerable are given the ranks of two and three.
- **Type of project.** Proposals with the highest perceived social impact, such as primary schools and water supply, receive a rank of one. Those with lower perceived social impact, such as social welfare facilities, piped water, and drainage, receive ranks of two or three.
- **Provincial ceiling.** Limits on the share of projects going to each province are established according to each area's relative access to basic social services, its population, and the percentage of the program money already received from the social fund.

In assessing each proposal, beneficiary rank receives first priority. Project type is the second most important rank and provincial ceilings are considered third. For instance, if two projects have the same beneficiary rank, the rank for the project type determines which proposal receives priority. If they have the same beneficiary and project ranking, the rank for the provincial ceiling will determine the choice of project proposal.

Source: World Bank internal report.

project office choose communities to receive funds. All social funds require eligible groups, including intermediaries, to submit proposals. To increase the likelihood that proposals reflect local priorities, the Cambodia Social Fund defines eligible applicants as entities that are as close as possible to the user group's level, for example, a local PTA would be an eligible applicant for a school project (box 3.3).

In 58 percent of projects the initiative for submitting proposals clearly comes from the community level, with or without the support of NGOs or other intermediary organizations. What is less clear in many cases is the extent to which these proposals represent the priority needs of the poor. To avoid subprojects that reflect the dominant perspectives of intermediaries, an increasing number of funds are giving community groups the option to choose and hire technical assistance to develop proposals, rather than giving funds directly to intermediaries.

**Community Contributions**

Sixty-two percent of projects expect communities to make contributions in the form of labor, local materials, and, in a few cases, cash during implementation. This usually amounts to 5 per-

cent of subproject costs (contributions range from 3 percent to 30 percent). In many rural societies, if village chiefs call upon people to contribute labor to village activities, they do so. Therefore it is difficult to disentangle whether labor contributions reflect household demand or deference to local chiefs. In addition, there is a problem with the valuation of labor in situations of chronic underemployment.

**Box 3.3 Community self-selection in the Cambodia Social Fund**

The Cambodia Social Fund FY95 states that the fund will accept and appraise applications for subproject financing from eligible applicants, which include community groups, local governments, and local and international NGOs. Applicant eligibility is defined separately for each subproject type, depending on its nature. For example, a local water user group would be the eligible applicant for a water supply project; for a school's project the school parents committee or school director would be an appropriate applicant; and in the case of a rural roads project the district authority would be eligible to apply. Applicant eligibility is designed in such a way that those eligible are the lowest-level entity able to assume responsibility for the operation and maintenance of the project.

Source: World Bank internal report.

Many projects require different levels of contribution for different types of projects and different levels of poverty. For example, in Guatemala's Social Fund FY93 the required community contribution depends on the type of subproject proposed and the area's poverty classification. The varying contribution requirement allows the fund to orient subprojects towards their own priorities while still reflecting local decisionmaking. The variations in contribution requirements also reflect area differences in ability to pay. In Zambia communities willing to make bigger community contributions score higher in the selection process. However, if a community is very poor and the fund appraisal staff determine that the community is willing but unable to meet the full community contribution, they can recommend a lower contribution.

The danger, of course, is that if criteria are not clear or appraisers have great flexibility in judging whether contributions are needed or not, demand orientation can be quickly lost and projects will be approved according to the fund's perception of "need," or based on political or other criteria.

*Upfront community contributions.* Since it is often unclear who is really demanding a community-level project, requiring upfront cash or in-kind contributions is a concrete way of judging interest and commitment (see box 3.4). Only five funds (10 percent) require community groups to make upfront contributions in order to gauge interest and commitment. The upfront timing of these contributions varies somewhat. In some cases the contribution must be collected and in evidence at the time of appraisal; in oth-

#### Box 3.4 Upfront community contributions

##### *Armenia*

In the Armenia Social Fund FY96 the community contribution, when in the form of cash or nonperishable goods, must be collected by the community and deposited in a bank account (or stored) as a condition for the first payment of the fund subproject assistance. At first the Armenian Social Fund had difficulty persuading communities to make contributions toward projects. However, this is changing quickly because the fund has demonstrated that its subprojects are quickly implemented and effective. The fund requires upfront community contributions because it has found that if communities make only a partial contribution and see a project commence, they have a tendency to stop the flow of contributions, assuming that work will proceed anyway.

Communities sometimes provide labor or construction materials as their contribution, but the fund encourages cash contributions, which are used to pay the value added tax on projects. To accumulate the cash contribution, individuals sometimes sell property, or groups make arrangements for their more wealthy members to contribute a greater proportion of the costs. Sometimes this is with the understanding that they will be paid back, sometimes not. The fund has the option of lowering the community contribu-

tion from the standard 10 to 15 percent to just 5 percent, if the income level of beneficiaries warrants it.

##### *Eritrea*

The Eritrea Community Development Fund FY96 asks communities that have not demonstrated a strong commitment to operation and maintenance funding in the past to establish a fund and collect a minimum of 10 percent of the annual operation and maintenance cost of the subproject as a precondition of subproject appraisal.

##### *Zambia*

The Zambia Social Fund FY95 requires that the material component of the community contribution be collected and in evidence at the time of field appraisal, before a microproject is recommended for funding. During subproject field appraisal, staff for the fund reach an agreement with the community as to the amount of their contribution, usually 25 percent of subproject costs. Microprojects that do not meet the requirement of a significant community contribution are either rejected or referred back to the community for an increased contribution. However, for communities that are very poor, the appraisal team may recommend a smaller contribution.

Source: World Bank internal report.

**Table 3.2 Community contributions as indicators of demand**

<i>Community contribution</i>	<i>Number of projects n = 50</i>	<i>Percentage of projects</i>
<b><i>Community contributions required prior to implementation</i></b>		
Contribution required in money upfront	3	6
Contribution required in land, labor, materials, or money upfront	2	4
<b>Total projects requiring contributions prior to implementation</b>	<b>5</b>	<b>10</b>
<b><i>Community contributions required during implementation</i></b>		
Contribution required in money during implementation	0	0
Contribution required in labor or materials during implementation	4	8
Contribution required in labor, materials, or money during implementation	27	54
<b>Total projects requiring contributions during implementation</b>	<b>31</b>	<b>62</b>

Source: Authors' data.

ers it is to be collected before the first payment from the fund is made. Social fund requirements for community contributions prior to subproject approval and during implementation are summarized in table 3.2.

**Community organizational tasks.** Many social funds require communities to form committees, save money, or clear land titles as evidence of community commitment to subprojects (table 3.3). Given that social funds aim to reach the poor, greater use is made of these "organizational task requirements" than of cash contributions as an indicator of demand prior to subproject approval. One-third of the social funds require community groups to create com-

munity project committees and 42 percent require the creation of operation and maintenance committees prior to subproject approval.

The requirement of forming operation and maintenance committees is becoming more frequent over time (29 percent of social funds approved between fiscal 1987 and fiscal 1994 required the formation of operation and maintenance committees, compared with 73 percent of projects approved in fiscal 1995 and fiscal 1996). But the requirement tends to lack substance. In addition, there is insufficient emphasis on ensuring that communities making these commitments have the capacity to fulfill their promises. Only a few projects (Albania, Angola, Ethiopia) require that details about these com-

**Table 3.3 Indicators of demand orientation**

<i>Indicator</i>	<i>Number of projects n = 50</i>	<i>Percentage of projects</i>
<b><i>Community initiative</i></b>		
Communities (not intermediaries) must initiate the subproject by submitting a proposal	29	58
<b><i>Organizational tasks</i></b>		
Community must have or create project committee	16	32
Community must create and specify tasks of operation and maintenance committee	21	42
Community must clear title for land involved in project	4	8

Source: Authors' data.



**Box 3.5 Formation of committees for operation and maintenance, Albania FY95**

As a precondition for the signing of subproject contracts, the Albania Rural Development Project FY95 requires the establishment of a project committee and a maintenance committee. In a blend of village and commune responsibility the maintenance committee is composed of a president and technician (both elected by the village) and the commune's treasurer. A two-year maintenance fund is to be established before the commencement of the subproject and is to be jointly managed by the maintenance committee and the project committee.

In practice the project has had mixed results with maintenance funds. The communes often have existing maintenance funds so they are not required to create another specifically for their subproject. However,

due to past experiences, community standards and expectations for the condition of infrastructure in Albania are low. Even though the money for maintenance is available, the committees often do not think maintenance is needed when the social fund considers it necessary.

There have also been mixed results in terms of the communities' sense of ownership and responsibility toward infrastructure financed by the social fund. Schools and clinics that have "expensive luxuries" such as light switches have suffered from theft and pilfering. However, the project engineer reports that during the recent political upheaval, communities have protected these buildings, in some cases hiring armed guards with their own money, and none have been damaged.

Source: Interview with Kathryn Funk 1997.

mittees (members' names, responsibilities, user fees, maintenance plans) be included in the legal agreements signed by the fund and the community. The complexity of specifying requirements for operation and maintenance arrangements is highlighted by experience in the Albania Rural Development Project FY95 (box 3.5).

**Depth of Demand Orientation**

No single design mechanism can ensure demand orientation when choice of subprojects and service levels is limited and community cash contributions are a small part of the overall costs of subprojects. Hence it is useful to consider the depth of demand orientation by examining the use of multiple design features within the same

project. The use of six design features within projects—community initiation, upfront community contributions, contributions during implementation, creation of project committees, creation of operation and maintenance committees, and the clearing of land titles—is reported in table 3.4. Overall a quarter of projects do not use any of these demand-oriented design features while 8 percent are highly demand-oriented and use five or six demand features. Approximately one-third score low while another third score average in demand orientation.

**Clarity on Sanctions**

Most social fund staff appraisal reports include a general statement that makes it clear that sub-

**Table 3.4 Depth of demand orientation**

<i>Number of demand mechanisms used</i>	<i>Number of projects n = 50</i>	<i>Percentage of projects</i>
0 No mechanisms used	12	24
1-2 Low	19	38
3-4 Medium	15	30
5-6 High	4	8

Source: Authors' data.

**Box 3.6 Sanctions in Zambia Social Fund FY95**

The project implementation manual written for use by communities in the Zambia Social Fund lays out possible sanctions and the situations in which they would be applied. When the fund's regional officer identifies a serious problem in a project, he advises the village project committee of the action they should take to rectify the problem. The officer will give the project committee a number of days or weeks, depending on the problem, to address the issue. Reasons for projects to receive a warning include:

- Serious financial irregularities.
- Misappropriation of funds.
- No substantial physical progress for six months.
- No progress reports received at project headquarters for more than six months.
- No financial justification or receipts received at project headquarters for nine months.

*Source:* World Bank internal report.

- Project committee is not elected by the community or does not have the community's support, but refuses to relinquish the checkbook or project files.

If the committee does not take satisfactory action in the time given, the regional officer recommends that a project be canceled. The manual spells out the results of project cancellation.

- The project bank account is frozen and the money returned to project headquarters.
- A public meeting is held at which the regional officer will explain the circumstances of project cancellation to the whole community.
- Any project committee official thought to be involved in illegal acts will be arrested and prosecuted.
- The project committee must repay funds already spent.

projects will be closed if there is a lack of community activity, community contributions are left unpaid, or there is a misuse of funds. Local staff may close subprojects for other reasons as well. In the Angola Social Action Project FY96 the fund's regional staff have closed two projects. In one, the community had not been able to agree on a site over the course of six months, and in the other, two different community groups were working on the same project without coordination between groups. The sanctions

specified in the Zambia Social Fund are highlighted in box 3.6.

**Conclusion**

Social funds are becoming more demand-oriented, and many recently approved projects include innovative approaches to encourage a focus on demand. Overall, this element of social fund design has not received the attention it requires if sustainability of subprojects is to be achieved.

# Investing in Local Organizational Capacity

*Local organizational capacity is the ability of people to work together, trust one another, and organize to solve problems, mobilize resources, resolve conflicts, and network with others to achieve agreed-upon goals.*

It is commonly recognized that successful decentralization requires a framework of rules and procedures for authority with accountability. Local governments are empowered with decisionmaking authority, resources, and the organizational skills and capacity to carry out the tasks expected of them within this framework. However, the same kind of thinking has not been applied when considering the preconditions for successful collective action at the community level.

This chapter first explains the concept of local organizational capacity and the payoff from investing in such capacity. The concept of local organizational capacity is examined in some detail because it is the least developed aspect of community-driven projects. With this background in place, the chapter then reviews the design features that build and enhance local capacity in the present cohort of social funds.

### Local Organizational Capacity

Local organizational capacity is the ability of people to trust one another, work together in solving problems, mobilize resources, resolve conflicts, and network with others to achieve agreed-upon goals. When people cooperate and work together they can overcome problems of coordination, risk, and limited information and individual skills. However, for successful collective action to

occur, certain conditions have to be met to overcome free-rider problems and to ensure that autonomous groups do not become isolated.

It is important for groups to have autonomy in order to develop rules for self-governance. However, to achieve sustainability, projects must be embedded in the existing social organization and be compatible with local capacity. Since the poor rarely have strong organizations to make their voices heard, projects must invest in building the capacity of local groups. Development projects can be instrumental in helping local groups to organize themselves to solve their own problems and to network with others to mobilize resources and design solutions. Once a particular set of project-related challenges has been met, such groups often move on to addressing other problems. Their new skills result in continued development that can be sustained beyond the lifetime of particular projects. Local organizational capacity is the third element in the framework (participation, demand, and local organizational capacity) and is essential to the achievement of subproject sustainability and continued development.

Robert Putnam's research in Italy (Putnam, Leonardi, and Nanetti 1993) has led to a resurgence of interest in social organization and local-level institutions, and to a new analysis of old research from a social capital perspective. Building on James Coleman's (1988) work on

social capital, Putnam characterizes social capital as the networks of horizontal civic associations and associated norms of trust and reciprocity that facilitate coordination and cooperation for mutual benefit. He shows that differences in regional prosperity in Italy over the past two decades were related to the number of choral societies, football clubs, or civic associations in the regions.

There is considerable experience in community development and in crafting productive institutional arrangements between formal and informal institutions that supports Putnam's findings on the importance of social relations and networks. But there is a sharp divergence between the community development experience and Putnam's findings as to the possibility and time framework within which meaningful change in societal relations occurs. Putnam traces the differences he found between the social organization in the north and south of Italy back three centuries, implying little hope that useful policy levers for change would be available. The community development and participation literature, on the other hand, is full of examples of how careful crafting and embedding of institutional arrangements in societal structures and social relations has led to dramatic changes in trust and productivity over a period of years rather than decades or centuries.

### **What Difference Does Local Organizational Capacity Make?**

This question can be examined on two levels, the macro level and the micro level.

#### ***Macro Level***

At the macro level the basic argument in much of the literature is that differences in economic prosperity between nations cannot be explained simply by differences in natural endowment and human and physical capital. Institutions such as property rights and the rule of law are also important (Serageldin and Steer 1994;

Serageldin 1996; Olson 1982; Fukuyama 1995; Williamson 1985). Local organizational capacity to mobilize people and resources, to solve conflicts, and to network may have an aggregate impact on distribution policies and the efficiency with which policies are implemented at the local level. The World Bank's East Asian Miracle study found that growth accounting models explain only 17 to 36 percent of the difference in growth performance between East Asia and other parts of the world (World Bank 1993). Easterly and Levine (1995) show that in Africa, ethnic heterogeneity is negatively associated with growth even after controlling for such variables as political stability and a range of monetary policies. They argue that ethnically fragmented societies are prone to distort public policymaking and implementation. Using data from the World Values Survey for a cross-country comparison of growth, Knack and Keefer (1966) found that trust and civic cooperation had a significant positive effect on growth, even after controlling for a host of other determinants of growth.

Norman Uphoff with colleagues from the Cornell Rural Development Committee established the impact of local organization on overall agricultural productivity measures in a comparative study using data from the 1950s to the early 1970s in 16 countries. The countries included Bangladesh, China, India, Indonesia, Japan, Malaysia, Pakistan, Philippines, South Korea, and Taiwan, among others. Uphoff found that in the 1970s, countries with "more organized" rural institutions (networks of local government, farmers associations, cooperatives, and women's clubs) were performing better by several quality-of-life measures and had per hectare yields of cereal that were double the level in the "less organized" countries. He found that in 1972 the more organized countries had a per capita income of \$353, while the less organized ones had incomes of only \$119 per capita, a threefold difference. However, the per capita incomes of the two groups were almost identical two decades earlier, \$74 and \$76, respectively

(Uphoff and Esman 1974). For a more detailed review of issues at the macro level, see Grootaert 1997.

### *Micro Level*

At the micro level two strands of evidence on the importance of social capital are important: local organizational capacity as an asset that contributes to household welfare; and local organizational capacity in the production and maintenance of infrastructure and other resources. Both have important policy implications for poverty reduction and for the design of projects using community-based approaches.

*Relevance to household welfare.* Three recent studies show the importance of local organizational capacity to household welfare. Caroline Moser's (1996) work in understanding poverty from the perspective of the poor underscores the importance of social capital as an asset in coping with vulnerability. Her research shows how the erosion of stocks of social capital or community cohesion leads to fragmentation with negative consequences for the welfare of households—both direct economic consequences, and the negative social and economic consequences of dealing with increased crime, violence, and intimidation by police.

Drawing on data from a participatory poverty assessment in Tanzania, a recently completed study used multivariate regression analysis to study social capital, as measured by the number and nature of groups active in a community. The study found that social capital has a greater impact on household welfare (measured through consumption and expenditure surveys) than the household's own physical assets, years of schooling, gender of household head, or the household's own membership in groups (Narayan and Pritchett 1997). The productive value of this social asset or social capital, and the processes that lead to its creation or expansion, have so far been largely ignored in poverty reduction strategies.

Similarly, Richard Rose's (1995) work in the transition economies of Eastern Europe shows that the collapse of the state has forced people to rely on informal networks and associations in order to obtain daily necessities. The importance of these coping strategies is captured in the Russian proverb, "A hundred friends are worth more than a hundred rubles." In Russia, as elsewhere, the economic costs of the breakdown in social cohesion are only now being realized. One pervasive phenomenon in Russia is the emergence of organized crime as a provider of security to private corporations and traders.

*Delivery and management of services and resources.* The second strand of evidence on the importance of social capital involves the role of local organizational capacity in the delivery and management of sustainable services to the poor, creation and maintenance of physical infrastructure, management of natural resources, and provision of micro-savings and credit programs. The literature is extensive on the role of local organizational capacity in creation and management of sustainable local-level infrastructure (Khan 1996; Ostrom and Gardner 1993) and in natural resource management (Cernea 1992; Jodha 1992; Pathan, Arul, and Poffenberger 1993). The importance of social capital across a range of sectors is well documented in the World Bank Social Development Department's technical paper series on participation, and in Norman Uphoff's work on local organizations, management capacity, and impact on productivity (1986a, 1986b, 1992, 1996, 1997). A few examples are cited here.

- Sri Lanka turned one of the most deteriorated and conflict-ridden irrigation schemes, Gal Oya, into one of the most outstanding by focusing on strengthening the management capacity of existing farmer organizations. Starting with farmer organizations at the field channel level, the efficiency of water use was almost doubled and the output of rice per unit of water issued from the reservoir was increased by about five times. But more impor-

tant, once farmers had dealt with their most pressing water shortages, they turned their newly acquired problem-solving capabilities to such tasks as integrated pest management, improved marketing, credit programs, and income generation for women and youths (Wijayaratra and Uphoff 1997).

- The Orangi Pilot Project in Pakistan, through a system of community organization based on lane committees, has been able to mobilize and productively use about 17 rupees of local resources for every one rupee worth of external assistance. The project started by helping squatter settlement residents install self-help sewerage systems and went on to set up very cost-effective health, education, and employment creation programs. A United Nations urban rehabilitation program, working in the same community, with conventional technocratic methods, managed to get 36 lanes organized and sewered in six years. During this same time, the Orangi Pilot Project installed sewerage in more than 4,000 lanes, spending less than one-third as much as the U.N. program (Khan 1996).
- In Gujarat, India, during the 1980s, an average of 18,000 forest offenses were recorded annually; 20 forestry officials were killed in confrontations with communities and assaults on forestry officials were frequent. In response, an experiment in joint management with communities was initiated by the conservator R.S. Pathan. This included community meetings, widely publicized creation of forest protection committees, and profit sharing of 25 percent of timber returns with local groups. As a result, conflicts between officials and community groups diminished, community groups assumed responsibility for patrolling forests, and productivity of land returns to villages increased sharply. In one village of 88 households, residents harvested and sold 12 tons of firewood, 50 tons of fodder and other forest products, while also planting and protecting teak and bamboo trees (Pathan, Arul, and Poffenberger 1993).

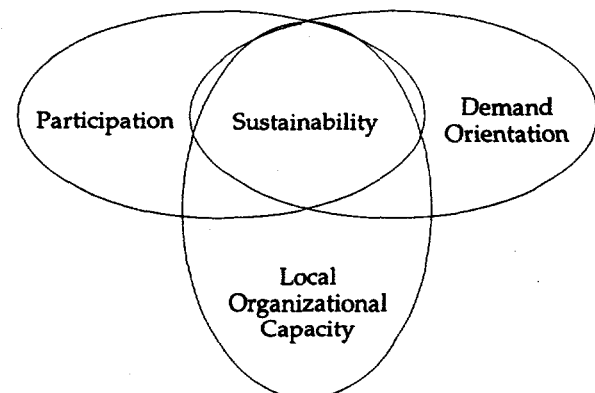
### Agency Orientation toward Capacity Building

When the primary orientation of a project is to build local-level organizational or self-help capacity so that the poor are better equipped to solve their problems and to access resources from government and the private sector, then the provision of microprojects becomes more the means to build such capacity, than an end in itself. Moreover, the design features of these projects are quite different than if capacity building is viewed as only one project component. Participatory processes, especially involvement in decisionmaking—setting priorities, managing financial resources, hiring and firing—are all critical in building local capacity. Similarly, design features that support demand orientation, putting community preferences first and requiring evidence of genuine commitment, all contribute to creating local organizational capacity. The linkages among these concepts are depicted in figure 4.1.

#### *Capacity Building in Objectives, Components, and Indicators of Success*

As noted in chapter 2, 40 percent of social fund projects reported community development, self-help, and capacity building among their overall objectives. The four projects in which commu-

Figure 4.1 Analytical framework



Source: Authors' data.

nity development or self-help capacity was the overriding goal were Burundi FY93, Comoros FY94, Zambia FY95, and Ethiopia FY96. For example, in the Burundi project the overall objective translates to "Let us develop ourselves with our own resources." Other projects with a strong community development orientation were: Ecuador FY94, Cambodia FY95, Angola FY96, Argentina FY96, Armenia FY96, Eritrea FY96, Madagascar FY96, and Malawi FY96. In the fund now being prepared for Moldova, the primary objective is capacity building of poor communities through the rehabilitation of small-scale social and economic infrastructure.

As projects become vehicles for community development, not only do statements of objectives and indicators of success change, but the menu of options broadens or shifts to a "negative menu," simply identifying what cannot be funded. For instance, the Cambodia Social Fund has a negative menu of subproject types that it will not fund, such as the construction of public administration buildings, or the financing of recurrent costs or relief activities.

When community capacity building is the primary goal, this should be reflected in expected project outputs and outcomes. But as yet, few projects have established explicit indicators to measure this type of impact.

### *Community Choice of Facilitators*

Despite the best intentions, when working with poor communities it is very easy for intermediary organizations to take over the decisionmaking process or to impose on poor clients their perspective of priorities. In northeast Brazil, Berthet (1996) found that while the official menu of subproject options included 100 items, the technical background of staff and consultants (primarily agriculturists in that case) influenced communities to choose agricultural projects over other options. In another case the influence of private sector consultants resulted in communities choosing primarily tractors. To change the incentives of intermediary groups and to

counteract their tendency to assume that they are the best representatives of the poor, a few projects now give communities the power, authority, and resources to choose among alternative facilitators to help them develop subproject proposals.

In preparation for the Malawi Social Fund FY96 a systematic client consultation was done in which communities were asked whom they would like to work with as facilitators or intermediaries between themselves and the fund. Local NGOs insisted that they were the appropriate group to work with communities, but another option was to use the existing cadre of community development advisers from the Ministry of Women and Children's Affairs, Community Service, and Social Welfare.

The survey findings showed that the poor did not want to work with either group. The most frequent reason given was that both community development advisers and NGOs had treated them as if they were ignorant and showed little respect for their opinions and priorities. As a result, the project was designed to allow communities to choose whom they would hire as a facilitator for preparing subproject proposals.

The fund then provided training to community groups, NGOs, and the government's community development advisers on how to facilitate the subprojects, which resulted in an attitudinal shift among the government staff. As a result, interaction between the government agents and communities became much more positive and 70 percent of subprojects ended up using the community development advisers as facilitators. In these cases the subproject budget does not pay for facilitators' salaries, but some minor expenses such as bus fares and overnight stays are allowed under the subproject line item for facilitation.

In other Malawi Social Fund subprojects local community leaders have emerged to initiate projects and have become subproject facilitators. The villagers feel confident that local residents will have the best interests of the com-

munity at heart and that since these facilitators are in the community they can follow up on project issues over the long term. The local facilitators (often, school headmasters or retired civil servants) could be paid out of the subproject budget; however, the task manager reports, "mostly they don't ask for money because they wouldn't dream of taking money away from the school or clinic project for a salary." Similarly, communities in Ethiopia are identifying individuals held in high regard locally to be trained to act as community facilitators, assist communities with proposals, supervise implementation, train beneficiaries in asset maintenance, and act as a link with the fund offices.

#### *Technology Choice Appropriate to Existing Capacity*

When projects are technology-based, it is important that local people understand the management implications of the technology or that they have the resources to contract for the needed technical maintenance services. Some social funds require that subprojects use simple and locally based technology to achieve sustainability. In the Zambia Fund the aim is to "approve microprojects which can be successfully completed within one year and are simple enough to be implemented without significant technical assistance from outside the community." In the Angola Social Action Project report it is stated that subprojects should be successfully completed within six months, and must use local materials whenever possible. In the Ethiopian Social Fund rural water subprojects are to use low-cost and simply maintained technologies appropriate for direct community participation. The Population and Human Resources Project in Comoros stated that the costs of subprojects should not be beyond the capacity of community contributions or user charges. However, only the staff appraisal report for the Eritrea fund includes explicit discussion of technology alternatives: "The project will help communities weigh these issues and constraints and the fund will discuss alternative technologies

with communities to ensure that they are aware of the operation and maintenance requirements and recurrent cost implications of the schemes they select."

#### *Capacity Building of Community Groups*

Thirty-two percent of social funds invest some resources in building community development skills at the community level through training and technical assistance. This has increased over time. Community development training was included in only 17 percent of social funds approved from fiscal 1987 to fiscal 1994 while it was included in 67 percent of projects approved in fiscal 1995 and fiscal 1996.

Capacity building often involves training of at least the community project committee members in the technical aspects of handling subproject funds (banking, accounting, monitoring, and reporting). Communities are also trained in project implementation (competitive bidding, other forms of procurement, contracting, and supervision of work). A small number of projects are training communities in how to effectively organize and manage a community group. In addition to providing guidance on how to establish bylaws, this training can include discussions of the value of choosing a project supported by a majority of community members, the importance of keeping everyone involved in and informed about project progress, and techniques for resolving conflicts (Zambia FY95).

Other community capacity building components focus on training related to subprojects, such as basic hygiene classes in a community with a new clinic. Some training also encourages the expanded use of new infrastructure—for instance, using a new school as the center for lending libraries. Some funds provide training on specialized themes such as erosion control, the special needs of women, or vocational skills requested by the community.

Fifty-two percent of social funds offer communities training and technical assistance for subproject operation and maintenance. This



type of training has been included more frequently in the most recent projects. Seventy-three percent of projects approved in fiscal 1995 and fiscal 1996, offer operation and maintenance training. In Ecuador one percent of subproject costs are earmarked for technical assistance and training to establish and consolidate community operation and maintenance committees. The training program designed for the Eritrea Social Fund is outlined in box 4.1.

Projects that focus on local organizational capacity often make special efforts to reach nascent organizations of the poor, women, and in, Latin America, indigenous populations. Based on the findings of a preproject systematic client consultation in May 1995, the Malawi Fund expends more intensive facilitation and organizational efforts in communities where:

- Experience of indigenous populations working in partnership with NGOs is scant.
- No experience of completed development projects exists.
- The population is characterized by greater socioeconomic variation and stratification.
- Considerable power is wielded by dominant, influential personalities.
- Women's views are under-represented and carry little weight.

In recognition of the poverty, marginalization, and cultural richness of indigenous populations in Guatemala, the social fund there has an integrated strategy to include indigenous groups and to strengthen their capacity to access resources. This strategy states that a) the poorest municipalities, in which indigenous people live, will receive more funds per capita than other areas; b) promotional staff will be hired from these communities, if possible, and materials will be produced in the local languages; c) indigenous groups will be able to submit proposals directly to the fund; d) facilitators must ensure that the priorities are those of the indigenous groups and not the NGOs; and e) the capacity of indigenous groups will be strengthened.

Ethiopia and Eritrea are the only funds that specify gender action plans to ensure that women and men benefit equally from subprojects. Women are to be equally involved in sub-

#### Box 4.1 Community capacity building strategy in Eritrea

The Eritrea Community Development Fund FY96 allocates \$1.75 million for capacity building of personnel in the fund and in line ministries supporting fund activities, facilitators assisting the fund in project promotion and implementation, and communities and community leaders. Capacity building for communities participating in the Eritrea Social Fund subprojects takes place at four levels:

- First, the community at large receives training on the approaches and procedures of the fund and methods for identifying subprojects, monitoring implementation, evaluating outcomes, and maintaining investments.
- Second, community leaders and community project committees receive training on the skills needed to meet project requirements in managing finances, supervising work, and reporting progress. They also receive training in managing the community's interests in the project cycle, including negotiation with fund staff and facilitators, and contracting for implementation services.
- Third, specialized programs provide training on a particular issue such as environmental conservation or the needs of poor women. Specialized training on the use of a piece of equipment or new technology is also provided, as needed.
- Fourth, communities are given training opportunities that will help them make the most use their organizational skills and new facilities. If a community is constructing a new school, for instance, it will be encouraged to form a strong parents committee to participate in basic education management. Such committees may also be trained in performing operation and maintenance, organizing to provide food or housing for teachers, and mobilizing contributions towards salaries and textbook fees. The fund also encourages the community to make the school facility a center for other community activities such as adult literacy classes or preschool child care centers.

Source: Interview with Laura Frigenti 1996.

project identification, design, and management. The plans not only give special attention to maximizing subproject benefits for poor women, but also identify potential negative consequences for them and propose mitigating measures (box 4.2).

### *Measuring Local Organizational Capacity*

Experience shows that measuring local organizational capacity effectively requires a combination of quantitative and qualitative methodological approaches. Community members are often a better judge of the strength of a local organization than are outsiders. Indicators used by village people in Sri Lanka to judge the performance of their community organizations are reported in box 4.3.

The Aga Khan Rural Support Program (AKRSP) is known worldwide for its success in using village-level organizations to organize remote communities to provide basic infrastructure, manage natural resources, develop small enterprises, and encourage savings and credit programs.

After almost 15 years of work, Aga Khan Program felt a need to assess the capacity and maturity of the local organizations. The factors considered were a group's ability to develop broadly based consensus at the village level, articulate its interests coherently, and be a reliable partner in planning and management

responsibilities. The assessment was also viewed as an opportunity to draw some generic conclusions about measuring community-level institutional development and to contribute to the broader debate in this area.

The Aga Khan assessment developed an institutional maturity index that included the five variables listed in table 4.1. The assessment focused particularly on the extent to which village organizations (a) were broadly based and multipurpose institutions and not just contractors for a single project and (b) had become more self-sustaining by linking up with other institutions, especially government agencies, in the social sectors. The study also examined the extent to which small farmers had adopted improved agriculture, livestock management and forestry practices. A list of 120 indicators was developed.

Two important methodological lessons emerged from the study. First, it is difficult to understand organizational processes through quantitative approaches. The quantitative approach provided only a snapshot of a moving picture and was time-consuming, requiring a year to complete. The approach failed to show the process behind the numbers.

Second, assessment based on case studies provided a better understanding of what was happening inside the organizations and how they related to the broader community. This

#### **Box 4.2 Women's participation in the subproject cycle, Ethiopia**

In keeping with the "National Policy on Ethiopian Women" the social fund developed a gender action plan to incorporate women's participation into subprojects in the following ways:

- Promotional activity to encourage subprojects addressing women's priority needs.
- Priority ranking for subprojects that address the needs of women.
- Appraisal checklist used to ensure that there are no adverse gender impacts from subprojects or that adequate mitigation measures are incorporated when necessary.
- Training designed to help women participate fully on community project committees.
- Requirements that community project committees have at least two women members.
- Beneficiary impact studies focusing on women.
- Monitoring of subprojects for their effects on women, using gender indicators included in the MIS reporting system.
- Emphasis on the design of income-generating and nutritional activities that focus on the needs of women.
- Inclusion of specialized staff in the social fund office to carry out activities and conduct gender sensitivity training for other staff.

*Source:* World Bank internal report.

**Box 4.3 Indicators of a good community organization**

According to the villagers of Ambalayagama, Sri Lanka an effective community organization exhibits the following characteristics:

- Self-confidence
- Belief in what they do
- Unity
- Initiative
- Closeness to each other
- Frankness in expression of views
- Good leadership
- Dedication to objectives
- Equality among members
- Patience.

The villagers also recognize the following behaviors and patterns as marks of a strong local organization:

- Members regularly attend meetings.
- Capable people are selected to serve in the organization.
- Knowledge is shared with rest of the community.
- Members perform their duties and responsibilities.
- Organization maintains a strong group fund.
- Control is exercised over marketing of community products.
- Market access is achieved through organized effort.
- Unnecessary expenditures—such as, for alcohol, tobacco—are curtailed.
- Vigilance is maintained to guard against external destructive forces, for example, profit-seeking middlemen.

Source: Humplick 1997.

qualitative review revealed far more about the many factors that influence the capacity of community organizations than did the quantitative review. Organizations that were committed to and able to focus on tangible objectives tended to be more successful. Also, the presence of strong leadership seemed to be one of the most important factors in the capacity of the organi-

zations. The study also found that successful introduction of modern management systems (such as transparent accounting, clear job responsibilities) often required that the AKRSP graft them onto traditional systems of organizing. AKRSP research currently relies primarily on case studies, in combination with simplified quantitative indicators.

**Table 4.1 Indicators of organizational capacity, Aga Khan Rural Support Program**

<i>Participatory social organization</i>	<i>Reduced dependence on AKRSP</i>	<i>System of management</i>	<i>Linkages with other agencies</i>	<i>Improved systems of natural resource management</i>
Household coverage within village organizations	Small-scale infrastructure maintenance	Planning for agriculture, livestock management, and forestry activities	Type and number of linkages in productive sector activities	Adoption of improved agriculture, livestock management, and forestry practices at the household level
Frequency of and attendance at meetings	Self-financed infrastructure schemes	Marketing and enterprise	Type and number of linkages in social sector activities	
Maintenance of records	Cash purchase of inputs	Financial management		
Growth in savings	Performance of village organization specialists	Conflict resolution		

Source: Azfar 1997.

### **Capacity Building of Intermediaries**

The types of intermediary organizations that social funds use to provide the links between their organization and beneficiaries include local government, private sector entities, regional office staff, and NGOs. While only 25 percent of social funds specifically mention involving NGOs in their list of specific objectives, 74 percent say they intend to involve NGOs in some way. About 40 percent of projects invest in some training for NGOs. Although capacity building for intermediaries is not an area that is highly developed in the social fund project descriptions, an interesting approach was recently adopted in Egypt (box 4.4).

More important than the types of intermediary groups that are used for social fund work are the characteristics of these groups. Intermediary group characteristics that support effective participatory work are summarized in box 4.5.

### **Conclusion**

The challenge for social funds is to support and build on communities' existing capacities to organize themselves and to network outside the community in order to leverage power and resources from the private sector and government. Building local organizational capacity is closely linked with involving people in deci-

#### **Box 4.4 Capacity building for NGOs in Egypt**

Egypt's Second Social Fund FY96 found that NGOs often have closer relationships with community groups than do local governments. NGOs have implemented 75 percent of the community development subprojects. Due to the limited capacity of smaller NGOs and the increasing community demand for subprojects, the Egypt Social Fund has instituted a capacity building technique known as clustering. This involves the voluntary linking of a primary, larger and more experienced NGO with a cluster of satellite or smaller NGOs. Training in subproject planning, preparation, implementation, and operation is provided to both the primary and the smaller NGOs. Following the completion of training, the primary NGO assumes responsibility for monitoring and supervising the activities of the satellite NGOs. This enables the fund to expand its coverage while still maintaining accountability.

*Source:* World Bank internal report.

sionmaking processes and maintaining demand orientation. Local organizations that have traditionally excluded indigenous groups, women, or other minority groups will not automatically involve or benefit such groups. The challenge is to support those organizations that emerge when people need to deal with a high-priority problem and know they cannot do so as individuals. These groups have to be embedded, to some degree, in the local social structure. Once local groups are established, they can network

#### **Box 4.5 Characteristics of intermediaries that support participation**

Intermediaries that support effective participation exhibit the following characteristics:

- Participation as an institutional objective.
- Field presence.
- Staff incentives and training that support participation.
- Iterative planning and consultation with local communities.
- Bottom-up accountability mechanisms.
- Contributions of cash, labor, raw materials or local facilities from communities, which makes the communities clients of the intermediary.
- Horizontal and vertical linkages to other institutions.
- Prior experience in the community where the subproject is to be implemented and knowledge of local conditions.
- Positive image in the eyes of the community and beneficiaries.
- Keen understanding of and sensitivity to issues concerning women, minorities, and the environment.
- Community development and participation philosophy reflected in other work.
- Strategy for participation in the subproject that is in line with the social fund strategy.

*Source:* Schmidt and Marc 1995.

or federate with other organizations to achieve common goals. As goals are met, and prosperity is achieved, such organizations may disappear and then reappear in other forms to solve other

problems. Social funds must invest increasingly in such local organizational capacity—for without it, subproject sustainability is unlikely to be achieved at the local level.



# Conclusions and Recommendations

**S**ocial funds have become an important instrument for reaching the poor. Initially their value was seen primarily as an instrument to create employment opportunities for the poor during periods of economic and political crisis. Today an even greater potential value is increasingly being recognized. Social funds are seen as instruments for contributing directly to community well-being and social cohesion among the poor, through the engagement of community groups in the creation and management of local infrastructure, basic services, and natural resources. This transition will only be complete, however, if there are fundamental changes in the design of social funds, away from an emphasis on supply-led approaches and toward participatory, demand-based approaches that focus on building local organizational capacity.

### Conclusions

There is now convincing evidence from many sources that achieving sustainability at the local-level requires community participation, demand-orientation, and local organizational capacity, and there is widespread agreement on these propositions. Recently approved projects are introducing important innovations in these areas. Although 40 percent of social funds have community development objectives, not all of these are designed to achieve these objectives.

Most projects include community groups in initial project planning. While half the projects include assessment of community participation in the appraisal process, few describe the criteria to verify whether community participation has occurred. Similarly, while 42 percent require the creation of operation and maintenance committees prior to implementation, in most cases neither the commitment nor the capacity to carry out maintenance is verified; nor is there verification of the willingness and capacity of agencies to follow through on their commitments to support community groups in the long run.

Important innovations have occurred in roughly a quarter of the projects, particularly in the past two years. Funds have shifted their perspective, from viewing community groups chiefly as having the responsibility to collect local materials, provide labor, and conduct operation and maintenance to recognizing them as being in charge—with control and authority over decisionmaking and resource allocation, including handling funds, procuring materials, and hiring and firing contractors and other service providers. An impressive number of funds routinely conduct beneficiary assessments to get feedback from community groups. The extent to which attempts are made to reach women is unclear, however.

Demand orientation is important to achieve long-term sustainability at the community level.

A handful of recently approved projects have strong demand orientation. Many funds still preallocate subproject budgets by sector, and do not clearly specify the roles of community groups, or link service levels to community contributions. Very few have well-defined information and outreach strategies.

Perhaps the least developed element of all in social funds is investment in local organizational capacity to achieve sustainability. Even in the better-designed projects the training is primarily technical rather than organizational and task managers report that often it is not actually conducted. This, combined with the fact that most social funds have no arrangements for monitoring participation, demand, or progress in local organizational capacity, casts considerable doubt on the prospect that subprojects will be sustainable at the community level. The second phase of the portfolio review, which includes field-level impact analysis, will inform this question further. The results of the present review suggest a series of recommendations.

### **Recommendations**

Community participation, demand orientation, and local organizational capacity should be used as guiding principles in all social fund projects in which subproject sustainability at the community level is the goal. These principles need to be reflected not only in the overall objectives of social fund projects, but, more important, in their design, implementation, and evaluation. This requires an institutional design that differs fundamentally from that of supply-driven projects in the following important ways:

#### ***Primacy of Demand and Participation***

When a subproject is designed to reflect community demand, it introduces greater uncertainty than is usual in projects where most decisions have been made by the end of project preparation. Projects cannot be responsive to demand if they are predetermined. Because

social funds have to respond to the demand of thousands of community groups, while also being efficient and accountable, adopting processes that worked well in blueprint-type projects makes the entire project dysfunctional. If community-driven projects are to be successful on a large scale, they must include the following features: clear primary objectives; indicators of success that support demand, community autonomy, and capacity; a range of options in subprojects; funding mechanisms that support community autonomy with built-in systems of accountability; an agency that facilitates community participation, demand, and capacity building through competent intermediaries; and procurement and disbursement measures that support community authority, and timely initiation and completion of subprojects. These features already exist in a few social funds and in some other sector-specific projects—they need to be made widely available and replicated.

#### ***Subproject Cycle***

The subproject cycle must clearly specify verifiable rules for governing interaction between the social fund, the intermediary, and the community, as well as the conditions for disengagement at any stage if the community does not fulfill its obligations. Throughout the subproject process the characteristics of clients, in terms of poverty, gender, or vulnerability, need to be clearly defined and methods to ensure their representation need to be specified.

#### ***Participation Throughout the Subproject Cycle***

Social fund projects that aim to achieve sustainability of services should incorporate institutional mechanisms to ensure community involvement beyond subproject identification. Community involvement should be sustained in decisionmaking throughout the design, implementation, operation and maintenance, and evaluation of subprojects, and should be reflected in



community authority and control over expenditures. Mechanisms should also be in place to ensure that community decisionmaking adequately represents groups such as the poor.

### *Commitment to Operation and Maintenance*

To increase the probability of sustained operation and maintenance, projects that offer a limited menu of options and have low community contribution requirements (that is, low demand orientation) need to ensure that verifiable arrangements are in place for operation and maintenance at the community and agency levels. This includes commitment and capacity, both financial and institutional.

### *Investing in Local Organizational Capacity*

The design and implementation of the community capacity building components of social fund projects should become a key element of the sustainability strategy. Investments should be made in building the organizational capacities of communities—not just in developing their technical skills. As the poorest among the poor are not always adept at articulating their needs in a systematic fashion, mobilization and training of these groups under social fund projects would improve the prospects of reaching them. Special efforts should be made to ensure that training plans related to capacity building efforts are translated into actual training since these components are sometimes not implemented.

### *Managing Intermediaries*

Greater attention and care need to be paid to the choice of intermediaries and outreach mechanisms, and to incentives that will encourage intermediaries to respond to community demand and to build the local organizational

capacity of the poor (rather than simply completing subproject proposals, selecting high-cost options, or building physical infrastructure quickly). Once again, existing innovations that change the incentives of intermediaries should be disseminated. These include giving community groups choice of facilitators, funds to hire intermediaries, and authority to withhold payments for unsatisfactory work.

### *Performance Indicators*

If demand orientation and community participation for sustainable service delivery and local capacity building are the key project objectives, they need to be reflected in the performance indicators, both in the computerized Management Information System and in the monitoring and evaluation activities that are used to inform management decisionmaking. The achievement of these objectives also needs to be recorded in the Bank's internal tracking system.

The use of beneficiary assessments, client satisfaction surveys, and other more directly participatory methods of client involvement in monitoring and evaluation should become standard practice in all social fund projects. Information gathered through such methods should inform the social fund's decisionmaking and be used to ensure flexibility.

### *Evaluating Impact*

Social funds should place more emphasis than in the past on monitoring outcomes on-the-ground. Given that the poor are often the main target groups of social fund projects, the systematic collection of data relating to the socioeconomic profile of social fund beneficiaries is critical. Data collection on intermediate outcomes should become an essential part of social fund project monitoring systems and should be used to modify projects periodically.



# Performance Indicators for Participation, Demand, and Local Organizational Capacity of Key Stakeholders

**Annex Table 1 Performance indicators for participation, demand, and local organizational capacity of key stakeholders**

<i>Indicators</i>	<i>Indi- viduals</i>	<i>Groups</i>	<i>Community</i>	<i>Local government</i>	<i>Central government</i>	<i>Private sector</i>	<i>NGO</i>
<b><i>Input (resources)</i></b> a. Cash b. Materials c. Knowledge							
<b><i>Process—Activity (tracking)</i></b>							
<b><i>Output (short term)</i></b> a. Ownership b. Satisfaction c. Strengthened capacity/ empowerment <ul style="list-style-type: none"> <li>• Individuals <ul style="list-style-type: none"> <li>• Skills, knowledge</li> <li>• Self-confidence</li> </ul> </li> <li>• Groups and Organizations <ul style="list-style-type: none"> <li>• A well-functioning group</li> <li>• Ability to solve problems</li> <li>• Ability to mobilize resources</li> </ul> </li> </ul> d. Specific goods and services delivered e. Specific goods and services operated and maintained							
<b><i>Outcome (long term)</i></b> Development objectives							



## **Design Features of Selected Social Funds**

**Albania, 1995—Rural Development Project**

<i>Project cost and estimated breakdown</i>	<i>Objectives</i>	<i>Monitoring and indicators of success</i>
Total project cost: \$12 million Bank credit/loan: \$6 million	Project objectives are to: • Promote small farm and off-farm activities and help create a rural market economy. • Respond to demand, repair community-identified problem areas in basic rural infrastructure. • Create employment for the rural population and inject cash resources into rural households.	<b>Monitoring</b> Quarterly reports to be submitted by fund. IDA and fund will undertake mid-term evaluation.  Pilot phase of project did impact study in 21 villages, confirming that the "project is viewed positively by project beneficiaries."  Beneficiary assessments will be done regularly to evaluate project impact and help guide components.  Project takes research-action approach to develop a flexible demand-driven project in a transition economy, while providing for immediate and visible results.
Rural infrastructure (social and economic) 41% Small-scale credit 36% Promotion of rural activities 3% Local government training and studies (BA) 2% Implementation support 11% Contingencies 7%		<b>Indicators</b> None mentioned.

<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
<p><b>Rural Infrastructure Proposals</b> must be submitted for funding approval.</p> <p><b>Subproject identification and proposal development:</b> Village meetings establish a list of potential subprojects. A commune level meeting of village chiefs chooses the priority projects and presents them to the fund.</p> <p><b>Subproject appraisal:</b> Fund engineers make field visits to verify and gather information, and meet with village committees, commune representatives, the designer, potential contractor, and local technical supervisor of the proposed project.</p> <p><b>Appraisal criteria:</b> Only one of several selection criteria directly relates to participation—"subprojects shall encourage the active participation of women in the communes and villages concerned."</p> <p><b>Approval</b> is given by the fund's executive committee.</p> <p><b>Subproject contracts</b> are entered into by the fund and commune councils, elected village committees, and/or village credit committees.</p>	<p><b>Rural Infrastructure</b> A commune subproject committee must be formed.</p> <p>A users' committee and a two year maintenance fund must also be established before commencement of the subproject.</p> <p><b>Credit Program:</b> Villages must form village credit committees as an indication of their interest in the project.</p>	<p><b>Rural Infrastructure</b> "Counterpart financing of at least 5%–10% of investment cost is normally required" by the fund. Communes make monetary contributions while the villages contribute labor.</p> <p>A condition for subproject financing and contract signing is that an "infrastructure committee has been established." It is to be comprised of the "commune chief and treasurer, president of the users' committee, and commune technician. The infrastructure committee is in charge of assuring the technical and financial implementation of the subproject."</p> <p><b>Sanctions:</b> The fund reserves the right to break the contract with a commune if it appears that the work cannot be properly carried out in a timely and cost effective manner. If problems are the result of commune failures the commune becomes ineligible for further funding.</p> <p><b>Credit Program:</b> A village credit committee of at least three elected village representatives (along with a representative from the fund and the Rural Credit Bank) must be formed for a village to be eligible for the program. Fees will be attached to each loan in order to build an emergency fund to cover defaults.</p> <p><b>Sanctions:</b> If there is an overdue payment on a loan, "no further disbursements will be made for that village."</p>	<p><b>Rural Infrastructure</b> A condition for subproject financing and contract signing is the creation of a users' committee (different from the infrastructure committee) which is elected by the village and includes the commune treasurer. "The establishment of a two-year maintenance fund is obligatory before commencement of the subproject. This fund is managed jointly by the users' committee and the infrastructure committee." "Cost recovery should be considered for certain projects, such as water supply, where user fees should be progressively introduced with the framework of general tariff reform."</p> <p><b>Credit Program:</b> Fees and interest rates will cover the full transaction costs of all parties involved in providing credit. "Furthermore, interest rates are to be positive in real terms, and in the long term, a savings scheme should achieve ownership of village credit funds by beneficiaries."</p>	<p><b>Rural Infrastructure</b> <b>Legal agreements:</b> The chairman of the commune signs a contract with the fund which defines the work program, timing, cost estimates, and future maintenance for the project. In turn, the commune signs contracts with subcontractors for labor, equipment and materials.</p> <p><b>Hiring:</b> Based on project criteria, such as priority for workers from the local area and the poorest families, village councils hire workers for subproject execution. The commune also hires technical and supervisory personnel to organize and oversee projects.</p> <p><b>Procurement:</b> Communes implement the subproject directly, using local shopping procedures. Fund engineers train and assist communes in procurement and reporting.</p> <p><b>Project supervision:</b> Communes are responsible for technical supervision of works, but fund engineers visit regularly to check progress and quality of work.</p> <p><b>Credit Program:</b> The village credit committee is responsible for: loan appraisal; selection of loan recipients; setting loan amounts; determining collateral and repayment requirements; and defining and enforcing sanctions for late repayment or default.</p> <p><b>Evaluation:</b> Two comprehensive beneficiary assessments will be done on the project.</p>

## Albania, 1995—Rural Development Project

<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b>  <b>Rural infrastructure</b>            The fund makes grants and requires community contributions.  <b>Rural credit program</b>            The fund makes loans at market rate with complete cost recovery.            Promotion of rural activity            Symbolic contributions by beneficiaries are required.            (Component described under subsidies and incentives for community organization)</p> <p><b>Institutional setting:</b> The fund is an independent agency overseen by a board of trustees chaired by the deputy prime minister and made up of various ministry deputies.</p> <p><b>Actors' roles:</b>  <b>Central fund office</b> promotes the project, receives proposals, conducts appraisals, gives final approval, signs a contract with the community and supervises implementation.</p> <p><b>Communes</b> prioritize subproject requests, submit proposals, sign legal agreements, carry out procurement, and supervise implementation.</p> <p><b>Community groups</b> establish a list of priority projects, conduct the hiring of local labor and evaluate projects through beneficiary assessments.</p>	<p>The rural infrastructure component targets:  <b>Geographic areas:</b> Funding available in all rural areas, but priority given to poorest villages and communes.</p> <p><b>Sectors:</b> Rural infrastructure, small scale credit, and micro-enterprise.</p> <p>Subprojects are coordinated with other sector oriented projects and checked for consistency with district and national priorities.</p> <p>The rural credit program targets:  <b>Geographic areas:</b> Rural areas where access to formal sector credit is limited and where there is sufficient demand.</p> <p><b>Poverty:</b> Within these areas priority is given to the poor.</p> <p>All economic sectors and income generating activities are eligible. Men, women, individuals and groups are all equally eligible. State farms and other state enterprises are not eligible.</p>	<p>The rural infrastructure component trains local governments in project appraisal, management, and maintenance.</p> <p>The rural credit program will build a sustainable village-based savings/credit system and train communities in their implementation.</p> <p>The promotion of rural activity component focuses on the transfer of business know-how, small technologies, and new models of supply and marketing. Component details: Three percent of project costs are devoted to promotion and support of a rural activities component. This component provides demand-driven business and technical advice to private micro-enterprises (new or existing) that are financed by the rural credit component. It will also "assist in the creation of common facility centers providing services to a group of micro-entrepreneurs. These centers are to be demand-driven and owned by an association of micro-entrepreneurs." This component will also create animal health associations to improve livestock. There will be a "symbolic" fee for these services.</p> <p>Foreign technical assistance will be available on all project components.</p>	<p><b>Rural infrastructure:</b> Villages and communes in qualifying districts are informed of the program through visits by fund staff. Promotion at the national level takes place through announcements in newspapers and on radio and TV.</p> <p><b>Rural credit program:</b> No outreach mentioned except that the village credit committee generally promotes loans.</p> <p><b>Promotion of rural activity:</b> No outreach mentioned.</p>

## Angola, 1996—Social Action Project

<i>Project cost and estimated breakdown</i>	<i>Objectives</i>	<i>Monitoring and indicators of success</i>
Total project cost: \$52 million Bank credit/loan: \$24 million	Project objectives are to: <ul style="list-style-type: none"> <li>• Improve access to basic services.</li> <li>• Improve capacity of communities and NGOs to plan, appraise, manage and maintain investment activities.</li> <li>• Generate employment.</li> <li>• Enhance ability to collect and analyze poverty-related data.</li> <li>• Increase understanding of main causes of poverty to help formulate effective poverty alleviation strategies.</li> </ul>	<b>Monitoring</b> Annual financial audits, technical reviews and supervision missions to be done.
Social fund establishment           10%		Beneficiary assessments done at regular intervals from 1995 onwards. Results will be used to improve fund procedures and systems.
Subprojects                               79%		
Technical assistance                 6%		
Poverty monitoring                   6%	Poverty monitoring tracks living conditions of population through: <ul style="list-style-type: none"> <li>• Household and community surveys.</li> <li>• Funding local institution's specific beneficiary and participatory assessments.</li> <li>• Maintaining a database on poverty.</li> </ul>	
		<b>Indicators</b> Key indicators monitor financial reports, employment generation and technical assistance activities.

<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
Proposals must be submitted for subproject financing.	<b>Community</b> The community must form a project committee which must commit to a specific operations and maintenance plan.	Communities must contribute 10% to 20% of subproject costs. This commitment must be verified at a community meeting.	Two of the subproject approval criteria are: The existence of an established management system for the project, including maintenance; and the existence of a formal contract with the community project committee which describes this.	<b>Implementation:</b> Communities implement the subproject.
Subproject identification is done by communities.				
Proposal development is done by communities with technical assistance from sponsoring agencies (SAs) or provincial fund offices. If outside technical assistance is required for subproject execution, it is included in the subproject cost estimates.	<b>Government</b> Before approval, subprojects have to include proof of the Provincial government's commitment to fund the operation and to maintain the public facilities rehabilitated under the project.	Sanctions: Subprojects will be closed if communities or sponsors "repeatedly neglect the conditions set forth in the contract, fail to justify expenses or misuse funds... All infractions against the law will be reported to the local authorities."		<b>Procurement:</b> Communities are responsible for most procurement and sign all contracts with contractors or suppliers. Communities do not make payments, but authorize disbursement of money by the fund.
Subproject screening is done by the fund provincial office and the provincial board of overseers advises.				
Appraisals are done by a team (made up of the provincial office director and a civil engineer) according to clear and specific criteria including verification of: existence of community group, community contribution, arrangements for community implementation, supervision and operations and maintenance, and public ownership of land to be used.				<b>Evaluation:</b> Annual beneficiary assessments will be done to evaluate subproject performance and the appropriateness of fund response to the perceived needs of the community. Information feeds back into targeting, strategy and program design.
Financial agreements are prepared for subprojects that meet appraisal criteria. Agreements spell out budgets and responsibilities of the various parties.				
Approval for projects under \$20,000 is given in the provincial level offices, for over \$20,000 by the executive director, and for over \$50,000 by IDA and the national board of overseers.				
Subproject contracts are signed by the community and the fund once the project is approved.				



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**Angola, 1996—Social Action Project**


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<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> The fund makes grants of at least 50% (normally 70%) of subproject costs. The community must contribute 10%–20%, and the rest must come from other donors, NGOs or agencies.</p> <p><b>Institutional setting:</b> The fund is an autonomous, decentralized agency under the ministry of planning. The national board of overseers has 12 seats—6 for government and 6 for civil society (2 each for NGOs, churches and private sector organizations).</p> <p><b>Actors' roles</b> National board of overseers defines fund policy and approves any changes in the program.</p> <p>Central fund office coordinates the overall fund, provides support for provincial office operations and approves all subprojects over \$20,000. (Over \$50,000 approved by IDA)</p> <p>Provincial fund offices promote the project, provide technical support to communities in proposal development, appraise and approve subprojects under \$20,000, sign contracts with communities, monitor implementation, close projects and convene the provincial board of overseers.</p> <p>Provincial board of overseers (6 seats for provincial line agencies and 6 seats for civil organizations, churches and NGOs) promotes the project, advises the provincial office, helps with desk appraisals and ensures sustainability of subprojects and compliance with financial agreements on the part of communities and the fund.</p> <p>Community groups (nucleo comunitario) identify needs, apply for funds, implement subprojects, sign contracts and authorize payments to contractors and suppliers. Revenue-generating subprojects must use sponsoring agencies.</p> <p>Sponsoring agencies (agencia de enquadramento) are local level organizations which support community groups when necessary.</p>	<p><b>The project targets:</b> <b>Geographic areas:</b> The fund will gradually expand its operations to all provinces in the country.</p> <p><b>Poverty:</b> Low-income and vulnerable groups (especially women)</p> <p><b>Sectors:</b> Social infrastructure subprojects focus mostly on health and education. Productive infrastructure focuses on subprojects that improve agricultural production and food security.</p> <p>Economic infrastructure will work mostly on roads and bridges and be labor intensive. Revenue-generating activities are focused particularly on women.</p>	<p>The subproject will "encourage" users groups and training in financial and business management for revenue-generating subproject participants.</p> <p>The poverty monitoring component will: contribute toward a better understanding of poverty issues, assist in the effective targeting of poverty reduction interventions, support design of poverty reduction policies, and strengthen government and institutions' ability to collect and analyze poverty related data.</p>	<p>The central fund office coordinates the promotion activities focusing on government officials, local leaders, and NGOs. The provincial office organizes community-level meetings and works with radio stations to disseminate information in local languages. Theater and comic books are also used in outreach.</p> <p>Amigo is social fund newspaper, describing fund projects and presenting feature articles on outstanding individuals and work. It is circulated to everyone involved in fund projects, from beneficiaries to government officials.</p> <p>Information from the ongoing priority survey on living standards and annual impact evaluations will feed into future promotion activities, particularly to better identify groups in need.</p>

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**Armenia, 1996—Social Investment Fund Project**

<i>Project cost and estimated breakdown</i>		<i>Objectives</i>	<i>Monitoring and indicators of success</i>	
Total project cost: \$20 million Bank credit/loan: \$12 million		Project objectives are to: <ul style="list-style-type: none"> <li>• Support vulnerable and poor communities.</li> <li>• Rehabilitate basic small-scale infrastructure.</li> <li>• Strengthen capacity of private, small-scale contractors, other micro-businesses, local government staff and communities to prepare and implement small projects.</li> <li>• Generate employment through labor-intensive public works.</li> <li>• Increase policymakers' capacity to monitor and analyze poverty in Armenia.</li> <li>• Demonstrate the validity of a more participatory approach to rehabilitation.</li> </ul>	<b>Monitoring</b> Mid-term review by the fund and the Bank.	
Subprojects (social and economic infrastructure) 78% Project preparation and equipment 5% Technical assistance 4% Training 1% Studies (BA, other) 1% Operating costs 6% Contingencies 5%			MIS is to monitor micro-project performance data. Beneficiary assessment to be done annually by local researchers.  Beneficiary assessment findings are not used in daily fund decisionmaking but by board of directors for overall policy, budget and work program decisions.  Living standards monitoring survey done to monitor trends in the population's welfare and the social impact of economic reforms.	
			<b>Indicators</b> Monitoring Indicators assess physical progress, financial status, efficiency, community involvement, and specific indicators on gender. Beneficiaries have a voice in choosing indicators to be monitored in subproject.	
<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
<p>Proposals must be submitted for subproject financing.</p> <p><b>Subproject identification:</b> The emphasis is on the participation of intended beneficiaries rather than community leaders.</p> <p><b>Proposal development:</b> Proposals can be submitted by local government, NGOs, parents' and women's committees, and specially created subproject committees. Any required technical studies are done by local government or engineers contracted by the fund.</p> <p><b>Desk appraisal criteria</b> include: an acceptable level of community participation, community contributions of 10% (a minimum of 5% for very poor communities) and an acceptable plan for operations and maintenance.</p> <p><b>Field appraisal</b> gauges the capacity of the implementing agency, assesses the relationship between the implementing agency and the community, identifies mechanisms and commitment for operations and maintenance and confirms community participation in subproject identification.</p> <p><b>Approval of subprojects</b> for \$50,000 and below is given by the fund executive committee. Subprojects for over \$50,000 are approved by the fund board of directors.</p> <p><b>Subproject contracts</b> are signed by the fund and the implementing agencies.</p>	<p><b>Community</b>            Community contributions, either cash or non-perishable, must be collected after subproject approval but before the first disbursement of money from the fund to the implementing agency bank accounts.</p> <p><b>Government</b>            As a condition of subproject approval, local governments must sign a memorandum of understanding with the fund attesting to their commitment to maintain and operate the facility.</p>	<p>Communities must contribute at least 5% of subproject costs in cash or in-kind. The project goal is to have an average of 10% in community contributions for subprojects overall.</p> <p>While the fund "will make every effort to obtain the contribution from the community, any organization or local government can contribute on behalf of the community."</p> <p>NGO and local government contributions must be greater than community contributions. "The rationale for requiring a greater contribution from local governments and NGOs is that these organizations have their own funds and can afford to contribute to subproject costs along with community members in general."</p>	<p>Appraisal criteria include the requirement for an "acceptable plan for sustainability prepared by the communities, and commitment from the local authorities to participate in the maintenance of the facility."</p>	<p><b>Handling project funds:</b> The implementing agency must open a bank account for project funds.</p> <p><b>Contracting:</b> The implementing agency hires a contractor and an independent supervisor.</p> <p><b>Reporting:</b> All required reporting must be done by the community/subproject committee if they are the implementing entity.</p> <p><b>Completion sign-off:</b> The fund, requesting agency, implementing agency, supervisor, contractors and members of the community verify satisfactory completion of all works.</p> <p><b>Evaluation:</b> Beneficiary assessments will be conducted each year in communities with subprojects. Items to be determined are: beneficiary satisfaction and perceived benefits of the project; beneficiary participation in project cycle; institutional development of institutions participating in subprojects; and suggestions to improve fund performance.</p> <p><b>Participatory evaluation</b> initiatives include: involving communities in collection of baseline data; allowing communities' input on indicators to be monitored; creating checklists of indicators that the community monitors on a weekly basis; discussing indicators with communities; and creating incentives for fund staff to devise their own strategies for involving community in monitoring functions.</p>

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**Armenia, 1996—Social Investment Fund Project**


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<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> The fund makes grants and expects contributions from communities or any other type of requesting and implementing agency on behalf of the community.</p> <p><b>Institutional setting:</b> The fund is an autonomous agency reporting to the ministry of economy. It has a board of directors made up of representatives from line ministries, one NGO member and one other unspecified member, deemed to be useful to the program.</p> <p><b>Actors' roles:</b>  <b>Fund advisory committee</b> (representatives of line ministries, NGOs and private sector) reviews and approves subprojects above \$50,000.</p> <p><b>Fund executive committee</b> approves subprojects for \$50,000 or less.</p> <p><b>Fund office</b> conducts outreach, appraises and supervises subprojects, provides on-site technical assistance, and supervises capacity building activities and subproject monitoring and evaluation.</p> <p><b>Sponsoring/requesting agencies</b> are local government, NGOs, parents' and women's committees, and newly created subproject committees and can be "registered or unregistered." All these groups can submit proposals and implement projects.</p> <p><b>Implementing agencies</b> sign legal agreements with the fund and must have legal status to do this. They can hire contractors or implement the projects themselves by purchasing material and hiring labor. The implementing agencies do not pay contractors directly. The fund makes direct payments.</p> <p><b>Independent supervisors</b> sign separate agreements with the implementing agency. The costs for these services are included in subproject budgets.</p> <p><b>Third parties</b> (consultants, contractors and NGOs) will be used for various supervision and professional services.</p> <p><b>Communities</b> are involved in project identification and proposal development and make contributions towards project implementation. They can also be requesting agencies and implementing agencies.</p> <p><b>Subproject committees</b> (made up of various community members) implement microprojects directly or cooperate with an implementing agency.</p>	<p><b>The project targets:</b>  <b>Geographic areas:</b> Based on poverty rankings.</p> <p><b>Poverty:</b> Poor and vulnerable groups (homeless, displaced, and refugee families, single-headed households with children, and families with 5 or more children).</p> <p><b>Sectors:</b> Rehabilitation of small-scale social and economic infrastructure.</p>	<p>Training is provided to the fund staff on participatory community development to provide practical guidance in generating participation and ensuring it is genuine.</p> <p>The capacity building component provides training to local government, NGOs and subproject committees in community participation, competitive bidding, contracting and monitoring work.</p>	<p>Outreach efforts are meant to increase awareness of the availability of project funds and explain fund procedures and selection criteria. Outreach also emphasizes the importance of community participation in the identification and implementation of subprojects.</p> <p>Promotion teams consist of a technical specialist and a social promoter who facilitate community organization and problem solving.</p> <p>A workshop is done in the community to explain the fund procedures, clarify the roles the community is expected to play and explain how communities will relate to other actors in the subprojects.</p> <p>As the fund portfolio grows, the fund staff will do less outreach and more supervisory work. Promotion activities will be contracted out to individuals or NGOs.</p>

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**Egypt, 1996—Second Social Fund Project**

<i>Project cost and estimated breakdown</i>	<i>Objectives</i>	<i>Monitoring and indicators of success</i>
Total project cost: \$775 million Bank credit/loan: \$120 million	Project objectives are to: <ul style="list-style-type: none"> <li>• Help create jobs through support of small enterprise and labor intensive works.</li> <li>• Support community infrastructure and services in partnership with NGOs and local groups.</li> <li>• Make the fund more sustainable, highly targeted and efficient than it was in phase 1.</li> </ul>	<b>Monitoring</b> External auditors conduct annual financial and functional audits.  Beneficiary assessments are mentioned and "expected to be employed." No specifics are given.  <b>Indicators</b> Monitoring indicators assess: implementation progress; outcomes (beneficiaries reached, jobs created and training conducted); and targeting effectiveness.
Small-scale labor intensive works (economic infrastructure) 12%		
Community development 27%		
Enterprise development 46%		
Human resources development 10%		
Institutional development 5%		

<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
<p>One component of this project, the community development program (CDP), is community-based.</p> <p>Proposals are required for CDP subproject approval.</p> <p>Subproject identification/proposal development: Can be done by beneficiaries and sponsoring agencies, but there is no clear process for this described in the staff appraisal report.</p> <p>Preliminary screening is conducted by fund regional and satellite offices.</p> <p>Desk and field appraisals conducted by the central fund office include the following demand related criteria: request must originate with community and/or be based on direct contact with the target groups in the target areas; subproject must respond to the priorities of the majority of beneficiary households; participation of women, either as beneficiaries or in project management and execution, should be an integral component; an acceptable level of community participation should be demonstrated; and a plan for operations and maintenance should be part of the proposal. The level of community contributions (in-kind or cash) also impacts eligibility.</p> <p>Subproject approval is done by the central office executive committee or the managing director (depending on the size of request).</p> <p>Subproject contracts between the fund and the sponsoring agency specify: the responsibilities of each party; procurement methods; implementation schedules; financial terms and conditions; SA contributions; and supervision, completion and handover mechanisms.</p>	None mentioned.	<p>"The sustainability of subprojects would be assured by selecting proposals which are both carefully screened and have strong beneficiary support manifested by contributions in cash or kind."</p> <p>There is no more specific information or target amount set for contributions.</p>	<p>"Soliciting agencies are requested to incorporate mechanisms for cost recovery, and operations and maintenance in project proposals. Projects involving direct community implementation should institute mechanisms to recover sufficient funds through modest fees and contributions in-kind to cover costs of operations and maintenance."</p> <p>Subprojects also include technical assistance for operations and maintenance.</p> <p>"The community development program will start, on an experimental basis, a system of assuring long-term sustainability of projects through setting up users groups to raise contributions towards long-term operations. The fund would start by providing matching grants to these users groups on a downward sliding basis, eventually phasing the grants out. The success of this approach, ... is not assured because the fund works in the poorest areas and the beneficiaries have little cash to offer—though they may be able to make contributions in labor."</p>	<p><b>Evaluation:</b> Beneficiary assessments of subprojects will be done. In addition, sessions in which "NGOs and communities can express their opinions freely (to fund staff) will be conducted on a regular basis."</p>

## Egypt, 1996—Second Social Fund Project

<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> social fund grants with community contributions are targeted toward infrastructure projects and social fund loans towards income generating activities.</p> <p><b>Institutional setting:</b> The fund is an autonomous agency that reports directly to the president of Egypt. The board of directors is chaired by the prime minister and consists of eight ministers and seven representatives of the private sector.</p> <p><b>Actors' roles:</b>  <b>Central fund office</b> provides support to regional offices, prepares technical plans and budgets, deals with financial transactions, assists with procurement and plans and coordinates training.</p> <p><b>Regional and satellite offices</b> provide advice to communities, NGOs and regional governments on fund procedures; receive applications; do preliminary screening; coordinate appraisal committees; and conduct launch workshops.</p> <p><b>Sponsoring agencies</b> (ministries, public or private sector entities, local governments, NGOs, and communities) are involved in: planning, proposal preparation, implementation, supervision, operation and maintenance of subprojects. (75% of community development projects are implemented by NGOs.)</p> <p><b>Communities</b> are involved in subproject identification and proposal development and may receive training if they are not deemed capable of these activities. They are also expected to make contributions toward implementation and operations and maintenance. There are no specific requirements, goals or processes set out for beneficiary contributions. However, the project is going to put more emphasis on operations and maintenance requirements. (See experimental users groups in operations and maintenance column.)</p>	<p><b>The project targets:</b>  <b>Geographic areas:</b> Based on poverty mapping with an emphasis on rural rather than urban areas.</p> <p><b>Vulnerable groups:</b> The unemployed and returnees from the Gulf (especially "low income women and the families that rely on women as sole or important breadwinners").</p> <p><b>Sectors:</b> The community development activities will emphasize health and education sectors.</p>	<p>Line ministries have gained from joint project development with fund staff by learning participatory planning techniques and internalizing the partnership approach to working with NGOs and local community groups. There is also a training program for ministries in the participatory elements of subproject appraisal and execution.</p> <p>NGOs will benefit from the formation of voluntary partnerships among large and small NGOs. In this approach training is given to a primary NGO and a cluster of smaller, satellite NGOs. After training, the primary NGO assumes responsibility for mentoring and supervising the satellite NGOs. A one year pilot program will provide training to 20 NGOs in six governorates to build institutional capacity.</p> <p>Community groups which do not have the skills for subproject development are given training in local planning, prioritization of needs, management, monitoring and operations and maintenance. Communities have also gained experience through visits to other communities where they have shared experiences and entered into temporary "twinning" arrangements.</p> <p>The fund has fostered participation through decentralizing its offices to the regional and satellite level. It is also fostering participatory dialogue through "information sharing, consultative sessions and workshops with governorates, NGOs and communities during subproject promotion and appraisal stages."</p> <p>Fund staff will receive training in participatory intervention methods and "efforts will be made to introduce an incentive structure that rewards staff for adhering to participatory procedures."</p>	<p>The fund's International Cooperation Affairs and Information for Public Relations Unit will have staff assigned to all regional and satellite offices. The staff will "address problems arising from poor communications and recommend corrective actions, as well as organize information dissemination campaigns."</p>

**Eritrea, 1996—Community Development Fund Project**

<i>Project cost and estimated breakdown</i>	<i>Objectives</i>	<i>Monitoring and indicators of success</i>		
Total project cost: \$49.7 million Bank credit/loan: \$17.5 million	Project objectives are to finance community-based subprojects which will: <ul style="list-style-type: none"> <li>• Support the rehabilitation and development of basic social and economic infrastructure and improve conditions of the population, especially in remote and war devastated areas.</li> <li>• Improve income-generating capacity of poor people and households.</li> <li>• Promote decentralized responsibility, community self-help, private initiative and cost-sharing, redress of inequalities among regions and social groups (especially women) and local responsibility for conservation.</li> </ul>	<b>Monitoring</b> MIS will track physical and financial progress of subprojects for use in monthly, quarterly and annual reports and for use in studies of the project's impact on beneficiaries.		
Subprojects (water, education, health, roads, market) 81% Micro-credit 6% Technical assistance/ training 4% Operational costs 9%		Mid-term evaluation to be done by independent specialists to determine: <ul style="list-style-type: none"> <li>• Progress towards meeting project objectives.</li> <li>• Impact of subproject on beneficiaries.</li> <li>• Finances.</li> <li>• If modifications are necessary in project.</li> </ul> Beneficiary assessment done as part of mid-term review, with special focus on issues of gender, environment and sustainability. (Sustainability determined by community investment, capacity and commitment to project.)  Annual reviews analyze physical project cycle progress as well as: responsiveness to priority community needs; level of community commitment and anticipated investment; and responsiveness to needs of poor and vulnerable groups, especially women.		
<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
<b>Social and Economic Infrastructure and Services Program (SEIS)</b> Proposals must be submitted for funding approval.	SEIS "For each subproject, it is mandatory that the benefiting community form a community project committee (CPC)..."	SEIS The community is required to contribute "at least 10% of the project costs, in the form of cash, materials, labor or other services." In exceptional cases the fund will allow particularly poor communities to contribute less than 10%. CPCs must collect and "manage community contributions."	SEIS Subproject appraisal criteria evaluate the community's commitment to covering recurrent costs and maintenance expenses.  For education projects, parents bear the cost of school maintenance. Increased contributions towards supplies such as textbooks are also being considered.  For health projects, only a symbolic fee is charged, but increases are being considered.  For water and sanitation projects, recurrent costs will be fully covered by beneficiary communities.	SEIS <b>Implementation:</b> CPCs implement subprojects. If they do not have the capacity, private contractors or, in rare cases, local governments can implement subprojects.  <b>Supervision and monitoring:</b> If they are not implementing the subproject, CPCs are responsible for monitoring and supervision of implementation.  <b>Contracting:</b> In all cases, the CPC is responsible for handling funds and contracting the necessary labor and materials.  <b>Evaluation:</b> CPCs will be interviewed for a mid-term evaluation report.
Subproject identification/proposal development is done by communities, with help from the fund regional offices, if necessary.	<b>Savings and Credit Program</b> Borrowers must demonstrate a minimum capacity to save for at least three months.		<b>Savings and Credit</b> "The village administrators will on-lend to final beneficiaries at commercial rates ... no recurrent costs are anticipated for the pilot savings and credit program."	<b>Savings and credit management</b> A village subcommittee made up of the village chairman and at least one women will be responsible for managing this program.
Initial screening is done by the regional office with criteria that analyze: "whether the subproject reflects the needs and priorities of the community and measures community commitment to sustain the facility..."	Borrowers must form themselves into solidarity groups (each group member is responsible for the repayment of loans extended to other members)			
Appraisal is done by the regional office and includes a field visit to assess, among other things, the commitment of the relevant sectoral ministry or community group to cover recurrent costs and maintenance.	Communities must form a three person savings and credit committee (which must include the village administration's chairman and at least one woman) to manage the program.			
Appraisal review and approval is done at the central fund office.				
Subproject contracts are signed by the fund and the community project committee (CPC) and describe the goals, nature and cost of the subproject; accountability and liability; the amount of community contribution; and arrangements for implementation, supervision, maintenance and recurrent costs.				

## Eritrea, 1996—Community Development Fund Project

<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> The Social and Economic Infrastructure and Services Component (SEIS) is funded with grants and community contributions. The pilot credit and saving program will receive grants which are on-lent at commercial rates.</p> <p><b>Institutional setting:</b> The fund operates as an autonomous structure within the ministry of local government.</p> <p><b>Actors' roles:</b>  <b>Central fund office</b> promotes the project at the national level, conducts final review of subproject appraisals, gives final approval for funding, supervises establishment of implementation arrangements (ensuring involvement of community committees, line ministries, and any other implementing agencies); makes technical plans and designs; and coordinates all training and capacity building activities. It also closely monitors the savings and credit program (S&amp;C) on financial and administrative performance.</p> <p><b>Fund regional branch</b> provides project promotion at the local level, assistance to communities in subproject proposal preparation, appraisal, supervision, implementation, procurement and contracting labor. Savings and credit officers (fund field staff) will manage the S&amp;C program.</p> <p><b>Communities</b> (villages, groups of villages, district areas, clusters of communities, and neighborhoods) identify subprojects, develop proposals, and form project committees. For the savings and credit program they form special S&amp;C committees.</p> <p><b>Community project committees</b> (CPCs) sign the subproject contract describing fund and community responsibilities. The CPC may implement, supervise and monitor implementation, handle funds, contract necessary labor and materials and manage community contributions.</p> <p><b>Third parties:</b> On an exceptional basis, the fund will work with local governments to help communities which lack the capacity to assess their priorities and develop and implement their subprojects.</p>	<p>The SEIS component targets:  <b>Poverty:</b> The project will support human resource development, and the reduction of poverty and inequalities among regions and social groups, especially women.</p> <p><b>Sectors:</b> No sectors will be precluded from consideration, but based on experience in the pilot phase, most subprojects are expected to be in health, education, water supply, soil, water and forestry conservation, and rural feeder roads.</p> <p>Subprojects must comply with sectoral norms, be consistent with sector development strategies, and have recurrent costs covered by an allocation in the regional government's approved budget (or by cost sharing with the community).</p> <p><b>Savings and Credit</b>  Three village clusters will be chosen in the first year. There is no information on targeting but the program will operate in both urban and rural areas.</p>	<p><b>Health subprojects</b> "will be complemented by activities, such as training and provision of improved local services, that can be managed on a community basis ... with special attention to women beneficiaries, and other groups in special need..."</p> <p><b>Education subprojects</b> will encourage community participation in education management through parents' committees and support community efforts to make schools a center for other community activities such as skills training.</p> <p>For <b>water supply activities</b> the project will focus on building the capacity (with special attention to gender concerns) of communities to operate, maintain and manage their supply in the long term.</p> <p><b>Other capacity building</b> is funded by a separate but parallel program, coordinated in the fund central office and includes the following.</p> <p><b>Fund staff</b> receive training on the project cycle, technical aspects of subprojects, promotion and community development.</p> <p><b>Local officials and experts</b> receive training on fund processes and procedures and on management of community-based projects.</p> <p><b>Communities</b> receive training on: procedures for identifying projects; implementing, managing finances, supervising and evaluating subprojects; managing of community interests in negotiations with the fund and contractors; specialized programs on themes such as conservation; and technical training on the use of certain types of equipment.</p> <p>Training formats include workshops, seminars, on-the-job and on-site support, formal training, and study tours. At the community level the training program uses "traditional village meetings and committee structures, supported by special workshops." Savings and credit program Fund staff work with village committees to establish, train and supervise borrower groups.</p>	<p>Outreach is conducted at the national level by the central fund office which focuses on: "increasing awareness among government officials, national associations and organizations, community leaders and representatives, and a variety of facilitating agencies." Promotion is done through media, distribution of brochures and the organization of meetings, seminars, workshops and orientation sessions.</p> <p>Outreach is conducted at the local level by the regional offices which: promote the fund objectives among local communities, explain its operating mechanisms, and assess community capacity. This is done through community meetings and special events.</p>

**Ethiopia, 1996—Social Rehabilitation and Development Fund Project**

<i>Project cost and estimated breakdown</i>	<i>Objectives</i>	<i>Monitoring and indicators of success</i>												
<p>Total project cost: \$242 million Bank credit/loan: \$120 million</p> <p><b>Subprojects:</b></p> <table> <tr> <td>Rural water/irrigation</td> <td>62%</td> </tr> <tr> <td>Health, education, urban sanitation</td> <td>24%</td> </tr> <tr> <td>Welfare monitoring</td> <td>1%</td> </tr> <tr> <td>Study fund</td> <td>1%</td> </tr> <tr> <td>Technical assistance/training</td> <td>5%</td> </tr> <tr> <td>Operating costs</td> <td>7%</td> </tr> </table>	Rural water/irrigation	62%	Health, education, urban sanitation	24%	Welfare monitoring	1%	Study fund	1%	Technical assistance/training	5%	Operating costs	7%	<p>Project objectives are to:</p> <ul style="list-style-type: none"> <li>• Be demand oriented, provide financial and technical support for economic and social infrastructure and services which the community has prioritized and is willing to invest in.</li> <li>• Support community actions in environmental conservation and rehabilitation.</li> <li>• Focus on poor communities, especially poor women.</li> <li>• Strengthen community capacity in project identification, implementation and maintenance.</li> <li>• Support the establishment of a welfare monitoring system.</li> </ul> <p>There will be no support for relief activities.</p>	<p><b>Monitoring</b></p> <p>Semi-annual and annual reports are submitted to board with proposals for corrections of problems.</p> <p>Mid-term review, done by independent consultants, will assess problems and identify modifications needed for rest of project. Beneficiary participatory assessment methods will be used.</p> <p>The welfare monitoring system:</p> <ul style="list-style-type: none"> <li>• Identifies target groups.</li> <li>• Monitors short and medium-term changes in status of target groups.</li> <li>• Finances participatory poverty assessments.</li> </ul> <p><b>Indicators</b></p> <p>MIS tracks implementation, finances, disbursement, sectoral portfolio, efficiency, procurement and community participation. Impact assessment is also done through participatory field study.</p> <p><b>Key performance indicators:</b></p> <ul style="list-style-type: none"> <li>• Are established annually rather than at beginning of project, allowing for flexibility.</li> <li>• Assess project disbursement, beneficiaries and number of women reached.</li> <li>• Assess "satisfactory" beneficiary perception.</li> </ul>
Rural water/irrigation	62%													
Health, education, urban sanitation	24%													
Welfare monitoring	1%													
Study fund	1%													
Technical assistance/training	5%													
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<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
<p>Proposals must be submitted for funding approval.</p> <p>Project identification/proposal development is done by communities with help from fund staff, NGOs or other facilitators, if necessary.</p> <p>Subproject screening by the regional office determines if the proposals are initiated by and address the needs and priorities of the community.</p> <p>Appraisal is done by the fund in coordination with the relevant regional sector bureau. Criteria include: suitability of the subproject to community management and maintenance; community contribution of a least 10%; arrangements for operations and maintenance; and responsiveness to the needs of women and other special groups.</p> <p>Approval is given by the regional steering committee.</p> <p>Subproject contracts are signed by the regional office, and the CPC and specify accountability, liability, community contributions, implementation, procurement and supervision arrangements, operations and maintenance, and recurrent cost arrangements.</p>	<p>"For each subproject, the benefiting group or community must form a community project committee" (CPC).</p> <p>The fund will finance health facilities and schools with recurrent costs for operations and maintenance (for which the regional bureau is responsible) only if the "national regional government has agreed to take on the budget for this responsibility."</p> <p>The fund can finance qualitative and participatory poverty assessments to complement statistical data.</p>	<p>Communities are required to contribute at least 10% of subproject costs in the form of cash, materials, labor, or other services.</p>	<p>Subproject appraisal criteria include the "adequacy of arrangements for management of implementation and maintenance and coverage of recurrent costs."</p> <p>Health and education infrastructure operations and maintenance consists of community cleaning and upkeep of buildings.</p> <p>The maintenance of sanitation facilities, irrigation and water supply projects will be self-financing through a system of user charges, subscriptions and community labor efforts.</p> <p>The subproject contract or financing agreement "will describe the communities management structures and procedures for collecting and applying user fees to cover facility maintenance."</p>	<p>Signing of subproject contracts: CPCs with legal status must sign agreements with the fund.</p> <p>Procurement and contracting: CPCs as implementing agencies, are responsible for local subproject related procurement and in the case of self-help projects, the CPC contracts labor directly from the community.</p> <p>Completion report: When a subproject is completed, a short report is done in consultation with the beneficiaries, implementing agency, facilitators and regional bureau staff.</p> <p>Evaluation: "All monitoring and evaluation gathers both quantitative and qualitative information and uses participatory methods, encouraging communities to assess progress and results in terms relevant to them." Communities are surveyed specifically on their assessment of project impact.</p>



## Ethiopia, 1996—Social Rehabilitation and Development Fund Project

<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> The fund makes grants and communities must contribute 10% of project costs.</p> <p><b>Institutional setting:</b> The fund is an autonomous agency with a board chaired by the prime minister. The board consists of the head of the regional affairs bureau, and the ministers of finance, economic development, water and agriculture.</p> <p><b>Actors' roles:</b> The central fund office supervises and monitors the activities of regional offices and manages the capacity building, training and research program.</p> <p><b>Regional steering committees</b> approve the subproject proposals. These committees are made up of the heads of the: social and economic sectors, planning and economic development bureau, finance bureau, commercial bank and development bank of Ethiopia and representatives of civic organizations.</p> <p><b>The fund regional offices</b> (10 regional and 3 sub-regional offices) promote fund activities, appraise and recommend proposals to the regional steering committees, supervise implementation and post-project maintenance, disburse funds and submit reports to the central office.</p> <p><b>Regional governments</b> (regional sector bureaus) ensure that subprojects satisfy sector policies and standards. They also commit budget resources for recurrent costs that are the government's responsibility and provide the fund with technical support.</p> <p><b>Communities</b> (local associations, parents' committees or any cooperating set of individuals) "form project committees (CPCs), which participate actively in identifying, preparing, appraising and implementing subprojects and are a party to all contractual arrangements with the fund."</p> <p><b>Facilitators</b> (NGOs, regional sector bureau specialists, private contractors, and specially trained facilitators) collaborate with the fund in supporting communities.</p>	<p><b>The project targets:</b> <b>Geographic areas:</b> This project will expand coverage from two regions to all regions of the country.</p> <p><b>Vulnerable groups:</b> The program is focused mainly in rural communities and on the poor, especially women.</p> <p>The fund will not preclude any sector, but it is anticipated that most infrastructure proposals will deal with primary health, basic education, water supply, sanitation, and small-scale irrigation.</p>	<p>The fund will develop handbooks which provide subproject technical standards, and explain fund processes. It will also create training materials for building capacity of community committees and implementing entities, highlighting mechanisms that promote community participation.</p> <p>Health projects will promote the involvement of community committees in the management of health facilities. In addition to infrastructure, the fund may finance promotional, educational and training activities aimed at improving public health.</p> <p>In education projects the fund will encourage parent's committees to form and become involved in school management and to use the school as a center for other development activities. The fund may also finance educational and promotional activities such as reduction of female drop-out rates.</p> <p>The project funds a capacity building program that trains fund staff, local community leaders, associations and facilitators. At all levels, training emphasizes the importance of environmental conservation, the special needs of women and other disadvantaged groups, methods of cost recovery, strategies for ensuring sustainability, and ways to incorporate improved service delivery into infrastructure subprojects.</p> <p>In addition to helping communities form project committees, the fund works with them to "help identify individuals held in high regard by the communities, who can be trained to act as community facilitators, ... acting as a link with fund offices."</p> <p>Technical training is given to all at the community level who are involved in water and irrigation projects.</p>	<p>Promotional programs explain the fund project and processes, as well as describe the experiences of other communities. Promotion "is followed by a participatory review of the community's overall needs and priorities and the ways the fund can assist." Next the fund staff assess the community's capacity for subproject development and, if needed, offer training or the help of outside facilitators. Finally, fund staff help communities establish community project committees.</p>

**Guatemala, 1993—Social Investment Fund Project**

<i>Project cost and estimated breakdown</i>	<i>Objectives</i>	<i>Monitoring and indicators of success</i>
Total project cost: \$80 million Bank credit/loan: \$20 million	Project objectives are to: • Create a means of responding rapidly and efficiently to socio-economic needs as identified by poor local communities, with special focus on indigenous communities and women's groups.	<b>Monitoring</b> The fund offers continuous feedback and submits semi-annual reports. National government and World Bank conduct annual reviews assessing: • Key performance indicators. • Participation of NGOs, women and indigenous groups. • Strengthening of sponsoring and implementing agencies, especially in poor areas.
Social assistance 17%	• Target scarce existing resources more effectively to improve the health, nutrition, basic education and income-earning potential of the poor during a period of economic reform.	A special study on target groups interviewed beneficiary communities to ascertain how subproject proposals were decided.
Social infrastructure 42%	• Improve the coverage and quality of basic health, nutrition and education services until line ministries are improved.	<b>Indicators</b> Key performance indicators monitor physical and financial progress.
Economic infrastructure 18%	• Promote community participation in health and education programs.	MIS used to monitor physical and financial progress and geographic coverage.
Productive sector investment 8%		
Social fund administration 9%		
Monitoring and evaluation 1%		
Strengthening of sponsoring agencies (training/technical assistance) 5%		

<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
Proposals must be submitted for subproject funding.	None mentioned.	"All subprojects require counterpart financing from the sponsoring agency and the beneficiaries." Depending on the type of project and the poverty index of the area, the combined contributions of the community and SAs would be between 5 and 20 percent.	The proposal must include a "sustainability plan" which covers recurrent costs over the useful life of the subproject. The operations and maintenance for schools and health posts is the responsibility of line ministries. Operations and maintenance for subprojects of water and sanitation systems, access roads, and stand-alone social and economic infrastructure are the responsibility of the community.  Sanction: Failure to provide for the operations and maintenance of subprojects "negatively affects the SA's ability to receive financing from the fund for new subprojects."	<b>Legal signatories:</b> Communities sign subproject contracts if they are responsible for making contributions or maintaining subprojects.  <b>Subproject monitoring:</b> The fund asks for the local community's "views on the quality of works and the implementation schedule."  <b>Evaluation:</b> The fund asks for the local community's views on the status of operations following the completion of each subproject.
Subproject identification/proposal development is done by local community committees with the assistance of fund promoters who, among other things, verify counterpart funding and review technical aspects of the subproject. If the subproject seems eligible, the promoter passes it on for evaluation. In some cases, pre-investment funds are made available to the poorest communities for NGOs to assist in proposal preparation.		"Varying minimum requirements for subproject activities reflect the fund's priorities for subproject types ... poorer communities are asked to contribute less."  Community contributions can be in cash or in-kind. (However, in no case will land be an acceptable contribution.) "Non-monetary contributions would be valued using rationalized unit prices computed under the project."		
Subproject appraisal is done by fund headquarters and fund field staff. Among the criteria considered are degree of community participation, and the organizational readiness of SAs to ensure subproject sustainability.		"Counterpart financing in excess of the minimums would be viewed positively in subproject appraisal."		
Subproject approval is done by the fund managing committee which is made up of fund department and division heads in the central office.				
Selection of executor: Local private contractors or NGOs can be hired to implement the subprojects.				
Legal agreements are signed by three or four parties: the fund, the sponsoring agency, the executor (contractors or NGOs), and the local entity with legal status responsible for providing contributions and maintenance (if responsibility for counterpart contributions and project maintenance is not assumed by the sponsoring agency).				

## Guatemala, 1993—Social Investment Fund Project

<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> The fund provides grants to be combined with community and sponsoring agency contributions and municipal funds.</p> <p><b>Institutional setting:</b> The fund is an autonomous unit with a board appointed by the president. The chairman of the board is also the executive director of the fund. There are four other board members from the private or the public sector. The fund will receive the full support of the line ministries and will maintain close relationships with them through specific agreements defining how and in which areas the fund will complement their work.</p> <p><b>Actors' roles:</b> Central fund office promotes, appraises, and supervises subprojects.</p> <p><b>Beneficiaries</b> (co-ops, local health committees, women's groups and other community groups) request subprojects, and enter into counterpart financing and operations and maintenance agreements.</p> <p><b>Municipalities</b> can request subprojects and must make financial contributions towards them.</p> <p><b>Sponsoring agencies</b> (NGOs) can request and develop proposals and make counterpart contributions.</p> <p><b>Executors</b> (NGOs or private contractors) may execute subprojects and enter into operations and maintenance agreements if the community is not responsible. (NGOs are expected to be the main executors.)</p> <p><b>Third parties</b> (public sector entities, international agencies or private consultants) can supervise subprojects.</p>	<p>The project targets:</p> <p><b>Geographic areas:</b> All municipalities except Guatemala City will be covered by the program. Funds for each municipality are allocated according to their population and poverty index.</p> <p><b>Sectors:</b> A menu of acceptable subprojects "gives a higher priority to the type of subprojects that are likely to be demanded by poorer communities and which are expected to have a high social impact." Priorities are: community health; food, nutrition, and education; social and economic infrastructure; and productive sector activities.</p> <p><b>Project size:</b> Ninety percent of the project funds will go to small municipal subprojects. Ten percent will be allocated to large (&gt;\$100,000) projects, and/or regional subprojects which cut across municipalities.</p> <p><b>Indigenous communities:</b> Targeting of the poorest communities is expected to target indigenous populations automatically. Promoters and promotional materials are to use local languages. Indigenous proposals go directly to the fund and appraisers are required to ensure proposals reflect indigenous populations' priorities and not those of sponsoring agencies.</p> <p>Coordination with line ministries will ensure consistency with sector standards and overall investment plans; and that incremental recurrent costs are incorporated into ministry budgets.</p>	<p>Five percent of project funds are set aside in a component called strengthening sponsoring and executing agencies. These groups can be NGOs, women's groups, indigenous community committees, municipalities or other community groups. In addition to technical assistance and equipment supplied through this component, local capacity will be improved through the experience of working on fund subprojects.</p>	<p>The fund staff publicizes the menu of subprojects, eligibility criteria, simple guidelines for project preparation and application forms through municipalities, line ministries, NGOs and the media.</p> <p>Fund staff promoters visit communities to explain the program and distribute guides to proposal preparation. Promotion is to be done in the local language by promoters with the cultural background necessary to interact with the communities. Program materials will be in the appropriate local language. More extensive promotional activity will be undertaken in the poorest municipalities and priority will be given to promotion in municipalities which have not submitted any proposals.</p> <p>The fund staff also plans to put a strong emphasis on responding to queries received by the fund's promotion division.</p>

**Malawi, 1996—Social Action Fund Project**

<i>Project cost and estimated breakdown</i>	<i>Objectives</i>	<i>Monitoring and indicators of success</i>
Total project cost: \$71 million Bank credit/loan: \$56 million	Project objectives are to: <ul style="list-style-type: none"> <li>• Provide additional resources for programs targeted at the poor.</li> <li>• Increase community participation, revive the spirit of self-help, and enable the poor to take control over and be accountable for their own development.</li> <li>• Support safety net operation of labor-intensive construction in poorest districts.</li> <li>• Strengthen poverty monitoring and assessment.</li> </ul>	<p><b>Monitoring</b> Annual progress report and mid-term review done by government of Malawi and submitted to IDA.</p> <p>Annual beneficiary assessments scheduled. Beneficiary assessment findings reported to the technical working committee and monitoring unit.</p> <p>Poverty analysis component includes: beneficiary assessments, participatory poverty assessments in targeted areas, annual national poverty studies, and small studies on specific topics.</p> <p><b>Indicators</b> MIS set up for physical and financial progress reporting.</p> <p>Key project indicators are to track community subprojects, public works and poverty monitoring component goals.</p> <ul style="list-style-type: none"> <li>• Poverty monitoring indicators include number of beneficiary assessments done to evaluate subprojects.</li> <li>• Evaluation of community subprojects includes beneficiary assessments.</li> </ul>
Community subprojects 68%		
Public works (economic infrastructure) 27%		
Poverty monitoring 2%		
Social fund administration 3%		

<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
<p>Proposals must be submitted for subproject financing.</p> <p>Subproject identification begins with "open" meetings "which are balanced in terms of representation by gender, age and other categories." The meeting is to initiate the discussion of community needs and priorities; elect a community project committee (CPC); and decide whether or not to hire a facilitator. For a facilitator, the community can choose from public extension staff, private agencies, NGOs or community members.</p> <p>Project preparation is done by CPCs and/or their facilitators.</p> <p>Appraisal is carried out by the fund regional or zone office and the district executive committee (DEC, made up of sector ministries). Criteria include: provision for recurrent costs and maintenance, community co-financing and participation, verification of fair representation, and that the project is simple enough to be implemented by the community.</p> <p>Approval is given by the fund's project steering committee (at the national level).</p> <p>Launch ceremonies are held to explain the communities' responsibilities, fund processes, and next steps.</p> <p>Legal agreements called the community project agreements are signed by the CPC chair, the regional or zone officer, and a representative of the relevant ministry.</p>	<p><b>Community</b> Communities must form a popularly elected project committee. Fund field staff informally check the validity of the election process during field visits.</p> <p>Appraisal criteria include the statement: "If subprojects are to be on private land, an appropriate written contract between owners and beneficiaries ensuring unlimited and unimpeded access shall be presented."</p> <p><b>Government</b> Subproject appraisal and approval procedures are designed to include local representatives of sector ministries through the creation and involvement of the district executive committee. This committee helps ensure that subprojects meet sectoral standards for technical design and geographic distribution of infrastructure and that recurrent costs are covered in sectoral budgets.</p>	<p>"Communities are required to contribute approximately 20 percent of total project cost . . . typically in bricks, labor, and local materials."</p>	<p>Subproject appraisal criteria emphasize the importance of sustainability and the importance of community commitment to maintenance.</p> <p>"Every subproject would have an established and functioning maintenance committee."</p>	<p><b>Legal signatories:</b> The CPC must sign an agreement with the fund.</p> <p><b>Handling project funds:</b> CPCs are required to open bank accounts and receive funds in tranches according to work completed.</p> <p><b>Contracting:</b> CPCs make contracts for goods and services on behalf of the community.</p> <p><b>Supervision:</b> CPCs supervise the implementation of subprojects.</p> <p><b>Reporting:</b> Beneficiaries are involved in reporting on physical progress of works, adherence to procedures, and financial activity.</p> <p><b>Completion sign-off:</b> Communities must concur that the activities specified were carried out.</p> <p><b>Evaluation:</b> Beneficiary assessments are done on subprojects.</p>

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**Malawi, 1996—Social Action fund Project**


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<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> The fund makes grants to communities which must contribute at least 20% towards subproject costs.</p> <p><b>Institutional setting:</b> The fund is managed by an autonomous unit with a steering committee chaired by the ministry of economic development and planning. Other committee members include secretaries of relevant ministries, representatives of NGOs and the national commission for women.</p> <p><b>Actors' roles:</b>  <b>Central fund office</b> does overall coordination and subproject approval, provides supervision and technical assistance on field office appraisals and monitoring.</p> <p><b>Regional or zone offices</b> provide advice to communities, do desk and field appraisals, sign contracts with the CPCs, monitor implementation and sign-off on completion.</p> <p><b>District executive committees</b> (sector heads and technical representatives) participate in desk and field appraisals. Relevant ministries monitor project work.</p> <p><b>Sectoral line ministries</b> ensure adequate budgetary provisions have been made for recurrent expenditures and provide technical supervision of subprojects.</p> <p><b>Facilitators</b> (individual community members, extension officers, NGOs, private sector and religious groups) help communities define and prioritize need if the community asks for assistance.</p> <p><b>Community project committees</b> (CPCs) prepare applications, open bank accounts and handle subproject funds, implement and supervise subprojects, fulfill reporting requirements and sign-off on project completion.</p> <p><b>Communities</b> (from a few households to a village, or a district) decide whether or not to hire a facilitator for participatory planning, identify and prioritize needs, and elect CPCs to implement subprojects.</p>	<p>The project targets:  <b>Poverty:</b> The community-based component is "demand-driven and self-targeting." The pervasive poverty in Malawi "makes it highly likely that rural project requests will be from needy communities."          "In two years, at mid-term review, greater precision could be built into the targeting."</p> <p><b>Sectors:</b> The "participating ministries" are: economic planning and development, education, health, water and works.</p>	<p>"The fund provides funding to NGOs, and assistance, such as fuel for site visits, to public agencies to arrange facilitation in areas where the demand for projects has lagged."</p> <p>The subproject application form requires information on the degree of participation in the proposal development process and the representativeness of the CPC.</p> <p>The project funds:          "Training to enhance grassroots technical and managerial capabilities and attitudes towards self-managed development and initiatives to reorient and build capacities of community development facilitators to equip them with skills in participatory planning and implementation in poverty alleviation."</p> <p>Two percent of the project budget is allocated to capacity building for institutions that coordinate, collect, analyze, disseminate and use data relevant for poverty reduction policies and programs.</p>	<p>"Using print and electronic media such as booklets, logos, pamphlets, and radio messages, the information campaign targets potential audiences including beneficiaries, politicians, policy makers, government field staff, NGOs and private institutions. The campaign provides information on selection criteria, cofinancing requirements, and fund processes."</p> <p>For rural areas it has been determined that the emphasis should be on announcements at public gatherings rather than radio and print media.</p>

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**Peru, 1994—Social Development and Compensation Fund Project**

<i>Project cost and estimated breakdown</i>	<i>Objectives</i>	<i>Monitoring and indicators of success</i>
<p>Total project cost: \$495 Bank credit/loan: \$100</p> <p>Social assistance 14% Social infrastructure 38% Economic infrastructure 33% Income/employment generation 10% Institutional development (operating costs, poverty monitoring, training, and technical assistance) 5%</p>	<p>Project objectives are to:</p> <ul style="list-style-type: none"> <li>• Support the overall operation of the fund to: enlarge and enrich its programs; and improve its effectiveness and efficiency.</li> <li>• Improve the living standards of the poor through community-based projects which will: generate employment and improve access to social services; support social development; complement other long-term projects in health and education; and maximize support from other potential donors.</li> </ul>	<p><b>Monitoring</b> Mid-term review and semi-annual reports are to include information on: the number, financial commitments and benefits of subprojects; studies, technical assistance, training, and management systems installed; and fund costs and staffing.</p> <p>Ex post evaluations, consisting of traditional economic evaluation and beneficiary assessment, will be done by an independent organization on a sample of completed subprojects.</p> <p>Poverty monitoring is used to create a poverty index based on per capita income and infant mortality rate. The results are used for program targeting.</p> <p><b>Indicators</b> Number of projects presented, evaluated, approved, financed, concluded and canceled. Time between project approval and first disbursement and time between project presentation and evaluation report.</p>

<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
<p>Proposals must be submitted for subproject financing.</p> <p>Subproject identification/proposal development is carried out by community groups with the assistance of sponsoring agencies, if necessary.</p> <p>Subproject appraisal is done by project specialists in the regional office or external evaluators (usually engineers) who are hired by the fund.</p> <p>Subproject approval is given by regional managers for projects up to \$10,000. All other subprojects are approved by the central fund office but projects over \$100,000 must be ratified by the board of directors.</p> <p>Legal agreements are signed between the fund and the community project committee. The CPC also signs a contract with an inspector who directly supervises project execution, and reports to a project supervisor in one of the fund's regional offices.</p>	<p>Community must hold a public meeting and form a project committee made up of community members.</p>	<p>Communities must make contributions equal to 10% of the total project costs in cash, labor or materials and overheads.</p>	<p>For water, sewerage and irrigation projects the fund organizes and trains user groups to be responsible for maintenance, minor repairs and collection of user fees.</p> <p>For other types of projects sustainability is seen in terms of subprojects needing complementary components or projects: school subprojects would need to be complemented with books, furniture, and teachers; health posts would need a source of clean water, medical supplies and personnel. These projects are turned over to the line ministries which are responsible for operations and sustainability.</p>	<p><b>Handling project funds:</b> CPCs receive and disburse subproject funds.</p> <p><b>Implementation:</b> CPCs hire an inspector (who is approved by the fund). The CPCs execute the project by force account or by hiring a private contractor, NGO or municipality.</p> <p><b>Procurement:</b> CPCs are responsible for all procurement of goods and services.</p> <p><b>Evaluation:</b> Four beneficiary assessments have been done and a final evaluation is expected by the end of 1997.</p>

## Peru, 1994—Social Development and Compensation Fund Project

<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> The fund makes grants to community organizations. These groups must make a contribution equal to 10% of project costs.</p> <p><b>Institutional setting:</b> The fund is a decentralized public agency which depends directly on the president of the republic, with technical, administrative, economic and financial autonomy. The fund's organizational structure consists of a board of directors and a central office with a general manager who oversees three line managers (projects, supervision and operations) and three support managers (legal, internal control, and MIS). Under this there are 21 regional managers.</p> <p><b>Actors' roles:</b> Board of directors defines policy, regulates and supervises overall operations, and ratifies approval of subprojects over \$100,000.]</p> <p>Central fund office appraises some subprojects and approves subprojects over \$10,000. Also carries out overall policy and program implementation.</p> <p>Regional fund offices conduct outreach, especially in areas of extreme poverty, appraise and approve subprojects under \$10,000 and supervise implementation.</p> <p>Sponsoring agencies conduct outreach, assist communities in proposal preparation and can manage subprojects. SAs can also propose and implement their own subprojects. (SAs are involved in less than 20% of subprojects.)</p> <p>Community groups prepare proposals, create a project implementation committee (nucleos ejecutores), sign legal agreements with the fund and a project inspector, handle funds, contract for work, procure goods and services, and participate in beneficiary assessments.</p> <p>Third parties. Third party engineers are hired by the community to inspect projects on a regular basis. Sometimes engineers are hired by the fund to conduct appraisals or be responsible for overall supervision of a group of subprojects in a specified geographic area.</p>	<p>The project targets:</p> <p><b>Geographic areas:</b> Using poverty maps, budgetary targets are established for each area on a yearly basis. Regional offices focus promotion on those areas where need is well recognized but demand is below what is expected.</p> <p><b>Poverty:</b> Maps that are created from an index based on income per capita, infant mortality rates and other indicators of unmet basic needs, such as lack of water and poor housing, are used to target areas of most extreme poverty.</p>	<p>Institutional development of community-based organizations is an eligible activity for social assistance subprojects.</p> <p>Fund staff receive technical assistance to support community-based project preparation and implementation.</p>	<p>Promotion is carried out by regional staff or by individual external promoters who can be any person or body, private or public, willing to: inform and organize communities, and assist a community in project preparation.</p> <p>Outreach consists of: formal and informal meetings with community leaders, municipal authorities and NGOs; distribution of written materials; and radio programs.</p> <p>Special promotion efforts are made in areas where poverty mapping identifies populations living in extreme poverty.</p> <p>Project promoters work on their own initiative and, for approved projects, can be reimbursed for promotion and project preparation costs retroactively for up to 5% of total subproject costs.</p>

**Zambia, 1995—Second Recovery Project**

Project cost and estimated breakdown	Objectives	Monitoring and indicators of success
<p>Total project cost: \$48 million Bank credit/loan: \$30 million</p> <p>Community initiatives 75% Institution building and training 17% Poverty monitoring (LCMS) 4% Poverty monitoring (PAG) 2% Poverty analysis study fund 2%</p>	<p>Project objectives are to:</p> <ul style="list-style-type: none"> <li>• Improve the capacity of communities and government staff to plan, appraise, manage and maintain investment projects through the experience gained in subprojects.</li> <li>• Strengthen the communities' ability to take charge of their own development, rekindle the spirit of self-help, and strengthen the capacity of the relevant Zambian institutions to gather, analyze and act on poverty information.</li> <li>• Rehabilitate and improve existing infrastructure and social service delivery.</li> </ul>	<p><b>Monitoring</b></p> <ul style="list-style-type: none"> <li>• Annual report and review workshops to be held on project implementation with IDA, other donors, NGOs and government agencies.</li> <li>• Mid-term review to be done, with independent reviews of each component, resulting in action plan for phasing out microprojects unit.</li> <li>• Beneficiary assessment to be done 12 months after start of project.</li> <li>• Living conditions monitoring survey (LCMS) done to set social indicators and monitor changes in living conditions.</li> <li>• MIS being developed to monitor physical, financial, and administrative progress of subprojects.</li> </ul> <p><b>Indicators</b></p> <p>Indicators of success track physical progress, number of beneficiaries reached, trainings held, changes in beneficiary community such as numbers of pupils attending school, changes in personal security, and level of production.</p>

<i>Subproject initiation and proposal development</i>	<i>Other indicators of demand</i>	<i>Community contributions toward implementation</i>	<i>Community commitment toward operations and maintenance</i>	<i>Other community roles</i>
<p>Proposals must be submitted for subproject financing.</p> <p>Project identification is done by the communities. The fund may finance facilitators (NGOs or other agencies) for very poor and vulnerable communities in participatory planning and needs assessment.</p> <p>Proposal development is done by project committees which are elected by the community. Proposals must address a problem that is a priority for a majority of the population and is simple enough to be completed within a year and without significant technical assistance.</p> <p>Desk appraisal is done by a district based committee consisting of the fund regional officer, local representatives of ministries, and provincial and district government officials in order to coordinate and establish commitments for ongoing costs.</p> <p>Field appraisal examines the technical aspects of the project and the degree of community commitment.</p> <p>Final approval is given by the fund steering committee.</p> <p>Financing agreements are signed by the community and fund.</p> <p>Subproject launch workshops in the community explain all parties' responsibilities and liabilities.</p>	<p><b>Community</b> "The material component of community contributions should already be collected and in evidence at field appraisal, before the subproject is recommended for funding."</p> <p><b>Government</b> The fund will involve local government and line agencies in subprojects, to assure that they are consistent with sector plans and criteria and to receive commitments for recurrent costs from appropriate agencies.</p>	<p>"The proposal must show a local community contribution of about 25% of subproject costs, in cash or in-kind..."</p> <p>The amount of community contribution is discussed during field appraisal and agreed on with the community.</p> <p>If a community is "very poor and is willing but unable to meet the full community contribution, the appraisal team may recommend a lesser contribution on a case by case basis."</p> <p>Sanction: Subprojects will be closed if there is no community contribution or there is a misuse of funds. Persons involved in illegal activities will be prosecuted.</p>	<p>"Every subproject will have an established and functioning maintenance committee."</p> <p>For the education component, a maintenance committee must be set up and functioning before any subprojects will be funded.</p> <p>For water subprojects, the fund "asks that ... there is some cost sharing system in place for subsequent maintenance." No method of collection or target amounts of cost recovery are described.</p>	<p><b>Handling project funds:</b> Project committees open bank accounts and receive project funds in four allocations.</p> <p><b>Monitoring:</b> Physical progress and financial reports are submitted by subproject committees.</p> <p><b>Contracting:</b> "Technical supervision is budgeted for as part of each subproject and each implementation committee is expected to hire a technically qualified supervisor, who will be on site daily, and responsible for the quality of the work as well as the use of materials and labor."</p> <p><b>Completion sign-off:</b> The project committee is one of the signatories who sign a completion certificate "to confirm that the subproject is 100 percent physically complete."</p> <p><b>Evaluation:</b> Beneficiary assessments are done for subprojects.</p>



## Zambia, 1995—Second Recovery Project

<i>Structure of subsidies, institutional setting, actors' roles</i>	<i>Targeting and sector allocation versus demand orientation</i>	<i>Subsidies and incentives for community organization</i>	<i>Outreach</i>
<p><b>Structure of subsidies:</b> The fund makes grants and requires community contributions.</p> <p><b>Institutional setting:</b> The project is coordinated by a project coordination committee chaired by the permanent secretary for planning in the president's office. The subproject unit is an autonomous unit within the national commission for development planning and reports to the permanent secretary for economic cooperation.</p> <p><b>Actors' roles:</b>  <b>Central fund office</b> prepares technical plans and budgets, deals with all financial transactions, assists with procurement and coordinates training.</p> <p><b>Steering committee</b> (line ministries, members of donor and NGO community) approves subprojects.</p> <p><b>Regional fund officer</b> (located in the provincial planning unit) provides advice to communities, receives applications, coordinates desk appraisal committees, conducts field appraisals, does launch workshops, monitors implementation and certifies subproject completion.</p> <p><b>Desk appraisal committee</b> (fund regional officer, provincial planning officer, representative of line ministries and a member of the district council) screens applications.</p> <p><b>Community project committees</b> are elected to develop proposals, sign legal agreements, open bank accounts, contract for goods and services, make payments, supervise implementation, file reports and sign off on project completion.</p> <p>The fund plans to involve district and provincial governments and line agencies as much as possible in project identification, appraisal, implementation and monitoring.</p>	<p>The project targets:  <b>Geographic areas:</b> Areas of extreme poverty.</p> <p><b>Vulnerable groups:</b> Women and those living in remote areas.  <b>Sectors:</b> Health, education, vocational training, environment, economic infrastructure, water and sanitation, and safety net activities.</p> <p>According to the high priority given to water in the poverty assessment results, the project "will continue to insist that social sector facilities should have a water and sanitation component as part of the subproject. The project will also aim to increase its inputs to the water and sanitation sector by sensitization at district workshops and the development of community planning."</p> <p>Since education accounted for 70% of subprojects in Social Recovery I, the project hopes "to diversify its portfolio by encouraging other subprojects which are also recognized as having a high priority."</p> <p>Eight percent of project costs are dedicated to poverty monitoring and analysis. This analysis is used to evaluate subproject impact and build national capacity for poverty monitoring and assessment. The project funds participatory poverty assessments, beneficiary assessments, living condition monitoring and poverty analysis.</p>	<p>In order to build community capacity to identify and implement subprojects the fund "may finance facilitators ... to work with targeted, very poor and vulnerable communities in participatory community-based planning."</p> <p>Project launch workshops and the experience of going through project identification and implementation provide a capacity building experience.</p> <p>An extensive and user-friendly project implementation manual is distributed to assist communities in implementing their subprojects. Topics in this manual include community organization and development as well as fund procedures and technical issues.</p> <p>Vocational training is an eligible subproject activity and can include community organization. The project will fund training only if it is community-based and meets a priority need for the community.</p> <p>An NGO conducts training to improve fund staff and district level officials' capacity in using participatory techniques and targeting vulnerable groups.</p>	<p>The project uses targeting rather than outreach and information dissemination to generate proposals.</p> <p>"The regional officer is the main point of contact between communities and the fund, providing advice to communities and NGOs on fund procedures."</p>



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