

**TITLE:** THE USE OF SOCIAL INVESTMENT FUNDS AS AN INSTRUMENT FOR COMBATING POVERTY

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Page No.	Para. No.	Text
Summary		<b>Social Investment Funds are Here to Stay:</b> ....., the 1980's to become one of the permanent instruments the Inter-American Development Bank uses in its fight against poverty. A strong feature of the Funds in their ability to tailor themselves to changing circumstances without sacrificing their efficiency and effectiveness as an instrument of government policy ... acting as social laboratories for the piloting of innovative programs and catalysts for ongoing processes of municipal and community development.
Summary		.....by strengthening community organizations, by training or by organizing directly productive projects.
Summary 2		Possibilities to improve targeting include increase promotion and technical assistance to the poorest; pre-assigning a portion of funds to communities where the extreme poor are concentrated, while introducing mechanisms for project quality control; more active incorporation of women and indigenous groups in all steps of the project cycle; including communities as partners in the identification of their neediest members;
Summary 2	3	<b>Beneficiary Participation and Community Development:</b> There is good reason to believe that beneficiary participation in all stages of project cycle decision-making is a key factor in the successful execution and sustainability of small-scale development projects. When beneficiaries make commitments as part of project identification and participate in project cycle decision-making, projects are more likely to match what beneficiaries want and what they are willing to maintain. The increasing interest of Funds in promoting community or local development goes much further than this. The objective here is to build the capacity of local development actors, especially municipal authorities and civil society organizations, to collaborate in the selection of priority investment projects, deciding how they will be carried out and managing the implementation process.....small projects to become a unit which works with communities to help strengthen their community organizations and which assists the poor in finding financing and technical assistance to carry out projects of their own choosing.
2	1.04	The Inter-American Development Bank has been the principal

		external backer of the Funds in the region. .... for a total of \$1.3 billion.
3	2.01	..... all the Funds are small, flexible, special units..... increasing their activities in training and productive projects as well. Fund investments are “demand-driven”, based upon a predefined menu of projects with well established eligibility criteria ..... directly under the President’s office. .... Funds enjoy greater autonomy than other government agencies. Usually the Fund is organized somewhat along the lines of private enterprise, with small highly qualified staffs, good pay and private sector management style. Most Funds are exempt from government salary scales and contracting regulations, and they also have the authority to raise international contributions to their operations.
3	2.02	....., specific employment generation objectives have been gradually replaced by an emphasis on longer-term poverty reduction and community participation (as a contributing factor to poverty reduction and as an end in itself).
3	2.03	..... They have concentrated on mobilization of funds, providing support to communities in the development of project proposals, appraising proposals (on the basis of predetermined criteria), monitoring the project cycle, and ensuring that projects are properly executed (largely through small private sector contractors). The operation and maintenance of the projects carried out by the Funds has been the responsibility of government line ministries and the communities themselves, with a limited yet growing involvement of NGOs.
3	2.04	As noted earlier, a defining characteristic of Fund operations is that they are demand-driven. That is, requests for projects generally originate from the people that will benefit from them. However, choice is usually limited to a predetermined many of options, with clearly defined eligibility criteria such as standard unit costs, minimum utilization levels, and availability of other inputs to provide the final services. Furthermore, the bottom-up approach is often complemented by targeting mechanisms that assign expenditures on the basis of regional poverty studies, and through outreach mechanisms that elicit demand from the very poor.
5	2.09	Funds have been seen more as instruments to improve the living conditions of the poor than as generators of income for the poor. They have built needed infrastructures rapidly and cheaply, thus improving access to school, health posts and safe water in many impoverished areas of the region.
6	2.10	<b>Targeting:</b> ..... They have developed a system of national poverty maps based on unsatisfied basic needs and have used these maps to identify the poor and to set priorities in funding among

		regions and communities according to the number of poor they contain.
7	2.12	In order to improve the record on sustainability, it is important that communities and Fund partners be involved earlier on in the discussions regarding the definition of the menu of eligible investments, to ensure that real needs are getting met and that the community understands and accepts the financial commitment it must make to maintain the project.
9	3.02	People and communities are poor because they lack the human, social and physical capital necessary to permit them to achieve a minimum standard of living. . . . . If the Funds are going to become permanent, they should focus on supplying those needs, particularly in the poorest areas.
10	4.01	The fundamental approach to this question should be greater flexibility and a greater reliance on a careful analysis of the causes of poverty in the particular area of the country in question.
10	4.02	The Funds need to maintain their focus as an effective and efficient instrument for combating poverty, which will be defined specifically for each country and at each economic and historical juncture. Funds should not try to do it all.
13	4.11	<b>E. Beneficiary Participation and Community Development.</b> A stated objective of almost all funds is beneficiary participation in project identification and maintenance. The expectations about beneficiary participation leading to an enhanced sense of beneficiary ownership have not always been realized. In great measure, this situation arises because project cycle procedures, in the interest of speed of approval and disbursement volumes, have in some countries excluded beneficiary communities from the decision-making processes related to project evaluation, execution, supervision and maintenance.
13	4.12	There is now good reason to believe that beneficiary participation in all stages of project cycle decision-making is an important factor in the successful execution and sustainability of small-scale development projects. When beneficiaries make commitments as part of project identification and participate in project cycle decision-making, projects are more likely to match what beneficiaries want and what they are willing to maintain. Strengthening beneficiary participation in Fund-financed projects however demands the overhaul of project cycle procedures to make them better attuned to the needs of project beneficiaries rather than to other stakeholders, such as Fund employees or project contractors
14	4.13	A community, or local, development framework focuses on the financing of small-scale projects in poor communities as a means to an end, and not as an end in itself. The objective here is building the capacity of local development actors, especially municipal authorities

		and civil society organizations, to collaborate in the selection of priority investment projects, deciding how they will be carried out and managing the implementation process. This perspective therefore goes beyond the financing of isolated poverty projects and focuses on the strengthening of existing local organizations and their networks of horizontal linkages.
14	4.14	Building the capacity of local actors is founded on a strategy of “learning by doing”..... Preventive maintenance culture through nationally funded schemes that decentralize maintenance management responsibilities to local communities and municipal authorities.
14	4.15	When called for by local circumstances, Funds should devote more resources to community development and the Bank should encourage them to do so. .... help strengthen their community organizations and which assists the poor in finding financing and technical assistance to carry out projects of their own choosing. There is great scope for partnership with NGOs and other civil society groups in this area, who could be sub-contracted by the Funds to do the actual community organizing work. In working with communities and with local government.
14	4.16	Training has also begun to emerge as a key element of the local capacity building components of many Fund operations. Municipal and community organizations increasingly face greater responsibility in the design, preparation and execution phases of Fund projects.
15	4.18	....., the merits of subcontracting specialized training services, either from private sector providers, NGOs, or other Funds themselves should be determined and compared with those related to developing in-house capacity.
15	5.01	However, now that the Funds are here to stay, they must join the ranks of policy-makers who are striving to measure the impact of public investments and thereby justify continued financing.
16	5.05	since the final distribution of money depends on the presentation of acceptable projects, the wealthier and better-prepared localities have a comparative advantage in the competition for funds. All Funds have struggled with the problem of reaching two somewhat inconsistent goals: reaching the very poor and having a quality-based system for project approval where the projects are demand-driven. One could resolve this conflict by pre assigning funds across geographic areas according to the number of poor they contain.
17	5.06	sub-contract with NGOs or others, in order to help the poorest communities develop quality projects.
17	5.07	Partly that is because the choice of projects is demand driven and the poorest communities are unable to present a sufficient number of viable projects.
17	5.08	....., there are several good arguments why Funds may wish to spend more per poor person in the districts with the highest severity

		of poverty, (as measured by the poverty gap) most of which are rural.
18	5.09	.....That is, the employment generated should not be biased against women-s participation, and women should be remunerated more equitably and receive a greater proportion of the benefits provided by the projects.
18	5.12	..... It is particularly important that communities preferences be adequately reflected when this sort of project is chosen and that communities be made fully aware of the financial commitment they must undertake if the projects are to be sustainable. Sustainability could also be enhanced if Fund personnel were to continue to work with the community after project completion to help train local personnel, and to set up financing schemes and maintenance schedules.
20	6.04	.....by giving financing support to other organizations, such as NGO-s, to strengthen capacity at the local level.
22	7.08	....., where such a plan does not exist already, the Bank should support and promote its preparation. The plan should contain an analysis of the poverty problem in the country and a clear statement of how the Fund and other programs of the government fit together into a complementary set of activities whose objective is poverty reduction.
23	7.10	..... Fund programs inevitably benefit the regime in power and there is a natural desire on the part of the government to use the Fund to further its political objectives. There is nothing wrong with this so long as project selection is transparent and projects benefit poor people. To assure that the Funds are operated in a transparent and consistent way, it is important that they have a Board of Directors representing all relevant stakeholders. They need also to ensure that decision-making from the community level up through the Board itself is done in an open and transparent fashion with ample opportunity for participation. Technical criteria for the targeting of Fund resources can also ensure not only transparency, but also equity, in the allocation of funds.