

## COMMUNITY FINANCING OF INFRASTRUCTURE CASE STUDIES FROM MEXICO, ZAMBIA AND EGYPT

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### Objectives of the case study

This case study looks at various applications of community financing for rural transport infrastructure and includes:

- The viability of social and community fund instruments for investment of infrastructure.
- The Mexican experience of a municipal fund programme, which reveals the potential for improving service delivery by decentralising government authority to independent sub-national governments.
- The Social Recovery Project in Zambia which has the objective of achieving sustainable and quality community transport infrastructure to economic and social services which benefit communities and specific vulnerable groups.
- The Social Fund for Development in Egypt, which describes the objectives and activities of the programme for alleviating the impacts of the Structural Adjustment Programme.

### 1. KEY FEATURES OF SOCIAL AND COMMUNITY FUNDS

Social and Community funds provide a mechanism for channelling funds to both local authorities and communities, allowing for cross-sectoral choice. The demand driven nature of these funds and their requirements for matching funds enhance prospects for sustainability. Social and community funds finance projects put forward by local communities, NGOs, and local government in more than fourteen countries in Sub-Saharan Africa. Many of these funds are multi-donor projects. The funds principally finance social and economic infrastructure projects. They do not propose or implement projects, and individual projects are not identified at the time a fund is established but are appraised as they are submitted, applying predetermined selection criteria.

Common selection criteria used by social funds, which include cost-sharing arrangements include:

- Benefit to poor
- Capable implementing agency
- Technically sound and simple
- Maintenance costs met
- Consistency with national and sectoral priorities
- Use of labour based techniques
- Beneficiary involvement
- Matching funds

In order to improve the sustainability of projects financed by social funds, there is also a need to develop sector-specific criteria which apply to community roads and paths.

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For example, dead end roads are often more suitable for community ownership and management than through roads because the community itself benefits directly from the traffic that moves on the road. Other criteria for project selection should relate to network considerations, potential traffic and transport services, the length of the road or path, and an assessment of least cost, minimum intervention. Individual's projects must be linked with the overall strategy for the specific sector.

**Source: Carvalho, S. (1994). Social Funds: Guidelines for Design and Implementation. Working Paper No. 34. World Bank, Washington D.C.**

## **2. FINANCING RURAL INFRASTRUCTURE IN MEXICO**

Until 1990, Mexico's experience with rural infrastructure was typical of that in many other countries trying to promote rural development. Projects managed by state and federal agencies were often poorly selected and designed and were implemented with inadequate supervision. Furthermore, there was no commitment to ongoing operations and maintenance by the agencies, local jurisdictions (*municipios*), or communities. As a result, expectations often outstripped performance.

### **2.1 Municipal Fund Programme**

Many of Mexico's priority projects are relatively small and located in inaccessible places. Yet the municipal fund programme, introduced in 1990, demonstrated that a locally managed grant fund can become a successful alternative for managing rural investment in technically simple infrastructures such as small water supply systems, rural roads and bridges, and school buildings.

The municipal fund programme requires community participation in project selection and execution. Every year *municipio* receives an allocation to finance projects selected with the participation of its communities. Execution is usually managed by community committees (*Comites de Solidaridad*), which hire and supervise local skilled workers and purchase materials. Communities must also contribute a minimum of twenty percent of costs (usually in the form of unskilled labour and local materials), which helps to ensure that only projects of local priority are selected. Studies have found that municipal fund projects often cost one-half to two-thirds as much as similar projects managed by state or federal agencies. In Mexico this success may be explained in part by the presence of skilled workers in many communities and a tradition of volunteer community labour.

Currently operating in all but two of Mexico's thirty one states, the programme has financed approximately 75,000 projects over the past four years at an average cost of \$11,000 each. Mexico's four poorest states have received \$32.5 million in municipal funds – an average investment of \$8 per capita, spread across 653 rural *municipios*.

**Source: World Bank (1994). World Development Report. Oxford University Press.**

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### 3. SOCIAL RECOVERY PROJECT IN ZAMBIA

The Social Recovery Project (SRP) is a community based programme funded by the World Bank, which joined the European Union funded Microprojects Programme (MPP) in 1991 to form the Microprojects Unit (MPU). The road component within SRP is the Community Transport Infrastructure (CTI) and is a sub-component of the Community Accessibility Component of the Road Sector Investment Programme (ROADSIP) in Zambia. The project became effective in 1991 and will be replaced by ZAMSIF (Zambian Social Investment Fund) in 2000, which will complement other poverty reduction programmes in assisting the vulnerable and marginalised groups of society improve their standard of living through an improved and well-maintained transport infrastructure network.

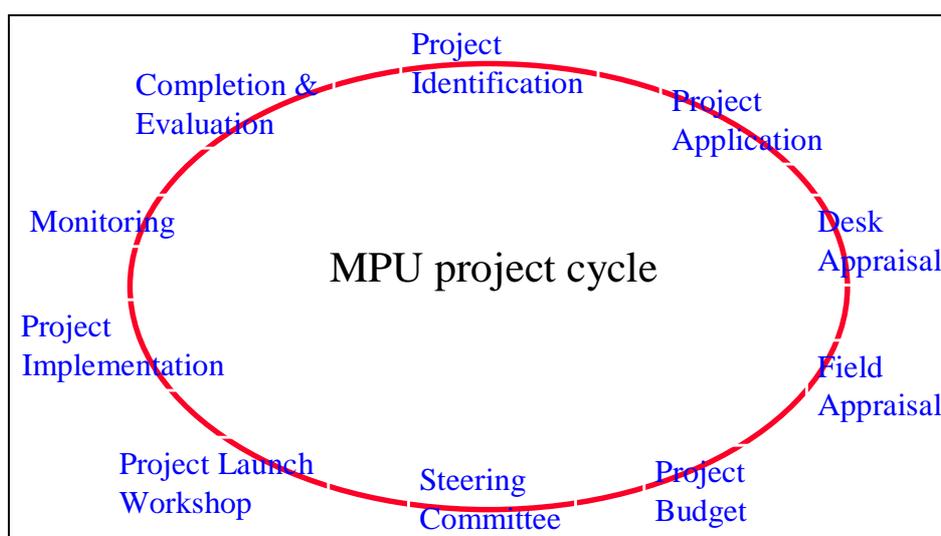
The aim of the CTI is to improve rural accessibility by bringing more of the road network under regular maintenance. Community roads are by broad definition, those roads which do not fall under the jurisdiction of any road authority. These roads do not receive any budgetary allocations from the government. As more community roads are brought under regular maintenance, transport possibilities will increase, therefore relieving the transport burden of vulnerable and disadvantaged groups, for example women whose primary mode of transport is headloading.

The SRP is implemented with communities themselves identifying their needs and applying projects on a cost sharing basis with the community contributing at least 25% of the total project cost and SRP providing the remainder. Selection considerations for SRP funding include:

- The road should lead somewhere (another village, existing passable feeder roads, basic services – health clinics, schools, an area of economic activity)
- The road should reduce travel time
- The road should improve public transport possibilities
- Technical requirements should be simple, in design and supervision
- Mode of execution of works will be labour based
- There should be evidence of sustainability by way of maintenance committee or existing maintained structure

Communities are required to apply for funding with the help of local councillors, and a field appraisal is carried out to establish the priorities of all community members before work commences. Figure 1 demonstrates the project cycle of the Microprojects Unit, from identification of the infrastructure requirement to completion of the project and subsequent monitoring and evaluation.

The SRP has been one of the most successful donor funded projects in Zambia, and promotes ownership of community roads, as well as improving the physical assets of the rural poor and improving their livelihood chances, whilst contributing to poverty reduction. Whilst the roads themselves cannot solve the travel and transport constraints of the rural poor, by empowering the community to help themselves and actively rehabilitating existing infrastructure, it is hoped that these programmes will proliferate other interventions including transport services and IMT innovations.

**Figure 1: Project Cycle of the Microprojects Unit**

Source: Brief on Social Recovery Project and Micro-Projects Unit, Zambia

#### 4. EGYPT SOCIAL FUND FOR DEVELOPMENT

The economic reform program initiated by the Government of Egypt in 1986 marked the beginning of a series of measures to break out of economic stagnation and achieve high sustainable levels of growth. By March 1990, new strategies were put into effect within the framework of the Economic Reform and Structural Adjustment Program (ERSAP). While focusing on measures to reduce inflation and stimulate medium and long term growth, ERSAP also emphasised the need to protect the poorer segments of the population by minimising the negative impacts of the reform measures.

The creation of a social safety net associated with the Government's agreement to undertake a reform program was considered essential not only to the well being of the population, but also to the success of ERSAP. To this end, the Social Fund for Development (SFD) was established in 1991 by Presidential Decree. Financed by the Government of Egypt in co-operation with the World Bank, European Union, Arab Funds and other donors, the SFD was created to protect and improve the status of the poor and the unemployed during the period of economic transition.

##### 4.1 SFD Mission

The Social Fund for Development is an autonomous governmental agency working under the direct supervision of the Prime Minister. Its mission is to:

- Facilitate the implementation of the Government of Egypt's economic reform program
- Mitigate the adverse effects of structural adjustment on low income population groups
- Strengthen Egypt's institutional capacity (governmental and non-governmental) to develop new social programs and upgrade existing ones
- Seek additional international and local financial resources, and secure technical

assistance.

## 4.2 SFD Objectives

To fulfil its mission, the SFD aims at achieving the following specific objectives:

- The creation and implementation of a set core of programs to address the urgent needs of the target groups
- The provision of employment opportunities:
  - New graduates
  - Unemployed youth
  - Workers that may be displaced as a result of public enterprise restructuring
  - Female headed households
- The channelling of additional public investments towards social services, with special emphasis on health and education
- The creation of mechanisms to protect vulnerable population groups and improve their living conditions
- The support of NGO participation in the planning and implementation of projects serving the target groups

## 4.3 Selection Criteria

Projects of the SFD should:

- Generate income
- Guarantee women's participation
- Offer credit and finance facilities for low income groups
- Provide training opportunities
- Strengthen the capacity of NGOs
- Channel social services, namely health and education, to low income groups
- Emerge from local communities

## 4.4 SFD Activities

The SFD provides funding for labour-intensive service sub-projects which enhance the quality of life and create jobs in selected geographic areas of disadvantaged populations. Financial contributions to the SFD are in the form of loans and grants. Loans are directed towards income-generating activities, which repay the loan back. Grants finance infrastructure development sub-projects in rural communities and urban poverty zones.

The objectives of the SFD are achieved primarily by promoting income and employment generation activities, and availing basic social services and awareness through five core programs and an independent unit:

1. The Public Works Program – The PWP helps provide economic and social basic infrastructure services with an aim to eradicate poverty and improve quality of life. Up until the end of 1999, the PWP accomplished a huge amount in its projects which advocated the use of labour based technology, including the construction and improvement of 410 kilometres and 4 kilometres of rural road respectively, as well as refurbishment of 18 health clinics and 15 schools.
2. The Community Development Program
3. Small Enterprise Development Organisation

4. The Human Resources Development Program
5. The Institutional Development Program

**Source:**

**Government of Egypt (1999). Social Fund for Development: Missions and Objectives**

**Government of Egypt (1999). Social Fund for Development: Annual Report 1999**