The Integrative Model of Managing Social Funds for Development with special Reference to the Critical Issues of Dependency Syndrome, National Sovereignty Goal congruity and Sustainability

Samir T. IsHak
Grand Valley State University

The primary issue raised in this paper is to assess the validity of the administrative model which dominated the management of the institution, its espoused objectives, structural design, functional configurations, external and internal stakeholders, accountability mechanisms, strategies and their implementation, and the integration of these components in an integrative modality. In addition the research highlights the outstanding critical issues including those related to sovereignty of national governments, dependency on a multitude of foreign national and international entities, goal congruity among competing stakeholders, and the potential sustainability of such a seemingly permanent institution of a unique mission with hybrid structural configurations.

The conclusion of this research is an affirmation that, conceptually and practically, Social Funds for Development are valid examples of the success of using an integrative approach to solve endemic economic and social problems. These endeavors are achieved by combining the finances and expertise of national, international, private, public, governmental and non governmental agencies in hybrid forms managing that transcend traditional academic disciplinary boundaries, political frontiers and international alliances. It is what Elinor Ostrom, the 2009 Nobel Prize winner in Economics, labeled "the third sector and the management of publicly pooled resources". The research has relevance to international and national policy makers, managerial gurus, economic planners, developmental theoreticians and social transformational agents.

Social Funds for Development (SFD) as a concept and practice were introduced in 1981 by the World Bank. Initially these were transitory institutions conceived to achieve several goals including: poverty alleviation, job creation, gender empowerment and infrastructure improvement. The institution was perceived to be of short term duration. It was designed to mitigate the negative impact of Economic Reform and Structural Adjustment Programs (ERSAP). However, the goals were expanded to include dealing with some endemic economic and social problems. The implementation of the concept extended to three decades, existing in forty-five countries and pumping over twelve billion dollars in hundreds of projects.

A THEORETICAL BACKGROUND

The integrative approach is not a theory of management or organizational behavior. Rather, it is an approach, a way of solving problems dealing with a series of crises, in a manner that tackles all the relevant dimensions of such problems. It is an all encompassing method that deals with a complicated and multi-dimensional problem, or related problems, with the objective of resolving the critical issues in an effective and efficient manner. For an integrative approach to succeed, there are certain pre-requisites and specific steps that must be followed in a predetermined sequence. First, a crisis must be recognized as real, immediate or serious enough to warrant taking drastic actions. Second, it has to be clearly defined in intensity, magnitude and ramifications. Third, the causes that led to such a crisis must be clearly defined including the relevant external and internal variables, such as external means beyond the direct control of the primary decision makers; internal means that the relevant stakeholders could have, or still can play a role in solving the crises. Fourth, the main actors who can solve the problem must be identified and be willing to actively participate in the process of solving the problems. These actors could be people, organizations, national governments, international organizations, foreign or local entities, private or public sector, any entity that can help. Fifth, the modes of assistance should be determined. These could take the form of cash, foreign aid, experts, personnel, equipment, technology transfer, training, management of activities, or any other appropriate forms. Sixth, due to the complexities of the crises and the multitude of actors involved, the methods of cooperation among the contributors must be clearly delineated. The cooperative efforts may have to ignore established managerial theories and/or economic ideologies. This is particularly important due to the predominance of the economic and social dimensions of the issues and the relatedness of the role of private versus public and governmental sectors. In this regard a theory which Dr. Elinor Ostrom (Ostrom 1990) postulated is worth noting. She studied an alternative institutional set up to deal with a segment of the economy which was important and, yet, lacking a unified approach for its management. The magnitude of that 'third' sector is worldwide and its impact transcends political or economic boundaries. It has local, regional, national and international implications. Ostrom (Ostrom 2005), the 2009 Nobel-prize winning economist, tackled the issues related to what she called "Management of the common pool resources". These 'resources' encompass a host of 'public services' and different configurations that are applied in managing 'public goods' by public versus public or government control and or management. Her approach focused on "actual rules in use" as opposed to "the rules of form". She reasoned that such a third sector could be managed by the power of self governance, or decentralized groups or associations who make decisions and coordinate their behavior to achieve the self selected goals of the group (Ostrom 1993). Classical economic theory rejects the possibility that public goods could be provided through markets or be managed by other than governments (Cassidy 2009). However, Ostrom argued that while governments often failed to provide solutions to the optimal use of common resources, decentralized groups can develop different rules and systems that enable social cooperation to emerge and function effectively through voluntary associations or self organized groups. Field research corroborated her theory. Her studies stressed collective but not state mandated decision making over the allocation or management of common-pool resources (IsHak 1972, Ostrom 2008). Another dimension of her approach is to stress that there could be different sets of 'rules in use', in form and in function in a variety of societal situations. There exists a multitude of institutions at work in diverse societies. She describes her research program as "a behavioral approach to the rational choice theory of collective action". It stresses the necessity to understand diverse societies (Ostrom 1994, Aversa 2009, Boettke 2009).

Regarding the design and sustainability of managing such common-pool sources, she developed some general principles, including: defined boundaries of action, collective-choice arrangements, and self-determination by the community of their choice as recognized by higher –level authority, proportional equivalence between costs and benefits, effective monitoring, sanctions and conflict resolution mechanisms". These principles were based on the findings of field research in several countries. Ostrom's theory could be summed in her words (Ostrom 2006), "The central question is how a group of principals who are in an interdependent situation can organize and govern themselves to obtain continuing joint benefits when all others face temptations to free-ride, shirk or otherwise act opportunistically." It is a valuable source of understanding institutional diversity and identifying the applicability of different models for structuring organizations and defining the optimal rules for their functioning effectively (Gallagher 2009). It is important to note that Ostrom is not negating the role of governments to manage the traditional state functions or the importance of the private mechanism in efficient resource allocation.

Rather, she is carving a sector in the economy which has particular characteristics and 'common goals' and which could be managed more effectively by a new modality (Aligica 2009). Seventh, the organizational structures have to be designed taking into consideration the legal, political, economic, cultural, administrative and related characteristics of the unit or country involved. Eighth, the accountability dimension must be ascertained with the attendant requisites of transparency, legality, feasibility, and accountability to whom and for what. Ninth, the needed auxiliary services that would be required to achieve the determined goals, to reach the targeted beneficiaries effectively and efficiently have to be studied and provided. Tenth, the two issues of maintainability and sustainability of the efforts must be addressed and determined.

In implementing all these steps certain concerns must be seriously considered. These include: selecting novel ways of dealing with the problems involved, not applying the same old futile methods; experimentation with policies and procedures noting the uncertainty and risks inherent in the endeavor; flexibility without sacrificing accountability and legality of actions; conflict resolution mechanisms among the divergent stakeholders with possible contradictory goals; creating new agencies or entities with new responsibilities and authorities; establishing advanced modalities to perform nuanced functions changing directions under unusual circumstances. The sequencing of the steps, initiatives, generating new ideas, and risk-taking are all crucial to the success of the approach. All this must be performed in an unstable environment surrounded by unpredictable conditions with a multitude of entities in different locations with diverse agendas. If implementing such an integrative approach seems daunting, in reality it is more so. Yet, the grave problems being faced and the existential crises that must be dealt with within a temporal dimension of short duration are worth the effort and potential positive results.

SOCIAL FUNDS FOR DEVELOPMENT

Social Funds for Development (SFD's) are sometimes called Social Investment Funds (SIF's) or Social Action programs (SAP) or Social Emergency Funds (SEF). These Funds in developing countries should not be confused with the European Social Fund or the Social Fund (UK). In this paper we shall designate the institution under study as Social Funds for Development (SFD's).

Genesis and Prevalence

SFD's were first introduced by the World Bank in the 1980's to address specific crises in Latin America. However, by 2009 they existed in more than forty-five countries (Bigio 1998, Cavalho 2009).

Some of these crises had endemic roots and have been festering for a long time. Typical are those related to poverty, normal distribution of income, high unemployment rates, poor or non existing health facilities, deteriorating infra structure, high illiteracy rates reaching 70%, in short, a state of crumbling economies. Continuing living under such conditions threatened the political and social stability of countries. Of more importance was the potential of such economies to fall behind in paying back the tremendous loans which International Organizations provided to shore up their economies on a piece meal approach. A second type of crises emerged due to external variables beyond the control of some countries. A classic example was to be found in Egypt, Philippine, India, Pakistan and other labor exporting countries (Carvalho 2009). These countries were faced with the reverse immigration of the labor which was employed by the labor importing countries of the Middle East, especially Iraq, Kuwait, Saudi Arabia and the Gulf area due to the eruption of the first war between the USA and Iraq ostensibly over the occupation of Kuwait by Iraq in 1991. The special pervasiveness of the crises extending over many countries in several continents warranted an intervention. The magnitude of the potential disasters, including almost assured political chaos and social upheaval dictated launching immediate efforts to manage the crises and to find real workable solutions. Hence, the first pre-requisite for massive intervention materialized and called for an integrative approach to deal with the immediate problems and imminent disasters. A third set of crises was the result of unintended consequences resulting from several mandates that were imposed by the World Bank, and other international lending institutions from consequences upon borrowing countries who were at risk of falling in arrear in meeting their debt paying obligations due to basic macro and micro economic problems. Egypt and some other countries fit into the three types of crises (IsHak 2004, El-Hilaly 2009).

A novelty approach was devised by the World Bank; they called it 'Social Funds for Development'. It was initiated in Latin America, and since extended to forty-five countries. They are to be found in ten countries in Latin America and the Caribbean, for example in Bolivia, Peru, and Columbia. Seven operate in Europe including the developing countries of Albania, Bosnia, Macedonia, Moldova, Romania and Ukraine. Asia has eight in countries such as Cambodia, Thailand, Laos, Pakistan, Tajikistan and the Philippines. Africa has the largest number of fifteen in Tanzania, Uganda, Zambia and Mali, to name a few. The Middle East and North Africa region has five in Algeria, Morocco, Tunisia, Yemen and Egypt. The largest of the SFD's in terms of budget, number of agencies involved and beneficiaries is in Egypt. It was established in 1991 to mitigate the negative impact of the World Bank mandated Economic Reform and Structural Adjustment Program (Bigio 1998, IsHak 1998).

Hence the first three prerequisites to launching a massive effort to face the crises were prevalent. There were real crises, their intensity, magnitude and ramifications were projected, their causes were verified.

The next step in the approach was to identify the main actors who can and are willing and capable of tackling these colossal problems. It became clear that the only meaningful approach would require an international effort that transcends the national boundaries, an effort that had to draw on the capabilities of international institutions, national governments, private and public entities, and a host of agencies that have financial and human resources and the will and commitment to assist. But before marshalling all these sources some basic parameters had to be established. These included: the selection of specific achievable goals; the nature of the entity which would be entrusted with achieving the predetermined goals; the accountability of such an entity (for what, to whom); the organizational structure of this entity; the financial resources (their sources, level of commitment, amounts, form and frequency of contributions); methods of services delivery and related auxiliary services; beneficiaries identification and targeting and modes of delivery of services, among other major considerations.

Of more immediate significance were two urgent factors. The first was the sensitive issue of 'sovereignty', that is the formal relationship between the proposed entity on the one hand and the national governmental structure and foreign contributing entities on the other hand. The second was the temporal dimension of such massive intervention, specifically, is that effort and the executing entity to be permanent (or for long period) or transitory (for a short term)? Bluntly speaking, was the international effort designed to be dealing with the immediate symptoms till the national governments build their capability to deal with their endemic problems and the transient issues or the efforts and the ensuing entity would continue in a parallel format functioning concurrently and in cooperation with national governments for the foreseeable future?

The debate was settled in a compromising fashion akin to all international controversial issues. The proclaimed entity was christened as 'Social Funds for Development'. It would be 'transitory' for an initial duration of five years to be renewed periodically at the request of national governments and with the concurrence of donor entities. The issues of overall supervision was entrusted to be jointly managed by national governments along with the United Nations Development Programme (UNDP) serving as coordinator of International activities and facilitator of contacts among the divergent interested entities.

Thus settling the critical issues of supervision, accountability and coordination, next steps required goals determination, financial sourcing, organizational structure designing and managerial functioning.

The goals were summed as generic as possible, including: poverty alleviation, employment opportunities generation; infra-structure rehabilitation; health services provision; fostering gender equality and basic education. The prioritization of these goals, their targeting and delivery modes were all left to the discretion of the individual SFD's to suit their particular needs and timing. Each SFD was left to select their own organizational structure, its functioning modes, its service delivery modalities, the selection of cooperating partners and policies and procedures thereof. National sovereignty was preserved by granting each SFD the right to promulgate its own charter, to solicit financial sources and sign its own international agreements within the applicable political or economic constraints imposed by the host country.

It should be noted that many of the then determined goals have been changed and drastically modified over the past three decades, which is the ‘transitory duration’ of the existence of SFD’s over forty-five countries covering five continents.

Not only the prevalence of SFD’s is widespread, they have channeled more than five billion dollars of the World Bank funding to Africa alone between 1990 and 2005 and have invested more than ten billion dollars from all donors and governments’ own resources over the past twenty years.

Thus the ten pre-requisites for implementing the integrative approach were met. It remains to show the actual implementation and its results, which we shall discuss in the following section by using the Egyptian SFD as an illustration.

SFD-EGYPT

SFD-Egypt was established in 1991 by a Presidential Decree with the following objectives: “(a) to contribute to the creation of *permanent (originally this was temporary)* job opportunities; (b) to contribute to the alleviation of poverty and unemployment through human development and provision of basic services; and (c) to mitigate the adverse effects of the Economic reform and of the transition towards a free market economy”(GOE, SFD annual reports 1998, 1999, 2000).

“SFD is a national organization affiliated to the Cabinet of Ministers, and it works under the umbrella of the United Nations Development Program (UNDP).” In order to delineate its jurisdictional authority, it was decided that SFD is an “institutionalized organization that translates country policies into new programs and small enterprises consistent with the National Development Plan in order to improve the standards of living and to create real and sustainable job opportunities”(SFD Annual Report 2008).

There is a Board of Director (BOD) which is appointed by the President of the Republic and is chaired by the Prime Minister. Its membership include seven ministers representing the line ministries whose activities have direct relation to the functions of the SFD, and persons representing Non Governmental organizations (NGO’s), business sector, Labor Unions and other public personalities. The BOD’s main responsibilities are to provide an overall supervision which guarantees a harmonization role among the involved agencies and to assume a coordinative function among the related macro programs. This may include: endorsement of sectoral allocation of resources, synchronization of regional objectives and, more important, is to ensure that the programs and projects are in congruence with the national plan for development. Executing the SFD plan is left to the Executive Manager and his several functional general managers and their staff with no interference from the central government or its line ministers or the legislative branch, albeit with continuing cooperation and collaboration when needed. There is an oversight responsibility for the UNDP on the macro level (SFD: www.sfdegypt.org, June 2010, in Arabic, translated).

Justification for Creating SFD-EGYPT

The basic justification for creating the SFD in 1991 was to deal with several crises which needed immediate attention. Some of these were endemic in the country and had deep rooted causes. Internally, poverty was widespread afflicting a large slice of the population. Unemployment was rampant, especially among the newly graduating class from universities in addition to the other sectors of professionals and manual labor. Economically, the country was facing a record deficit in its balance of trade and payment. National debt reached a high percentage of GDP. These conditions raised serious concerns by the international lenders, especially the World Bank and International Monetary Fund (IMF). Externally, the first Gulf war erupted between the USA and Iraq over the occupation of Kuwait. Millions of Egyptian expatriates with their families were sent back from the Gulf countries whereby they lived for many years. That unexpected influx of reverse migration threatened to intensify the pressure on the infrastructure and possible social unrest. A most immediate threat was the addition of millions to the ranks of the unemployed. Foreign currency earnings dwindled due to reduction in the Suez Canal earnings and the widening gap between imports and exports as a result of the Open Door policy of the government of Egypt (GOE). Expatriates’ remittances dwindled to an alarming level. Complicating the serious situation was the prescription which the financial international organizations, especially the World Bank and IMF, prescribed to deal with the dual financial and economic crises facing the (GOE) at that time. That recommendation came under the rubric of Economic Reform and Structural Adjustment Program (ERSAP). In reality it was a series of mandates which were preconditions which the GOE must accept in order for the WB or IMF to bail the GOE out of its crises. These mandates imposed some serious preconditions requiring "Economic Reforms" and Structural fundamental changes, not just "adjustments". Missing from this ERSAP was a crucial component, namely, the social ramifications of such drastic measures. It was thought, erroneously, that the economic sectors would automatically pull behind them the social sector and lead, eventually to economic development. Thus, in order to fix the financial problems, as evidenced by massive national debt, it was mandated that GOE should enact several policies to balance its budget over a short period of time. This required, among other drastic measures: abolishing the massive governmental subsidies to the prices of basic goods which the masses depended on for their sustenance; and selling the public sector through an overall plan of privatization; and transitioning the economic system towards a free market economy. Noting that the public sector employed about 85% of the labor force, such a scale of privatization was expected to swell the ranks of the unemployed drastically. Drawing on the relatively new instruments which the WB and IMF applied in Latin America in 1980s, they suggested, and the GOE accepted, the establishment of a Social Fund for Development (SFD). This new entity was to be entrusted with the following responsibilities: (a) to help to reduce poverty through supporting employment generation and community development efforts; (b) help mitigate the possible negative impact of ERSAP; and (c) provide immediate assistance to the Gulf returnees and their families (IsHak 1998, Batkin 2001).

In order to deal with the above-mentioned crises via a newly instituted SFD, a serious debate took place. Should the government, with its established line ministries and governmental agencies assume these responsibilities, or should that be left entirely to the private sector? Indeed it is a fundamental question the answer to which would determine the course of action.

The Stakeholders

As stated above, this SFD was created by some primary stakeholders and was supported by secondary stakeholders. An important stakeholder, if not the most important, is the primary initiator(s) of the services offered by this institution. This is the World Bank and the national government. They solicited other participants who collectively provided sources and resources. These included: international organizations, regional configurations, national and local governmental agencies, non-governmental, private, or public associations, charitable or not-for-profit societies and practically any entity that is motivated and is willing to contribute 'sources'. The list includes United Nations agencies such as United Nations Development Programme (UNDP), International Labor Organization (ILO), UNIDO or the World Bank (WB). They can be Foreign Governments such as the USA, Canada, France, Italy or departments within the governments such as the Agency for International Development (AID), the Canadian International Development Agency (CIDA), European Union agencies, German Government GTZ or KFW. They may represent regional entities such as the Arab Fund, the Kuwaiti Fund for Economic Development, African Development Bank (AfDB) and the Japanese International Cooperation Agency (JICA). In addition, these 'sources' may come from public, private, quasi-public, governmental or non-governmental origins. Of course the beneficiaries and implementers of the programs are prime stakeholders.

The 'resources' which these 'sources', or stakeholders, provided took many forms. These include: financial contributions, human resources of diverse specialties, levels and classifications, basic or applied technology, fixed or other forms of capital, assets for diversified usages, know-how and combination thereof. The types of financial resources varied encompassing grants, loans to be repaid according to specific arrangements, lines of credit for various durations and conditions, in kind contributions such as cars, machinery, inventory, goods and services. They were also in the form of transfer of technology of particular or general applicability to the needs of the recipient nation. Human resources, in the form of experts, consultants and advisers would provide initial planning services, training programs, internships, setting administrative structures and organizational set-ups, establishing financial systems and control mechanisms, assisting in setting goals and the selection of target beneficiaries.

These 'sources', which are contributed by foreign entities would be co-mingled with, or kept separate from, local or national contributions. This latter scenario could be in cash, budgetary allocations, in kind or commitments to finance or provide administrative, legal, and organizational.

There are several foundational assumptions underlying the organizational structuring and administrative mode of operation. All of which were considered at the time of initiating the SFD. These include the following basic principles. One, SFD should never be designed with the intention to act as a substitute to established governmental agencies. They are to supplement, not to replace them. The SFD responsibility is not to assume the basic governmental functions as they are entrusted to agencies and line ministries or departments. They are to assist, aid, and enhance these governmental responsibilities. They should avoid any duplication, overlap of functions or encroachment of jurisdiction. Two, flexibility in form and function must be maintained. Basically, this is to guarantee quick response to sudden or continuing changes in the needs that are to be met over a short period of time. Fixed organizational structures are difficult to change. Being flexible does not mean constantly changing, but changing when necessary in order to achieve a defined goal whereby the change in structure is the appropriate strategy. Three, they need access to reliable data that provide a dependable basis for decision making with continuous updating. This is not an easy premise to keep. Most of the countries where SFD's were introduced did not have any factual data even of the basic information which must be available to make sound decisions. Primary demographic information is scant or fictitious. Population characteristics such as age, level of education, size of family, gender, head of household, sources of income, working conditions, income distribution, geographic locations, poverty pockets, condition of infra-structure such as water, electricity, sewage, and related data is anecdotal at best. This dimension turned out to be one of the most challenging activities of the SFD. Four, applying a participatory mode of operation whereby local communities and targeted beneficiaries are the main partners in decision making. The process must solicit and seriously consider input from all concerned. SIFD personnel engage the stakeholders in meaningful deliberations and serve as a conduit of rational decisions. Basically they pioneered community-driven development programs whereby community-based organizations, typically representing a few hundred people or less often in rural areas, administer funds themselves and choose where to invest them. Five, decentralization of execution of plans must be maintained in all phases of projects on all levels. The community-driven approach builds the self-confidence and capacity of local communities to better meet local needs. The beneficiaries become prime stake holders with interest in the projects. These last two premises require a high level of coordination among some competing approaches to management. Conflict resolution mechanisms must be developed and practiced with tact to ensure the continuation of harmonious relations among the different components. Six, systems to ensure accountability must be available. This requirement is particularly complicated by the diversity of the major stakeholders, who are comprised of sovereign governments, international organizations, numerous entities, and a multitude of disparate agencies. Two issues must be cleared on the outset: accountable to whom and for what. This raises some important questions, including: Is the SFD responsible to each donor or to the donors collectively? Who represents the donors' collective interests? Is there any accountability to local or national government of the recipient country? And, what format does such accountability take: Written reports, onsite inspections? How to evaluate the degree of goals attainment or financial accuracy according to whose financial system? And a host of related issues. Seven, from the beginning the issue of goal congruity must be established and any conflict to be resolved. Because of the multiplicity of stakeholders, each entity may have its own agenda and set of priorities. These may not be in accordance with the national priorities of the host government. There exists conflicting approaches which are dictated by local politics. Thus a reasonable system to evaluate performance must be initiated and adhered to on a regular basis. This provides for a level of trust and results in a timely course of action to steer the organization into the right direction. Eight, the vision, strategies, policies and implementation of programs must avoid falling in the dependency syndrome which leads to the SIFD to tie its continuity to the will of foreign donors and their wishes. From the beginning the design should plan for the eventual weaning of the SIFD from depending exclusively on foreign entities. This consideration has serious implications for the sustainability of the institution. Nine, simplification of procedures and avoiding the trap of abiding by bureaucratic regulations must be the norm of operations. Many of the countries whereby SFD's have been introduced are steeped in pre-colonial formal administrative systems. None of these would be tolerated. Reconciling this parameter with the accountability requirement is a challenge, yet it has to be the bedrock of the organizational structure and administrative apparatus. Ten, although the initial concept of creating SFD's was to be transitory and for a short duration, they have been on the scene for over two decades. It seems that the temporary mechanism turned into a permanent fixture. Actually, that is one of the criticisms of the SFD's that there is no exit strategy to wind them down or to end them altogether. With the basic change in the vision and the corresponding deviation from the original strategies, the consideration of sustainability emerges as a serious challenge. After the initial initiation of the latest SFD's it became clear that sustainability concerns occupied an important part in the deliberations among the stakeholders. Without enacting some practical measures to guarantee the sustainability of SFD's, billions of dollars would be wasted and the aspirations of millions of people would be squashed. The dreams of the most needy, most poor, least educated, most deprived of the basic needs, would be crushed. And the promises of the World Bank and international organizations in operationalizing their concept of using social capital as a valid safety net to achieve social and economic development would evaporate (IsHak 2009, Williams 2001).

Such a legal status is an example of what Ostrom has been advocating to manage 'common pool resources'. SFD's get their sources from multiple entities including international, national private, public and other forms. The sources are 'pooled' then managed by another set of 'resources': human, financial and others. The functioning of this novel 'entity' is neither public nor private. The selection process of goals and the operational mode are not left up solely to the government nor are dictated by market mechanism. SFD's are not State agencies, in the traditional sense, nor are they private enterprises whose activities are dictated by the market mechanism. While the goals pursued by SFD's must be congruent with the national developmental goals, they (the goals) must also correspond to another set of goals which are determined by the other stakeholders especially the donors. The majority of Social Funds are heavily dependent on donors for financing their activities. They were designed with substantial donor input and have to meet their respective accountability standards and reporting requirements. In order to achieve one of its basic goals, for example, job creation and marketing small business products or services, its activities may take into consideration some market mechanism indicators. But, primarily the individual self-interest premise is the guiding principle is not the rule. In sum, SFD's are not public corporations under governmental rules, nor are they a private corporation seeking profit for its stockholders. It is what Ostrom called 'the third sector' which manages its 'pooled sources' in a special manner consonant with the will and interests of its common beneficiaries (Ostrom 2006).

Among the common denominators between the referenced theory and SFD's as a concept, it is worth highlighting the following characteristics. Normally, although with wide variations among countries, SFDs are institutions that are created outside the government's established structure of administration. Their success is attributed to their relative autonomy, administrative and procedural freedoms of bureaucratic regulations and fostered by a close donor presence coupled with internal and external audit. The programs, or projects within them, are initiated by local governments or organizations and potential beneficiaries of community leaders. All the involved actors contribute collectively to the planning, organization, financing and maintenance of the projects. The programs, or projects, deal with interconnected problems such as poverty, unemployment, gender empowerment, basic education and primary health services, all dealt with in one context. They try to achieve a combination of objectives in an integrated format. SFD-Egypt is a functioning example of these principles (Tendler 1999, UNICEF 1998).

While studying the evolution of the SFD would be instructive, especially to the students of organizational structure and behavior, as well as to policy makers and practitioners, this part will focus on the present period as of 2010. Admittedly, the initial mission has been modified, the original players have increased in number and changed in focus, and the first organizational structure evolved in a hybrid of structures with corresponding functional configurations. Yet, focusing on the latest institutional structure and functioning of the SFD would serve two purposes, namely, that a new organizational paradigm which is neither governmental nor private is a viable form to manage pooled resources, and to point out the challenges which are facing such an institutional setup. These two areas of research are important in order to identify the basic pre-requisites for the sustainability of the institution and to ensure the maintainability of its services, efficiently and effectively.

The Financial Sources

Funds for SFD come from twenty-one agencies including the GOE. These include international organizations such as the World Bank (WB), European Union (EU), International Labor Organizations (ILO) and UNDP. In addition several regional organizations provide funds for general or specific programs; these include: The Arab Fund for Economic and Social Development, and the Islamic Bank for Development. Also, several countries contribute including funds from Saudi Arabia, Kuwait, Abu Dhabi, Japan through the Japanese International Cooperation Agency (JICA) and Japanese Bank for International Cooperation (JBIC), France, China, Italy, Denmark through (DANIDA) , Germany via KfW and GTZ, and Canada via the Canadian International Development Administration (CIDA).

It should be noted that the contributions of these donors take many forms. They include cash, lines of credit, technical assistance, transfer of technology, provision of experts and advisers in different fields, in kind contributions such as machinery, cars, equipment, and other assets. Some of these contributions are allocated to the general funds to be disbursed at the discretion of the SFD management. Other contributions are allocated to specific programs or projects or regional areas in compliance with the donors' stipulation which are normally in agreement with the SFD administration. Allocation of funding may be for poverty alleviation integrated efforts in one geographic area, or to a specific activity such as illiteracy eradication of women or children nutrition. Overall goal congruence is maintained by the SFD management and BOD.

Specifically, since its establishment in 1991, SFD played different roles is support of the developmental areas of the GOE. While it was initially designed as the "social net associated with the government's responsibility of implementing ERSAP, it pioneered several successful programs to enable the targeted human resources toward new activities to improve their standard of living and income. They operate along four primary axes. One is to develop and finance small enterprises serving as feeding "industries and large enterprises in all areas with the goal of creating permanent and stable opportunities. Two, encouraging micro enterprises to improve income and "ameliorates living standards in villages and hamlets". Three, creating a supportive climate to develop public works as vehicle to provide quick and available job opportunities. Four, "promoting self employment and an entrepreneurial culture by providing integrated packages of financial and non financial services to small and micro enterprises (GOE,SFD annual reports 2007, 2008).

One of these efforts worth mentioning is their emphasis on Small and Micro Enterprises (SME's). Generally SME's generate real, sustainable and stable job opportunities. The target groups for the SME's are the active poor and very poor families, new university graduates, small farmers and women who are heads of household and the newly laid-off workers from the privatized companies and start-up entrepreneurs. With the hasty move to privatize many formerly publicly owned corporations, an influx of labor became rampant. They had to be retooled. Arbitrarily, SFD defined a Small enterprise (SME) as having an in-paid capital of US$ 9,000-180,000 and a working staff of not more than 50 persons. A Micro enterprise has an in-paid capital of less than US$9,000. In order to give SFD close to a monopoly in the area of SME's, a law was promulgated trusting it with "fostering the development of small enterprises and with planning, coordination, assistance in obtaining their needs including finance and services". There is a number of micro finance institutions that are authorized by SFD to provide their services to the targeted groups within the geographic and target predetermined map of poverty. Hence, SFD "partnered with donors, banking sector, NGO's and public and private institutions, and made concerted efforts in preparing the MSE national strategy to guarantee the synchronization of work with other like-minded entities for MSE development". Moreover, SFD is the only legal entity in Egypt that is allowed to utilize its funds for financing NGO's that avail micro credit loans to individuals on market based rates. "This is because Egyptian laws do not allow entities as public banks and government organizations to lend NGO's without collaterals which prohibit this modality of business." One of the characteristics of supporting NGO's throughout the country, is that SFD offers an integrated package of related services, including health, basic education, providing micro credit loans and supporting women empowerment activities in various development schemes. To complement these services, SFD offers, practically free or at nominal fees, technical services to banks and small entrepreneurs in the form of free pre-feasibility studies and marketing services such as participation in internal and external exhibits and e-marketing. The distribution of funds allocated to SME's reflects the targeted sectors. For example, in 2008, 15% went to industrial activities, 23% to agri-business, 39% to trade and 23% to services. At the same time the geographical disbursement of these funds met the national needs as predetermined by a "poverty map" covering lower and upper Egypt plus the frontier and urban governorates. By 1999-2000 SFD added to its activities franchising and sub-franchising by signing several contracts with franchisors such as Radio Shack, local manufacturers, Fuji Image, and international hotels. That was planned to expand the pool of beneficiaries into some nontraditional activities. (GOE, www.sfdegypt.org. 2009, 2010, translated from Arabic).

Another important set of activities to assist the MSE's is the unique non-financial services to that segment of business. These are provided by approved intermediary agents. The services include promoting entrepreneurship; one stop shop to provide all related services such as licensing, inspection, and legal services; cluster and incubator support; improving the procurement system; access to government land; offering training programs to undergraduate and graduate students and youth in order to improve their access to the markets.

In phase four of SFD they added several worth noting services. These include: providing diversified credit packages; developing lending mechanisms; adopting updated credit risk guaranteed tools; monitoring loan performance and quality loan portfolio; expanding funds allocated to successful implementing agencies; financing franchises. For marketing opportunities, users of loans and micro finance, are provided export services, commercial information, providing freight and custom clearance services and designing promotional material. Training programs are also presented free of charge.

One of the major activities of SFD has been in the area of Public Works Programs (PWP). The advantages of PWP are many. They are relatively easy to introduce. They employ large numbers of people from the same location whereby the project is built. This immediately increases the income of the employed and improves their standard of living over a short period of time. Although many of these projects do not last for a long term and provide only temporary employment opportunities, they are normally part of a package of services and help the communities involved. They also provide infrastructure and utilities services to act as a catalyst for developing SME's. The outcome of PWP projects has a favorable spill-over and multiplier effects. Examples of PWP's include: networks, elevated tanks of water, house connections of water supply, pump stations, treatment plants, renovation and completion of public buildings, reconstruction of building in villages destroyed by storms, covering of canals and drains, renovated health clinics, and a host of related activities (IsHak 2004, 2009).

Achievements of SFD-EGYPT and Assessment by Major Stakeholders

As of the end of 2008, the latest available report, and over 17 years, the achievements of SFDEGYPT are impressive. US$ 2.3 billion were pumped into the various activities. Total job opportunities created was estimated at 2.566 million jobs including permanent and temporary jobs.

The sustainability of the micro-credit services to SME's and small entrepreneurs was insured by providing revolving funds and preparing valid feasibility studies. Banks and NGO's are involved in the process. Women constitute an important target of the SFD and are allocated a respectable percentage of its finances. They conduct specially designed workshops for women, provide marketing services through temporary and permanent trade fairs, conduct impact assessment studies, training on management and disseminating successful SME models implemented by women through different media. In addition, of primary importance are females targeting family planning projects, health programs, in illiteracy one-class-room and micro finance projects.

The World Bank, as the initiator of the concept of Social Funds, envisioned and then implemented several mechanisms to assess the performance of SFD. There is a list of experts to advise on all aspects of SFD from inception to periodic evaluations. Evaluation of individual projects includes reports covering Implementation Completion, Project Performance Assessment, Impact Evaluation and Inspection Panel. In addition, every donor to a SFD has its own rules to evaluate the progress of the institution in which they participate. The SFDEGYPT is subject to thirty-two entities to whom they report regularly on their activities. Reviewing most of these reports, they rated this SFD as one of the top performers of all the SFD's which WB issued their evaluation reports. Overall, most of the objectives have been achieved with minor recommendations to improve on some strategies or target mechanisms. UNDP and the WB are normally the first two agencies to evaluate the overall performance of an SFD on behalf of several other international donors.

Assessments take different approaches to evaluate specific aspects of SFD. Impact monitoring involves three types: implementation progress, outcome and target effectiveness. Of particular importance is the outcome assessment. It is not a standard measure since it varies with the specific goals that were the bases for creating the SFD. In the case of Egypt, for example, these included poverty alleviation, job creation and mitigating the negative impact of ERSAP. A corollary to these is to assess targeting efficiency in terms of the beneficiaries of the undertaken programs and projects. The major outcome of these assessments, in addition to being a monitoring device, is to project the sustainability of these institutions if they are to continue beyond the initial vision of being transitory. It is obvious that they have evolved into a permanent parallel entity to governmental line ministries and agencies.

In evaluating the overall performance of SFD, The World Bank has concluded that (a) they have proven to be practical and effective responses in a wider variety of situations including economic crises and transition, natural disasters, addressing chronic and acute poverty and job creation; (b) the efficiency, effectiveness and accountability achieved by establishing social funds outside mainstream administrative structures and procedures have produced clear benefits both for target communities and for governments; (c) the impact and sustainability provided through social funds with effective procedures for local selection appear to be considerably better than traditional line agency programs (Rawlins 2008, Stiglitz 1998, Van Mollen 2004, World Bank 1998, 2009, 2007).

THE SUSTAINABILTY ISSUE

There is immediate need to suggest mechanisms to guarantee the sustainability of these SFD's. The warning signals go back to the early years of initiating the SFD. For example, most governments and donors have concerns that many years after they were started, they continue to be dependent for most of their financing on outside donors. Some warn that donors cannot be expected to provide 80-90% of the cost of Funds' operations indefinitely. This deficiency in the initial design may require the national governments to increase their contributions both in cash and in kind. Another explanation for the less than optimal level of commitment to sustainability is the lack in allocating funds for the maintainability of the built assets. The mode of operation of SFD is a partnership in selecting specific goals and strategies between the donors and the national governments. It is a matter of sovereignty that the goals must be congruent with the national plans. The execution of the programs and projects is normally a joint effort whereby local governmental agencies are involved with varying degrees of involvement. National governments allocate funds for their part of the deal. But, such a commitment is not for a long duration, normally limited to the present fiscal year. If no funds are allocated for the duration of the projects, the burden is to be shouldered by other partners including local communities, NGO's who may not have enough resources to maintain the facilities or the operations for the duration of the projects. Unfortunately this is becoming the norm more than the exception. Also, the flexibility and speed of disbursement by the SIFD to the executing agencies are affected by the speed and scheduling of receiving donors' contributions, which vary and may change over time. Hence the maintainability of facilities and assets are interrupted or halted all together. Another troubling feature of the institution is that it is demand-driven, meaning that communities and potential beneficiaries are the prime source behind requesting or pushing to have a project. The facts may be different. Some of the projects are supply-driven. They may be chosen, albeit with the concurrence of governments or SFD structure, by the donors or by local politicians or even be determined by national political considerations. That leads to loss of community-based support and interest in the maintainability of the projects (IsHak 2009, 2004).

Another related dimension to the sustainability issue is what the Senior Vice President of the WB called “the information asymmetries”. This means that the different stakeholders, especially national or local governments, have a different set of information and priorities from the local communities and possible beneficiaries who are supposed to be the prime movers behind the projects. Some remedies could be tried such as: monitoring and supervision, transparent and objective selection criteria of projects, training, public information techniques about projects choices available to communities, community participation and more coordination with line agencies to commit resources for the duration of projects (World Bank 2009).

Pursuing conflicting goals or various instruments to achieve these goals or executing divergent programs may also affect the sustainability of the institution. Compatibility between objectives and methods to achieve them, with rigorous monitoring systems may contribute to solving this problem.

Two of SFD’s prized characteristics is its relative autonomy and freedom of action from bureaucratic regulations and procedures. Yet, that may leave them prone to political interference to favor a pet project of a local influential politician or an area of interest to an important party. Serious leaders and donors must monitor such deviations with more transparency and supervision of activities. Related to this concern is the fear of shifts in the level of support by the political constituency and/or donors in allowing SFD to continue maintaining these managerial freedoms or the level of financing required to maintain the operation of the projects. Changes on the local or international political conditions would threaten the sustainability of the institution.

The major danger facing SFD is to doubt its effectiveness in achieving their espoused goals. Inaccurate targeting of beneficiaries, inflating expectations beyond the means to achieve them, suspicion of using corruptive practices or lack of transparency, all are contributing factors in discontinuing, or at least not supporting, the continuation of such institutions. Prompt, periodic, objective and reporting systems could reduce such a danger. In short, drastic deviations from the premises upon which the concept and practice of SFD’s were initiated, the non materialization of the promises that were made and not meeting the evolving challenges and critical problems seriously, all can undercut the support of SFD’s and threaten their sustainability (IsHak 2009, 2002, White 2004).

CONCLUSION

In this paper we tried to examine the pattern of similarities between the approach of managing pooled resources for which Dr. Elinor Ostrom was honored as the 2009 Nobel Prize winner in economics on the one hand, and the concept and practice of Social Funds for Development (SFD) on the other hand. Ostrom characterized her theory as depicting a third way to control and or manage pooled common resources, a model that is not government controlled or owned nor is primarily left to private interest or free market mechanism (The Economist 2009). For the past almost three decades SFD, as common pooled resources, were managed by a modality that has unique premises and effective performance.

There are several implications for this application of the model in reality. SFD modality of operation could be duplicated to achieve economic and social goals without total dependency on government or reliance on the private sector. Of course there should be cooperation and input in managing such pools of common resources, but not control or domination. A recent innovation by the World Bank is initiating a program aiming at harmonization and alignment of funding on a country level. For example, WB has just introduced the Country Environmental Analysis Pilot (CEA). The CEA is a country-level diagnostic analytic tool to help assess the performance of all programs that are managed by SFD in addition to environmental aspects of a country’s development and poverty reduction strategies with the purpose of integrating environmental considerations into donors' assistance strategies. In order to reduce the burden of multiple donor requirements, donors are moving towards pooled funding for poverty alleviation or other targeted projects such as female genital mutilation (FGM) eradication. In 2008 Egypt was selected to implement this country-level harmonization approach. Many countries support the prospect of pooled funding arrangement for specific purposes. These include Italy, Canada, Denmark, Sweden and the EU. UNDP is managing the process by using common monitoring, reporting and evaluation procedures and donor participation through a steering committee (World Bank 2009, SFDegypt reports 2007, 2008, 2007, UNDP report in IsHak 2009, KfW Entwicklungsbank 2002, 2004, 2009).

Attaining high levels of effectiveness in goal achievement and efficiency in resource management would result in savings in the cost of providing public services and freeing governmental resources to meet more immediate needs. This approach would be of value to policy makers at a time when most countries are reeling from the recent financial and economic crises. SFD complements social protection programs that are undertaken by national governments. They attempt to deal with economic and social problems over a short period of time. They assist governments in assessing public needs and finding cost effective ways of intervention. They redefine the proper role of governments, of community groups and the private sector. In addition, they secure funding from a multitude of international and national sources and apply efficient delivery and administrative processes. Building the technical capacity of governments by removing the burden of assuming some of their traditional functions and by enhancing social capital of communities through participatory practices are indeed added advantages (Adam 2006. IsHak 2009, 2004).

Policy makers on all levels are advised to search for new integrative modalities to manage pooled public resources in order to lighten the heavy burden on governments to shoulder their traditional responsibilities. While applying an integrative approach to solving complex managerial issues that are multidimensional in scope with far reaching implications is not a panacea, in the light of its relative effectiveness, but is worth the effort of being tried and developed.

REFERENCES

Adam, Sarah, (2006), *Evaluation of Social Funds Impact: A toolkit for Task Teams and Social Funds Managers,* World Bank, Discussion paper No. 0611, October.

Aligica, Paul, D. (2009), *"Elinor Ostrom on the Market, the State and the Third Sector",* in Sector, Reason Magazine, October 12.

Aversa, Jeannine, (2009), Ritter Carl, Moore Matt, "Nobel Prize for Economics: Elinor Ostrom, Oliver Williamson Win", in huffingtonpost.com, October 20.

Batkin, Andrew, (2001), *"Social Funds; project and Program Issues",* in Social Protection in Asia and the Pacific, pp. 468-480, Asian Development Bank, 2001.

Boettke, Peter, (2009), *"Why Those Who Value Liberty Should Rejoice",* in Foundation for Economic Education, October 15.

Bigio, Anthony G. (ed.), (1998), Social Funds and Reaching the Poor: Experiences and Future Directions, World Bank, Washington D.C.

Carvalho, Soniya, (2009), with G. Perkins and H. White, *Social Funds, Sustainability and Institutional Development Impacts: Findings from an OECD Review,* Journal of International Development, vol. 14, Issue 5, pp 611-625.

Cassidy, John, (2009), *How Markets Fail: the Logic of Economic Calamities,* Farrar, Straus and Giroux, Allen Lane, London.

The Economist, (2009), *"reality bites: Elinor Ostrom and Oliver Williamson win this year's Nobel Prize for Economics", October 17, p92.*

El-Hilaly, Hanaa, (2009), *Overview of SFD's Intervention: from Poverty Reductions to Sustainable Development,* Government of Egypt, Cairo, Egypt February 2009.

Entwicklungsbank, KFW, *Report of Egypt Social Fund (SFD) Job Creation Programme Rural Infrastructure III, 2002, 2004, 2006 (not published).*

Gallagher, Kevin, (2009), "*Elinor Ostrom Breaks the Nobel Mould*", in the Guardian, Guardian.co.uk, October 23.

_______________, *(2002,) Evaluating Social Funds Performance; A Cross-Country Analysis of Community Investments,* World Bank, August.

Government of Egypt, Social Fund for Development, (2009) Organization and activities, www.Sfdegypt.org, October, Processed.

IsHak, Samir T. (2009), *The Importance of Selecting the Optimal Organizational Structures and Functions to Achieve Social Development: the Case of Economic Reforms and Structural Adjustment Programs,* Journal of Global Intelligence and Policy, vol. 1, Issue 2, *PP. 88-98.*

_____________, (2009), *Poverty Alleviation and Job Creation: Integrating Social Investment Funds and Corporate Social Responsibility as Possible Solution,* Seidman Business Review, vol. 15,No.1.

_____________, (2004,) *Globalization: Premises, Promises and Problems,* Shanghai University of Finance and Economics Journal.

_____________, (2004), *The Concept of Social Funds: Application to China, in* Studies in Economics, Shanghai University of Economics and International Business, Shanghai, China (in Chinese).

______________, (2002), *Les Fonds Sociale Pour le Development en Egypte", in* Perspectives, No. 116, *Revue Trimestrielle D'Education Comparee,* Vol. no. 4, December, pp. 529-543.

_____________, and El-Gammal, H. (2000), *the Sector Approach and its implications for Technical Assistance: the Social Fund for Development, Egypt. In Prospectus, Leiden, UNESCO.*

_________________________________, (1998), *Two Global Problems and an Institutional Viable Solution: Poverty Alleviation, Employment Generation and the Social Fund for Development,* UNDP International conference Proceedings, Morocco.

________________, (1972), *Concentration versus Deconcentration of Managing Public Services,* Ph.D. Dissertation (Elinor Ostrom Chair),Copyright, University of Michigan, Ann Arbor, Michigan.

Jack, William, (2001), *Social Investment Funds: An Organizational Approach to Improved Development Assistance,* The World Bank Research Observer, vol. 16, no. 1, Spring , pp. 109-124.

Kheir-El-Din, Hanaa, (1996), *The Social fund for development: Assessment of Performance and Impact,* in Research Papers Series, Egypt-Human Development Report, UNDP. Cairo.

Ostrom, Elinor & Hess, C., eds. (2006), *Understanding Knowledge as a Commons: From Theory to Practice,* The MIT Press, Cambridge, Massachusetts, USA.

______________, (2005), *Understanding institutional Diversity,* Princeton University Press, Princeton, NJ, USA.

Ostrom, Elinor, (1990), *Governing the Commons: the Evolution of Institutions for Collective Action*, New York: Cambridge University Press.

_____________, (1992), *Crafting Institutions for Self-governing Irrigations Systems, S*an Francisco: institute for Contemporary Studies.

_____________, (1993), Schroeder L., and Wynne, S., *Institutional Incentives and Sustainable Development*: Infrastructure policies in Perspective, Boulder, Colorado, Westview Press.

____________, Walker, J., and Gardner, R., (1994), *Rules, Games, and Common-Pool Resources,* Ann Arbor: University Of Michigan Press.

Rawlings, Laura B., (2008), *Do Social Funds Reach the Poor?* Development Outreach, World Bank Institute, Washington D.C. June.

Social Fund for Development, Egypt, *Annual Reports, 1996, 1998, 1999, 2000, 2003, 2005, 2008,* Government of Egypt, Cairo, Egypt.

Stiglitz, Joseph, (1998), *"More Instruments and Broader Goals: Moving toward the Post-Washington Consensus",* World Institute for Development Economics Research (WIDER), January.

Tendler, Judith, (1999), *The Rise of Social funds: Why are they a Model of Social development*", in Local Dynamics in an Area of Globalization, chapter 14, pp. 114-129, originally a monograph for the UNDP.

_____________, (2000), *Why are Social Funds So Popular?* In "Local Dynamics in an Era of Globalization, 21st Catalysts for Development, Simon J Everett *et al*, ed., Oxford University Press.

United Nations Educational, Scientific and Cultural Organization (UNICEF), (1998), *Social Funds in Developing Countries: recent Experiences and Lessons",* by Sanjay Reddy, UNICEF working Papers, EPP-EVL-98-002< New York.

Van-Domelen, Julie, *(2003,) Social Capital in the Operations and Impacts of Social Investment Funds,* World Bank, paper No. 10, May.

White, Howard, (2004), *Theory-Based Evaluation: the Case of Social Funds,* American journal of Evaluation, vol. 25, No. 2, pp 141-168.

World Bank, (2009), **"***Building Resilient Communities: Risk Management and Response to Natural Disasters through Social Funds and Community-Driven Development Operations", Washington D.C.*

World Bank, *(2009) Micro-Insurance: Extending Pro-Poor Risk Management through the Social Fund Platform, Washington DC., USA.*

World Bank, (1997) *“Portfolio Improvement Program Review of the Social Funds”,* in World Bank Technical Paper, Washington D.C. May.

World Bank, (1998), *“Designing Rules for Demand-Driven Rural Investment Funds: the Latin American Experience”, WB Technical Paper No. 407, May, Washington D.C.*

World Bank, (1998), Social Funds and Reaching the Poor: Experiences and Future Directions”, Anthony Bigio, ed. Washington D.C.