



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/20/2001	
<b>PROJ ID:</b> P035768		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Social Investment Fund	<b>Project Costs (US\$M)</b>	20.00	16.43
<b>Country:</b> Armenia	<b>Loan/Credit (US\$M)</b>	12.00	11.02
<b>Sector(s):</b> Board: SP - Micro- and SME finance (68%), Central government administration (15%), General industry and trade sector (7%), Sub-national government administration (5%), Other social services (5%)	<b>Cofinancing (US\$M)</b>	7.00	4.87
<b>L/C Number:</b> C2784; CP877			
	<b>Board Approval (FY)</b>		96
<b>Partners involved :</b> Dutch Govt.	<b>Closing Date</b>	06/30/2000	12/31/2000

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**2. Project Objectives and Components**

**a. Objectives**

The project aimed to support the most vulnerable groups among the Armenian population through improvement of basic social services and creation of employment opportunities . The primary objectives of the project were to :

- Rehabilitate basic small-scale infrastructure that can result in immediate improvements in the living conditions of the poorest among the population;
- Strengthen the capacity of private, small-scale contractors and other micro-businesses so that they can benefit from contracts financed by the Armenia Social Investment Fund (ASIF); and build the capacity of local government staff and communities so that they can prepare and implement small projects;
- Generate employment through financing of labor-intensive public works; and
- Build greater capacity for policy makers to monitor and analyze trends in the level and structure of poverty in Armenia.

**b. Components**

With a total estimated project cost of US\$ 20 m, the project had four components : (i) rehabilitation of small-scale infrastructure, including schools, clinics, sanitation work and water supply, and roads, through subprojects identified and implemented by local agencies under a framework agreement with the ASIF (83%); (ii) institutional support to the ASIF, including international and local TA, MIS, and studies (10%); (iii) capacity building of small-scale contractors, implementing agencies and communities through training and TA to contractors, local government personnel, and community committees (2%); and (iv) support for monitoring living conditions, through TA to the State Department of Statistics (SDS) in implementing two household surveys (3%).

**c. Comments on Project Cost, Financing and Dates**

Actual project costs were 80% of those estimated at appraisal (92% of IDA, 54% of the government commitment, and 70% of estimated co-financing). Cofinancing comprised a Dutch Government grant (46%), sponsorship through a Matching Fund arrangement (27%), and community cash contributions to subproject costs (26%). Actual expenditure by component fell short of appraisal estimates for all components except for institutional support for the ASIF implementing agency (128% of appraisal estimate). Expenditure under the capacity building component was negligible, at less than 3% of the appraisal estimate.

**3. Achievement of Relevant Objectives:**

The project achieved most of its major relevant objectives efficiently, but with significant shortcomings .  
**Rehabilitation of infrastructure** : The Bank estimates that 640,000 community members benefited from ASIF investments compared with an appraisal estimate of 480,000 beneficiaries. 259 subprojects were completed at an average cost of \$50,000, including 35% for rehabilitation of school buildings, 32% for

potable water supply, and 5% for rehabilitation of health facilities. This compares with appraisal estimates of 480 subprojects at an average cost of \$32,000. Technical quality of the works was found to be below standard in many cases and the ICR points to issues with operations and maintenance.

**Improvements in living conditions of the poorest among the population** : The project benefited the poor but not especially the poorest, despite measures introduced during project implementation to vary the required community contribution depending on the poverty level of the community. Distribution was found to be mildly progressive on a regional basis (the poorest regions benefited slightly more than proportionately from social fund investments) but mildly regressive on a household basis (the poorest 3 deciles in terms of consumption benefited slightly less than proportionately). The majority of subproject investments were in facilities from which the poor would be expected to benefit but some exceptions were noted and the need for improvement in poverty targeting was reported. During the course of the project, some funds were reallocated by the Armenian Government to the regions affected by the earthquake which are considered among the poorest.

**Strengthening capacity of small scale contractors** : The project provided incentives for private contractors to become legally registered and gave them experience in competitive bidding and transparent contractual processes. A total of 178 contractors, most of them new, participated in the ASIF subprojects, while 350 benefited from participation in pre-tender conferences organized by ASIF.

**Capacity building at the local level** : The project provided seminars and training for private contractors and small firms contributing positively to the development of private contracting for small-scale infrastructure works. However, the project overall fell short on the capacity building objective. Community participation was found to be limited largely to subproject identification and the collection of community contributions, while the role of subproject committees did not extend to O&M. Subproject selection was not always driven by community demand, especially in urban areas. Beneficiary Assessments suggested that participation in ASIF subprojects created a framework for greater community participation by promoting self-help mechanisms and greater cohesion among community members. The significance and sustainability of these effects are in doubt, however, considering that the planned training program at this level was not implemented and that the extent of participation of communities and local governments was less than intended.

**Employment generation** : Works were less labor-intensive than anticipated at appraisal. ASIF subprojects provided temporary employment to an estimated 5,160 persons (about 60% of the appraisal estimate, although the number of persons employed per subproject was higher than originally estimated) for an average period of 5 months.

**Strengthening capacity for poverty monitoring and analysis** : This objective was met, although the resulting data were not used as intended to enhance poverty targeting of ASIF funds. Two LSMS type surveys were carried out and the capacity of the SDS in data collection and poverty analysis was substantially enhanced. Financial sustainability of the program is uncertain.

#### 4. Significant Outcomes/Impacts:

- Infrastructure improvement: The ASIF succeeded in implementing badly needed rehabilitation of schools, water supply, health facilities and other small-scale infrastructure, benefiting poor and sometimes remote communities, in a context of severe institutional and economic weakness.
- Demonstration effects: The project appears to have succeeded in boosting community morale and raising awareness of community members and local government officials about new ways of identifying and managing projects, including the use of transparent procedures and competitive procurement.
- Improved monitoring of living conditions: This component had important impacts on the technical capacity of the SDS and the quality of information on poverty in the country, contributing to reform of social assistance and development of a national poverty reduction strategy.

#### 5. Significant Shortcomings (including non-compliance with safeguard policies):

- Technical quality and sustainability of subprojects : Technical quality of works was not adequately supervised across all subprojects. (The extent of these problems was not appreciated until late in the project, due to inadequate skills of the consultant selected to carry out technical assessments.) Attention to institutional arrangements and capacity for O&M (at both local and central levels), and follow-up of completed subprojects by ASIF, were also insufficient. ASIF appraisal of subprojects focused increasingly on technical rather than social and institutional aspects. Factors delaying implementation of subprojects included lengthy subproject approval process by the ASIF Board, and frequent change orders during subproject implementation (resulting from inadequate initial design, specifications or costings). The pressure to meet disbursement targets contributed to an increase in the average value of subprojects from \$30,000 in the early years of the project to \$75,000 in the later years.
- Training and capacity building: Most of the planned training at the local government and community levels was not implemented, and broad community participation was confined to subproject identification and cost sharing. Responsibilities for subproject implementation and O&M were not delegated to community committees as intended. ASIF staff lacked appropriate training, time and organizational framework for effective community outreach and training.
- Project monitoring and evaluation: Full use was not made of the MIS system for collecting and analysing

data and evaluating impacts, and communities were not involved as intended in monitoring progress of subproject implementation. These shortcomings were recognized during the course of project implementation. Measures were introduced to address them, with improvements in some areas noted by the end of the project. Design of the follow-on project includes stronger measures to support capacity building, sustainability, and coordination with sectoral (especially health and education) policies and investment priorities.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Moderately Satisfactory	The project yielded significant benefits in very difficult country circumstances, but in relation to the stated objectives of the project, outcomes were less than fully satisfactory. Performance was below target for both infrastructure works and employment generation, quality of works was an issue, and the objective of building the capacity of local government staff and communities was only partially met.
<b>Institutional Dev .:</b>	Substantial	Modest	Although the project had some positive ID effects (in particular development of private contracting for small scale infrastructure works) training and capacity building functions were neglected, and the participation of communities and local governments was not sufficient to expect significant sustainable effects.
<b>Sustainability :</b>	Likely	Non-evaluable	The available evidence does not support a "likely" rating. Bank supervision missions and mid-term reviews found problems with the quality of works and of maintenance, and mechanisms to ensure operations and maintenance and provide relevant training. Completed subprojects were not monitored systematically by ASIF and data are lacking. Increased attention was paid to sustainability issues in the latter part of the project, but there is insufficient information about the extent and impact of the efforts made. On-going operation of the ASIF itself is not an appropriate indicator of sustainability unless the benefits of the investments it finances are sustainable.
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### 7. Lessons of Broad Applicability:

- In projects with multiple objectives, development impact can be enhanced through a focused approach, identifying the hierarchy of objectives and giving higher priority from the outset to key objectives.
- The time and skills needed to mobilize community participation tend to be underestimated, especially where existing community organization is weak, as it often is in the poorest communities. Communities that already have an active formal leadership and commitment to participation tend to benefit in terms of community development, while those that are passive tend to remain passive.
- Without a very strong focus in project design (including performance indicators) on capacity building and other requirements for sustainability, these aspects tend to be neglected in favor of physical implementation targets. Social fund projects should incorporate systematic ex-post reviews of samples of subprojects, to monitor effectiveness, efficiency, welfare impacts, and sustainability, as well as quality of works.
- Once a social fund agency has been established with a focus on technical engineering functions geared

to rapid processing of infrastructure subprojects, it can be very difficult to shift its focus to less tangible outputs and longer term impacts.

**8. Assessment Recommended?**  Yes  No

**Why?** An audit may be scheduled to verify ratings and identify lessons of experience especially with respect to institutional development and sustainability .

**9. Comments on Quality of ICR:**

The ICR provides good coverage of the challenges, strengths and weaknesses of project implementation . It would have benefited from more detailed attention to (i) welfare and poverty impacts, (ii) explanation/substantiation of the reported social capital effects; (iii) the relationship between ASIF and relevant line ministries and sectoral policies, and (iv) efficiency aspects including cost effectiveness .