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|--|------------------------------|---------------------------------|---------------|
| <b>1. Project Data:</b>                              |                              | <b>Date Posted :</b> 04/09/2001 |               |
| <b>PROJ ID:</b> P008515                              |                              | <b>Appraisal</b>                | <b>Actual</b> |
| <b>Project Name:</b> Social Safety Net               | <b>Project Costs (US\$M)</b> | 27.84                           | 28.23         |
| <b>Country:</b> Kyrgyz Republic                      | <b>Loan/Credit (US\$M)</b>   | 18.84                           | 16.79         |
| <b>Sector(s):</b> Social Assistance                  | <b>Cofinancing (US\$M)</b>   | 9                               | 11.44         |
| <b>L/C Number:</b> C2643                             |                              |                                 |               |
|  | <b>Board Approval (FY)</b>   |                                 | 95            |
| <b>Partners involved :</b> Government of Switzerland | <b>Closing Date</b>          | 03/31/1999                      | 04/30/2000    |
| <b>Prepared by :</b>                                 | <b>Reviewed by :</b>         | <b>Group Manager :</b>          | <b>Group:</b> |
|  |                              |                                 |               |

**2. Project Objectives and Components**

**a. Objectives**

The project aimed to increase the efficacy and efficiency of social programs through improved poverty targeting and delivery of social assistance. It also intended to make employment services and training more efficient and effective in assisting the unemployed, particularly through an improved capability to deliver unemployment benefits and by promoting the redeployment of labor.

**b. Components**

(i) The **Social Assistance Component** (US\$6.43 million) provided equipment, technical assistance and training intended to strengthen the capacity of the Ministry of Labor and Social Protection (MLSP) to provide targeted social assistance, including cash and in-kind benefits, and mobilize community organizations to enhance such assistance. The key indicators as put forward in the Staff Appraisal Report were (a) establishment of a viable means-tested mechanism for targeted assistance; (b) simplification, rationalization and computerization of the contributory social insurance system; (c) strengthening and reorganization of the MLSP; (d) training for staff; and (e) the establishment of a Special Grant Unit within the Ministry to coordinate with donors.

(ii) The **Poverty Monitoring Component** (US\$2.50 million) provided equipment, technical assistance and training intended to strengthen the capacity of the National Committee for Statistics to develop and carry out representative surveys for poverty and unemployment, which would provide enhanced information to agencies for improving the targeting and delivery of social services. The key indicators included completion of 4 household surveys, analysis of data and formation of a users' committee, training of personnel in field work, sampling and analysis.

(iii) The **Employment Services Component** (US\$1.97 million) provided equipment, technical assistance and training intended to strengthen the capacity of the Employment Services under MLSP to (a) accelerate the redeployment of unemployed workers to productive activity, and (b) process and pay unemployment benefits to laid-off workers. Key indicators included establishment of model offices, strengthening systems for service delivery to rural areas, strengthening the Department of Employment and management systems including policy analysis, program planning and financial management.

(iv) The **Training Component** (US\$4.69 million) provided equipment, technical assistance and training intended to ensure minimum capacity to respond to market demand for training in skills required in a market economy. Specifically, the component activities were designed to (a) develop and implement a demand-driven training system; (b) develop and implement a comprehensive strategy for adult training and retraining; (c) strengthen the Department of Training of Workers and Entrepreneurs (DTWE); (d) establish a modern training capacity in the Information

center and 9 retraining centers. Indicators included strengthening DTWE central functions, curriculum development for model retraining centers, equipping and expanding centers, establishing and equipping an information center, and supporting demand-driven training in centers.

About US\$ 1.2 million was further spent on project management/recurrent costs, which was about 37% higher than appraisal estimates.

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

USD 2 million was canceled during the mid-term review. Actual cost was somewhat lower than appraised costs for all four components. Except for the Poverty Monitoring Component, the original five-year project was largely completed on schedule. The Poverty Monitoring Component was delayed due to the closure of the commercial bank holding the Special Account and because of a contract dispute. The project was, therefore, extended for a year to December 31, 1999, and then further to April 30, 2000, to allow for the completion of an assessment of the effectiveness of social assistance in reaching the poor, a condition for the Social Sector Adjustment Credit.

### **3. Achievement of Relevant Objectives:**

(i) The main achievements of the **Social Assistance Component** were (a) introduction and implementation of a means-tested benefit system nationally, with a new law on social benefits being passed to codify reforms; (b) automation and modernization of the benefits system; (c) reorganization and strengthening of the MLSP; (d) training for MLSP staff through study tours; and (e) establishment of a Special Grants Unit which was operational at project closing. Thus, some capacity was built and targeting was introduced into the existing social assistance system.

However, an assessment of the implementation of social assistance reforms found errors of exclusion and inclusion. Overall, achievement of objectives of this component was, therefore, only "Moderately Satisfactory".

(ii) The achievement of objectives of **the Poverty Monitoring Component** was "Highly Satisfactory", and capacity was built in the National Committee for Statistics, focused particularly in poverty and unemployment. Technical assistance in sampling, survey design, and data analysis was provided. A number of household surveys were conducted and contributed to better targeting and effectiveness of assistance. Seminars were held involving users on results from analysis of survey data.

(iii) Given the change in the economic situation, the objectives of the **Employment Services Component**, although relevant at appraisal, became less relevant during implementation, as the Kyrgyz Republic did not experience mass layoffs as expected at appraisal, but neither did new jobs become available as expected. This component made little contribution to economic development, and redeployment of workers to new jobs is not likely to have been achieved due to recession. On the target of improving state capacity, a new information system was introduced, as planned, and reforms were implemented regarding eligibility of benefits. However, though capacity was enhanced, the new computer system was outdated, virus-ridden, and not fully functional and reduced the efficacy of the component. The ICR does not provide information on strengthening systems for the delivery of services to rural areas. This component is rated as "Moderately Unsatisfactory".

(iv) The achievement of objectives of the **Training Component** was "Highly Unsatisfactory" and many critical reforms were not implemented. The Department of Training of Workers and Entrepreneurs was strengthened somewhat through the development of a comprehensive strategy for adult training, curriculum development for model training centers, establishment of an Information Center, and an effort to provide demand-driven training. However, training facilities were decrepit, and there were problems with procurement. A 1999 evaluation found achievement to be poor, and the training system was not effectively reformed.

Overall, achievement of objectives is "Moderately Unsatisfactory", because although the project may have achieved some of the objectives related to institutional strengthening, it did not achieve its main objective of providing an effective safety net to vulnerable communities. In addition, sustainability is rated as unlikely by the ICR.

### **4. Significant Outcomes/Impacts:**

(i) The project implemented important reforms and laid the foundation for future progress in the social sector.

(ii) It enhanced the capacity of the country to collect reliable data on living standards that can be used to formulate policy and study trends.

(iii) A new law was passed on social benefits, effective January 1998, which codified reforms like introduction of a means-tested benefit system and the reorganization of the Ministry of Labor and Social Protection.

(iv) Technical upgradation of information systems was achieved as well.

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

- (i) The project had a complex design and involved a number of technical areas, but project supervision teams did not on the whole include requisite technical capacity.
- (ii) Lack of available jobs, insufficient budgetary resources and ineffective implementation and supervision of some important aspects of the project reduced benefits, especially from the Employment Services and Training components. Many critical reforms, including the consolidation of a network of 115 vocational schools, were not completed.
- (iii) Impact of the intervention on social indicators was not monitored adequately.
- (iv) Procurement shortfalls and problems in some areas were partly caused by insufficient attention to design of procurement and lack of experience on the part of agency staff.

| 6. Ratings :                | ICR            | OED Review                | Reason for Disagreement /Comments  |
|-----------------------------|----------------|---------------------------|--|
| <b>Outcome :</b>            | Satisfactory   | Moderately Unsatisfactory | Overall, achievement of objectives is moderately unsatisfactory, because although the project may have achieved some of the objectives related to institutional strengthening, it did not achieve its main objective of providing an effective safety net to vulnerable communities. The ICR actually rates outcomes as Moderately Satisfactory in the text, but this is not available to Regions as a summary rating. |
| <b>Institutional Dev .:</b> | Modest         | Modest                    |  |
| <b>Sustainability :</b>     | Unlikely       | Unlikely                  | Sustainability is likely for the Poverty Monitoring Component.   |
| <b>Bank Performance :</b>   | Unsatisfactory | Unsatisfactory            |  |
| <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:**

- It is important to define clear impact monitoring indicators at appraisal, as in this project, but it is equally important to follow up with real time monitoring so as to be able to change project design as necessary upon understanding of any unanticipated impact.
- The SAR anticipates that women will be a large proportion of beneficiaries, and this is presented as an objective in the SAR. However, this is not monitored, nor is the issue raised in the ICR. It is important to understand the gender disaggregated impact of such interventions, especially in a safety net in a country in transition.
- Specialist supervision of different components would be necessary to ensure that a complex project like this achieves its objectives.

**8. Assessment Recommended?**  Yes  No

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

The quality of the ICR is satisfactory. It is internally consistent, provides evidence, and identifies and addresses important issues adequately. However, the numbers shown in Annex 2 for costs and financing are inconsistent with each other, with the table on page 3 of the ICR, and with the original loan amounts. The ICR also shows an excessive amount for administration/audit/evaluation. Staff working on the project said it was an error.