

1. Project Data:		Date Posted : 06/25/2009		
PROJ ID : P069858			Appraisal	Actual
Project Name :	Social Investment Fund Project	Project Costs (US\$M):	\$69.59	\$62.9
Country:	Ukraine	Loan/Credit (US\$M):	\$50.2	\$49.8
Sector Board :	SP	Cofinancing (US\$M):		
Sector(s):	Health (20%) Other social services (20%) General education sector (20%) Roads and highways (20%) General water sanitation and flood protection sector (20%)			
Theme(s):	Other social protection and risk management (33% - P) Participation and civic engagement (33% - P) Social analysis and monitoring (17% - S) Other human development (17% - S)			
L/C Number:	L4642			
		Board Approval Date :		12/04/2001
Partners involved :		Closing Date :	06/30/2008	06/30/2008
Evaluator:	Panel Reviewer :	Group Manager :	Group:	
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2. Project Objectives and Components:

a. Objectives:

Both the PAD and the Loan Agreement state that the project objectives were to : (i) improve living conditions of poor and vulnerable groups of the population in targeted communities; (ii) empower communities and vulnerable groups to address local social needs; and (iii) assist the reform of social protection by creating models of targeting and service provision.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):

1. Community-based micro-projects (Appraisal: \$63.2million; Actual: \$55.2million; 87% of actual costs) - This

component financed activities under two sub-components: (i) community-based services micro-projects and (ii) targeted social-care services micro-projects.

2. Capacity building (Appraisal:\$1.6million; Actual: \$1.3million; 2% of actual costs) - This component assisted the Government in social protection reform, specifically the preparation of a social care reform strategy by (i) strengthening the capacity of the Ministry of Labor and Social Policy (MLSP) and Ministry of Finance (MoF) to formulate, monitor and evaluate social care services policies, and to define and implement improved social care service financing and contracting system; (ii) strengthening regional authorities' capacity to develop, monitor and evaluate social care services programs and (iii) improving social care services quality through professional training of social workers in social care service micro-projects in two oblasts.

3. Project management, monitoring and evaluation (Appraisal: \$4.7million; Actual:\$6.5million; 10% of actual costs) - This component financed activities under the following three sub-components: institutional support to the USIF (Ukraine Social Investment Fund) Executive Office, (ii) monitoring and evaluation and (iii) public information and education.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

There were no extensions to the original project closing date . However disbursement was slow following approval, due to delays in the establishment of a project special account by the Government in 2002 [the ICR does not explain the reason for the delay] and a change in government funding procedures in 2003. A change in government in late 2002 also slowed down implementation (and this was identified as the main factor for implementation delays by a 2004 Quality of Supervision Assessment.) Conflicts between budget legislation and Bank rules governing disbursement and bottlenecks caused by USIF's (Ukraine Social Investment Fund) centralized procurement procedures were also factors in slowing down implementation .

The ICR states that given the slow implementation in the poorest districts where there were difficulties in obtaining counterpart funding for the communal services sub -component, a decision was made by the USIF Supervisory Board (in discussion with the Bank) in 2006 to open up access to the project to all the country's districts . Once bottlenecks in disbursement were resolved, procurement functions decentralized and following the introduction of community-managed contracting for social services micro -projects and elimination of the requirement for local counterpart funding as well as the appointment of a new USIF Executive Director in August, 2005, the loan was fully disbursed and the project, substantially implemented .

Annex 3, p23 of the ICR points out that costs of micro-projects were substantially underestimated in the PAD by about \$13,000 per project.

3. Relevance of Objectives & Design:

Overall relevance of the project is rated substantial

The relevance of project objectives is rated high : The latest CAS (FY04-07) stated that "further reforms are needed in the area of social security and social benefits, with the aim of reducing and eventually eliminating untargeted programs and increasing the effectiveness of public moneys in reducing poverty among the most at -risk groups." It also highlights "poor targeting of social assistance" and "low institutional capacity to deliver targeted social assistance benefits" as key problems in the sector . Additionally, it emphasizes the importance of strengthening civil society through enhanced citizen participation to generate policy ideas as well as oversee public expenditures and public sector performance . The PDOs are therefore highly relevant .

The relevance of the project design is rated modest : The Results Framework incorporated output not outcome indicators (apart from the morbidity indicator which was added later) . Despite the recognition of the need for a targeted delivery model, the targeting approaches outlined in Annex 11 of the PAD did not have clear criteria for differentiating between the moderately poor and the extreme poor . It relied on self-targeting for the micro-project areas. The design did not accurately assess the absorptive capacity and limited technical expertise of the implementing agencies .

4. Achievement of Objectives (Efficacy):

(1) Improve living conditions of poor and vulnerable groups of the population in targeted communities : **Modest**

Outputs:

- The number of social services and social care micro-projects established (756) exceeded the target (650) as did the number of beneficiaries (1.1 million relative to 0.9million.) 676 communal services micro-projects were undertaken relative to the original target of 600.80 social services micro-projects were undertaken relative to the target of 60, facilitated by the increase in coverage from four to six regions . [There is some confusion in the ICR about the exact total number of micro-projects completed. P8 mentions an Accounting Chamber audit found 710 micro-projects were completed not 756 but the ICR p5 lists 756 ie 656 + 80 as the number of completed micro-projects.]
- Over 90 percent of the beneficiaries in the sample of social services micro -projects surveyed found the quality of services received acceptable . The sample covered almost all forms of care provided within the USIF portfolio including community centers for service provision to the disabled, the elderly, vulnerable children and families, community-based hostels for disabled, mobile teams for early intervention and reaching out with services, volunteer programs, etc.
- 69 percent of social services beneficiaries sampled received the type of assistance they were seeking, 63 percent confirmed their cases were resolved with the help of community centers . However 10 percent of the sampled beneficiaries said they either did not receive the services requested or that these were unsatisfactory . Of these 87 percent were given guidance on where the services they required were available .

Outcomes

- Morbidity in beneficiary communities declined by 17 percent, indicating that an improvement in living conditions may have contributed to this however, as the ICR notes (p10) causality was not established .
- A recent 2008 beneficiary assessment showed that 80 percent of those surveyed in communal service micro-projects confirmed that the living conditions in their communities had improved as a result of project activities. However since the survey methodology was not shared with the Bank and only a small percentage (5 percent) of the communal micro-projects was surveyed, it is not clear how representative the survey sample was of all the communities where these micro-projects were undertaken .
- A higher percentage (22 percent) of beneficiaries of the social services micro -projects were surveyed . The results of this component of the survey indicated that there may have been considerable mis -targeting since only 12 percent of those surveyed were extremely poor, 47 percent were moderately poor (able to buy food but not much else) and 41 percent of the beneficiaries were not poor .

(2) Empower communities and vulnerable groups to address local social needs : **Modest**

Outputs

- Less than 20 percent of community members surveyed in the survey of communal service micro -projects appeared to have participated in any training, however community representatives acknowledged that their involvement in USIF activities on the ground had contributed to developing some skills (in building techniques, documentation processing, fund raising methods, events organization, etc) and to gaining some knowledge . (Annex 5 p2)
- 487 Users' Associations have been established relative to the target of 400.
- Over 90 percent of the staff sampled in the survey of social services micro -projects participated in learning events, mainly training programs, organized in the course of micro -projects implementation and rated the usefulness of these events as high .
- Over 80 percent of the social services staff sampled have the relevant educational background . However 77 percent of the respondents acknowledged they needed additional training .

Outcomes

- 85 percent of participating communities initiated new projects without USIF participation up from 15 percent at baseline (exceeding the target of 80 percent).
- There was discrepancy between the views of local government authorities surveyed and community members themselves as to whether there had been improved community participation and empowerment . The former were positive about the participation of citizens' in local government decisions whereas it was unclear from the citizen's responses at which point in local government decision -making process their participation had taken place.
- Even though slightly more than 50 percent of survey respondents considered their communities capable of resolving social problems on the ground; most of these emphasized that this capacity was limited . 24 percent of those surveyed said that their community did not have this capacity .

(3) Assist the reform of social protection by creating models of targeting and service provision : **Negligible**

Outputs

- 4 national and regional plans (for targeted regions) for sustainable social care services were developed .
- Public access to bid evaluation and all USIF records on implementation and financial management was enabled .
- An annual USIF bulletin was published .
- Capacity needs-assessment was delayed and only completed in early 2005, slowing down implementation of capacity building for social care reform .
- Policy studies started too late and very few of the ones completed were useful (the ICR does not provide any details.)
- A framework Law for Social Care Services was agreed upon by the Cabinet and an action plan to implement social care policies was worked out but none of these resulted in any formal, long -term changes in social sector policies by the Ministries of Labor and Social Protection and Finance (MSLP and MOF, respectively).
- None of the targeting and service provision models used by USIF were incorporated in Government programs .

Outcomes

- None reported.

5. Efficiency (not applicable to DPLs):

The project's efficiency based on available data was **modest**. From data give in the ICR (p12 and Annex 3) it appears that the cost per micro-project was substantially under-estimated by 22 percent. The cost-effectiveness study proposed in the PAD was never undertaken and neither were the procurement and technical reviews that USIF was supposed to carry out, hence there was insufficient data at project closure by which to accurately judge efficiency.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	No		
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

Based on substantial relevance and modest efficacy and efficiency the project outcome is rated moderately unsatisfactory.

a. Outcome Rating : Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

Since no outcomes except for morbidity rate and the percentage of participating communities which initiated new projects without USIF participation were actually measured, it is difficult to assess the extent to which the project did have a development outcome and consequently the extent of the risk to this outcome . However, given the large percentage of beneficiaries of and community financial contribution to existing micro -projects and a change in the leadership of USIF in 2005, it appears that these projects will be sustained . However targeting issues need to be resolved in order for the project to have an impact on poverty reduction .

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

Ensuring Quality at Entry: Moderately Satisfactory - The Bank designed a comprehensive and relevant project engaging in stakeholder consultations and incorporating detailed operational guidelines for the USIF, regular monitoring and evaluation requirements in the form of periodic technical and procurement audits, an annual financial audit and qualitative and quantitative impact assessments . It did however let itself be influenced by political factors, conceding the government's request to cover all of Ukraine's 25 regions rather than piloting the project on a smaller scale initially and then refining the design before scaling up . The project was also finalized before the elections when the more pragmatic approach might have been to wait until after the elections . This would also have enabled the Bank to take into account the lessons learned from a similar DFID -funded pilot

social services project.

Quality of Supervision: Unsatisfactory - The Bank did not pay adequate attention to monitoring the project to ensure the targeting was adequate or implement the recommendation of the Quality of Supervision Assessment to reach agreement to delegate day-to-day management to USIF and away from the Supervisory Board to avoid disruption caused by changes in government. The Bank also failed to follow-up in a timely fashion with USIF when technical and procurement reports were not submitted and beneficiary impact assessments not undertaken in accordance with the original project design.

a. Ensuring Quality -at-Entry: Moderately Satisfactory

b. Quality of Supervision : Unsatisfactory

c. Overall Bank Performance : Moderately Unsatisfactory

9. Assessment of Borrower Performance:

There appears to have been substantial lack of cooperation and coordination between the Borrower (both the government and the implementing agency) and the Bank for most of the duration of the project. Instances of this in implementing agency and government performance include:

Implementing agency (USIF):

- In May, 2008 USIF alerted the Bank that it had disbursed about US\$ 4-5million for 37 micro-projects costing over US\$100,000 each. These were supposed to have received both USIF Supervisory Board approvals and Bank no-objections but the no-objection requests only reached the Bank in March 2008. The requests were not approved because the TTL thought that such a late round of micro -projects would have risked not being completed within the project timeline. However the USIF Executive Director notified the Bank that many of these projects were already being implemented or had been completed prior to the no -objection requests being submitted.
- Annex 5 mentions that USIF did not officially submit the report of its impact assessment survey of beneficiaries to the Bank or consult with the Bank regarding its methodology for the survey. Consequently the Bank was unable to determine the quality and accuracy of the survey results.
- USIF failed to undertake the M & E activities initially envisaged (see section 9 below) apart from this beneficiary survey. An audit by Ukraine's Accounting Chamber found that it also mis-reported the actual number of micro-projects completed (710 rather than 756 as USIF had reported.)
- The 2007 financial audit was late due to delays in the selection of an auditing firm, and was not submitted in time for the ICR.
- A cost study requested by the Bank which would have provided a breakdown per sub -project and a comparison of costs with other similar project was not undertaken.

Government performance:

- The government refused to approve measures recommended by the mid -term review, such as the introduction of community-managed contracting for social services micro-projects which might have ensured more efficient project implementation.

a. Government Performance : Unsatisfactory

b. Implementing Agency Performance : Unsatisfactory

c. Overall Borrower Performance : Unsatisfactory

10. M&E Design, Implementation, & Utilization:

M & E Design: All the indicators listed as outcome or impact indicators in the PAD are actually output indicators. An actual impact indicator namely, decrease in morbidity rate, was introduced in 2007 following the implementation of micro-projects related to health. Since there was no poverty-related sector or project data available (and no provisions were included in the project to collect it) the indicator relating to number of micro-projects by target groups was eventually dropped altogether. In comments on the draft ICR Review, the Region noted that the Bank team tried during supervision to add true outcome indicators to supplement the more output -oriented indicators adopted when

the project was launched. The team measured several indicators of community development outcomes, such as community investments made without the project's support.

M & E Implementation: USIF was supposed to undertake a biennial procurement and technical review of 20 percent of the completed micro-projects and annual beneficiary impact assessments. However of these, only one beneficiary assessment was carried out during the first half of 2008, just before the project closed. Annex 5 states that this assessment covered only 5 percent of the 676 micro-projects completed under the communal service micro-projects component (Annex 5). It covered a slightly higher proportion (22 percent) of the beneficiaries of the social care services micro-projects. Neither the methodology of this assessment nor the assessment itself were officially discussed with or submitted to the Bank so it is not possible to determine the quality or validity of the survey results. Bank project staff also did not undertake any M & E activities of their own. A Quality at Entry Assessment report in May 2002 had recommended that "additional quarterly operational/management audits" be undertaken by an outside auditor but this was disregarded.

M & E Utilization: Since the only M & E activity undertaken was the beneficiary survey at the end of the project period, there was no scope to utilize the survey results during the project period.

a. M&E Quality Rating : Negligible

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

A 2008 procurement post-review never took place because of staff turnover at USIF and lack of follow-up by the Bank. An NGO complaint in October 2007 generated an INT investigation which ultimately found no explicit evidence of malfeasance. In May 2008 USIF disbursed \$4-5million for 37 micro-projects without first obtaining clearance from the Bank. The financial audit for 2007 was late and a report by the Accounting Chamber of Ukraine found discrepancies between its findings on the number of micro-projects and beneficiaries and those reported by USIF.

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Moderately Unsatisfactory	Moderately Unsatisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance :	Moderately Unsatisfactory	Moderately Unsatisfactory	
Borrower Performance :	Moderately Unsatisfactory	Unsatisfactory	The Borrower did not advise the Bank of key decisions made regarding allocation of funding in a timely manner and the implementing agency did not undertake most of the reviews it was supposed to which were critical for monitoring the impact of the project.
Quality of ICR :		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

1) **Caution needs to be exercised when launching a major project in an election year to ensure that project design and timing is not compromised and project preparation is adequate.** In this case, it appears that several aspects such as targeting and implementation were heavily influenced by political rather than poverty reduction considerations. In the rush to launch the project issues regarding inadequate absorptive capacity and selection of

the implementing agency and implementation modalities were also overlooked . The government's election-year agenda also prevented the Bank from waiting until a similar DFID -financed pilot had been completed and incorporate the lessons learned from it into the design of this project . The latest CAS (FY04-07) also acknowledges that "the Bank needs to do a better job of understanding the political economy of project lending " in Ukraine in general.

2) **Scaling up a project should not be used as "quick-fix" for implementation problems** . In this case, slow implementation of the first component should have triggered a restructuring of the project or at least a refinement in the implementation modalities specifically a reallocation of the responsibilities entrusted to USIF . Instead the project was scaled up in order to permit the quick disbursement of funds but this did not remedy the shortcomings in its design.

3) **Projects that aim to reach particular groups should incorporate assessments of the implementation and results of targeting mechanisms** . As mentioned in section 10 above, the indicator relating to number of micro-projects by target groups was eventually dropped altogether . Hence there were no indicators that specifically looked at the impact of the project on the particular groups it aimed to assist .

14. Assessment Recommended? Yes No

15. Comments on Quality of ICR:

The ICR is satisfactory but marginally so . While it was open and honest in its discussion of the project's weaknesses it had the following shortcomings:

- It has a number of inconsistencies between the ratings on the data sheet and those in the main text eg the risk to development outcome is listed as "substantial" in the data sheet and "moderate" in the text (p14). There are also discrepancies between the project costs in Annex 1 and those in the text eg the cost for the capacity-building component is listed as US\$ 1.7million in the text but US\$1.3million in Annex 1 and there is a discrepancy between the ICR text and table about the project costs at appraisal . Furthermore, para 34 lists the Outcome rating as Moderately Satisfactory whereas Table C 1, p i states that it is Moderately Unsatisfactory .
- It would have been helpful to include a glossary of acronyms in the beginning and there are certain other editorial mistakes eg cross-referencing of the beneficiary impact assessment conducted by USIF in mid -2008 is wrong (p10 refers to Annex 3 and Annex 3 refers to Annex 4 but the results of the assessment are actually reported in Annex 5).
- The ICR also lacks crucial information necessary to assess project outcomes such as the Ukraine Government's Final Project Performance Report (mentioned in Annex 7 p 5).
- The lessons learned section makes no comment about the political context of the project which seems to be a major reason for the implementation problems with the project .

a. Quality of ICR Rating : Satisfactory