



<b>1. Project Data:</b>		<b>Date Posted :</b> 03/29/2001	
<b>PROJ ID:</b> P038569		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Social Sector Adjustment Credit	<b>Project Costs (US\$M)</b>	59.6	56.89
<b>Country:</b> Kyrgyz Republic	<b>Loan/Credit (US\$M)</b>	36	36
<b>Sector(s):</b> Social Protection Adjustment	<b>Cofinancing (US\$M)</b>	23.6	23.6
<b>L/C Number:</b> C3145			
	<b>Board Approval (FY)</b>		99
<b>Partners involved :</b> Japan, Netherlands, Switzerland, EU/TACIS	<b>Closing Date</b>	10/31/1999	06/30/2000
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
The objectives of the proposed SOSAC are to (i) establish a fiscally sustainable pension scheme that will provide a stronger linkage between contributions and benefits, while providing a minimum level of guaranteed support to prevent poverty; (ii) improve the efficiency of active labor market interventions under conditions of high unemployment; and (iii) implement effective, well-targeted and fiscally sustainable programs to alleviate poverty .			
<b>b. Components</b>			
Coincident with the objectives, the activities of SOSAC were concentrated in three areas:			
(i) Pension Reform to establish a fiscally sustainable pension scheme to provide stronger linkages between contributions and benefits, while providing a minimum level of guaranteed support to prevent poverty; (ii) Employment Services to improve the effectiveness of labor market interventions; and (iii) Social Assistance to implement effective, well-targeted and fiscally sustainable programs to alleviate poverty.			
<b>c. Comments on Project Cost, Financing and Dates</b>			
SOSAC became effective in December 1998 and was closed in June 2000, 8 months behind schedule due to delays in the passage of required legislation to amend the Pension Law. The SOSAC was a 2-tranche adjustment operation with US\$ 18,678,519 equivalent to SDR 13,350,000 disbursed upon effectiveness with the fulfillment of specified conditions, and a second tranche of US\$ 17,371,687.50 equivalent to SDR 13,350,000 disbursed upon fulfillment of additional conditions in May 2000. The IDA contribution of US\$ 36.5 million equivalent was supplemented by co-financing in the amount of US\$ 20 million (adjustment) and a PHRD grant for preparation (US\$ 0.5 million) by the Government of Japan,; about US\$2.6 million (adjustment) by the Government of Netherlands; co-financing and additional technical assistance in the amount of US\$528,000 by the Government of Switzerland; and parallel financing of about US\$ 1 million by EU/TACIS.			
<b>3. Achievement of Relevant Objectives:</b>			
All major objectives were achieved. SOSAC introduced Pension Reforms to link a person's payment to his/her lifetime contributions instead of work history. Eligibility rules were tightened, an improved formula for setting benefits was introduced, and measures were taken to reduce administrative expenses, strengthen management capacity and broaden the contribution base. This helped to reduce pension fund deficits and arrears substantially. Under Employment Services, an assessment of active labor market interventions was made and those found least cost-effective were eliminated, while the overall program of active interventions was capped at 35% of Employment Fund expenditure. Under the Social Assistance component, an assessment of the effectiveness of the targeting methodology was made and recommendations were made on potential improvements.			
<b>4. Significant Outcomes/Impacts:</b>			
The project achieved significant institutional development impacts in the form of new amendments to Pension Law and Bankruptcy Law, broadened payroll contribution base, cap on contributions, certification of individuals for Disability Pensions, use of Pension Policy Model with associated training, and regulation of collection and sale of property to settle social insurance contribution arrears .			
<b>5. Significant Shortcomings (including non-compliance with safeguard policies):</b>			
The following shortcomings are identified :			

- The Employment Services Component faced some problems as the Ministry of Labor and Employment Services was unwilling to abandon even inefficient active labor market programs without pressure from the government.
- The implementation of recommendations from the Social Assistance component study to improve targeting was not included in the project.
- The Monitoring system was capturing outputs at the macroeconomic levels . For example, the system did not monitor impact in the area of social/gender/poverty and therefore did not address the implications through adequate safety net measures .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Highly Satisfactory	Satisfactory	The achievements of the Employment Scheme were tempered by the Ministry's unwillingness to remove inefficient existing labor market programs. Social issues were not adequately monitored, and outcomes for the poor are likely to have been negative at least in the short term.
<b>Institutional Dev .:</b>	High	High	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Highly Satisfactory	Highly 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:

- Particularly for social adjustment programs, it is advisable to put in place systems that monitor the impact on poverty and gender issues . It appears that the removal of labor market support programs, and measures to increase efficiency of pension reform programs may have come at the cost of increased poverty . It may be necessary to put in safety net programs that address potential adverse social outcomes .

**8. Assessment Recommended?**  Yes  No

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

The ICR is satisfactory in quality and examines the main issues in an internally consistent and convincing manner .