



1. Project Data:		Date Posted : 06/13/2001	
PROJ ID: P008822		Appraisal	Actual
Project Name: Employment Services & Social Protection Project	Project Costs (US\$M)	133	80.6
Country: Russian Federation	Loan/Credit (US\$M)	70	55.6
Sector(s): Board: SP - Compulsory pension and unemployment insurance (64%), Central government administration (22%), Vocational training (14%)	Cofinancing (US\$M)	0	0
L/C Number: L3532			
	Board Approval (FY)		93
Partners involved :	Closing Date	04/30/1996	04/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

This loan was originally designed to help develop the capacity of the Employment Service to handle an expected increase in unemployment claims associated with industrial restructuring, and to strengthen service delivery and policy-making capacity in both labor and social protection government agencies . At its inception, this operation was seen as the first step in the social protection reform process and its goals reflected the reform prescriptions of the earliest analytical reviews . The original objectives were to:(i) develop the capacity of the Federal Employment Service (FES) to deal with an anticipated upsurge of unemployment, (ii) strengthen FES's and Ministry of Social Protection's (MSP) longer term capability to carry out active labor market policies and deliver social safety net services; and (iii) design a modern social security system . These objectives were consistent with the FY 93 CAS and were never formally changed . The actual content of the project, however, was scaled down during its execution, in consultations with Bank senior management and the Ministry of Finance . After its restructuring, this project dropped its ambitions to help policy formulation and became primarily a vehicle for the development of active labor market programs and for the upgrading of information processing capacity of the pension payment function within local social protection offices .

b. Components

The project contained two major components : (i) employment services (\$125.7 million; of which \$62.7 million was from the Bank and the rest from the Government of Russia) and (ii) social protection (\$7.3 million, all from the Bank). The original employment services component included : (i) project administration, (ii) emergency assistance to deliver unemployment benefits, and (iii) longer-term FES institution building . The original social protection component covered: (i) MSP institution-building, (ii) development of pension and social assistance reform proposals, and (iii) preparation of a master plan for computerization of the social security scheme . Unforeseen political, administrative and economic developments led to major modifications in the project's structure and timing . The employment services component was reduced to \$ 19.3 million (\$13.6 million from the Bank and \$6.7 million from the Government) and focused primarily on staff training and the development of active labor market programs . The emergency assistance component was dropped . The social protection component was increased to \$ 60.3 million (\$42 million from the Bank and \$18.3 million from the Government) and devoted largely to the purchase and installation of computer systems for administering pensions in local offices affiliated with the MSP . The remaining two components were dropped from this loan, given the government's diminished commitment from 1993 through 1996 to the large reform agenda contemplated earlier . The Bank attempted again with only modest success to support a comprehensive reform of the social security and social assistance systems under the 1997 Social Protection Implementation Loan (SPAL).

c. Comments on Project Cost, Financing and Dates

The project was to be implemented over the period February 1993 through October 1994, and to be closed in April 1996. Loan processing and procurement difficulties caused major implementation delays, and the loan did not become effective until September 1994. In fact the actual closing date of the loan was April 2000. Bank input costs

were 424 staff weeks or the equivalent of \$ 1.24 million. Supervision costs were very high, at 313 staff weeks or \$0.9 million. In part, the delays can be traced to the government's lack of familiarity with Bank processes . In part, they reflected the Bank's own inability to process smoothly a large procurement of personal computers . By the time the Bank was ready to proceed, the FES had used its own resources to acquire the computers and staff training that had been the largest single component of the original loan and had used a loan advance and other donor funds to begin developing active labor market programs . Also, by then the MSP had completed its design and pilot testing of the new pension-processing computer systems and wanted to begin implementing the systems throughout the country . The loan was therefore restructured to focus more on the introduction of active labor policies in the FES and the computerization of the local social protection offices .

3. Achievement of Relevant Objectives:

With respect to the two programmatic objectives remaining from the original concept, actual achievements exceeded the original objectives. Under the employment service component, 39 model offices were created that adopted best practices from major European labor services and that provided a cost-effective and efficient demonstration function for their dissemination. Eventually, some 2600 local and regional staff received training on the programs developed in these offices. In addition, 15 vocational training programs were developed, 34 regional centers equipped and 242 vocational trainers were trained. Career counseling centers were established in 20 regions, social partnerships to encourage job creation were developed in three pilot regions. Under the social protection component, 14,000 automated work stations were installed in 2266 rayon offices through 77 regions of the Federation to allow the computerization of pension calculations, albeit without centrally mandated software specifications to facilitate the updating of software and the generation of national statistics .

4. Significant Outcomes/Impacts:

Operations in FES and MSP offices were improved. Although a causal relationship can't be established, in areas covered by model offices the decline in registered unemployment was equal to or greater than in their respective regions. A beneficiary survey in four Russian regions found that 70% of those served by the training centers rated them "very useful" and that 25-30% of the participants in the demonstration job clubs were able to find employment through them. Automation of pension calculations reduced the average time to award a new pension from 30 days to 2 days, significantly reduced errors in pension calculations (complaints fell from 700 per year to 5 per year in one region), and reduced the time required to institute general benefit level adjustments from several months to a few days.

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

As the larger vision of reformed pension and social assistance programs did not materialize, the important goal of policy reform had to be dropped. The project was also hampered by unanticipated administrative problems stemming primarily from inexperience in dealing with Bank projects among Russian officials and difficulties in coordinating activities within units of the central government and between levels of government. The delay made parts of the original design obsolete. The failure to plan for a comprehensive information technology system was a missed opportunity.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	With no preparatory work conducted on reforming pension and social assistance programs and on a comprehensive information technology system under this loan, its efficacy is only modest when compared to its original, highly relevant objectives, against which the project needs to be formally evaluated according to current Bank and OED guidelines. The achievements (efficient pension payment mechanisms and competent employment offices) under the more focused and realistic restructured project were nonetheless significant.
Institutional Dev.:	Substantial	Substantial	While the broader policy reform objectives were not achieved under this loan, the project's achievements in terms of administrative improvements justify a substantial institutional development impact rating.
Sustainability:	Likely	Likely	Limited budgetary allocations necessary to sustain modest achievements,

			including computerization, are likely .
Bank Performance :	Satisfactory	Satisfactory	At inception, the Bank put at the government's disposal a good instrument to support both skills upgrading, administrative improvements, and preparation of policy reforms. In the course of implementation, it demonstrated good flexibility and sound judgement in re-orienting this technical assistance project so that it could achieve useful results, albeit less ambitious than at inception.
Borrower Perf .:	Satisfactory	Satisfactory	Borrower performance is satisfactory, but only barely so, due to the scaling down of the original objectives to which it had subscribed and other problems (customs, excessive bureaucracy, unclear lines of authority, and high turnover of officials) that caused delays with effectiveness and implementation.
Quality of ICR :		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:

(a) The Bank should be realistic in its statement of project objectives . Major social policy reforms require development of a consensus about the need for reform and its general direction, a major advocate in a key position, and a mechanism for coordinating among the various relevant institutions . None of these were present at the time this project was launched .

(b) However, in a rapidly changing political situation and uncertain commitment to reform by key stakeholders, likely subsequent project restructuring is greatly aided by design with multiple components and built -in flexibility.

8. Assessment Recommended? ☒ Yes ☐ No

Why? As part of a cluster audit with recently closed SPAL and as input to Russia CAE

9. Comments on Quality of ICR:

The ICR described very well the background, design and implementation of the project, noted the difficulties in implementation, analyzed the strengths and weaknesses of the project and provided a good assessment of its accomplishments. It also included a substantial contribution by the Government and a summary of the extensive consultations, included beneficiary surveys, conducted with stakeholders .