

# UKRAINIAN SOCIAL INVESTMENT FUND: PROJECT CONCEPT NOTE (DRAFT)

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## 1. Introduction

The Ukrainian Social Investment Fund (USIF) is built on the experience of the demand-driven social fund type operations successfully implemented with the assistance of the World Bank in more than 50 countries. Many Latin American countries in the late 80s have adopted a social fund approach to deal with the social impact of major economic and financial crisis they were experimenting at that time.

More recently the former socialist countries like Albania, Armenia, Bulgaria, Georgia, Moldova, Romania and Tajikistan have created similar funds. In Europe it is also recognized that special funds with large flexibility are needed to support innovative approaches to deal with the new social problems that many EU countries are facing with social exclusion problems. A few years ago the European community set-up the European Social Fund to support innovative initiatives at the sub-national level in EU members.

The SIF demand-driven mechanism is not completely new to Ukraine. Some elements of this mechanism have been successfully used in the social component of the Coal restructuring program, financed by the World Bank, as well as in the Government Program for school building maintenance and summer employment of students.

The USIF is set up by the Decree #740 of Cabinet of Ministers of Ukraine dated April 28, 2000 as a temporary autonomous institution, which will be financed mainly by the WB loan, and will address social problems of the economic transition.

## 2. Project rationale: Why a social investment fund in Ukraine?

The following are the main reasons to implement a SIF type operation in Ukraine:

- **Poverty and social exclusion problem have multi-dimensional nature** in Ukraine. SIF micro-projects comprise a variety of components and provide a flexible, multi-sectoral response to the poverty issues;
- Many of existing mechanisms of provision of social services are not efficiently targeted and not cost effective. SIFs provide innovative and cost-effective approaches in social services delivery, which in Ukraine might **complement the existing system, improve overall capacity** at local and national levels, and **support sector reform strategies**.
- SIFs encourage **self-organization of communities** and **their participation in decision-making** at local level. Beneficiary communities prepare project proposals, participate in their financing, implementation and monitoring. This approach **generates**

**community solidarity sense and empowers communities and local organizations to address local needs in social sphere.**

- Variety of social needs cannot be met only by efforts of the central government and local authorities. SIFs encourage **involvement and partnership of all stakeholders** in the delivery of social services (central, regional and local authorities, social service providers, NGOs, CBOs etc.). The USIF will **develop and test innovative models and mechanisms for such partnership**, which could be replicated by other agencies working in the sphere.
- In many countries the Social Funds have developed **effective mechanisms for attracting international donors' resources** to address urgent needs in social sphere. The donors' financial resources and technical assistance will allow **to speed up improvement of basic social services and to alleviate the negative impact of the transition to market economy.**
- SIFs have worked out specific mechanisms for **effective channeling of the resources directly to the most disadvantaged and vulnerable segments of population:** regional allocation of funds based on clear and transparent indicators, micro-project typology, evaluation/selection criteria for micro-projects, etc. These **instruments will be tested and fine tuned by the USIF, and demonstrated to the Government and public.** Afterwards they could be used by other agencies to channel financial resources to the beneficiaries more efficiently.
- The fully transparent SIF mechanisms and approaches allow to reduce the **risk of corruption and misuse of funds.** The USIF will test these approaches and it is expected that the experience gained could be integrated afterwards in local governments' procedures.

### **3. Project description**

**Project Objectives.** The long term development objectives of the USIF are: 1) improve living conditions of poorer communities and vulnerable groups of the population; 2) empower

communities and vulnerable groups to address local social needs; and 3) assist the reform of social protection, health and education by creating and testing efficient models of targeting and service provision.

To achieve these objectives the USIF will establish and develop a mechanism for **rapid and effective identification and implementation of significant number of micro-projects** to respond to priority needs expressed by beneficiary communities and civil society institutes. The USIF will fund demand-driven micro-projects through provision of grants. The grants will not be big. The maximum cost of individual micro-projects will not exceed \$ 150 000.

The immediate outputs of implementation of these microprojects will be: 1) improved quality of and access to community-based social and communal services (education, health, water supply, roads, etc.) in villages and small towns of targeted disadvantaged areas; 2) development of innovative and inclusive social care services targeted to the most vulnerable population groups (disabled, vulnerable children, orphans, elderly and other identified by communities); 3) development of transparent mechanism for attracting and channeling of local and decentralized funds for local investment, effective monitoring and evaluation; 4) improved capacity of local government, NGOs, local associations, other institutes of civil society in management and provision of social service; 5) improved capacity of communities to generate and implement local initiatives; 6) private sector development, temporary and permanent employment generated through financing of public works and establishment of innovative social care services; 7) improved capacity of local contractors and experts.

**Targeted beneficiaries.** The direct beneficiaries of the USIF microprojects will be: 1) poorer and disadvantaged communities in both rural and urban areas (some stronger targeting to rural areas is to be developed, as preliminary analysis of the Needs and Capacity Assessment indicates that the rural – urban gap in terms of poverty is widening when access to health and

education services is taken into account in the poverty measurement); 2) vulnerable groups of population, such as: orphans and children from dysfunctional families – the so called “social orphans”, youth and children at risk, elderly persons living alone, large families, physically and mentally disabled, people suffering violence, etc.

Local level public, private and non-governmental organizations will be encouraged to work with communities and target groups to identify, prepare, implement and maintain microprojects, to participate in provision of services and execution of works. During the whole micro-project cycle the USIF will support these organizations and provide necessary training and TA, so consequently they also will benefit of the USIF project.

**Project Components.** To achieve its objectives the project will be organized around the following components:

**Component 1. Micro-projects aimed to improve community-based services** (estimated cost is US\$ 34 million). This component will provide a flexible and transparent mechanism for financing microprojects, prepared by communities, NGOs and local governments, which enhance the basic social and communal services, and improve the access of poor and vulnerable segments of population to these services.

**Component 2. Capacity building, monitoring and evaluation system** (expected cost is US\$ 4,5 – 5 million). This component will support the strengthening of capacity for addressing social needs, service delivery, monitoring and evaluation and strategy formulation at four levels: 1) communities and local NGOs – identification and assessment of needs, participation, project formulation, project implementation, project implementation monitoring, maintenance and asset management; 2) local NGOs, local small businesses – participation in tenders, service provision; 3) local governments – project evaluation, monitoring, contracting for services, monitoring of poverty and social development; 4) central government – evaluation

of targeting methodologies used by the USIF and their effectiveness to inform the design of government poverty reduction strategies, evaluation of impact and effectiveness of new approaches in innovative service provision to inform the development of sector reform strategies, monitoring of social development and living standards, evaluation of service provision, development of contracting arrangements, public information and education.

The component will finance training, consultant services, studies, dissemination workshops, etc. The following special studies will be carried out regularly: beneficiary impact assessments, analysis of living standards development in targeted areas based on household budget survey, living standards quantitative and qualitative surveys. Results of studies will be widely published.

**Component 3. USIF Project management** (estimated cost is US\$1.5 million). Overall project implementation will be coordinated by the USIF Executive Office. Project management will include promotion activities, appraisal of micro-projects, contracting with implementing agencies, disbursement, monitoring of implementation of micro-projects, evaluation of impact of micro-projects, coordination of the public information activities, maintenance of the MIS and others.

**Micro-projects eligible for the USIF funding.** The USIF may finance a range of programs. The detailed typology of micro-projects meeting aforementioned criteria and eligible for financing will be adjusted based on the lessons learned during the pilot project implementation. In general, the following micro-projects are proposed for financing.

**Typology of Services.** To improve the quality of and access to basic social services the USIF will support microprojects, which are aimed to the following:

1. Improvement of **community-based social services** including:
  - education services (pre-schools and general education)
  - primary health care services in villages

2. Provision of innovative and cost effective community based *social care services* including:
  - day care centers
  - shelter for street children and homeless adults
  - crisis centers for youth, abused women, etc.
  - foster family services
  - special education and development programs for target groups
3. Improvement of *communal services* in villages and small towns including:
  - potable water supply
  - sanitation services and sewage
  - access roads to and internal roads/streets in villages
  - improvement of environment through tree planting, clean up and erosion control measures
4. Recurrent costs – for **newly established social care services** the USIF might cover some of the recurrent cost in a matching mode on a declining basis.

**Project Targeting.** During the pilot phase the main fund targeting and resource allocations matrix for the regions will be developed by Ukrainian experts and approved by the USIF Supervisory Board and the WB. The targeting matrix will be developed based on:

- *Geographic targeting* – considering the size of the Ukraine, USIF programs can be successful only if very well targeted to the most disadvantaged areas. The project will need to develop a geographic targeting matrix and identify oblasts (and rayons within the oblast), and prioritize them for intervention.
- *Poverty targeting* – participating oblasts, and target communities and beneficiary groups inside the oblasts will be identified through a needs assessment or using other methodologies to be defined during the pilot phase. In principle targeting should be done according to the following criteria: high level of poverty, high level of unemployment, some indicators of social stress, access to basic social services, etc. However, precise criteria are to be developed during the pilot phase.
- *Micro-project typology targeting* – the typology of micro-projects eligible for funding will be adjusted during the pilot project and the micro-projects will be implemented in areas with special needs for special programs.

#### Funding Components

The micro-projects will have the following components:

1. Small Civil Works. The USIF will finance **mainly rehabilitation of existing facilities**. Rehabilitation (and in some specific cases construction) of the following facilities will be eligible for funding:
  - *in villages* – **health posts; access roads** including small bridges, drainage, culverts, retaining walls;
  - *in villages and small towns* – **pre-school institutions, primary and secondary schools, community centers, libraries and cultural centers; potable water pipe-lines, distribution networks, source development (including wells and pumping stations); sewage and storm water networks;**
  - *in all localities* – **day care centers and temporary shelters.**
2. Training and technical assistance – the USIF will finance **workshops, seminars, training of service providers and users, information and counseling services, legal advice**, preparation of **projects technical design**; monitoring, supervision and evaluation of on-going projects.
3. Goods – including minor equipment and furniture, training supplies;

**Micro-project Selection Criteria.** Taking into account expected huge demand and big number of micro-project requests, it is necessary to establish an effective and transparent mechanism for selection and approval of micro-projects. Micro-project approval will be based on a set of exclusive and evaluation criteria to be elaborated by the USIF during the pilot phase, approved by the USIF Board, and reflected in the Operational Manual. The criteria will allow assessing the micro-projects for: 1) social; 2) institutional; 3) economic; 4) technical; and 5) environmental soundness. The following indicators will be used: community

needs (maximum social benefits to poor/vulnerable); capacity of community/Implementing Agency to participate and contribute to the microproject; microproject size and cost limits; cost-effectiveness (cost per beneficiary, cost per basic unit etc.); micro-project technical feasibility; feasibility of operations, maintenance and sustainability plans etc. The three general criteria provided below will need to be a particular focus of the USIF appraisal:

- *Demand driven and impact oriented nature of the micro-project* – the procedure of the micro-project identification should be fine tuned to insure, and the Implementing Agency should prove that the micro-project responds to the actual demands of beneficiary community/target group and is among its priorities;
- *Participation* – in order to demonstrate their commitment the Implementing Agencies (NGO, local government, etc.) and/or beneficiaries have to participate in all stages of micro-project identification, preparation and implementation, and have to share the investment cost with the USIF. The contribution can be made in form of cash, in-kind and/or labor and should be at least of 10% of total micro-project cost;
- *Sustainability* – the micro-projects have to have well-developed operations, maintenance and sustainability plans. Recurrent costs will remain mainly the responsibility of local organizations, and the Implementing Agency should prove that there are funds available to cover these costs. Only for newly established social care services the USIF might cover some of the recurrent cost in a matching mode on a declining basis.

#### **4. Project implementation**

The USIF project will be implemented in two phases: 1) pilot project and 2) main investment project. The main project will be financed with the World Bank loan with participation of central, regional and local counterpart funds to ensure their commitment to the activities financed by the USIF, beneficiary contributions, international and private donations.

**Pilot phase.** The pilot project has been started in May 2000, and will be implemented with the assistance of the grants from Japanese government (PHRD) and other interested donors (the estimated budget of the pilot phase is attached). Both establishment of and technical assistance to the executive office, and implementation of restricted number of experimental micro-projects will be financed by grants during the pilot project.

The main objective of the pilot project will be preparation of the main USIF project by elaborating mechanisms and building capacity. It will include the following tasks: 1) test the mechanisms outlined in this document and developed during implementation of experimental microprojects and provide lessons for the design of the main fund; 2) develop the USIF Operational Manual describing in detail all the approaches and procedures of the USIF activity (including microproject selection criteria and approval procedure, implementation and supervision mechanisms, staffing, flow of funds, monitoring and auditing, etc.); 3) establish the Executive Office of the USIF (hiring and training of staff, procurement and installation of equipment, etc.); 4) develop the Management Information System, including the financial management, monitoring and reporting systems; 5) develop targeting mechanisms and resource allocations matrix for the main fund.

Successful implementation of the pilot project will also demonstrate to the Government, Parliament, donors and communities the benefits and impact of demand-driven financing mechanism and will help the main USIF project to attract additional financial resources.

Thy USIF Supervisory Board has identified Khmel'nitska oblast for implementation of the pilot project. The criteria to select this oblast were the following. 1) level of unemployment and poverty should be near the country average; 2) the social problems of the oblast should be typical for the country; 3) urban/rural mix; 4) representatives of local municipalities, NGOs, communities etc. should be active enough to ensure that sufficient number of project proposals will be received in a short time; 5) the oblast should be not very far from Kiev to reduce to reasonable level

operational costs, and far enough to establish and test the functioning of a regional office (if any); 6) the oblast should not be participating in numerous donor assistance programs.

In order to pilot different types of micro-projects it will be necessary to implement at least 15–20 micro-projects during the pilot phase. Therefore, the total pilot cost is estimated to be around \$2 million, which includes administrative/capacity building cost and the funds needed to finance micro-projects. One of the goals of the pilot stage will be piloting the implementation of as many types of subprojects as possible. Taking into account the big variety of subproject types no more than two subprojects of every type will be implemented.

At the end of the pilot project an impact assessment study will be undertaken, which along with financial and technical audit reports will serve as a basis for the finalization of the pilot evaluation report.

**Project institutional set-up.** The USIF institutional set-up will be tested during the pilot phase and finalized based on the lessons learned from the pilot project. The main project will be developed by the Ukrainian experts with the necessary input and technical assistance from internationally recognized social fund specialists. The following represents the key institutional features of the pilot project.

USIF has been established as an autonomous institution, which operates according to a clear division of responsibilities between different actors. It has a status of legal entity which enables it to enter into contractual agreements with other legal entities and adopt its own procedures for disbursement of funds.

- **USIF supervisory board (SB)** is the highest governing body of the USIF. It oversees the activities of the USIF Executive Office, defines the policies of the Fund, and ensures their correspondence with the overall policy of the Government in the social and economic spheres. It is established by the Decree #234-p of the Government of Ukraine, dated May 12, 2000, is chaired by Deputy Prime Minister, and is composed of 11 members – representatives of the Government,

Parliament, President's Administration, and Trade Unions. It is agreed that additionally up to three representatives of donors and non-governmental institutions (NGOs or other civil society organizations) will be invited to sit at the Board. The SB will review and approve: the USIF Operational Manual and its amendments; the annual budgets; quarterly and annual progress reports. The SB will also approve mechanisms and criteria for the regional allocation of funds, will appoint the director of the Executive Office and appoint international auditors.

- **SIF Executive Office**, headed by the USIF Executive Director will be responsible for day to day implementation of the USIF Project. In particular the Executive Office will: organize promotion of USIF activities; appraise microprojects submitted by local institutions; enter into contract with Implementing Agencies; disburse funds to local contractors and Implementing Agencies; monitor progress of microprojects; evaluate the impact of microprojects; maintain the targeting map updated, establish and maintain a comprehensive Management Information System, including financial management system.
- **SIF regional offices** – To reduce operating expenses and to create local capacities the USIF will open field offices in remote areas where the fund is operating, if needed. Regional offices will be small and will hire local experts who will receive necessary training to carry out their tasks. Regional offices will have at least a head, an accountant/financial officer, an MIS specialist, an appraisal officer and a follow-up/monitoring officer.

Distribution of responsibilities between the central and local offices will be decided on and tested during the last stage of implementation of the pilot project **when the main office will be completely operational** and a number of micro-projects will be under implementation.

**Implementing Institutions.** The USIF will support local level initiatives identified by beneficiaries themselves or by institutions, which

prove to represent the beneficiaries and implement microprojects on their behalf (hereafter Implementing Agencies or IA). These could be small urban and rural municipalities, local associations, NGOs and others, supported by communities. The system will be set-up to respond to demand. The local level organizations will identify needs, prepare micro-project proposals, enter into contact with the USIF to request funding. They will also implement micro-projects when approved by the USIF. During the implementation they will report regularly to the USIF and the beneficiary community on the progress of the microproject.

### ***Micro-project Implementation Cycle.***

***Promotion*** – the Executive Office and Regional Offices, with the help and participation of local (self)-governments will organize promotion of the USIF activities. USIF will provide all the necessary information and micro-project application forms to potential Implementing Agencies and beneficiaries. This will be done using the local media and through regional seminars, organized in oblast and/or rayon centers with participation of representatives of potential Implementing Agencies, local governing bodies, and media. Consultants/facilitators recruited and trained locally by the Executive Office will support the USIF in organizing the local promotion campaign. They will also monitor the process of micro-project identification and will help the Implementing Agencies in preparation of micro-projects proposals. The promotion campaign will be organized on geographical basis – by rayons or groups of rayons – with clearly set up deadlines for micro-project proposal submitting.

The promotion campaign during the pilot project should be carefully designed not create expectations, which cannot be met within the limited financial resources.

- ***Micro-project identification*** – local eligible organizations and communities will identify microprojects and prepare and send to the USIF micro-project requests with brief project description. For all the micro-projects targeted to communities as a whole

the micro-projects will be identified by general community meetings or local referendums.

- ***Micro-project preliminary evaluation*** – after the deadline for receiving of project proposals the EO will draw a list of projects ranked by priority, according to a pre-determined criteria and will pre-select some for preliminary site visits. During the visit the preliminary assessment (institutional, social, economic, financial, technical) will be done. If the project will be considered as feasible the Implementing Agency will be requested to start preparation of the project.
- ***Micro-project preparation*** – the preparation of the micro-project will include obtaining the necessary permissions, identifying the need for training/technical assistance during the project implementation and maintenance, preparing the technical design and the project budget. The project proposal will be formulated in a standard form (provided by the USIF) and will be sent to the USIF EO or Regional Offices. In the preparation process, the IA will have access to training and technical assistance, provided by local consultants hired by the USIF (universities, consulting companies, individual consultants, etc.).
- ***Micro-project appraisal*** – the Executive (or Regional) Office will review micro-project proposals, estimate the costs according to its price database. The USIF appraisal officer will visit the site to check the received information. Project appraisal will be done in collaboration with the Implementing Agency, and with the help of locally contracted experts, if needed. The representatives of local self-governance bodies, which will undertake responsibility for the operating of the service supported by the micro-project, will also be invited to participate in the appraisal. The appraisal officer will check that all necessary authorizations from local administration are obtained prior to presenting the micro-project for approval.
- ***Micro-project approval*** – when it is

determined that the micro-project proposal meets the evaluation criteria, it will be presented for Executive Office approval. Decisions of the Executive Office on approval/rejection of the proposals will be made based on clearly described procedure and criteria, and will be made public. All the agencies that presented projects will be informed on the decision.

- *Start up of micro-project* – a framework agreement will be signed between the USIF executive/regional office and the Implementing Agency upon approval of the project, which will empower the Implementing Agency to implement the micro-project. The agreement will define the estimated cost of each component of the micro-project, describe responsibilities of the USIF and the Implementing Agency, and define the contributions to be provided by the USIF, Implementing Agency, local government, benefiting community and other participants. It will also define procurement methods for works, goods and services. Upon signing of the agreement the cash contribution of the Implementing Agency will be transferred to the USIF account and in-kind contribution will be ensured. After that the USIF will organize a quick launch of the micro-project with all the agencies involved in the implementation.
- *Micro-project implementation and supervision* – according to the framework agreement the Implementing Agency will select and contract contractors to execute the works, supply the goods and provide services. The selection will be done through a transparent competitive process described in the Framework Agreement. The whole process of monitoring of the micro-project implementation will be prepared during the project preparation/appraisal and will be described in detail in the Framework Agreement. A local supervisor will be contracted and will be financed under the micro-project funds if needed. The supervisor will supervise execution of works and the micro-project progress, will verify

the works completed and claimed for the payment. He will report to the Implementing Agency and the USIF executive/regional office. In addition a staff of the executive/regional office will make a supervision visit to the site before payments are made.

- *Micro-project completion and handing over* – upon the completion of works a special committee formed of representatives of the USIF, Implementing Agency, beneficiaries, contractors and local government will hold a meeting to sign a hand-over agreement and certify that all contractual aspects have been respected.

**Flow of funds.** The Executive Office of the USIF will manage the project accounts. It will open a special bank account for each donor participating in the project. In addition, it will open a project account to transfer money to contractors, suppliers, Implementing Agency, consultants, etc. Accounts will be opened with the National bank of Ukraine or with financially reliable commercial banks. All the accounts of Implementing Agencies will be regularly, randomly checked through a system of internal and external audits.

The USIF will have certain level of financial and administrative autonomy and mechanisms that would ensure rapid disbursement of funds to the microproject's implementing organization and its contractors/suppliers. Upon signing of statements of accomplished works or other needed documents by the Implementing Agency and the Local Supervisor (if applicable) the **funds will be channeled directly to the contractors/suppliers**. All the transactions will be registered in the USIF Management Information System to ensure that payments follow physical progress of specific micro-projects. The USIF will have specific procedures ensuring this flexibility, which will be described in its Operational Manual and be approved by the USIF Supervisory Board and the World Bank. Ensuring simple and transparent mechanisms for disbursement of funds will be essential to guarantee the success of the USIF.

## 5. Project monitoring

The extensive monitoring system, proposed below, is expected to ensure the proper use of funds for the achievement of expected impact. Monitoring is essential to the success of the project and for that reason will be its major component. The proposed monitoring scheme has three essential components:

- *Studies and audits* – the following special studies are proposed to be conducted by external evaluators on annual basis: i) beneficiary impact assessment (ex ante and ex post) of sample micro-projects which provides the feedback, necessary to ensure the flexibility of USIF's approaches and its capacity to address beneficiaries needs; ii) procurement and technical audit to evaluate the quality of civil works and services and procurement procedure in a sample of completed micro-projects; and iii) financial audit of project financial performance. USIF performance will be regularly evaluated by the World Bank supervision missions to ensure project progress in meeting implementation and development objectives and compliance with procedure established in the Operational Manual. Results of studies will be widely published to ensure transparency of the project.
- *MIS* – The Management Information System (MIS) will be developed during the pilot phase. It will include financial/management, budgeting, accounting of individual microprojects and reporting systems. Taking into account the big number of microprojects that will be implemented simultaneously, and the volume of information to be collected in the USIF information database, the MIS will be a key tool of the USIF monitoring effort. It will support detailed day-to-day project monitoring including micro-projects' physical progress, financial monitoring, payments and strategic management decision-making. The MIS will generate necessary reports including quarterly and annual reports to the USIF SB, the World Bank and other donors. The MIS will also ensure a fast link between the central and regional offices, and will allow speedy exchange of necessary information.
- *Micro-project monitoring* – at the micro-project level monitoring will be conducted by the beneficiaries through the following procedure: 1) microproject will have a local supervisor if

needed, permanently present at the site to monitor the quality of civil works and verify the quantity of the completed works eligible for payment; 2) the Implementing Agency will have to verify works and services completed and goods supplied by the contractors and issue the payment requests to the USIF; 3) the USIF staff will have to check and sign off every request for payment; 4) the Implementing Agencies will be required to inform beneficiaries on the microproject progress on a regular basis through public meetings, publication of results etc.

## 6. Expected project outputs/benefits

The pilot phase outputs would be: 1) establishment of the USIF, its legal status and clear organizational structure; 2) developed mechanisms and criteria for targeting of financial resources; 3) developed microproject selection, evaluation and approval criteria and procedures; 4) developed USIF Operational Manual; 5) developed USIF MIS and monitoring system; 6) trained USIF staff; 7) improved social infrastructure and services in pilot communities.

The main project will support the Government in furthering its key human development and institutional reforms by: 1) using non-traditional for Ukraine targeting techniques; 2) testing new and innovative models of service provision, establishing examples of community-based social services as alternative to institutionalized care as a step to de-institutionalization; 3) building the institutional capacity of local governments, CBOs and NGOs in the management and provision of basic services; 4) promoting NGO participation in the provision of social care services and defining the legal and institutional requirements for diversification of service provision.

The main project is expected to have the following outputs: 1) improved basic social and communal services in targeted communities; 2) improved living standards of targeted vulnerable groups of population; 3) improved capacities of local government and other local institutions in delivery of essential social services; 4) developed community solidarity sense, strengthened community decision making, organizational and managerial capacities; 5) temporary and permanent employment generated; and 6) improved capacities of local contractors for competing and executing contracts under market conditions.

## Some information about Ukrainian Social Investment Fund (USIF)

<b>Date of establishment:</b>	April 2000 by the Regulation of the Cabinet of Ministers of Ukraine 740 as an autonomous, non-profit institution	
<b>The USIF organizational structure:</b>	<b>USIF Supervisory Board</b> – the highest governing body responsible for the USIF Strategy Development <b>USIF Executive Office</b> composes of 9 Ukrainian consultants	
<b>USIF objectives:</b>	<ul style="list-style-type: none"> <li>• improve living conditions of poorer communities and vulnerable groups of the population;</li> <li>• empower communities and vulnerable groups to address local social needs;</li> <li>• assist the reform of social protection, health and education by creating models of targeting and service provision .</li> </ul>	
<b>USIF Pilot Project objectives:</b>	<ul style="list-style-type: none"> <li>• implement 10–15 microprojects in Khmelnytska oblast;</li> <li>• test the investments mechanisms and pilot different types of microprojects;</li> <li>• develop the USIF Operational Manual;</li> <li>• develop a targeting map and resource allocations matrix for the USIF main phase</li> <li>• develop monitoring system, including the USIF Management Information System, financial management and reporting systems</li> <li>• strengthen of the USIF as an effective institution for rapid and successful implementation of microprojects focused on priority needs expressed by beneficiary communities;</li> </ul>	
<b>Microproject typology:</b>	<ul style="list-style-type: none"> <li>• Improvement of community-based social services including education and primary health care services in villages and small towns</li> <li>• Provision of innovative and cost effective community based social care services including day care centers, shelter for street children and homeless adults, crisis centers for youth, abused women, foster family services, special education and development programs for disabled.</li> <li>• Improvement of <i>communal services</i> in villages and small towns including potable water supply, sanitation services and sewage, access roads to and internal roads/streets in villages, improvement of environment through tree planting, clean up and erosion control measures.</li> </ul>	
<b>USIF Pilot Project cycle:</b>	<ul style="list-style-type: none"> <li>• Promotion and Facilitation Campaign in order to raise public awareness about innovative mechanisms for social services delivery</li> <li>• Provision of technical assistance to local communities to prepare microproject</li> <li>• Appraisal and selection of microprojects in accordance with the USIF criteria</li> <li>• Micro-project implementation</li> <li>• Monitoring and evaluation of outputs</li> </ul>	
<b>Targeting of USIF Pilot Project:</b>	<p>Considering the size of Ukraine and the regional dimension of poverty and social distress, SIF programs can be successful only if very well targeted at two levels</p> <ul style="list-style-type: none"> <li>• <b>geographic</b> – intervene in regions and communities which are most disadvantaged and poor; and</li> <li>• <b>within selected regions and poor populations target groups</b> who are by nature more disadvantaged and at higher risks of poverty and social exclusion</li> </ul> <p><b>Khmelnyska oblast:</b>  <b>Population:</b> 1 450 000  <b>Territory:</b> 20 600 sq. km  5 county towns, 20 regions</p>	
<b>USIF Pilot Project Funding:</b>	<ul style="list-style-type: none"> <li>• World Bank grant resources</li> <li>• Grant resources of international donor organizations (IRF, UNDP, DFID)</li> <li>• Contribution of the Government of Ukraine</li> <li>• Contributions of local communities and organizations</li> </ul>	
<b>USIF project preparation plan:</b>	The World Bank pre-appraisal mission The World Bank appraisal mission Negotiations The World Bank Board presentation Signing of Loan Agreement The Parliament Ratification Project Effectiveness	January 21 – February 3, 2001 March – April 2001 May – June 2001 July 2001 September 2001 November-December 2001 January 2001