PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED TRUST FUND GRANT
IN THE AMOUNT OF US$4.20 MILLION
TO UNMIK FOR THE BENEFIT OF
KOSOVO, FEDERAL REPUBLIC OF YUGOSLAVIA (KOSOVO)
FOR A
SOCIAL PROTECTION PROJECT
June 29, 2001
CURRENCY EQUIVALENTS
(Exchange Rate Effective April 18, 2001)

Currency Unit = DEM
DEM 1 = US$0.4491
US$1 = 2.2265

FISCAL YEAR
January 1 - -- December 31

ABBREVIATIONS AND ACRONYMS

BPK  Banking and Payments Authority of Kosovo
CFA  Central Fiscal Authority
CPE  Central Procurement Entity
CRS  Catholic Relief Services
CSW  Center for Social Welfare
DFID  Department for International Development (UK)
DHSW  Department of Health and Social Welfare
EU  European Union
FRY  Federal Republic of Yugoslavia
IAC  Interim Administrative Council
IOM  International Organization for Migration
JIAS  Joint Interim Administrative Structure
ILO  International Labor Organization
KFOR  Kosovo Force
KTC  Kosovo Transition Council
LSMS  Living Standards Monitoring Survey
NATO  North Atlantic Treaty Organization
NGO  Non-Governmental Organization
OSCE  Organization for Security and Co-operation in Europe
UNFPA  United Nations Population Fund
UNHCR  United Nations High Commission for Refugees
UNICEF  United Nations Children’s Fund
UNMIK  United Nations Interim Administration in Kosovo

Vice President: Johannes F. Linn, ECA
Country Director: Christiaan J. Poortman, ECC04
Sector Manager: Michal J. Rutkowski, ECSHD
Task Team Leader: Hjalte S.A. Sederlof, ECSHD
KOSOVO
SOCIAL PROTECTION PROJECT

CONTENTS

A. Project Development Objective
   1. Project development objective 2
   2. Key performance indicators 2

B. Strategic Context
   1. Sector-related Country Assistance Strategy (CAS) goal supported by the project 2
   2. Main sector issues and Government strategy 3
   3. Sector issues to be addressed by the project and strategic choices 6

C. Project Description Summary
   1. Project components 6
   2. Key policy and institutional reforms supported by the project 8
   3. Benefits and target population 8
   4. Institutional and implementation arrangements 9

D. Project Rationale
   1. Project alternatives considered and reasons for rejection 9
   2. Major related projects financed by the Bank and other development agencies 10
   3. Lessons learned and reflected in the project design 10
   4. Indications of borrower commitment and ownership 10
   5. Value added of Bank support in this project 11

E. Summary Project Analysis
   1. Economic 11
   2. Financial 11
   3. Technical 11
   4. Institutional 11
   5. Environmental 12
   6. Social 13
   7. Safeguard Policies 14

F. Sustainability and Risks
   1. Sustainability 15
   2. Critical risks 15
3. Possible controversial aspects

G. Main Grant Conditions

1. Effectiveness Condition
2. Other

H. Readiness for Implementation

I. Compliance with Bank Policies

Annexes

Annex 1: Project Design Summary
Annex 2: Detailed Project Description
Annex 3: Estimated Project Costs
Annex 4: Cost Benefit Analysis Summary
Annex 5: Financial Summary
Annex 6: Procurement and Disbursement Arrangements
Annex 7: Project Processing Schedule
Annex 8: Documents in the Project File
Annex 9: Statement of Loans and Credits
Annex 10: Country at a Glance
Annex 11: The Pre-Conflict Social Protection Structure
Annex 12: The Current Social Assistance Scheme
Annex 13: Organizational Chart of Social Protection in Kosovo
Annex 14: Background on Centers for Social Work

MAP(S)
KOSOVO

Social Protection Project

Project Appraisal Document

Europe and Central Asia Region
Human Development Sector Unit

Date: June 29, 2001

Team Leader: Hjalte S. A. Sederlof

Country Manager/Director: Christiaan J. Poortman
Project ID: P072405
Lending Instrument: Grant from the Trust Fund for Kosovo

Sector Manager/Director: Michal J. Rutkowski
Sector(s): SY - Other Social Protection
Theme(s): Social Protection

Poverty Targeted Intervention: N

Program Financing Data

[ ] Loan   [ ] Credit   [X] Grant   [ ] Guarantee   [ ] Other:

For Loans/Credits/Others:
Amount (US$m): 4.20

Financing Plan (US$m):

<table>
<thead>
<tr>
<th>Source</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BORROWER</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT</td>
<td>2.42</td>
<td>0.00</td>
<td>2.42</td>
</tr>
<tr>
<td>SPECIAL FINANCING</td>
<td>4.20</td>
<td>0.00</td>
<td>4.20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6.62</strong></td>
<td><strong>0.00</strong></td>
<td><strong>6.62</strong></td>
</tr>
</tbody>
</table>

Borrower: UNMIK

Responsible agency: UNMIK/DHSW

Address: UNMIK Government Building

Contact Person: Ms. Sandy Hudd

Tel: 381 38 504 604 Fax: Email: hudd@un.org

Estimated disbursements (Bank FY/US$m):

<table>
<thead>
<tr>
<th>FY</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>1.50</td>
<td>1.50</td>
<td>1.20</td>
</tr>
<tr>
<td>Cumulative</td>
<td>1.50</td>
<td>3.00</td>
<td>4.20</td>
</tr>
</tbody>
</table>

Project implementation period: September 2001 to August 2003
A. Project Development Objective

1. Project development objective: (see Annex 1)

The objectives of the project are to: (a) design a basic safety net for the immediate future; (b) design a sustainable social welfare system for the medium term; and (c) develop administrative capacity for delivery of pensions, and veterans' and invalidity benefits.

2. Key performance indicators: (see Annex 1)

- evidence of increased quality and consistency of service provision through centers for social work (CSW), as reflected in regular monitoring of case worker performance (compliance with procedures, accuracy of case selection and referrals, work plans) and, for clients, in feedback from the formal appeals process
- blueprint (program designs) in place for a comprehensive welfare system, and focusing on priority areas (welfare, pensions, veterans benefits, war invalids support)
- simple administrative mechanisms in place for the delivery of pensions, and veterans' and invalidity benefits

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)

The proposed project is consistent with the Transitional Support Strategy for Kosovo (R99-178, dated September 16, 1999) which seeks to ensure efficiency and sustainability in public sector spending and build effective, accountable and efficient public institutions. The World Bank’s Economic Report on Kosovo emphasizes the establishment of policies and institutions that will reduce reliance on external donor support and promote private sector led recovery and long-term growth. It sets out the key reform areas in the economic policy sphere: sustainable budget policies and institutions that ensure the efficiency and probity of public spending; a framework of laws, regulations and institutions that encourage private enterprise development; and a liberal trade and customs regime that allows Kosovo to realize its potential for growth and exports in the context of its geographic location in the south-central Balkans. And, it emphasizes the active involvement of the local population and its representatives in shaping policy through extensive consultation with local public and private stakeholders.

In social policy, it emphasizes: (i) education – a primarily young population (over half the population is under 25) needs to be educated; and human and capital skills that have eroded during a decade of civic exclusion need to be restored; (ii) health care - neglected health services need to be rehabilitated and appropriate health policy elaborated; (iii) social protection - the system confronts a number of challenges: the social aftermath of conflict, economic restructuring in an environment where the local administrative capacity requires substantial strengthening, diffuse roles of different levels of government in social protection, and local and international administrators striving to find an effective balance between the roles of the public and non-governmental sectors in social welfare provision. At the same time, the social sectors constitute the major expenditure categories in the budget, accounting for nearly three quarters of total spending, which highlights the need for restraint in adjusting programs and expenditures to Kosovar needs.

In the social area, the Bank, in collaboration with UNMIK other donors and local authorities, has initiated a program of sector work and investment projects that aim at shaping effective policies and service delivery mechanisms. A social assessment examines how conflict and displacement have affected social relations.
and institutions in Kosovo and discusses reconciliation strategies. A *social protection strategy* examines alternative strategies for social risk management, and a *poverty assessment* is being completed, which will allow better definition of at-risk population groups. These initiatives, on which the proposed project draws, have been extensively discussed with international and local Kosovar stakeholders drawn from both majority and minority communities. *Two Economic Assistance Grants* have been put into place (P069469 dated May 13, 2000, and P071114, dated January 10, 2001), aiming at the creation of a functioning and effective budget management system, including the adoption of a sound budget for 2001. *An Education and Health Project* (P069516, dated May 2, 2000) provides technical assistance aimed at increasing the efficiency in public resource use in health and education and improving governance and management in the two sectors. The project has also financed sector work leading to the social protection strategy.

2. **Main sector issues and Government strategy:**

**Background.** Before 1989, Kosovo operated its own social protection schemes under the general umbrella of Federal Yugoslav legislation. These included contributory pensions and unemployment benefits, means-tested child allowances for contributors on low wages, and very tightly controlled social help for households with no resources (social assistance). The latter operated through local Centers for Social Work (CSW) that provided cash benefits on a discretionary basis, as well as general social services to vulnerable groups such as children, the elderly and disabled people. The sector also includes various special institutions – a home for mentally handicapped people, a home for the elderly, an orphanage, and schools for the blind and for the deaf – which serve Kosovo as a whole.

In 1990, the various Kosovo schemes were merged with their Serbian counterparts and directed from Belgrade. The basic benefit structures were maintained, though with a number of changes of detail – many of which had the direct or indirect effect of excluding Albanians from eligibility. At the same time, many Albanian staff administering the various schemes were dismissed and replaced by Serbs. During the past ten years, basic social protection for most Albanian Kosovars has been provided by the extended family network, by remittances from the large Albanian community outside Kosovo, or by help in kind from various humanitarian organizations. Particularly important among the latter was the Mother Teresa Society, an organized charity funded by international organizations and private donations, with an extensive network of branch and local centers staffed by volunteers throughout Kosovo.

As a result of the conflict, social programs were abandoned and have not subsequently been resumed. Consequently, large numbers of Kosovars face extremely difficult circumstances. Many households have lost the main breadwinner and there are high levels of physical and psychological damage. While available information about vulnerability still is scarce, pending results from the ongoing household survey, an indication of the overall level of need may be the number of people that are estimated to be eligible for cash benefits under the UNMIK (United Nations Interim Administration in Kosovo) program - some 55,000 families, or 300,000 people, i.e. 10 percent of the population. In addition, substantial help in kind is being provided by the various humanitarian organizations, there is an unknown flow of funds from family members outside Kosovo, and many households have begun to receive a supply of cash, as regular stipends are being paid to public sector workers. All of this suggests that the number of people without any cash income is falling, but with formal sector opportunities for work outside UNMIK limited, it is likely that poverty will remain pervasive for some time to come.

To address the immediate and most urgent needs, the United Nations Interim Administration in Kosovo (UNMIK) launched a rudimentary social assistance program in 1999, targeted at the most vulnerable households (defined as those with no working members). This was replaced in mid-2000 with the current program, which draws on the combined initiatives of UNMIK and international NGOs, channels modest
cash benefits to some 55,000 families and provides some welfare services, mainly guidance, through the remaining network of centers of social work (CSWs). The program is gradually being built up with the intention of it taking on the role of a basic safety net for benefit and welfare service provision (1). Currently, it faces a number of challenges: (i) Albanian staff has replaced Serbs in the centers that are located in ethnic Albanian areas (the majority of centers), and many of the replacements have outdated skills harking back to the pre-1990 period, or lack basic skills and professional knowledge altogether; many centers were severely damaged during the conflict, and most of them lack basic facilities and equipment; organizationally, there is a need for greater coherence - between the Department of Health and Social Welfare (DHSW) that sets policy and standards, the Institute for Social Policy (ISP) that provides monitoring and evaluates the performance of CSWs, and regional and municipal welfare officers that provide field level guidance and support to the CSWs. Overall, the system suffers from shortages of relevant skills and operational knowledge. Details on the system are provided in Annex (1)

Welfare services involve the provision of counseling, care and referral of at-risk individuals and households (dysfunctional families, children, disabled, elderly, refugees and displaced persons, addicted, homeless, single-parent families) and liaising with specialized referral agencies.

The reestablishment of other social protection schemes is also under consideration, not least because of pressures from the Kosovar community to reintroduce the dormant pension scheme and introduce schemes for war veterans, civilian victims of the recent conflict, and the handicapped. The reintroduction of the pension scheme, in particular, will need careful consideration in light of limited resources (see affordability section below), and new approaches to a pension system will have to be considered. In particular, the merits of a flat-rate pension scheme with limited eligibility should be explored. At the same time, equity considerations will play an important role in shaping any social protection program – how to satisfy the needs and priorities of minority groups, especially the Kosovo Serbs. They generate particular problems for both program rules and program administration in present circumstances in Kosovo, and any successful strategy must strike an appropriate balance between universality and the specific needs of different groups.

The third sector - non-governmental, not-for-profit and voluntary initiatives in society, plays an important role in Kosovo. In terms of social protection, the previous system emphasized the role of the state in the care of those most in need. In light of scarce resources and a weak state infrastructure, the value of the third sector and civil society to the care of those in need justifies increased attention. There are over 500 NGOs registered with UNMIK, of which some 200 are international NGOs. Of the local organizations, many are recent, have been formed to attract donor funds and create paid jobs, and often are unclear in their understanding of what the third sector can, or should, do. Collaboration between NGOs is sparse, highlighted by competition for funding. The majority have registered with UNMIK, as this is usually a prerequisite for international support. To date, cooperation between the public sector and third sector organizations seems to focus on specialized services and beneficiary identification. In some areas a third sector organization may provide a needed social service not available elsewhere (e.g. temporary shelter), or the government may draw on the resources of the third sector to implement their programs (e.g. identification of beneficiaries for the social assistance scheme, specific family situations, runaways, domestic violence). One potential area of cooperation, expressed by both government and third sector organizations is the “service” NGOs could provide to the government in identifying beneficiaries, particularly for the social assistance scheme. In some areas the CSW have been directly involved in the design of NGO programs, such as the development of youth centres.

Affordability. In the past, social programs were financed from payroll taxes and, to some extent, from transfers from Belgrade. The structure of the social protection system, especially the pension system, was generous compared to Western standards, although benefit payment often fell short of formal compensation
levels. With the conflict, the situation has changed. Most programs are inactive, and only a narrowly targeted social assistance scheme currently provides benefits and welfare services. The tax base is weak, and payroll taxes non-existent. Resources are drawn from the Kosovo budget, and limited budget resources place an obvious constraint on the reestablishment of the system. Furthermore, expenditures on cash transfers, which depend on eligibility and household decisions to claim, are notoriously difficult to control or forecast precisely. This places additional constraints on the design of safety nets and social protection programs and may require the setting of cash limits for individual program expenditures.

A cash limit applies a control to expenditures in a given year. Because many social protection benefits can continue for long periods once granted, it is also important to consider whether commitments entered into in a given year can be met in subsequent years with the resources likely to be available. This is particularly important because experience suggests that the take-up of new payments or services tends to increase over time and be accompanied by pressures for improvements in coverage or benefit levels. It is therefore important to ensure that spending schemes are not only affordable in the short term, but can also be sustained over time. This is particularly relevant in the present circumstances of Kosovo, where the time horizon for additional donor resources may be limited and perspectives for expanding the tax base modest. Careful consideration therefore needs to be given to launching continuing commitments such as restarting the pension scheme, unless it is clear that donor funding can be replaced by adequate local resources when the time comes. Particularly when resources are tight, it is important both that the most vulnerable do receive help and that limited resources are directed to those who most need them.

Recurrent expenditures on social protection in 2000 amounted to $41.5 million, or 19 percent of the $215 million total recurrent budget in that year. For 2001, the provision for social protection is $42.5 million, or 18 percent of a $240 million budget. Cash benefit payments account for some 96 percent budget expenditures on social protection.

Consistent with a policy of gradual self-sustainability, donor support is declining as a proportion of recurrent expenditures. It fell sharply from 51 percent in 2000 to an estimated 32 percent in the 2001 budget. As the tax base widens, as there are improvements in both tax policy and tax administration, and as the economy starts to grow over the next several years, there should be substantial increases in revenue generated internally - to some $445 million in 2006 according to IMF estimates (IMF, Kosovo - Macroeconomic Issues and Fiscal Sustainability, November 2000). The first call on this new revenue will be the replacement of donor funding rather than improvements in provision. Taking account of this, the IMF figures suggest an increase of 60 per cent in the General Government Budget for recurrent expenditure between 2000 and 2006. If spending on social protection grew pro rata, it would amount to perhaps DM 130m in 2006. Given the many other calls on the Budget, it might be regarded as prudent to assume that the share devoted to social protection would not grow significantly. On the other hand, this would actually leave social protection taking a declining share of GDP – from 2.7 per cent at present to just 2 per cent of GDP in 2006. Both figures are low by international standards, when the average for middle income countries across the world is about 5 per cent. These comparisons must be treated with caution. Kosovo is clearly not a "typical" transition economy and several comparator countries are facing difficulties in meeting their social commitments. They do suggest, however, that the figure of $65 million in 2006 is very much at the low end of the range of prudent spending, and that there could well be room for spending significantly more, with an "optimistic" scenario of as much as $155 million. The Social Protection Strategy for Kosovo provides an indicative figure of $115 million for social protection in 2006.
3. Sector issues to be addressed by the project and strategic choices:

The project will focus on the following:
(a) strengthening social welfare services for the immediate future and the medium term;
(b) developing basic administrative processes for pension, veterans' and invalidity benefit provision;
(c) building human resource capacity in social welfare
(d) developing models for collaboration between public agencies and the third sector in welfare service delivery

The proposed project will primarily focus on rehabilitating the welfare system (described in Annex ). This will provide the highest welfare impact (i.e. the most cost-effective way to reach the most vulnerable population groups), and it is in line with UNMIK’s priorities. The provision of adequate welfare services will help the population better cope with the family-level problems that have arisen as a result of the conflict and which, if not addressed, can be expected to have significant adverse effects on individual behavior and Kosovar society more generally over time. In particular, they focus on the care of dysfunctional families and vulnerable individuals. The project will also provide the pension and invalids’ administration with basic administrative skills needed to manage simple benefit delivery programs. The introduction of such programs are strongly advocated by both majority and minority groups in the Kosovar population. It is estimated that the revitalization of welfare programs, pensions and invalids’ programs along these lines will be affordable in light of current and expected recurrent budget constraints. It is estimated that the project will add recurrent costs of no more than some $ 0.6 million.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The project would have the following components:

<table>
<thead>
<tr>
<th>Component</th>
<th>Sector</th>
<th>Indicative Costs (US$M)</th>
<th>% of Total</th>
<th>Bank-financing (US$M)</th>
<th>% of Bank-financing</th>
</tr>
</thead>
</table>

-6-
<table>
<thead>
<tr>
<th>A. Strengthening the social welfare system:</th>
<th>Institutional Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Developing the social welfare structure – definition of objectives and responsibilities of and interaction between public and private entities concerned with the planning, management, administration and delivery of social welfare services; drafting of related regulatory acts, instructions and guidelines; developing standards for accreditation and professional qualification; drafting of job descriptions and determination of skills requirements, staffing and training needs</td>
<td>1.02</td>
</tr>
<tr>
<td>(ii) strengthening policy analysis and administrative skills of UNMIK Department of Health and Social Welfare (DHSW) staff;</td>
<td></td>
</tr>
<tr>
<td>(iii) introducing a strategic planning and policy development capacity in the DHSW;</td>
<td></td>
</tr>
<tr>
<td>(iv) developing an information and communications strategy aimed at welfare system workers and the general public;</td>
<td></td>
</tr>
<tr>
<td>(v) development of an information technology strategy for the social welfare network.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Upgrading of social welfare infrastructure:</th>
<th>Institutional Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) rehabilitation of CSWs</td>
<td>2.68</td>
</tr>
<tr>
<td>(ii) equipping of CSWs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Capacity building for CSWs:</th>
<th>Institutional Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) training in service delivery for current CSW staff</td>
<td>1.95</td>
</tr>
<tr>
<td>(ii) development of a CSW-based staff supervision function</td>
<td></td>
</tr>
<tr>
<td>(iii) development of a certificate program in social work for future staff</td>
<td></td>
</tr>
</tbody>
</table>
2. Key policy and institutional reforms supported by the project:

At the level of welfare service delivery, the project will support UNMIK efforts to focus services on a set of priority advisory and counseling services, rather than return to the broad menu of services that characterized the previous, pre-1990s, system; it will separate the benefit payment function from the welfare service function; it will provide more formal structure for public-private interactions in service provision and staff training; and it will ensure service delivery to minority groups. For the longer term, it will help UNMIK develop a blueprint for a coherent social welfare system for Kosovo.

In the area of pension provision and provision of benefits to veterans and invalids, UNMIK is currently in the process of developing appropriate schemes, in large part based on analytical work done in the context of sector work supported by the Bank and the British Department for International Development (DFID). In anticipation of decisions to be taken in this area, the project will provide technical assistance to strengthen routine administrative processes in the Pension, Veterans' and Invalidity Fund.

3. Benefits and target population:

The project will increase efficiency and quality in service delivery:

1. It will allow the welfare system to provide appropriate responses to needs of poor and vulnerable population groups, in the majority as well as minority communities. Better administration will improve operations of the system; enhanced skills in counseling and care, and better defined referral functions, will bring about more satisfactory services for the target population; and separation of welfare service and benefit payment functions will improve targeting and timeliness of benefit delivery. The target population for welfare services will consist of at-risk individuals and households, essentially dysfunctional families, children, elderly, handicapped people and single-head households. Currently, the target population for cash benefits is limited to households with no employed members, with priority being given to households where no-one is capable of working.

2. It will develop a comprehensive plan for the social welfare system. This will clarify relationships between different actors concerned with welfare, including lines of accountability. This in turn will facilitate the development of appropriate strategies in the future, including in particular where to place the emphasis in practice/service development.

3. The pension/veterans/invalidity component will allow those programs to get off the ground without undue delays once decisions have been taken on pension and veterans' schemes.
4. Institutional and implementation arrangements:

The project will be implemented over a period of two years. UNMIK (the DHSW, the Central Fiscal Authority (CFA), the Central Procurement Entity (CPE)) will be the implementing agency for the Project.

One main objective of the project is to build the capacity of the Department of Social Welfare of UNMIK, which will become a public administration in charge of welfare in a future local authority in Kosovo. The responsibility for implementing the Project from a professional and technical point of view will therefore reside in this department. For financial management and procurement, it will liaise with the CFA and the CPE.

Financial management of the project will rest with the CFA. According to the structure of UNMIK, only the CFA, which acts as the Ministry of Finance, has the authority to open bank accounts, conduct and monitor financial transactions including the appointment of an independent auditor and establish the regulatory framework for procurement and expenditure transactions. Therefore, the CFA would be responsible for the financial management aspects of the Grant administration, including the opening of a Special Account as a sub-account to their existing commercial bank account; replenish the Special Account periodically; using their financial accounting system; prepare the financial management reports required by the Bank; and have the use of the Grant funds audited on an annual basis. The system will be programmed so that it is able to produce timely Project Management Reports (PMRs). UNMIK has decided to appoint independent auditors acceptable to the Bank for the audit of the project accounts. The audit costs would be borne by UNMIK as part of its operating costs. Normal disbursement procedures will be used. Once acceptable PMRs are produced, a move to PMR-based disbursements could be considered.

A separate department, the Central Procurement Entity (CPE), will be responsible for carrying out all procurement within UNMIK. It is proposed that the CPE would carry out the agreed procurement plan according to agreed procedures on behalf of the DHSW. However, the DHSW will be responsible for defining the terms of reference, determining short lists, establishing evaluation committees, and contract management. Besides carrying out procurement activities, the CPE would also have a role in advising the Department on implementation matters and reporting. In the DHSW, one individual will be nominated to fulfill a coordination function.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

The current project design reflects the fact that resources for investment and subsequent operations, maintenance and benefit payments are strictly limited and are likely to grow only modestly in the future. This constrains a more ambitious approach which would be unaffordable. Moreover, implementation capacity is strictly limited in UNMIK and within the Kosovar community. Therefore, we have chosen to focus on developing essential support services that meet minimal requirements of a safety net, while at the same time building up capacity to provide quality services over the medium term and expand provision if the opportunity rises in terms of more abundant resources.

Another option considered was to forgo a project at this time and wait for a clearer political situation and policy decisions in the area of social welfare. It was decided that although there are many uncertainties at this time it would be better to proceed in order to support the DHSW in making informed policy decisions. In addition, the social and poverty assessments pointed to the urgent and immediate need for assistance in large segments of the population and, consequently the need for the early establishment of an appropriate coping mechanism.
2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

<table>
<thead>
<tr>
<th>Sector Issue</th>
<th>Project</th>
<th>Latest Supervision (PSR) Ratings (Bank-financed projects only)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank-financed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving local living conditions</td>
<td>Community Development Fund</td>
<td>Implementation Progress (IP): S</td>
</tr>
<tr>
<td>Improving use of public resources and strengthening governance and management processes in education and health</td>
<td>Education and Health Project</td>
<td>Development Objective (DO): S</td>
</tr>
<tr>
<td><strong>Other development agencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit, service provision, capacity building</td>
<td>UNMIK Social Welfare Department initiatives</td>
<td></td>
</tr>
<tr>
<td>Direct provision of social services, improvements in infrastructure, training of social workers</td>
<td>Multiple agencies, bilaterals and NGOs</td>
<td></td>
</tr>
</tbody>
</table>

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

A number of lessons have been applied in the design of this project:

- the importance of local ownership, i.e. seeking input from all Kosovar constituencies in setting priorities and designing delivery systems;
- there is a relatively brief window of opportunity during which donors and international experts can have a significant impact on designing systems and formulating policy before interim arrangements become entrenched and resistant to change;
- a strong emphasis should be put on aid coordination to ensure complementary in donor initiatives and a priority focus in view of limited implementation and policy development capacity in Kosovo
- development support should be designed to take into account current and future resource constraints; the effective utilization of limited resources requires a particular emphasis on the welfare mix, i.e. the diversification of welfare provision between different sectors, primarily government, for profit (private) and the not for profit sector.

4. Indications of borrower commitment and ownership:

Among all groups in the Kosovar population, there is strong agreement that a safety net needs to be in place. Under UNMIK, rudimentary services and targeted benefit payments aimed at the neediest groups - families with no apparent resources and no members capable of working and, more recently, at families where no-one is gainfully employed - have been introduced. Increasingly, there is interest in resuming pension payments and in compensating war veterans and civilian victims of the conflict. While these are areas worth consideration and therefore are addressed in proposed technical assistance under the project, their actual implementation is strongly dependent on available resources for their recurrent operations.
5. Value added of Bank support in this project:

The Bank has a comparative advantage in assisting in the setting up of systems aimed at social risk management, and it has significant experience in this area throughout central and eastern Europe over the past decade. The Bank also has significant experience with promoting change in post-conflict environments.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):
   - Cost benefit \( \text{NPV}=\text{US\$ million; ERR} = \% \) (see Annex 4)
   - Cost effectiveness
   - Other (specify)

The focus of the project is on cost-effective use of limited public resources for basic service provision to individuals and households that have been hardest hit by the conflict and begin building a sustainable and effective social welfare system for the longer term. This should enhance the possibilities of integrating at-risk individuals and households into the mainstream of Kosovar society as productive members with enhanced capabilities to take on economic risk, i.e. it should improve labor market results for them, and at the same time it should result in reduced dependency, delinquency and criminality, lowering the costs associated with vulnerability and dysfunctional behavior among the population.

2. Financial (see Annex 4 and Annex 5):
   \( \text{NPV}=\text{US\$ million; FRR} = \% \) (see Annex 4)

An important factor in project design is the financial sustainability of the welfare system, and such financial considerations will be an important element of project implementation.

Fiscal Impact:

The project should have minor fiscal impact. Incremental operating costs will essentially arise from better maintenance standards and operating costs related to equipment such as the installation of generators in CSWs. With regard to additional staff, current welfare department budgets already foresee an increment of some 100 persons over the next year. It is unlikely that all positions will be filled, and some of those resources will be reallocated to operations and maintenance costs. Currently, it is estimated that incremental O&M costs will total $600,000 equivalent, or some 2 percent of the recurrent welfare budget.

3. Technical:

A sound strategy has been developed based on the following: a social assessment undertaken by the Bank, a sector strategy analysis undertaken by UNMIK with the support of the Bank and DFID; and following extensive discussions in the field with the UNMIK social welfare system managers and staff, with NGOs operating in welfare in Kosovo, and with local authorities and other stakeholders, including representatives of minority groups. The project will directly address needs that have been identified and expressed by these entities and groups.

4. Institutional:

4.1 Executing agencies:

The implementation capacities of the UNMIK entities (DHSW, CFA, CPE) that will implement the project
have been assessed, and DHSW and CPE will need strengthening to ensure adequate project implementation.

Project management will be in the DHSW, specifically the social welfare section within that department. The DHSW was formed in March 2000 by UNMIK regulation no 2000/10. It is responsible for the overall management and implementation of policy in the areas of health and welfare. The social welfare section is responsible for developing policy and strategies for social welfare, including regulatory frameworks, the setting of standards, and the prevention, monitoring and control of social problems. The section has an international staff of 14, a Kosovar co-director and national staff numbering 640 (including managers, professional and support staff). It is described in greater detail in Annex 13.

4.2 Project management:

The DHSW will appoint a coordinator for the project from among the current staff. It will, moreover, be strengthened with one international consultant, who will be recruited for the full period of project implementation. That person will be responsible for the day-to-day monitoring of project implementation in collaboration with relevant DSW staff, and for collecting all information for the purposes of monitoring and reporting on the progress of the project to the Bank and other authorities.

4.3 Procurement issues:

In the CPE, one individual is currently designated to handle World Bank project procurement. However, a procurement assessment conducted during project preparation has determined that this will not be sufficient to ensure adequate procurement under the project. Therefore, the CPE will recruit under the project, for a period of five months, one international consultant familiar with World Bank procurement procedures. The consultant will ensure start-up of the procurement aspects of project implementation and train a local staff (recruited for the duration of the project) in World Bank procurement procedures. The latter will take over the project procurement function once the international TA leaves, working under the guidance of existing Department of Procurement staff.

4.4 Financial management issues:

An assessment of the financial capacity of the CFA has been conducted. It is the conclusion that the existing system meets at least the minimum needs for proper grant administration and reporting.

5. Environmental: Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

The project includes minor civil works for the rehabilitation of Centers for Social Work. These works may have an adverse environmental effect relating to the disposal of debris following the rehabilitation. The civil works on CSW buildings range between $1,300 and $65,000 with an average value of $30,000. Currently, Serbian environmental regulations formally apply in Kosovo, but new regulations are being prepared by UNMIK. These regulations specify that an environmental impact assessment must be done for certain investments, generally larger scale works that are beyond the scope envisaged in the project. However, DHSW will use these regulations as a guide for the preparation of an Environmental Management Plan for this project.

5.2 What are the main features of the EMP and are they adequate?

It is expected that an environmental impact statement will have to be issued for the works relating to each site, including a description of the main measures that will be taken to offset any adverse effects of the project on the environment.

5.3 For Category A and B projects, timeline and status of EA:
5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

The project and its potential environmental impact was discussed with the Department of Environment of UNMIK including local counterparts. The proposed mitigation measures were discussed and agreed and the supervision and certification by Regional Environmental Officers was also agreed. The rehabilitation estimates were discussed in detail with the staff of DHSW in order to assess the potential environmental impact from the proposed activities. The EMP was also discussed with DHSW to ensure that they could ensure compliance with such measures through contracting. The EMP will be available to the public in Kosovo and also through the Bank's InfoShop.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

The Department of Environment is in the process of recruiting and training Regional Environmental Officers. These will be international staff with local counterparts for the interim. The training is being conducted at the Regional Environmental Center for Eastern Europe. The Department of Environment confirmed that these Officers would be responsible for the verification that works under the project have been carried out in compliance with the applicable regulation on hazardous materials. Supervision missions will also verify that provisions were included in contracts for contractors and that the REOs have reviewed compliance. The EMP also includes a monitoring plan.

6. Social:
6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The project does address a number of important social issues that have been identified in the Bank’s social assessment and UNMIK’s social protection strategy paper. These involve (i) giving Kosovar communities a voice in UNMIK directed policy making; (ii) taking local specificities into account in service provision; (iii) to the extent possible, avoiding an ethnic-based two-track service system; and (iv) recognition of extended family structures and informal safety nets, i.e. civil society, in providing support.

Preparation of the UNMIK social protection strategy paper, on which the current project is based, involved extensive consultations with Kosovar society – academic, professional, political and civil society stakeholders, and their views are reflected in the conclusions of the report. Further consultation on the focus and content of project components during project preparation has also involved the Kosovar community, and terms of reference for the technical assistance will further emphasize the need for Kosovar involvement. Training programs are exclusively focused on Kosovars. In fact, the underlying approach of the project is in fact to gradually enable a smooth transition of responsibility for policy making and service delivery in the area of social welfare from UNMIK to Kosovars.

In recognition of the importance of civil society in providing an adequate safety net – for reasons of limited resources as well as social tradition, design of the organization and institutional processes of the social welfare system will include analysis of how NGOs and civil society organizations can be incorporated into a comprehensive approach to welfare provision, which involves public-private partnership. It is, moreover, expected that the capacity building for CSWs component will be executed by an NGO.

Such public-private partnerships can be expected to strengthen the local character of welfare services.
Further strengthening of local specificity of service delivery will be introduced as CSWs move under the jurisdiction of municipalities, and CSW management and staff acquire improved professional skills and experience that will make them more comfortable in adapting their case work to local reality.

While measures to foster bridging between ethnic communities to a major degree is a function of adequate security and time, there will be an effort not to duplicate the service network. Instead, immediate ethnic and locality problems will be met through mobile outreach services, based in fixed centers. Thus, the equipment component envisages the establishment of 16 mobile units for this purpose.

6.2 Participatory Approach: How are key stakeholders participating in the project?

See 6.1. above.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

See 6.1. above

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

See 6.1. above

6.5 How will the project monitor performance in terms of social development outcomes?

The DSW consistently monitors service provision, including the quality of services to all ethnic groups. This will continue to be the case during and after project implementation.

7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

<table>
<thead>
<tr>
<th>Policy</th>
<th>Applicability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)</td>
<td>Yes</td>
</tr>
<tr>
<td>Natural habitats (OP 4.04, BP 4.04, GP 4.04)</td>
<td>No</td>
</tr>
<tr>
<td>Forestry (OP 4.36, GP 4.36)</td>
<td>Yes</td>
</tr>
<tr>
<td>Pest Management (OP 4.09)</td>
<td>No</td>
</tr>
<tr>
<td>Cultural Property (OPN 11.03)</td>
<td>Yes</td>
</tr>
<tr>
<td>Indigenous Peoples (OD 4.20)</td>
<td>No</td>
</tr>
<tr>
<td>Involuntary Resettlement (OD 4.30)</td>
<td>Yes</td>
</tr>
<tr>
<td>Safety of Dams (OP 4.37, BP 4.37)</td>
<td>No</td>
</tr>
<tr>
<td>Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)</td>
<td>Yes</td>
</tr>
<tr>
<td>Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)</td>
<td>No</td>
</tr>
</tbody>
</table>

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

See Section 5 above related to the Environmental Assessment.
F. Sustainability and Risks

1. Sustainability:

The sustainability of the social welfare system in Kosovo in the medium to longer term depends on the timeliness of economic recovery and a concurrent increase in public revenues. This will reduce pressures on the welfare system as demands on the safety net diminish and, at the same time, it can be expected to stabilize budget allocations and resource availability for welfare services. In the short term, the project has been designed taking into account conservative assumptions regarding resource availability, i.e. the recurrent costs arising from the project are expected to be moderate.

At the same time, political and constitutional uncertainties surrounding the future of Kosovo are considerable, and may well have implications for the welfare system. The proposed project remains neutral on that point. It aims at welfare services that can be delivered under current circumstances and reasonable projections of medium-term developments. Extensive consultations with the local population ensure that the project is adapted to the current environment.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Rating</th>
<th>Risk Mitigation Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Outputs to Objective</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The local population does not recognize ownership of the proposed welfare system and of changes in current structures</td>
<td>M</td>
<td>1. Extensive consultations with local stakeholders (political, academic, professional, general public, majority as well as minority groups) have taken place in developing the work that underlies the project (social assessment, poverty assessment, social protection strategy). 2. Extensive experience and feedback has already been received by UNMIK and NGOs in fieldwork that is directly relevant to the proposed project components 3. Project preparation, including terms of reference, has included heavy involvement by local as well as international staff in Kosovo, and field visits have confirmed the relevance of the proposed approaches 4. For the major tasks relating to the CSWs, which are in direct contact with the population, including minorities, qualified consultants will have to have had relevant Kosovar field experience</td>
</tr>
<tr>
<td>Staff turnover may be high</td>
<td>S</td>
<td>Improved management and administration, and training, should enable staff to cope better with caseloads and reduce burnout</td>
</tr>
</tbody>
</table>

From Components to Outputs

- 15 -
Adequate implementation capacity in UNMIK entities (DHSW, CPE) have been reviewed for institutional capacity to implement the project; they are being appropriately strengthened for project implementation.

Contracted consultants may not be able to build trust with Kosovar CSW community.

Terms of reference will require track record of successful collaboration with Kosovars in social welfare training.

| Overall Risk Rating | S | Political and constitutional uncertainties influence the overall risk rating; however, as noted in Sections D.1. and F.1., postponement of the project would not be a feasible alternative in light of current needs, and to minimize risk, it's design is relatively neutral with regard to future adjustments. |

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible Controversial Aspects:
The are no controversial aspects in the project beyond those relating to the political and constitutional uncertainties.

G. Main Loan Conditions

1. Effectiveness Condition
None

2. Other [classify according to covenant types used in the Legal Agreements.]
None

H. Readiness for Implementation

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- □ 1. b) Not applicable.
- □ 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- □ 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- □ 4. The following items are lacking and are discussed under loan conditions (Section G):

- □

- □
I. Compliance with Bank Policies

☒ 1. This project complies with all applicable Bank policies.
☐ 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

Hjalte S. A. Sederlof
Team Leader

Michal J. Rutkowski
Sector Manager/Director

Christiaan J. Poortman
Country Manager/Director
### Annex 1: Project Design Summary

**KOSOVO: Social Protection Project**

<table>
<thead>
<tr>
<th>Hierarchy of Objectives</th>
<th>Key Performance Indicators</th>
<th>Monitoring &amp; Evaluation</th>
<th>Critical Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sector-related CAS Goal:</strong> Sustainable social protection programs</td>
<td><strong>Sector Indicators:</strong> Efficient and effective service and benefit delivery</td>
<td><strong>Sector/ country reports:</strong> ISP monitoring reports, DHSW, CSW reports</td>
<td>(from Goal to Bank Mission) Political stability, Economic growth, expanding tax base, Continued donor support</td>
</tr>
<tr>
<td><strong>Project Development Objective:</strong> A basic safety net for the immediate future; design of a sustainable welfare system for the medium term; development of administrative capacity for delivery of pensions, and veterans' and invalidity benefits</td>
<td><strong>Outcome / Impact Indicators:</strong> Increase in quality and consistency of service provision, Better organization of social welfare policy-making and service delivery</td>
<td><strong>Project reports:</strong> ISP monitoring reports on compliance with procedures, accuracy of case selection and referrals, work plans, Reports from the appeals process, DHSW, CSW administrative and operational reports, Project supervision reports</td>
<td>(from Objective to Goal) Recurrent expenditures are increasingly met from local taxes; and donors continue to cover the difference; Investment expenditures are provided by donors, UNMIK implements blueprint for welfare scheme and adopts pensions, veterans' and invalidity schemes, The local population (including minorities) support the proposed programs</td>
</tr>
<tr>
<td><strong>Output from each Component:</strong> A. Design of a comprehensive social welfare system</td>
<td><strong>Output Indicators:</strong> Blueprint for the system</td>
<td><strong>Project reports:</strong> Project supervision reports, Handover reports of consultants, DHSW, CSW reports, Project supervision reports</td>
<td>(from Outputs to Objective) UNMIK adopts blueprint and the local population (including minorities) support the design of the proposed programs</td>
</tr>
<tr>
<td>B. Functional CSW infrastructure, including for minority groups</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Components / Sub-components:</td>
<td>Inputs: (budget for each component)</td>
<td>Project reports:</td>
<td>(from Components to Outputs)</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>------------------------------------</td>
<td>-----------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>A. Strengthening of the social welfare system</td>
<td>$1.02 million</td>
<td>Project supervision reports</td>
<td>Adequate implementation capacity in UNMIK</td>
</tr>
<tr>
<td>B. Upgrading of CSW infrastructure</td>
<td>$2.68 million</td>
<td>Project supervision reports</td>
<td></td>
</tr>
<tr>
<td>C. Capacity building for CSWs</td>
<td>$1.95 million</td>
<td>Project supervision reports</td>
<td></td>
</tr>
<tr>
<td>D. Strengthening essential services in the pensions, veterans' and invalidity administration</td>
<td>$0.17 million</td>
<td>Project supervision reports</td>
<td></td>
</tr>
<tr>
<td>E. Project management</td>
<td>$0.80 million</td>
<td>Project supervision reports</td>
<td></td>
</tr>
</tbody>
</table>

**C. Functional CSW staff**
- Number of staff trained in supervision and delivery; certificate program designed for training of future staff
- Contractor reports
- DHSW reports
- Project supervision reports

**D. Pension administration**
- Number of staff trained in relevant administrative skills
- Contractor reports
- DHSW reports
- Project supervision reports

**E. Effective implementation, monitoring, evaluation of project**
- Timeliness of submission of monitoring reports; quality of monitoring and evaluation activities; quality of financial, procurement management
- Implementation progress reports by UNMIK; financial audits; supervision reports; evaluation reports

Low staff turnover
Annex 2: Detailed Project Description
KOSOVO: Social Protection Project

By Component:

Project Component 1 - US$1.02 million

**Strengthening the Social Welfare System**

This component will define an appropriate organizational structure and related institutional arrangements for the social welfare system. The design will take into account current fiscal, administrative and political factors that may influence the system, and it will anticipate a diminished role for UNMIK and the international third sector in the future. It will provide technical assistance and training for the following elements:

(i) organizational and institutional development at the sectoral level, involving definition of objectives and responsibilities of entities involved in social welfare(1); their duties and functions; mutual relationships, including coordination, reporting and accountability; information needs of each entity; monitoring and evaluation methods, and forms and reporting mechanisms; recommendations on interaction and working relationships with third sector entities in the delivery of social services, including incentives for out-sourcing of functions third sector entities; draft regulations for each entity and functional job descriptions for each task; and staffing needs and skills requirements for the system;

(ii) strengthening policy analysis capability and administrative skills of staff in DHSW;

(iii) introducing a strategic planning and policy development function in DHSW;

(iv) introducing administrative and IT-based methods to prevent fraud and corruption in the welfare system; and

(v) support for an information and communications strategy for the sector aimed at promoting professional communications among welfare professionals and disseminating information about social services to the general public.

The component will also provide technical assistance to develop an information technology strategy for the sector. Since the conflict, welfare services have been receiving a variety of often inconsistent information and communications technology support from donors and NGOs. Future development of the welfare system will require a more consistent approach to the automation of existing processes and organizational structures in social welfare, as well as one that will allow the gradual alignment of processes, organizational structures and new technologies along the goals of social welfare.

(1) "Entities" include DHSW, ISP, Regional and Municipal Social Officers, CSWs, municipalities and municipal departments of health and social welfare, other public entities involved in the delivery of social services, e.g. Department of Justice, Department of Youth, Central Fiscal Authority, Department of Labor, and community groups and international NGOs.

Project Component 2 - US$2.68 million

**Upgrading of Social Welfare Infrastructure**

This component will support the refurbishment of 20 and equipping of 32 CSWs. Many CSW office buildings were damaged during the conflict, others have fallen into disrepair from lack of regular maintenance, and in a number of instances facilities have been destroyed altogether or are occupied by KFOR, with CSWs operating out of buildings that are inappropriate for the delivery of welfare services.
At the same time, there is a shortage of office equipment and office furniture. NGOs and bilateral donors are refurbishing and in some cases rebuilding CSWs, including providing office equipment. The component would complement these initiatives by financing physical repairs to existing buildings and reconfiguring offices, as well as providing essential equipment and furniture – photocopiers, fax machines, safes, fire safety tools, storage heaters and generators. The component would also provide vehicles and related communications and office equipment for mobile CSW teams that provide outreach services to Serb enclaves.

Project Component 3 - US$ 1.95 million

**Capacity Building for Centers for Social Work**

This component will aim at building up a common standard of counseling, care and care planning in the CSW network. It will do the following:

(i) provide training in modern case management for current CSW staff, many of whom either have little or no previous experience in social work, or have not practiced social work for the past ten years and whose skills have consequently eroded as well as becoming outdated; in addition to skills building in social work, it would provide specialized training social work and the law, client-centered needs analysis, and networking and advocacy;

(ii) develop a staff level technical guidance and supervision function at the CSW level by providing selected senior-level social workers in each center with accelerated training in case supervision and management;

(iii) introduce an outcomes assessment mechanism at the level of the ISP; and

(iv) develop a certificate program in social work to ensure a future generation of staff, this is particularly important as many of the current generation of social workers are close to retirement and there currently are no programs to replace such staff. For these purposes, the project would provide technical assistance and training.

Project Component 4 - US$0.17 million

**Support to Pension and Invalidity Fund**

This component would provide technical assistance and training to help strengthen essential services in the Pension and Invalidity Fund in anticipation of decisions being taken by UNMIK on the shape of the future pension scheme, and on veterans' and invalidity benefit schemes. Fund premises were largely destroyed during the conflict and it has ceased most operations. Administrative procedures employed in the Fund have been inherited from the previous period, and they have fallen into disuse, as there has been little need to apply or modify them until now: the Fund's activities currently are limited to restoring computer records of beneficiaries who were entitled to pension payments under the previous pension scheme of the Federal Republic of Yugoslavia, which was discontinued in 1999. With the expectation of a new pension scheme and veterans' and invalidity benefit schemes being introduced, there is a need to restore Fund administration. Thus, resources have been set aside under the Bank's Education and Health Project to rehabilitate the facilities and provide basic equipment, including for the establishment/ maintenance of a centralized data base or register containing information in a readily retrievable form. This project would help (re)introducing administrative procedures for record-keeping, prompt and accurate determination of benefits, keeping track of people in payment status, and providing information to the general public.

Project Component 5 - US$0.80 million
Project Management

The DHSW will have responsibility for all technical aspects of the project. Technical assistance (one person for the duration of the project) would be provided to the DHSW for the day-to-day implementation of the project. It is expected that this person would also serve more generally as support to the Department Head in current management of the Department.
### Annex 3: Estimated Project Costs

**KOSOVO: Social Protection Project**

<table>
<thead>
<tr>
<th>Project Cost By Component</th>
<th>Local US $million</th>
<th>Foreign US $million</th>
<th>Total US $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening the Social Welfare System</td>
<td>0.00</td>
<td>0.98</td>
<td>0.98</td>
</tr>
<tr>
<td>Upgrading Social Welfare Infrastructure</td>
<td>0.95</td>
<td>1.58</td>
<td>2.53</td>
</tr>
<tr>
<td>Capacity Building for Centers for Social Welfare</td>
<td>0.07</td>
<td>1.82</td>
<td>1.89</td>
</tr>
<tr>
<td>Support to Pension and Invalidity Fund</td>
<td>0.00</td>
<td>0.16</td>
<td>0.16</td>
</tr>
<tr>
<td>Project Management</td>
<td>0.18</td>
<td>0.60</td>
<td>0.78</td>
</tr>
<tr>
<td><strong>Total Baseline Cost</strong></td>
<td><strong>1.20</strong></td>
<td><strong>5.14</strong></td>
<td><strong>6.34</strong></td>
</tr>
<tr>
<td>Physical Contingencies</td>
<td>0.09</td>
<td>0.00</td>
<td>0.09</td>
</tr>
<tr>
<td>Price Contingencies</td>
<td>0.00</td>
<td>0.19</td>
<td>0.19</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>1.29</strong></td>
<td><strong>5.33</strong></td>
<td><strong>6.62</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Cost By Category</th>
<th>Local US $million</th>
<th>Foreign US $million</th>
<th>Total US $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>0.00</td>
<td>1.64</td>
<td>1.64</td>
</tr>
<tr>
<td>Works</td>
<td>1.04</td>
<td>0.00</td>
<td>1.04</td>
</tr>
<tr>
<td>Services</td>
<td>0.17</td>
<td>3.69</td>
<td>3.86</td>
</tr>
<tr>
<td>Incremental Operating Costs</td>
<td>0.08</td>
<td>0.00</td>
<td>0.08</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>1.29</strong></td>
<td><strong>5.33</strong></td>
<td><strong>6.62</strong></td>
</tr>
</tbody>
</table>

Identifiable taxes and duties are 0 (US$m) and the total project cost, net of taxes, is 6.62 (US$m). Therefore, the project cost sharing ratio is 63.44% of total project cost net of taxes.
Annex 4
KOSOVO: Social Protection Project

Not applicable.
### Annex 5: Financial Summary

**KOSOVO: Social Protection Project**

#### IMPLEMENTATION PERIOD

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Financing Required</td>
<td>0.9</td>
<td>5.0</td>
<td>0.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Project Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Costs</td>
<td>0.92</td>
<td>5.0</td>
<td>0.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Recurrent Costs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Project Costs</td>
<td>0.9</td>
<td>5.0</td>
<td>1.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Financing</td>
<td>0.9</td>
<td>5.0</td>
<td>1.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD/IDA</td>
<td>0.6</td>
<td>3.3</td>
<td>0.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Government</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Central</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Provincial</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Co-financiers DFID</td>
<td>0.32</td>
<td>1.7</td>
<td>0.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>User Fees/Beneficiaries</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Others</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Financing</td>
<td>0.92</td>
<td>5.0</td>
<td>0.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

#### OPERATIONAL PERIOD

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Financing Required</td>
<td>0.9</td>
<td>5.0</td>
<td>1.3</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Project Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Costs</td>
<td>0.92</td>
<td>5.0</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Recurrent Costs</td>
<td>0.0</td>
<td>0.0</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Total Project Costs</td>
<td>0.9</td>
<td>5.0</td>
<td>1.3</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Financing</td>
<td>0.9</td>
<td>5.0</td>
<td>1.3</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD/IDA</td>
<td>0.6</td>
<td>3.3</td>
<td>0.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Government</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Central</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Provincial</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Co-financiers DFID</td>
<td>0.32</td>
<td>1.7</td>
<td>0.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>User Fees/Beneficiaries</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

- 26 -
<table>
<thead>
<tr>
<th>Others</th>
<th>0.0</th>
<th>0.0</th>
<th>0.0</th>
<th>0.0</th>
<th>0.0</th>
<th>0.0</th>
<th>0.0</th>
<th>0.0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Project Financing</strong></td>
<td>0.92</td>
<td>5.0</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>
Annex 6: Procurement and Disbursement Arrangements
KOSOVO: Social Protection Project

Procurement

The procurement of goods and services will be done in accordance with the Association's procurement guidelines: Procurement under IBRD Loans and IDA Credits published in January 1995 including all revisions up to January 1999 and Selection and Employment of Consultants by World Bank Borrowers dated January 1997, revised in September 1997 and January 1999. The project elements, their estimated cost and procurement methods are summarized in Table A. The procurement capacity assessment of the implementing agency was completed during the appraisal mission. This assessment and other procurement information, estimated dates for publication of GPN and the Association's review process is presented in the “Assessment of the Capacity of the Implementing Agency” in the project files.

Procurement Management: The Central Procurement Entity (CPE) of the Department of Public services under the United Nations Interim Administration Mission in Kosovo will be responsible for overall project implementation and progress monitoring. The CPE will ensure that the procurement procedures, criteria, and documentation agreed with IDA, are complied with satisfactorily. The procurement management responsibilities and procedures are described in further detail in the Project Implementation Document. The CPE will oversee the procurement and award of contracts under the project. The CPE will also have responsibility for carrying out procurement intended for CPE operations (incremental operating costs) and the capacity building component. To carry out its procurement responsibilities, the CPE will recruit a full-time, in-house international procurement specialist for the project. This specialist will provide procurement training to the CPE staff as well as prepare the various bidding documents required under the project.

Procurement Arrangements

The procurement methods and arrangements applicable to the various expenditure categories under the Project are summarized below in Table A. Model bidding documents for national competitive bidding (NCB) will be prepared by the CPE for use under the project. These documents, which are based on Bank ECA Standard Bidding Documents (SBD) were again reviewed at appraisal and found to be suitable for use under the project. A general procurement notice will be published in the United Nations' Development Business by June 30, 2001. The GPN will be updated annually for all outstanding procurement. Procurement under the project would be undertaken in accordance with the procurement arrangements shown in Table A and A1. The procurement schedule for the project is presented in Table B1. The main procurement methods are highlighted below.

1. Procurement of Civil Works

Civil Works (US$1.04 million) will be procured as follows:

(i) National Competitive Bidding (NCB). There will be a total of six small works contract packages estimated to be above US$50,000 but below US$200,000 equivalent that would be procured under the national competitive bidding (NCB) procedures under lump-sum, fixed price contracts. The PCU will use ECA sample bidding documents for small works procurement. Invitation for bids would be advertised in local newspapers. The aggregate amount under NCB is estimated at US$0.58 million.
(ii) **Minor (small) works.** Works contracts that are simple in design and small in value (under US$50,000) would be procured according to Minor Works procedures. Such works contracts that are labor intensive, geographically scattered and spread over time, due, in part to climatic conditions, would be procured under lump-sum fixed price contracts awarded on the basis of quotations obtained from at least 3 (three) qualified domestic contractors in response to a written invitation and according to Bank guidelines. The CPE will use sample bidding documents developed in the ECA region. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, and relevant drawings where applicable. The award would be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract. The aggregate value under minor works contract is estimated to be US$0.46 million.

2. Procurement of Goods

Goods (approx. US$1.64 million) consisting of minor computer and office equipment, furniture and generators will be grouped to the extent possible and considering project objectives, in package sizes that will encourage competitive bidding. The following methods of procurement will be followed:

(i) **International Competitive Bidding (ICB)** procedures will be used for contracts estimated to cost more than US$100,000 equivalent per contract. It is estimated that contracts totaling US$1.52 million (93% of total goods) will be procured through ICB procedures.

(ii) **International Shopping (IS)** procedures will be used for readily available off-the-shelf goods of standard specifications estimated to cost less than $100,000 equivalent per contract up to an aggregate of US$0.12 million (7% of total goods). These procedures will require quotations from at least three qualified suppliers from two different Bank-member countries.

3. Selection Procedures for Services

Contracts for Consulting Services (US$3.87 million in technical assistance and training) required for the Project will be awarded following the World Bank Guidelines "Selection and Employment of Consultants by World Bank Borrowers" dated January 1997, revised September 1997 and January 1999. Contracts will be packaged to include a combination of related skills and services, in order to make them attractive and increase competition as well as to reduce the number of contracts to be managed. The following methods of procurement will be followed:

(i) **Quality and Cost-Based Selection (QCBS)** procedures will be used for 3 consulting services and training contracts such as technical assistance in organizational structure and training of staff of the Department of Health and Social Welfare.

(ii) **Quality Based Selection (QBS)** procedures will be used for one consulting services and training contract for capacity building of Centers for Social Welfare.

(iii) **Selection Based on Consultant Qualifications (CQ)** procedures will be used for two consulting services contracts (with a contract value below US$100,000) for Assistance on Fraud and Corruption Prevention and for a local engineering firm to help supervise the civil works.

(iv) **Individual Consultants** will be hired for various TA services such as strengthening the social welfare system, providing support to the Pension and Invalidity Fund, strategic planning for the
Department of Health and Social Welfare and project management/procurement management, under Section V of the Guidelines up to an aggregate amount of US$1.22 million equivalent, selected through advertisement and on the basis of expressions of interest.

4. Incremental Operating Costs

The Grant will finance incremental operating costs of about US$0.07 million consisting of: (a) communications, maintenance and operation of equipment procured or used under the project, office supplies and publication of procurement notices in local newspapers.

5. Notification of Business Opportunities

A General Procurement Notice (GPN) will be published in Development Business and will be updated annually for any outstanding tenders. For any ICB contracts and consultants’ contracts above US$200,000, Specific Procurement Notices/Requests for Expression of Interest will be advertised in Development Business, in the Public Procurement Bulletin of the UNMIK Interim Administration as well as another appropriate newspaper of wide local circulation.

6. Review by the Association of Procurement Decisions

Scheduling of Procurement. Procurement of goods and services for the project will be carried out in accordance with the agreed procurement plan. Prior to the issuance of any invitation for bidding, the proposed procurement plan for the project will be reviewed by UNMIK (Department of Health and Social Welfare and the Central Procurement Authority) and the Association will be advised of any revisions for its review in accordance with the agreed procurement plan, which will be modified as appropriate and included in the progress reports subject to Association review.

(i) Civil Works: The first five contracts regardless of their size under NCB, the first three minor works contracts will be prior reviewed by the Association.

(i) Goods: Prior review of bidding documents, including review of evaluation, recommendation of award and contract will be conducted for all ICB contracts, and the first two contracts under International Shopping regardless of their value.

(iii) Consulting Services: Terms of reference, projected budgets and proposed procurement method for all consulting and training assignments will be subject to prior Association review. Request for Proposals (RFP), short lists, terms and conditions of contracts, evaluation reports and recommendation for award, and negotiated contracts will be prior reviewed by the Association for contracts for individual consultants above $20,000 equivalent and firms above $50,000 equivalent and/or amendments which, respectively, raise base contracts above these levels.

After award of contract, should any material modifications of specifications or terms of reference or waiver of terms and conditions of a contract, and/or contract ceiling proposed to increase above 15% of the original amount, the Association will reserve the right to prior review of such modifications (including modifications to contracts for consulting services).

**Procurement methods (Table A)**
Table A: Project Costs by Procurement Arrangements
(US$ million equivalent)

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>ICB</th>
<th>NCB</th>
<th>Other</th>
<th>N.B.F.</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Works</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.04</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
<td>0.58</td>
<td>0.46</td>
<td>0.00</td>
<td>(0.65)</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.36)</td>
<td>(0.29)</td>
<td>(0.00)</td>
<td>(0.00)</td>
</tr>
<tr>
<td>2. Goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.64</td>
</tr>
<tr>
<td></td>
<td>1.52</td>
<td>0.00</td>
<td>0.12</td>
<td>0.00</td>
<td>(1.03)</td>
</tr>
<tr>
<td></td>
<td>(0.96)</td>
<td>(0.00)</td>
<td>(0.07)</td>
<td>(0.00)</td>
<td>(0.00)</td>
</tr>
<tr>
<td>3. Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.87</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>3.87</td>
<td>0.00</td>
<td>(2.48)</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(2.48)</td>
<td>(0.00)</td>
<td>(0.00)</td>
</tr>
<tr>
<td>4. Incremental Operating Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.07</td>
</tr>
<tr>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>0.07</td>
<td>0.00</td>
<td>(0.04)</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.04)</td>
<td>(0.00)</td>
<td>(0.04)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.52</td>
<td>0.58</td>
<td>4.52</td>
<td>0.00</td>
<td>6.62</td>
</tr>
<tr>
<td></td>
<td>(0.96)</td>
<td>(0.36)</td>
<td>(2.88)</td>
<td>(0.00)</td>
<td>(4.20)</td>
</tr>
</tbody>
</table>

Figures in parenthesis are the amounts to be financed by the Bank Grant. All costs include contingencies.

1 Includes small works procedures, goods to be procured through international shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.
Table A1: Consultant Selection Arrangements (optional)
(US$ million equivalent)

<table>
<thead>
<tr>
<th>Consultant Services Expenditure Category</th>
<th>QCBS</th>
<th>QBS</th>
<th>SFB</th>
<th>LCS</th>
<th>CQ</th>
<th>Other</th>
<th>N.B.F.</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Firms</td>
<td>0.54</td>
<td>1.96</td>
<td>0.00</td>
<td>0.00</td>
<td>0.15</td>
<td>0.00</td>
<td>0.00</td>
<td>2.65</td>
</tr>
<tr>
<td></td>
<td>(0.35)</td>
<td>(1.25)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.10)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(1.70)</td>
</tr>
<tr>
<td>B. Individuals</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.22</td>
<td>0.00</td>
<td>1.22</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.78)</td>
<td>(0.00)</td>
<td>(0.78)</td>
</tr>
<tr>
<td>Total</td>
<td>0.54</td>
<td>1.96</td>
<td>0.00</td>
<td>0.00</td>
<td>0.15</td>
<td>1.22</td>
<td>0.00</td>
<td>3.87</td>
</tr>
<tr>
<td></td>
<td>(0.35)</td>
<td>(1.25)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.10)</td>
<td>(0.78)</td>
<td>(0.00)</td>
<td>(2.48)</td>
</tr>
</tbody>
</table>

1\ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection
QBS = Quality-based Selection
SFB = Selection under a Fixed Budget
LCS = Least-Cost Selection
CQ = Selection Based on Consultants' Qualifications
Other = Selection of individual consultants per Section V of Consultants Guidelines

N.B.F. = Not Bank-financed
Figures in parenthesis are the amounts to be financed by the Bank Grant.
Prior review thresholds (Table B)

Table B: Thresholds for Procurement Methods and Prior Review

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Contract Value Threshold (US$ thousands)</th>
<th>Procurement Method</th>
<th>Contracts Subject to Prior Review (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Works</td>
<td>below US$200,000 and above US$50,000</td>
<td>NCB</td>
<td>first 5 contracts overall</td>
</tr>
<tr>
<td></td>
<td>below US$50,000</td>
<td>Minor Works</td>
<td>$1.08</td>
</tr>
<tr>
<td>2. Goods</td>
<td>above US$100,000</td>
<td>ICB</td>
<td>$1.52</td>
</tr>
<tr>
<td></td>
<td>US$50,000 - US$100,000</td>
<td>IS</td>
<td>$0.12</td>
</tr>
<tr>
<td>3. Services</td>
<td>Firms above $50,000</td>
<td>QCBS (3),</td>
<td>$0.54</td>
</tr>
<tr>
<td></td>
<td></td>
<td>QBS (1)</td>
<td>$1.96</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CQ (2)</td>
<td>$0.15</td>
</tr>
<tr>
<td></td>
<td>Individuals above $20,000</td>
<td>Individual (5)</td>
<td>$1.22</td>
</tr>
</tbody>
</table>

Total value of contracts subject to prior review: US$6.59 million

Overall Procurement Risk Assessment

High

Frequency of procurement supervision missions proposed: One every six months (includes special procurement supervision for post-review/audits)

Section 1: Capacity of Implementing Agency in Procurement and Technical Assistance Requirements:

Brief Statement

The overall responsibility for project management and coordination rest with the CPE within UNMIK. The CPE will be supported by Technical Assistance consisting of: a full time Procurement Specialist, a short-term International Procurement Specialist, and a full time Procurement Assistant. The CPE Procurement Specialist has received a two week Bank sponsored procurement training in Sarajevo during the spring of 2000 and has been handling procurement related activities on all Bank financed projects in Kosovo. The CPE Procurement Specialist would definitely need to receive on-the-job training working along with and International Procurement consultant the project.

Country Procurement Assessment Report or Country Procurement Strategy Paper Status. A CPAR for Kosovo has not been done. Are the bidding documents for the first year ready by negotiations. Yes [ ] No [X]

Section 2: Training, Information and Development on Procurement

Estimated date of Project Launch Workshop: 7/2001
Estimated date of publication of General Procurement Notice: 06/30/2001

- 33 -
Indicate if there is procurement subject to mandatory SPN in Development Business: Yes. For ICB and consultant services

Domestic Preference for Goods: No
Retroactive financing: No
Advance Procurement: No

Explain briefly the Procurement Monitoring System:

All procurement related documentation that requires Bank’s prior review will be cleared by Procurement Accredited Staff (PAS) and relevant technical staff. No packages above mandatory review thresholds by RPA are anticipated. The CPE will maintain complete procurement files which will be reviewed by Bank’s supervision missions. The Procurement Plan will be updated annually. Procurement information will be recorded by the CPE and submitted to the Bank as part of the quarterly and annual progress reports. This information will include: revised cost estimates for the different contracts; revised timing of procurement actions, including advertising, bidding, contract award, and completion time for individual contracts; as well as compliance with aggregate limits (within 15%) on specific methods of procurement.

Co-financing: No

Section 3: Procurement Staffing

Indicate the name of Procurement staff or Bank’s part of the Task Team responsible for the procurement in the Project:
Name: Seyoum Solomon (ECSHD) Ext:32393

Explain briefly the expected role of the Field Office in Procurement:
There is a procurement capacity at the CPE even though it needs to be strengthened. The CPE will complement its procurement capacity by hiring a part-time foreign TA procurement Specialist on as needed basis, and a full time Procurement Assistant. The Procurement Assistant will receive an intensive procurement training in Turin, Italy in September, 2001.

Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.
Disbursement

Allocation of grant proceeds (Table C)
The project will be financed from the Kosovo Trust Fund administered by the Bank (US$4.00 million) and co-financing will be provided by the UK Department for International Development (US$2.73 million). DFID will provide these funds as joint financing through a trust fund to be administered by the Bank for this project. A Memorandum of Understanding will be signed with DFID prior to the approval of the project by the Vice President.

The proposed Grant, including the co-financing trust fund, would be disbursed as shown in Table C. It is expected that the proceeds of the Grant will be disbursed over a period of 2.5 years, which includes six months for completion of accounts and submission of withdrawal applications. As there is no standard disbursement profile for Kosovo, the disbursement forecast is based on previous experience. The project completion date is August 31, 2003 and the closing date is February 29, 2004.

Table C: Allocation of Grant Proceeds

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Trust Fund Grant Allocated (US$ millions)</th>
<th>Amount of the DFID Grant Allocated (US$ millions)</th>
<th>% of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works</td>
<td>0.610</td>
<td>0.360</td>
<td>64% out of the Trust Fund and 36% out of the DFID Grant</td>
</tr>
<tr>
<td>Goods</td>
<td>0.945</td>
<td>0.555</td>
<td>64% out of the Trust Fund and 36% out of the DFID Grant</td>
</tr>
<tr>
<td>Consultants' Services</td>
<td>2.200</td>
<td>1.300</td>
<td>64% out of the Trust Fund and 36% out of the DFID Grant</td>
</tr>
<tr>
<td>Incremental Operating Costs</td>
<td>0.035</td>
<td>0.015</td>
<td>64% out of the Trust Fund and 36% out of the DFID Grant</td>
</tr>
<tr>
<td>Unallocated</td>
<td>0.410</td>
<td>0.190</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>4.200</td>
<td>2.420</td>
<td></td>
</tr>
</tbody>
</table>

Use of statements of expenditures (SOEs):
Some of the proceeds of the Grant are expected to be disbursed on the basis of Statement of Expenditures (SOEs) as follows: (a) civil works for all contracts costing less than US$50,000 equivalent each (with the exception of the first three contracts); (b) goods costing less than US$100,000 equivalent per contract (with the exception of the first two contracts); (c) service contracts for (i) individuals costing less than US$20,000 each; and (ii) firms costing less than US$50,000 each; (d) operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient. Disbursements against goods and services exceeding the above limits will be made against full documentation and respective
procurement guidelines. SOEs will be certified locally by the Central Fiscal Authority. Related
documentation in support of SOEs will not be submitted to the Association, but will be retained by CFA
for at least one year, after receipt by the Association of the audit report for the year in which the last
disbursement is made. This documentation will be made available for review by the auditors and
supervision missions. If ineligible expenditures, including those not justified by the evidence furnished, are
financed from the Special Account (SA), the Association will have the right to withhold further deposits
into the SA. The Association may exercise this right until the Recipient has (a) refunded the amounts
involved, of (b) submitted evidence of other eligible expenditures that can be used to offset the ineligible
amounts, if the Association agrees.

Special account:
To facilitate timely project implementation, UNMIK will establish, maintain and operate, under conditions
acceptable to the Bank, a Special Account in DEM in a commercial bank acceptable to the Bank. An
initial authorized Special Account allocation of DEM600,000 will be established. An authorized allocation
of the Special Account will be DEM 1.2 million. The balance of the SA may be drawn once the aggregate
disbursements of the Grant total $1.0 million or more. The account size is justified for several reasons: (i)
being able to authorize payments directly from the Special Account to contracts rather than requesting any
direct disbursements will be administratively easier for the CFA to manage; (ii) frequent Special Account
replenishment applications would also be an undue administrative burden on the CFA; (iii) the Special
Account will be held in a very secure banking environment as it will be a sub-account of the bank
accounting containing all donor funds supporting the Kosovar consolidated budget; and (iv) the Project has
a short implementation period, requiring a very quick disbursement method. The minimum amount of each
application should be 20% of the authorized allocation. Replenishment applications should be submitted
by the CFA at least every three months, and must include reconciled bank statements as well as other
appropriate supporting documents.

Project Accounting

The Central Fiscal Authority (CFA), acting under the authority of the Special Representative of the
Secretary-General, is responsible of the overall financial management of the Kosovo Budget and the
budgets under the responsibility of the municipalities, which together from the Kosovo Consolidated
Budget (KCB). Specifically, the CFA is responsible for budget process and preparation, treasury
functions, revenue analysis, tax collection and customs administration. Currently, the CFA is funded
primarily through the International donor community and its day-to-day management is conducted by
international experts. One of its key objectives is to allocate, commit and track funds for public sector
spending through an automated system to enhance accountability and government financial operations.

To ensure that expenditure are consistent with the amounts and purpose set out in the KCB, regulations
have been approved by the Special Representative of the Secretary-General. To prevent abuse and fraud,
explicit administrative instructions and procedures are in place for the commitment and expenditure of
public money. Also, in order to minimize the risk of fraud and malfeasance, an independent officer from
the procurement process checks and confirms that these rules have been adhered to. A detailed description
of the instructions and procedures are found in the PIP.

The Bank has discussed with the representatives of the Central Fiscal Authority (CFA), Bank’s reporting
requirements for projects and the need for the establishment of a proper financial management system to
produce Project Management Reports (PMR). As the participants under the project fall under the umbrella
of the KCB, all project related payments would be made via the STA, and the accounts would be
maintained as part of the CFA’s accounting system. The current financial system at the CFA is able to
produce the integrated PMRs (Financial report, Progress Report and Procurement Management Report), as required by IDA. PMRs are being produced for the Urgent Road Project and the Education and Health Project. In order to be able to produce PMRs for this project the following actions will be taken:

- A chart of accounts will be developed for the project by the CFA in coordination with the Social Welfare counterparts, and will be incorporated into CFA’s own chart of accounts with budget classification codes based on the GFMIS;
- An expatriate staff, assigned to the CFA and funded under the Bank’s PSD TA project will be in charge of producing the PMRs for this project. She will have counterparts in the Department of Social Protection and the Central Procurement Authority (CPA), who will coordinate project implementation and assist in the preparation of the PMRs;
- The CFA will utilize traditional Association disbursement procedures. A move to PMR based disbursements will be considered once a Association FMS has reviewed and certified the PMRs as acceptable for disbursements; and
- The selection of an auditor acceptable to the Association, to audit the project accounts should be completed no later than May 15th, 2001

The Treasury Department of the CFA has:

- adequate financial management capacity to properly handle the tasks of disbursement and accounting required for implementation of the project objectives; and
- proper monitoring mechanism to report accurately on the status of the expenditure for the project as a whole, its various components and each expenditure category as represented in the Grant Agreement, by each funding source.

**Project Audit and Other Reporting**

**Project Audits**

UNMIK has decided to appoint independent auditors acceptable to the Bank for the audit of the project accounts. The audit costs would be borne by UNMIK as part of its operating costs. Project accounts, financial statements, the Special Account and Statement of Expenditures will be audited in accordance with the *Guidelines for Financial Reporting and Auditing for Projects Financed by the World Bank* (March 1982) as well as the *Financial Accounting Reporting and Auditing Handbook* (January 1995). In particular, International Auditing Standards (IAS) as published by the International Federation of Accountants (IFAC) will be consistently applied. The CFA will provide the Bank (within six months of the end of each fiscal year), an audit report of such scope and detail as the Bank may reasonably request, including an opinion by an independent auditor acceptable to the Bank, on disbursements against certified SOEs, or against PMRs. The opinion should mention whether the SOEs/PMRs submitted during the fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawal applications.

**Project Reporting**

UNMIK, lead by the Department of Health and Social Welfare, in coordination with the CFA and CPA, will ensure that proper project progress reports are prepared and submitted to the IDA in a timely fashion. These include comprehensive quarterly reports covering project financing, implementation progress (including variance reporting), procurement progress and contract expenditure. The reporting system will be in compliance with the formats provided by the IDA in the *Project Financial Management Manual*.
A copy has been given to the CFA. These include: *project status reports*, reflecting: (i) the status of implementation progress, problems encountered, corrective actions needed, rationale for actions; (ii) the current state of project indicators; and (iii) the current costs of each project component and estimated costs of completion *Procurement reports*, including (i) which describe the progress of procurement activities against the plans set forth in the PIP, variations in progress, reasons for variations, and remedial actions; (ii) bid evaluation reports, as they arise in the procurement processes.
Annex 7: Project Processing Schedule
KOSOVO: Social Protection Project

<table>
<thead>
<tr>
<th>Project Schedule</th>
<th>Planned</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time taken to prepare the project (months)</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>First Bank mission (identification)</td>
<td>09/15/2000</td>
<td>09/15/2000</td>
</tr>
<tr>
<td>Appraisal mission departure</td>
<td>04/02/2001</td>
<td>04/02/2001</td>
</tr>
<tr>
<td>Negotiations</td>
<td>06/04/2001</td>
<td>06/04/2001</td>
</tr>
<tr>
<td>Planned Date of Effectiveness</td>
<td>09/01/2001</td>
<td>09/01/2001</td>
</tr>
</tbody>
</table>

Prepared by:
UNMIK Department of Social Welfare with assistance from consultants

Preparation assistance:

Bank staff who worked on the project included:

<table>
<thead>
<tr>
<th>Name</th>
<th>Speciality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hjalte S.A. Sederlof</td>
<td>Lead Operations Officer, Team Leader</td>
</tr>
<tr>
<td>Kathryn Dahlmeier</td>
<td>Operations Analyst</td>
</tr>
<tr>
<td>Seyoum Soloman</td>
<td>Procurement Specialist</td>
</tr>
<tr>
<td>Hiran Herat</td>
<td>Financial Management Specialist</td>
</tr>
<tr>
<td>Kishor Uprety</td>
<td>Counsel</td>
</tr>
<tr>
<td>Joseph Formoso</td>
<td>Disbursement Officer</td>
</tr>
</tbody>
</table>
Annex 8: Documents in the Project File*
KOSOVO: Social Protection Project

A. Project Implementation Plan
In project files

B. Bank Staff Assessments
Kosovo Social Assessment
Financial Management Assessment
Procurement Capacity Assessment

C. Other
Kosovo Social Protection Strategy
*Including electronic files
Annex 9: Statement of Loans and Credits

KOSOVO: Social Protection Project

Not applicable.
KOSOVO
STATEMENT OF IFC's
Held and Disbursed Portfolio
May-2001
In Millions US Dollars

Not applicable.
Annex 10: Country at a Glance
KOSOVO: Social Protection Project

Not applicable.
Additional
Annex 11

The Pre-Conflict Social Protection Structure

The benefit structure that existed in 1999 was similar to that of most of the Federal Yugoslav Republic, though with specific features that effectively excluded the majority of the population. The major benefits were:

The pension scheme, which included age pensions (with a number of early retirement provisions), invalidity and survivor pensions, and disability allowances. In practice, only a comparatively small proportion of the population was in the scheme, almost all of them employed in the state sector. Perhaps a quarter or less of those over retirement age actually received a pension, with only 32,511 receiving an age pension as of the last payment in February 1999. In addition, there were 27,403 invalidity pension beneficiaries, 27,664 survivor pensions, and 10,550 disability pensions. It also estimated by UNMIK that 6-10,000 additional people would have become entitled to old age pensions between early 1999 and the end of 2000. This was in part a reflection of the former Yugoslav pension system, which is purely a social insurance program, and for which participation for farmers was initiated only in the 1970s. It also reflected labor market exclusion of Albanian Kosovars, many of whom who were denied the opportunity to build up contribution histories after 1989. Kosovar experts also note that the system had the largest arrears of any part of the former Yugoslavia at the time of cessation of payments. The system was administered by a network of regional pension fund offices.

Unemployment benefit, which was both based on a contribution record and means tested. The program was administered by the Employment Service through a regional network, which also ran a range of active labor market programs;

Child allowances were payable on a means-tested basis to people in work on low incomes. During the 1990s, eligibility rules discriminated against ethnic Albanians in two ways. First, only households with children in Serbian language schools were entitled to child allowances, effectively excluding many of the Kosovar Albanians even where parents continued to work in the formal sector. Second, limits on the number of children that could be counted for means-testing purposes worked against ethnic Albanian households, due to larger family sizes;

Cash payments of social help were clearly seen as a last resort, carrying a high degree of stigma. These were given both on a regular basis and as one-time help for those experiencing temporary difficulties. Payments were targeted according to means and categorically, with the emphasis on those unable to work. These benefits and other social services were administered through a regional network of Centres for Social Work (CSW) similar to those found throughout former Yugoslavia. No social help payments were made for the two years prior to the conflict - when payments were last made, they went to only 39,000 people; and

A range of social services administered by CSWs, including placement of children in care; custody assessments; services for the handicapped, etc.

Financing of all aspects of the system was by contributions paid by employers and employees. In practice, the latter were largely notional. All salaries were set in terms of net take home pay. The various contributions were calculated as a percentage of this net pay, which itself remained unaffected by changes
in a contribution rate. In addition, social protection was subsidized from the budget to some extent, including funds from the Fund for Undeveloped Regions, a Yugoslavia-wide fund which distributed resources from richer to poorer regions, and of which Kosovo was a major beneficiary.
The Current Social Assistance Scheme

The scheme is intended to help families without resources.

**Benefit unit**

Benefit is awarded not to an individual or a household, but to a family, all members of which must meet the qualifying conditions. In keeping with the rules of the previous scheme, a family is defined as three generations living together under one roof. Although this definition does not correspond exactly with the local tradition of extended family support, it appears to be generally accepted and has the merit of maintaining the primacy of families’ support for their members.

**Categories of people eligible for help – Category One**

The first stage of the scheme, “Category One”, took effect from May 2000. This is intended for families without resources where no one is capable of work or expected to make themselves available for work. A family can only get Category One benefit if each member falls within one of the following categories:

- over 65 and not employed
- under 15 and dependent (under 18 if in full-time education)
- 18-65 and incapable of work due to permanent disability confirmed by a Regional Commission of Doctors
- single parent with child under 10 and no other adult in the household
- full-time career for a person over 65 or permanently disabled (one carer per family).

By November 2000, over 37,000 payments were being made under Category One, at a monthly cost of DM 3.7m.

**Categories of people eligible for help - Category Two**

It was envisaged originally that about 25,000 families would claim as unable to work under Category One, and the same number would claim as unable to find work under Category Two. Because the take up for Category One was higher than expected, Category Two was introduced in November 2000 with highly restrictive rules, designed to protect the overall cash limit. This extended eligibility for social assistance to families with a member who was capable of work but unable to find a job, subject to stringent additional criteria:

- no one in the family is employed, even on a casual basis, or self-employed
- the family is not getting help from any members working in or outside Kosovo
- any member who is capable of work must obtain a certificate from the Office of Employment certifying he/she is available and seeking work
• the family must include at least one biological child of a couple in the household who is under 5, or a double orphan under 15 in the family’s full time care
• the family must not own a motorized vehicle
• the family was on the food aid list in September 2000.

These additional criteria mean that, not only must an unemployed family be out of work through no fault of their own, but their situation must be more desperate than that of a comparable family where no one is capable of work. Though stringent, this reflects public attitudes in Kosovo.

*Treatment of resources*

Resources include any income, in cash or in kind, received by any member of the family. This is deducted Mark for Mark from the benefit due until the benefit is eliminated. Special rules apply to children aged 15-18 who have left school and are working. They do not count for benefit, but their earnings are disregarded unless they exceed DM 120 a month, when the family is excluded from benefit. Capital assets are not generally taken into account, but families owning more than half a hectare of land are disqualified unless they can prove that security risks such as mines prevent access to the land. In addition, families claiming under Category Two are disqualified if they own a motorised vehicle

*Benefit rates*

Benefit for a family consisting of one person is DM 65 per month, of two DM 90, of three DM 100, of four DM 110 and of five or more DM 120. These rates are all that is affordable within the existing budget. They are also not unreasonable in relation to employment earnings – there is a risk of creating work disincentives.

But without supplementation, they are arguably below subsistence level. As food aid is withdrawn, it will be very tempting for families to fail to declare help received from overseas or in kind, casual employment income and other low-visibility items such as takings of children – many of whom sell small items in the streets. It is such types of income that enable those families that are in work to subsist on their generally low earnings. The risk here will be the development of a culture in which cheating becomes an accepted way of life.

The risk of fraud is always present in benefit schemes. DHSW are very conscious of this and have devised systematic verification procedures to minimise the risks. However successful these are, the best safeguard is social disapproval of false claims. This can only be achieved if the system is seen to be operating fairly. Very low benefit rates erode support for the system, and as the economy improves it is important that people on benefit are seen to share in the growth in prosperity.

*Administration*

Centres for Social Work administer the scheme in accordance with instructions laid down by the Department of Health and Social Welfare. Applicants must apply and present full documentation
to the Centre for Social Work, which keeps a written record of all applications, whether or not they are successful. Each applicant receives a unique number, which includes the code for the relevant Centre for Social Work. Home verification visits are made in some Category One and all Category Two cases before the claim is decided.

Successful applicants receive a social assistance card, which is valid for three months. They must present the card at the local office of the national payments agency (BPK) in order to receive payment each month. If they fail to collect their money twice in a row, they lose their entitlement to benefit. The Centres for Social Work submit full lists of approved payments to the DHSW, which passes these on to the BPK for cross-checking against claims. The DHSW also sends a payment order to the CFA for approval and transmission to the BPK so as to fund payments. At the end of each monthly payment period, the BPK, Centres for Social Work and the DHSW reconcile actual against expected payments, first locally, then Kosovo-wide.

Unsuccessful applicants have a right of appeal, initially to the Centre for Social Work Director, then to the ISP and ultimately to the courts. As of November 2000, the ISP had received about 100 claims, of which some 75 had been determined, about half in the applicant’s favour. No appeals had yet gone to the courts.
The above diagram shows the various bodies involved with social protection in Kosovo and the main relationships between them.

**Department of Health and Social Welfare** The DHSW was formed in March 2000 and is responsible for the overall management and implementation of policy guidelines formulated by the Interim Administrative Council in the field of health and social welfare. The Social Welfare section is responsible for developing policy and strategies for social welfare, including regulatory frameworks, setting of standards, and the prevention, monitoring and control of social problems. DHSW is responsible for:

- hiring the directors of the CSWs (in collaboration with the municipal authorities) and social welfare institutions;
- preparing and implementing the Social Assistance Scheme;
- preparing, managing and implementing the social welfare budget, including salaries and operating costs for those institutions for which it is responsible;
- designing and managing the transition from food aid to cash benefits; and,
- coordinating training initiatives in the area of social welfare.

**Regional and Municipal Welfare Officers** There is a network of international Regional Social Welfare Officers, whose main function is maintaining a communication and support relationship between DHSW and the CSWs. The RSWOs are responsible to the Regional Administrators and are hired by the Region, however they are also responsible to DHSW in Pristina for policy direction. As of July 1, 2001, the RSWOs will report to DHSW. There are also international Municipal Social Welfare Officers who are not line managed by the DHSW but rather report to the Municipal Administrations. The MSWOs are responsible for ensuring that the municipal social welfare structures understand and implement the policies which are received from DHSW (sometimes through RSWOs).

**Centers for Social Work** The CSWs are the main point of contact for the population with the social welfare system. There are 32 CSWs with one located in each municipality. They range in size from 7 staff members to 32 staff members with a total staff size of approximately 400. The mandate of the CSWs includes:

- Studying social problems;
- Developing plans and programs for social protection;
- Undertaking measures to prevent people from falling into a state of social need;
- Determining the type of social protection required by a person in need; and,
- Founding, developing, and following the work of "joint work organizations" and social protection services.

**Institute of Social Policy** The ISP is responsible for research and analysis of social welfare issues. Staffed by 10 persons, this Institute is responsible for managing the appeals process, developing the research basis needed for the formation of sound social policies, and supervise the work of the CSWs. The ISP currently does not have the staff capacity to carry out all of these roles. As for the research there will need to be much assistance to develop this area, but possibly linkages with the statistical agency data could be developed, rather than their current vision of generating their own data source. In addition there is some question as to whether the ISP should be a government body, or an independent agency. Currently it is under the responsibility of DHSW.

**Pension and Invalidity Fund** The only significant provision for retirement pensions in Kosovo was through participation in the arrangements established by the Federal Republic of Yugoslavia for workers throughout the FRY. Until 1989, these arrangements were administered locally in Kosovo by the Pension
and Invalidity Fund under the general autonomous relationship between Kosovo and FRY which existed at that time. From 1989 to 1999, control of the operations was transferred to Belgrade with the Pension and Invalidity Fund only responsible for payment of funds received from Belgrade. All benefit payments were discontinued in January or February of 1999 because of the onset of hostilities, and remittance of contributions ceased at about the same time. Currently the Fund is not paying any benefits but only maintaining data on previous beneficiaries.

**Staff Engaged in Social Protection**

<table>
<thead>
<tr>
<th>Departmental HQ</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centers for Social Work</td>
<td>400</td>
</tr>
<tr>
<td>Kosovo Social Insurance Fund</td>
<td>80</td>
</tr>
<tr>
<td>Institute for Social Policy</td>
<td>10</td>
</tr>
<tr>
<td>Shitime Special Institute</td>
<td>100</td>
</tr>
<tr>
<td>Elderly Home</td>
<td>50</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>650</td>
</tr>
</tbody>
</table>
Background on Centers for Social Work

Centers for Social Work were established in Kosovo in the 1960s/70s as the main public service through which the government provides assistance to vulnerable categories of people. The director of each Center is appointed jointly by the DHSW and the municipality, although it is unclear whether this refers to the international or local municipal bodies. The Centers are staffed with social workers, psychologists, pedagogues, administrators, lawyers, and economists. As part of the “local” government, CSWs are a strong point of connection between the international (DHSW) and local government. Salaries are paid by UNMIK based on a contractual relationship. Of note is that particularly in Serb areas, personnel did not sign a contract as this would result in a loss of contributions. Although the DHSW has continued recognize the workers in these CSWs, this is not the case in other departments. UNMIK also provides the Centers with funding for running costs, stationary supplies, and tries to attract international financial support for the Centers.

A structure that exists throughout the former Yugoslavia, the mandate of the CSWs includes:

- Studying social problems;
- Developing plans and programs for social protection;
- Undertaking measures to prevent people from falling into a state of social need;
- Determining the type of social protection required by a person in need; and,
- Founding, developing, and following the work of “joint work organizations” and social protection services.

Beneficiaries include:

- Children
- Deprived of parental support
- Disrupted in their physical and psychological development
- Educationally neglected
- Disrupted in development by family circumstances
- Adults
- Materially unprotected, and completely incapable to work
- Elderly without family support
- Invalids
- With social negative behavior
- Other persons in the state of social need for other reasons

Specifically, beneficiaries may receive:

- Material help
- Help for the preparation for work
- Placement in “joint work organizations” of social protection
- Special social work services

The mandate of the CSWs is far reaching. Activities may include things like: marriage counseling, foster care and adoption, support for families and children in conflict with the law, reintegration of adults released from prison, home care visits for the elderly and disabled, burial of persons without family, psycho-social counseling, and work with youth organizations. The primary methods through which the CSWs resolved issues were cash-benefits or referral to other organizations, although some Centers did engage in clinical...
social work.

There are approximately 400 staff in the CSWs serving a population of 2 million (a ratio of 1 staff for every 5,000 citizens). This ratio is expected to decrease in the next year as the DHSW has budgeted for 100 additional staff, although not all will be placed in the CSWs. Of the current staff, many are not qualified for the profession which they are to fill, and of those who are, many have not been working in social welfare for the past decade and knowledge of modern social work practices is lacking. As the often forgotten partner, even in the previous system, the physical working environment also needs to be improved, both in terms of the physical building and in terms of equipment needs. That said, it raises questions as to how the previous system functioned, and whether all the roles to be fulfilled by the CSWs really happened.

The major program being implemented by the CSWs currently, is the Social Assistance Scheme. Supported by the DHSW, this represents a significant change in the role of the CSW, compared with the previous system. It is a cash-benefit program open to the general population, with beneficiaries selected on specific eligibility criteria. Currently 50,000 families are included in program. This program has overwhelmed the CSWs with work in identifying and verifying potential beneficiaries for the program, at the same time as providing needed support to some of the poorest segments of the population. It has resulted in an increased profile of the Centers for some of the international structures, and in more “violent incidents” in the Centers when individuals discover that they are not eligible for assistance. The program connects with the employment bureaus, as some beneficiaries are required to provide documentation of unemployment – a positive and also difficult step towards inter-sectoral collaboration. The capacity of the CSWs to handle this Scheme varies, with some being able to effectively “split” responsibilities between administration of the Scheme, and those who deal with professional social work, while in other Centers this division has not been achieved.

It appears that services currently offered by the CSWs primarily address the needs of young offenders, orphans, and survivors of domestic violence. The court system began functioning earlier this year, and one CSW noted that it has 60 cases of young offenders. In the area of foster care, there are approximately 1,200 orphans in Kosovo, however the other area coming to the forefront are single-headed households. Domestic violence appears to be coming more prominent, and the need for emergency shelters. Some Centers are also active in serving displaced persons living in collective centers. For the majority of residents in the collective centers their home is completely destroyed, although for some their previously rented premises are not available, and others are displaced from areas where they would have been part of the minority population.

The Centers for Social Work are currently overwhelmed by the demands placed on them with the Social Assistance Scheme. This is expected to calm down over the next 6-month period as the bulk of registration will have been completed and the introduction of a more staggered form of verification developed. By spring 2000 the bulk of food aid ended, and although the CSW role in this area ended, this loss of income support may actually result in an increased demand on the Centers rather than the expected decrease. What should be considered though, is the change that this program has made in the role of the CSWs from previously, particularly considering the number of cash-benefit clients they now deal with.

In Kosovo (and the former Yugoslavia) the CSWs had a role in cash assistance and social service programs. Previously the Centers were often divided into two departments, one for professional work in social and family legal protection, and the other for global accounting and financial duties. Although there are suggestions to separate these two roles into independent structures, any separation of these responsibilities should be thought through carefully, particularly considering the current maze of
government structures. Benefits in joint responsibility include the familiarity of this form of working, and
the knowledge the Centers' staff have of the population they serve. It may be advisable sometime next year
to evaluate the ability of the CSWs in targeting, as well as the effectiveness of the Social Assistance
Scheme, to verify this assumption.

In the previous system there was an administrative committee for each Center composed of 5 members, 3
from the community and 2 from the CSW. This committee acts as an executive board, and is nominated or
dismissed by the municipality. There was also a regulatory committee to reviews the CSW affairs and
finances, and a professional board (like a consultative board) could also be established. Responsibility for
the CSWs is returning to the municipalities, and it is unclear whether this also means that these boards are
to be reestablished. As key accountability structures for the CSWs and the municipalities, it raises the
question as to what accountability structure is envisaged in the future.

The CSWs are poorly equipped and the working environment is unsatisfactory. There are some basic
requirements for heating, roof repairs, toilets, as well as for other equipment such as tables, chairs,
photocopiers, telephone/fax lines. This basic equipment is required for the implementation of, for example,
the Social Assistance Scheme. In addition improvements to the physical space in the Centers is required.
Currently some do not have a "reception" space, others have no "counseling rooms". Regardless of the
future role of the Centers it can be expected that these will still be required.

The Centers do not have the same referral resources as previously, and some of those previous resources
may not be deemed appropriate for modern social work practices (e.g. institutional care). In the previous
system there were bodies referred to as "joint work organizations" and possibly 3rd sector organizations
could be viewed as part of this, or a replacement for the same. This will be discussed in the later section.

Centers for Social Work were set up at a time when many people had jobs, and therefore turned to their
employer for support. The number of people served by the CSWs as permanent cash beneficiaries could be
presumed to have been significantly less. Previously the Centers had a "pot of money" for special cases, in
order to respond to "emergency" cases, such as payment of funeral expenses, for an expensive medicine, or
even to buy diapers for a recent orphan. For the beneficiaries now, they turn to the CSW for this type of
support, however the Center does not have such discretionary financing available to it.

Capacity-Building in the CSW

Capacity-building within the Centers for Social Work has come from two directions: the move from food
aid to cash benefits, and the idea to pass community information services provided by internationals, with
international (UNHCR) support, to a local body. Funded by various donors, the international NGOs
involved in this are ADRA (Adventist Development and Relief Agency), ICMC (International Catholic
Migration Commission), and CARE. Other agencies involved include European Children's Trust (ETC),
CRS (Catholic Relief Services), Movimondo, SAVE the Children, CARITAS Spain, and UNICEF. All
have contributed in some way to improving the working conditions in the CSWs (e.g. equipment, loan of
vehicles, small physical reconstruction activities), and some are actively involved in training.

Training is coordinated by the DHSW, with all international NGOs working with identified CSW.
Although the skill level of the staff in the Centers varies, topics in common in each training program are
ethics of social work, needs assessment, case management, child protection, and gender sensitivity. The
methodology varies with some having short weekly sessions and others a couple of longer sessions per
week. Some include "conferences" on specific topics, others include shadowing in fieldwork. The
background purpose however varies, with some viewing the CSW as the body responsible for clinical
social work, others as an organization only involve itself in cases connected with the courts. Although the Centers do respond positively to the idea of training, there is some frustration. Since continuing professional training was not obligatory in the previous system, some question why this is required considering their professional background. Other Centers are frustrated as they do not have the time nor space to apply the learnings due to the daily work demands, and others request training which moves beyond basic social service skills to more clinical social work practices. Of note is that the funding for NGOs involved in training ends between December 2000 and June 2001, and no potential donor for continuing the program has been identified.