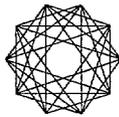


**USAID
Social
Sector
Reform
Program in
Ukraine**

**SUMMARY
REPORTS
MARCH 1998**



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SUMMARY REPORT No. 3

**PROVIDING
COMPUTER
TECHNICAL
ASSISTANCE TO
THE SOCIAL
SECTOR
RESTRUCTURING
PROJECT**

**Bancroft/PADCO
ENI/PER Task Order Reference 03-00134-BANC-09
and
Chemonics/PADCO
ENI/PER Task Order Reference EPE-0014-J-00-5075-00-05**

PREFACE

This report explains the achievements of the program to provide computer technical assistance to the Social Sector Restructuring Project. Under the USAID-supported program, programmers and technical specialists have assisted the Ministry of Labor and Social Policy in the improvement and implementation of the Housing Subsidy Program and have conducted pilot programs related to the improvement of payment systems for housing and communal services and on pension reporting.

This technical assistance has included the design, development, and installation of software programs, assistance with the installation of computers and related equipment, e-mail connections, and local area networks, undertaking special analyses for the Ministry of automation needs, the creation of electronic mail connections within the Ministry of Labor and Social Policy, the design and development of sample reporting systems, and extensive education and training programs.

It is the contention of this report that the computerization of the housing subsidy program has radically changed the approach of the Ministry toward the management and administration of programs as well as toward the development and evaluation of opportunities to improve policies and programs. It has also enabled the extremely rapid implementation of an entirely new means-tested social assistance program. Far from being a luxury office item, computers have led to major gains in local office productivity and to much more focused development of new policies.

This is one of five final reports of the Social Sector Restructuring Project. The other reports are

“Future Directions for Social Protection Policy in Ukraine,” Summary Report No. 1, March 1998

“Why Ukraine Does Not Know Who Is Poor,” Summary Report No. 2, March 1998

“Final Report of the Pension Reform Program,” Summary Report No. 4, December 1997

“Annotated Bibliography of the Social Sector Restructuring Project,” Summary Report No. 5, March 1997

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ATTACHMENT 1 REPORT ON THE PILOT PROGRAM TO INSTALL LOCAL AREA NETWORKS FOR THE HOUSING SUBSIDY PROGRAM

INTRODUCTION

THE NEED TO AUTOMATE SOCIAL PROTECTION PROGRAMS

The commitment by the Government of Ukraine (GOU) in October 1994 to raising the level of monthly payments for housing and communal services very rapidly confronted the Government with the need to quickly develop and implement a program to assist low-income families during the painful period of economic transition

The fact that Ukraine — despite deep economic difficulties — was able to increase payment more quickly than Russia (where incomes are higher) was due in large part to the fact that Ukraine was able to implement, very quickly, a new means-tested program of housing subsidies. This program ensured that families would not have to spend more than 15 percent of their incomes on monthly payments for housing and communal services. The speed with which this program was implemented — enrolling more than 1.5 million families during the first seven months that the offices were open — was due in large part to the fact that the program was the first automated program administered by the (then) Ministry of Social Protection. The automation was made possible by the purchase of more than 400 computers by USAID (matched by local purchases of a similar number from local resources by the end of 1997). The computers were accompanied by an intensive program of technical assistance funded by the Agency and carried out through contracts with Chemonics/PADCO and Bancroft/PADCO.

BACKGROUND TO SOCIAL SECTOR RESTRUCTURING PROJECT

Since January 1995, USAID has been sponsoring a program to assist the GOU in the restructuring of social sector programs. This project began by concentrating on the design and development of a housing subsidy program¹ and has expanded to issues related to providing targeted family assistance and pension reform.

Since October 1, 1996, this work has continued under a contract between USAID and The Bancroft Group,² and, since December 1, 1996, additional work has been conducted under a contract between USAID and Chemonics.³ PADCO has been the principal subcontractor on both contracts.

The objectives of the social sector restructuring project were to⁴

- 1 continue to improve and refine the policy and regulatory framework for the housing subsidy program to reduce national budget expenditures and to enhance economic reform,
- 2 improve national and local government capacity to oversee and enforce the housing subsidy and similar benefit programs and thereby operate fiscally sustainable and efficient government programs,
- 3 propose policy and legal reforms to create at least three new means-tested, social protection programs that restructure government social expenditures and strengthen economic reform,

¹ The most complete summary of the history of the housing subsidy program is in "Making Families Pay for Housing and Utilities: The Experience of Ukraine." PADCO Paper prepared for USAID/RTI International Seminar on Cost Recovery, Washington, DC, September 1997.

² ENI/PER Task Order Reference 03 00134-BANC 09

³ Contract No. EPE 0014-1-00 5075 00

⁴ This list includes purposes defined in both Task Orders.

- 4 promote fiscal and social reform by creating the poverty and social benefit need methodology and data collection structure to restructure social spending,
- 5 provide intensive training of GOU officials and other appropriate individuals in skills needed to develop, implement, and enforce social protection programs,
- 6 create the policy environment for a multi-tiered pension system, and
- 7 develop a public education campaign for the new principles and policies in the area of social protection

These objectives, and the collaboration between USAID and the GOU on social sector restructuring were formalized in a memorandum of cooperation signed on February 20, 1997

OUTLINE OF THIS FINAL REPORT

The purpose of this final report for these projects of technical assistance is to assess the achievements of the program and to draw from the two-and-one-half years of experience some lessons for future technical assistance programs

This report describes, in turn, the different aspects of this technical assistance. The following section describes the work conducted by computer programmers — preparing the core software used for database management in housing subsidy offices as well as preparing automated reporting and notification procedures⁵

The subsequent section describes the technical assistance provided to local offices installing computers, e-mail, local area networks, and other aspects of direct technical assistance provided by the Social Sector Restructuring Team (SSRT) to local offices, oblast departments, and the Ministry of Labor and Social Policy (MLSP)

The third section describes technical assistance provided in developing and improving management and information reporting systems within the housing subsidy program — including the creation of automated statistical bulletins and electronic libraries

The fourth section describes training activities undertaken for local office staff, for oblast staff, and for staff within the MLSP in Kyiv. Training — both formal training and on-the-job training accompanied by expert advisors — has been vital at all stages of the technical assistance program

The fifth section reviews the extent to which local capacity is strengthened through the type of technical assistance provided through the Social Sector Restructuring Project

The final section summarizes the major lessons that have been learned about the development of sustainable capacity within the GOU, within oblast administrations, and in local housing subsidy offices through the heavy emphasis on computerization. The final chapter describes recommendations on future technical assistance

⁵ The activity of programmers in developing software for pension reporting reform is described in the final report of the pension pilot report. The software development undertaken to improve the local system of paying for housing and communal services is described in the final report of the ZHEK pilot

1 SOFTWARE PROGRAMMING

1.1 INTRODUCTION

The Social Sector Restructuring Project uses the services of many skilled Ukrainian programmers. This section describes their activities related to the housing subsidy program. They have also been engaged in the development of a new system for enterprises to prepare financial reports to the Pension Fund (described in the final report of the Pension Fund Pilot Reporting Project) and to develop software to automate accounting and cash receiving by ZHEKs (described in the final report of the ZHEK pilot project).

When the housing subsidy program was introduced in the spring of 1995, none of Ukraine's social protection programs was automated. Records were maintained on paper, staff received no formal training, and all reporting was done manually. There were no manuals describing office procedures for local staff, and most offices lacked copies of the normative acts that defined the legal framework of programs and how programs are to be administered.

Yet the schedule for the increase in housing tariffs called for increases by stages to reach 100 percent cost recovery by the end of 1996 — at which point, it was predicted that as many as 5 million families would be receiving subsidies. In addition, many other tariff changes were scheduled — including prices of electricity and gas — which would require frequent recalculation of subsidies. Each time pensions and other government benefits, or the minimum wage, were changed, subsidies would have to be recalculated. The housing subsidy program was to be administered by new offices requiring the hiring and training of up to 8,000 staff nationwide to administer the program. New departments were created in oblast departments of social protection staffed by newly hired people.

If the new staff were to face the task of processing all subsidy applications manually, and to calculate and recalculate subsidies manually, it was feared that the new program would collapse. Long lines, slow processing, and inaccurate paperwork could easily have led to the termination of both the program (the Supreme Rada introduced several measures to roll back tariff increases during the first year of the program) and the ability of the Government to sustain reform in other areas.

This did not happen. Instead, the program was able to enroll applicants rapidly — albeit with long lines during the early stages — and was also able to respond to rapid changes in prices, incomes, and tariffs. This was obviously the result of the installation of computers in the housing subsidy offices purchased by USAID. But a more important impact of the decision to automate the program was that it changed the attitude of the newly hired staff. In many offices, they adopted a more rational approach to managing the program — despite shortages of most vital resources. They experimented with ways of simplifying their work — supported by technical experts from the project. Pension offices were linked to housing subsidy offices to allow streamlined procedures for pensioners, social workers visited apartments where invalids lived to enroll them in the program because the local offices were not subordinated to the Ministry, it was possible for them to experiment. While some raions were very slow to open offices, placed them in inaccessible locations, or failed to notify the public of office hours and application requirements, others developed innovative and customer-oriented programs. Office automation helped liberate some bureaucratic minds. Today, other social assistance programs are beginning to imitate the successful aspects of the housing subsidy program. It has, literally, changed the way many government offices do business.

1 2 NASH DIM PLC

Office automation requires software if computers are to be more than electronic typewriters. When the housing subsidy program was first enacted, the Ministry of Social Protection promised that its computer department could prepare the necessary software in a matter of weeks. It soon emerged that the computer department required a grant or a contract to develop software for the new program. It also became apparent that the programmers working in the Ministry's department lacked modern programming skills and the experience of implementing new software programs quickly. Therefore, USAID provided PADCO with the resources to hire three programmers for a few months to develop software to install on the 355 computers ordered by USAID for the large offices. The software development program began in April 1995 and delivered the first prototype program for testing in August of that year.

The program, NASH DIM PLC, as the program is known, was developed in the CLARION computer language. It includes a system for entering all the necessary information about all household members in the household applying for a subsidy (name, date of birth, employment status, and income during the preceding three months) and information concerning the communal services received and the prices of those services. It also calculates the subsidy for which the family is eligible and prints the notification forms for the family and for the communal services enterprises explaining the dates and level of the subsidy granted. In addition, the program includes modules to automatically recalculate subsidies when new tariffs for communal services are announced, and also to prepare monthly reports required by the State Committee for Statistics (GosKomStat) and the Ministry of Finance.

Today, NASH DIM PLC is used in about 320 of the more than 400 computerized offices. Copies of program updates are distributed at no cost to the users on disk or through e-mail. A few computerized offices have developed their own software (including many raions in Kharkiv Oblast and in the Autonomous Republic of Crimea) or remain with locally customized early versions of NASH DIM. Most of these local variants do not comply with the database format recommended by the MLSP and these offices are slowly converting to the latest NASH DIM.⁶ The program has been issued in more than 40 variants — updated when the legal basis for the subsidy program is changed or when new modules are added. An extensive user manual has also been prepared.

The distribution of the program has been accompanied by training seminars delivered each month by the programming staff to classes of 20 local office staff in training facilities in Kyiv provided by the MLSP. Some regional training seminars have also been held — sometimes at the request of individual oblasts, sometimes at the request of the Ministry. Training sessions and regional seminars are used to provide feedback to programmers on suggestions for improving the program. Since the fall of 1995, over 1,500 people have been trained directly in the use of NASH DIM PLC at these seminars. In addition, programming staff have conducted 25 regional "roundtables" to discuss program design questions with local users.

1 3 NASH DIM II

1 3 1 Brief History of the Development of NASH DIM II

In August 1996, the MLSP requested the SSRT to produce a new software platform for use in housing subsidy offices that would be available in FoxPro (a more widely used computer programming language than CLARION). In response to this request, the SSRT developed a program that was given the name

⁶ The most common "customization" is to omit the names and birth dates of household members other than the individual applying for the subsidy. This makes auditing impossible.

NASH DIM II The prototype program was tested in about 10 raions in L'viv, Dnipropetrovsk, Volynsk, and Alchevsk The program was transferred to the MLSP in May 1997, tested by MLSP computer experts, and was found to meet the specifications of the Ministry for use in housing subsidy offices

1 3 2 Reasons for Terminating Development of NASH DIM II

It had originally been intended that the program would be installed in the new computers to be purchased with the proceeds of the loan from the World Bank If this had been possible, the expanded training program necessary to accompany World Bank computers would have included retraining on NASH DIM II But the computers were delayed, installation is now not scheduled to begin until July 1998

Also, in the fall of 1997, the MLSP decided to proceed with the expansion of the housing subsidy program into a broader program of targeted family assistance that would include both child-care assistance and housing subsidies The MLSP requested SSRT assistance in the design of the legal and technical framework for this program — tentatively titled NASHA SEMYA This required Social Sector Restructuring Project to redesign the core software program to allow coordination between databases from the two programs NASHA SEMYA is to be introduced in stages to replace NASH DIM (see below) A full-scale training program to convert all offices using NASH DIM I was therefore judged inappropriate when new computers and another new program would begin being used within six months

Therefore, the SSRT in collaboration with the MLSP decided, in November 1997, to “leapfrog” the introduction of NASH DIM II and proceed directly to the development of the next version of the core software This decision was made for the following reasons

- 1 In November 1997, the Cabinet of Ministers and the MLSP decided to move forward with plans to develop a more comprehensive system of targeted assistance that includes targeted family assistance This will require the development of a single database management and reporting program that can be employed in all social protection offices where targeted assistance is offered
- 2 The installation of NASH DIM II in housing subsidy offices would require extensive retraining of staff already comfortable with NASH DIM I Because a new, more comprehensive database management system is required quickly — which will also necessitate extensive retraining when installed — it would have been inappropriate to install NASH DIM II in late 1997
- 3 Coincident with the development of NASH DIM II, social sector restructuring project programmers had repeatedly updated NASH DIM I to comply with the evolving present needs of housing subsidy offices for managing caseload data and for preparing notification forms and reports
- 4 Because NASH DIM II is FoxPro-based, and because of certain decisions made when designing the program architecture, NASH DIM II requires more memory and processing capacity than is present in many of the computers now in use in the housing subsidy system It also performs certain functions more slowly than NASH DIM I — especially on less powerful computers

1 4 DEVELOPMENT OF NASHA SEMYA

1 4 1 Overview of NASHA SEMYA Program

The NASH SEMYA program began development in December 1997 — following extensive discussions with the MLSP and with computer experts in the selected pilot sites in Mikolaiv Oblast It was determined that NASHA SEMYA should have the following characteristics

- It will be developed initially as an amended version of NASH DIM I with a prototype ready for field testing completed by the end of January 1998 Subsequently, it will also be developed in FoxPro
- It will be developed in versions suitable for both Windows 95 and DOS

- It will be ready for widespread adoption when computers, available with the proceeds of the loan from the World Bank, are installed beginning in July 1998
- It will be compatible with the following actual or proposed databases and information systems
 - ▶ Pension Fund of Ukraine/oblast pension departments,
 - ▶ the system through which enterprises report to the pension fund monthly or quarterly,
 - ▶ State Tax Administration (using Taxpayer Identification Numbers [TINs] as one identification system),
 - ▶ local social protection offices, and
 - ▶ local Employment Fund Offices

1 4 2 Intended Functions of NASHA SEMYA

NASHA SEMYA will be used in local offices of the MLSP as well as in housing subsidy offices. Its data fields should be sufficient to incorporate all data needed by pension, child-care allowances, invalid benefits, and families receiving housing subsidies. It will be able to perform the following functions:

- 1 allow the simple entry of caseload data for any MLSP social protection program, this means that there should be several different sets of "key prompt" systems customized to each social protection program,
- 2 allow the simple merging of data to combine caseload records according to individual, household, and family,
- 3 contain multiple report functions — depending on program,
- 4 preserve confidentiality of caseloads — allow the use of operator codes and passwords,
- 5 be designed for LANs with easy access from multiple workstations,
- 6 allow archiving, and
- 7 allow the expansion of the MLSP responsibility for child-care allowances

Although further development of NASH DIM II and NASH DIM I is being phased out and both programs will be replaced with NASHA SEMYA, support for the work of all local offices is maintained in the use of whichever software program they currently use until NASHA SEMYA becomes available in all offices.

1 5 SOFTWARE DEVELOPMENT FOR MINISTRY MONTHLY REPORTING SYSTEM

Each month, the MLSP prepares a monthly report on the housing subsidy program based on statistical data reports provided by oblast departments of social protection. These are compiled, manually, by the oblast departments based on monthly reports prepared by local housing subsidy offices. Local offices submit these reports to both oblast departments of statistics and oblast departments of social protection. This duplication was caused by the initial unwillingness of the Ministry of Statistics — in 1996 and 1997 — to share its monthly data reports with the Ministry of Social Protection.

Surprisingly, although they are both based on the same raw statistical reports, there are considerable differences in the aggregate numbers for expenditures and the number of reporting families reported in some oblasts by the two departments. Because the information is compiled in each oblast department by hand, it is difficult to identify and diagnose the reasons for these large variations. It is suspected that the procedures of aggregation taught to oblast staff have not been standardized.

At present, the MLSP enters the information supplied from oblasts manually into its computers and prepares a standard set of tables each month. The volume of paper that is transferred from oblasts to the MLSP is very large — much of it in very blurred facsimiles. The level of effort to compile these monthly reports is large and the accuracy dubious.

In October 1997, the MLSP requested assistance from the SSRT to automate the procedures for preparing monthly reports. At about the same time, the SSRT began to work more closely with GosKomStat to change the instructions and reporting forms and the design of the monthly report. The project has begun to develop a database system for the MLSP and also for each oblast. This will store monthly data (most of which is lost under the present system) and will also allow the preparation of standardized reports from the stored data that will include historical analysis of trends as well as reporting on current caseloads. When oblast departments are equipped with more powerful computers — out of the computers acquired from the proceeds of the loan from the World Bank — the reporting system from oblasts to the MLSP will be fully automated.

1.6 SOFTWARE DEVELOPMENT FOR STATISTICAL BULLETINS

At the request of the MLSP, the SSRT began developing a system for detailed reporting from sample of raion housing subsidy offices throughout Ukraine. The purpose was to prepare a bimonthly statistical bulletin that would be prepared automatically and would analyze historical trends in the characteristics of families enrolling in the housing subsidy program as well as the fiscal costs of the program. The goal of the project was to develop an automated reporting system that could provide detailed reporting with the minimum of effort. The task of compiling the bulletin will, eventually, be turned over to staff in one of the Social Protection Monitoring Centers. The SSRT began work on the project in October 1996.

The first task was to develop a methodology for selecting about 36 raion offices to be used as a basis for the reporting. The sample raions had to be representative of the system as a whole in order to allow the sample to be used to make projections of parameters nationwide. A statistical analysis was performed to identify a sample whose population as a whole reflected the characteristics of the nation's population.

Unfortunately, the characteristics that could be used for sample selection were limited to demographic data reported by the (then) Ministry of Statistics — which provide only raion populations (not the number of families), per capita income (not family per capita income), the percent of population receiving pensions, the number of children, and the distribution of the population between urban areas and rural areas.⁷ The sample also had to be limited to those raion offices that were computerized and that maintained their databases in a format compatible with the reporting requirements recommended by the MLSP — and that were willing and able to participate in the pilot program. Because all offices are not subordinated to the MLSP, participation of local offices could not be guaranteed. In an iterative analysis — identifying a statistically representative sample, matching it with the appropriate level of computerization, and garnering the approval of the MLSP — a sample of 36 raion offices has been identified. These raion offices have been included, incrementally, in a series of statistical bulletins. By February 1998, 32 of these selected raions were participating — the remaining four raions have yet to complete full entry of all participants in their caseload databases.

The second step of the project was to design a statistical bulletin that would convey information useful to both policy makers and program managers. Using data from only a handful of raions, a format was developed in collaboration with the MLSP that met these criteria.

⁷ The distinction between urban and rural populations is important because most of the former apply for subsidies for housing and communal services and most of the latter apply for subsidies for liquid gas and solid fuel. However, the distinction according to Ukrainian statistical procedures is not satisfactory. A settlement of only 12,000 people may be classified as urban (if there are apartment buildings) while a village of 25,000 may be classified as rural.

The third step was to develop the necessary software to allow the procedure for the preparation of bimonthly reports as automatically as possible. This required three programs

- 1 an "extract" program to be used by the participating raions to extract the database to be sent to the SSRT, the general program developed by the SSRT had to be customized by the team to take account of the specific characteristics of each raion's database,
- 2 an aggregation program that allowed databases to be "cleaned" of duplicate entries and inaccurately entered fields and aggregated into a single database, this required the acquisition of a file server with a hard drive capacity of 5 GB, today, the database has information on nearly 100,000 households and more than 200,000 individuals and records from the participating pilot raion offices of caseloads dating back to the beginning of the housing subsidy program in May 1995, and
- 3 a statistical reporting program that would estimate various selected parameters and prepare tables, charts, and graphs, this was programmed in SPSS, which reads its results into Excel — allowing easy entry of tables and graphics into the report format, the design of these charts and tables was reviewed many times by counterparts within the MLSP and by statistical consultants and U S statistical experts

The result is a statistical bulletin that is widely used within the Cabinet of Ministers and the Ministry. The program is now being adapted to include measures of program effectiveness and efficiency. It is also being adapted for use at the oblast level and even for individual raion offices. These tasks will be completed during 1998.

1.7 SOFTWARE DEVELOPMENT FOR ANALYSIS OF VOTING PATTERNS

As part of its work, the SSRT monitors activities by the Supreme Rada related to social protection issues. Two regular reports are prepared: 1) one describing all changes in normative documents related to social protection issues and the discussion in the press of these issues and 2) a monthly report on actions by the Supreme Rada. In addition, special reports are prepared to analyze changing voting patterns among political factions in the Rada on social protection issues.

These latter reports necessitated the development of special software programs to analyze the computerized reports on voting among Rada deputies. This has required the creation of special databases, including the party faction to which each deputy belongs, and programs to prepare aggregate analyses of voting based on groupings of factions.

2 TECHNICAL SUPPORT

2.1 INTRODUCTION

In March 1996, at the request of USAID and the Ministry of Social Protection, the Social Sector Restructuring Project added an Office of Technical Support (OTS). The purpose was to assist local offices in installing 355 computers that were to be purchased by USAID for local housing subsidy offices. An amendment to the original social sector restructuring Task Order to include technical assistance was approved by USAID in June 1996.

The types of assistance these experts working within the OTS provide include

- on-site training for computer staff requested by the raion office in the use of computers and the software,
- dealing with problems in the hardware installation and advising of such issues as wiring and use of computers,
- informing the MLSP about administrative or technical problems in local offices,
- customizing software to meet unique local conditions,
- creating network connections within the local office that will be part of the policy making information system (see following section of this report),
- identifying the need for additional training or informational material by local offices, and
- identifying ways to improve the administration and operation of the housing subsidy offices

In nearly two years of operation, the technical support specialists have expanded their activities from assisting with the installation of computers to providing technical support to the MLSP in the creation of the electronic library, the installation of LANs, linking oblasts to e-mail and training staff, developing NASH DIM II, training MLSP staff in computer use, and supporting the MLSP in technical analyses of office automation issues. They have also supported the MLSP on issues related to the design of the tender issued for the purchase of computers and related equipment with the proceeds from the loan from the World Bank.

2.2 INSTALLATION OF USAID COMPUTERS

The OTS was opened and staff fully trained within four weeks of USAID requesting the support. Although the USAID-purchased computers were delayed from April until August 1996, the OTS was able to provide training to local office staff and to work with the MLSP to provide an inventory of existing computers and to identify and prepare the locations to install the USAID computers.

As a result of this preparation, all 355 computers were installed by the technical support specialists in the Social Sector Restructuring Project by December 1996. The computers were installed in 355 local offices, in 27 oblast departments, and in the MLSP. To provide for systematic maintenance of the computers and to allow efficient troubleshooting, the technical support specialists also developed a new inventory record-keeping system for the MLSP.

2.3 INSTALLATION OF LANs

Most major housing subsidy offices — those serving urban areas — already use more than one computer. Most use three or more. LANs (local area networks) are essential for housing subsidy offices because the offices serve an average of 12,000-20,000 family cases. Data are entered on several different computers simultaneously yet a single, integrated database must be maintained for the purpose of

preparing reports, transferring funds to communal service enterprises, and auditing cases. Maintaining a common database when there is more than one computer involved in data entry requires linking computers. Linking computers through a LAN also allows greater flexibility in the use of computers by office staff, information sharing, and improved communications.

Therefore, USAID agreed to purchase the necessary Ethernet cards as well as the couplings and cables to install LANs in 135 offices where there were at least three computers already in use. The installation — or the training of local staff in the techniques of LAN installation — will be undertaken by staff from the OTS. In a revision to the original scope of work, the installation of LANs was substituted for assisting the MLSP with the installation of computers purchased with the proceeds of the loan from the World Bank, which had appeared on the original scope of work of the project.

It was judged that at least 150 local offices employed three or more computers. Two LANs were installed in raions in Kyiv during 1996 to allow them to create single databases and to share their caseload data with the SSRT as the basis for the analysis of characteristics of participants. To assess the feasibility of installing LANs, the OTS carried out a pilot program of LAN installation in 15 sites (one of which was the MLSP). The costs associated with this activity were carefully monitored and a report prepared for USAID and the MLSP (reproduced in Attachment 1). The results indicated costs of between \$500 and \$600 per installation, including labor. USAID approved the project to install LANs in 135 sites and purchased the necessary Ethernet cards, cable, and connectors. The installations were completed by January 31, 1998 (see Attachment 2).

2.4 ELECTRONIC LIBRARY OF LEGAL DOCUMENTS

2.4.1 Need for Electronic Library

The distribution of copies of new decrees from Kyiv to the local offices where they must be implemented has, traditionally, been slow — when it is done at all. The MLSP sends copies of the decrees — often with accompanying instructions — to oblasts. Oblasts are responsible for copying the material and distributing it to the heads of local offices. These local office managers must make further copies and distribute (and explain) the new documents to their staff. Because oblasts and local offices often lack copying machines, many oblasts and local offices rely on copies of laws and instructions printed in newspapers as the primary means of distributing information. The result, typically, is that between one-quarter and one-half of all local offices are unaware of changes in subsidy calculation procedures three months after such changes have become effective.

2.4.2 Overview of Electronic Library

The Electronic Library of Legal Documents is intended to maintain the database of normative documents related to social protection programs in oblast and local offices. These documents include laws of the Supreme Rada, decrees issued by the President and by the Cabinet of Ministers, and instructions issued by individual ministries related to the administration of social protection programs. They will also include newsletters and special reports of interest to oblast and local office managers.

The Electronic Library software allows

- searching and selecting documents by a number of keys (by keywords, issuer of a document, number, date of issuing, text fragment, etc.) and combinations of keys,
- viewing, printing, and copying documents,
- copying fragments of documents to a special buffer with the purpose of preparing answers to individual's letters, review, etc., and

- automatically updating all libraries through e-mail (when new documents are added to a basic library maintained by the Ministry) — this means that oblasts and local offices periodically receive e-mail messages with special files attached, the application program will analyze these files and automatically add new documents to libraries as well as new entries to the table of contents, beyond downloading the file from e-mail, no special actions are required by the user to update his/her electronic library

The project was begun in June 1997. By the end of January 1998, the SSRT

- had developed computer programs to create and use electronic libraries of normative documents for the housing subsidy program, child-care assistance programs, and pension programs,
- had developed a technology to input documents into the electronic libraries in a standard format — including scanning, editing, etc ,
- had developed a technology for automatically updating electronic libraries by e-mail, and
- had trained the staff in 23 oblast departments of social protection in the use of e-mail and in the use of the library

2 4 3 Remaining Problems

The existing version of the electronic library has a strong restriction — a user cannot insert a reference to a fragment of a document (for example, an article or paragraph), only references to whole documents are allowed

Much of the work of preparing new documents for the electronic library is still undertaken by SSRT staff. The Ministry has been asked to identify staff who can be trained to maintain the libraries without assistance from the SSRT by the end of 1998.

2 5 E-MAIL ACCESS

A major problem encountered with the implementation of a new, nationwide social protection program has been the collection of timely and accurate data on financial flows and caseloads of the program.⁸ The postal system is unreliable and data transmitted by facsimile or mail must be re-entered by hand by Ministry staff.

To overcome these problems, the MLSP requested the SSRT to develop more effective means of transmitting information and more effective means through which the MLSP could communicate new instructions and normative acts to oblast offices. Technical support specialists installed e-mail connections in 24 oblasts and in the MLSP. Staff on all departments were trained in e-mail use. This has allowed the MLSP to issue instructions to all oblasts by the simple expedient of issuing a single e-mail. It has also provided the basis for the electronic reporting of caseload data and monthly reports from oblasts to the MLSP.

The new e-mail links — which will be paid for by the MLSP after May 1, 1998 — are the basis for the electronic libraries (see above) as well as the monitoring systems being developed (see following section).

⁸ See "The Numbers Game" Policy Report No. 22, PADCO Social Sector Restructuring Project, May 1997.

3 MANAGEMENT AND REPORTING

3.1 BACKGROUND

The Housing Subsidy Program was implemented with a tiny staff in the MLSP. Until the summer of 1997, a total of six people worked in the MLSP department responsible for designing, developing, and implementing the program. In the summer, two people were added. Their status, however, is continually threatened by draconian measures to cut budget spending implemented by the Ministry of Finance. Each oblast department of housing subsidies employs only three or four people. Since the program distributed benefits worth about \$750 million in 1997 through a nationwide system of 756 offices staffed by 6,500 people, the present staffing levels are too small to provide systematic oversight of financial flows, program effectiveness, or administrative efficiency. Therefore, it has been imperative to create efficient management information reporting systems that liberate staff from time-consuming and inefficient data entry tasks.

At the same time, there is little reliable information to policy makers and legislators concerning the economic status of the population of Ukraine or about how effectively the housing subsidy program addresses the needs of very poor families. It has, for example, been frequently stated by deputies in the Supreme Rada that 80 percent or more of the population is poor and eligible for subsidies. In fact, it appears that only about 16 percent of the population is poor enough to enroll in the program.⁹ It is also frequently stated that the administrative costs of the housing subsidy program amount to more than half the total expenditures by the Government. In fact, administrative costs are between 1 and 2 percent of the value of subsidies allocated.¹⁰ The ease with which erroneous statements about social protection needs and programs can circulate reflects the absence of regular, reliable, and comprehensive reports on these issues.

In collaboration with the SSRT, the MLSP has developed a program to improve monitoring and management of social protection programs. This has included the following elements:

1. The creation of monitoring centers in Kharkiv and Kyiv subordinated to the MLSP with trained staff to compile and analyze statistics related to social protection.¹¹ USAID provided equipment and the SSRT has begun to work with staff — training them in techniques of statistical analysis, transferring software, and explaining monitoring techniques. The staff of these centers will assume the work presently conducted by the SSRT in collecting data and preparing statistical bulletins.
2. The development of reporting systems at the national level for Statistical Bulletins containing detailed data and analysis of the housing subsidy program based on data collected from 36 pilot raions.
3. The development of statistical reporting systems at the oblast level based on monthly reports from all raion offices that measure management as well as participation information.

⁹ See "Why Ukraine Does Not Know Who Is Poor" Summary Report No. 2 PADCO March 1998.

¹⁰ See "Future Directions for Social Protection Policy in Ukraine" Summary Report No. 1 PADCO March 1998.

¹¹ The concept of monitoring centers was first proposed to the MLSP in February 1996. But the MLSP was unable to act on the proposal for more than a year because of internal opposition within the Cabinet to incurring further expenses associated with the management of social protection programs and opposition from the Ministry of Statistics to allowing data collection and analysis by any other agency. By 1997, it had become clear that the housing subsidy program was a permanent part of social protection in Ukraine and the problems with the flow of timely and accurate information had become more and more evident. In addition, the head of the Ministry of Statistics was dismissed and a replacement not appointed for more than six months — following the reorganization of the Ministry into GosKomStat. These events provided a window of opportunity during which the MLSP was able to persuade the Cabinet to create the monitoring centers.

- 4 The creation of an electronic library system containing all normative acts related to social assistance programs for installation in Ministry departments and oblast departments (see preceding section)
- 5 The creation of the communications infrastructure throughout Ukraine based on the installation of LANs and e-mail connections in all oblast departments of social protection (see preceding section)
- 6 The creation of pilot programs to test management and reporting systems in Mikolaiv and L'viv Oblasts

Although these developments are intended, initially, for the housing subsidy program, they are also intended to serve as models for the development of similar monitoring and management programs for other social protection programs

Although the Ministry of Statistics initially proved unwilling to collaborate on improving or expanding statistics reporting systems (during the first nine months of this project), when it was reformed as a State Committee in September 1997, and changes in senior administrative officials were made, staff began a program of collaboration with the SSRT to improve data collected and analyzed on housing subsidy participation and family indebtedness

The SSRT prepared, printed, and distributed a detailed "Office Procedures Manual" to all housing subsidy offices. The manual describes procedures for dealing with applicants, office management, auditing, the use of software, and other aspects of local office administration. The manual will be updated.

3 2 SOCIAL PROTECTION MONITORING CENTERS

3 2 1 Creation of Monitoring Program

In the spring of 1997, the Cabinet of Ministers of Ukraine established two social protection monitoring centers to monitor information about the social protection needs of the population and the impacts of social protection programs. The centers were given four broad tasks:

- 1 to assess the economic and social needs of the whole population of Ukraine and of special, vulnerable groups,
- 2 to measure the effectiveness of existing social insurance and social protection programs in meeting the needs of the people of Ukraine,
- 3 to measure how economic and social reforms in Ukraine are affecting the well-being of the people and their needs for social protection, and
- 4 to assist the MLSP in managing social insurance and social protection programs

The purpose of the Social Protection Monitoring Program is to create a system that will gather and process accurate and up-to-date socio-demographic and economic profiles of the population and of the people receiving benefits under the nation's major social insurance and social protection programs.

The data and analyses prepared by the centers is intended to enable the Cabinet of Ministers, the MLSP, and oblast and local departments of social protection to generate comprehensive reports on the economic and social status of the population, the characteristics of individuals and families receiving social benefits, cumulative budgetary allocations for social programs, administrative costs of running the programs, rates of enrollment, renewals, and dropouts, and socio-demographic profiles of program beneficiaries. The data and analysis generated by the Social Protection Monitoring Program would provide the foundation for

improving the targeting and cost-effectiveness of social protection programs. They would also provide valuable insights for elected and appointed officials who design new social programs in the future.

3 2 2 Problems with the Program

The Monitoring Centers have developed slowly, and considerable confusion remains about their role and staffing. Part of the problem was the result of the merger of the Ministry of Social Protection with the Ministry of Labor — and the appointment of the Minister of Labor as both the Vice Prime Minister for social protection as well as the Minister heading the new ministry. Several months were absorbed while the new minister appointed the various deputy ministers and began to clarify their respective roles (a task that had not been completed by the end of January 1998). As usual, most of the conflicts among rival deputy ministers are resolved in practice rather than through a specific decision by the new minister.

The equipment purchased by USAID for installation in the new centers, for example, was delayed in customs for two months while the regulations necessary to establish legal operations of the newly restructured Ministry were processed.

A seminar scheduled for representatives from all oblasts and from all large local offices to describe electronic reporting and management systems could also not be scheduled by the MLSP because no deputy minister had jurisdiction over electronic communication issues.

During December 1997 and January 1998, it became apparent that the subordination of the new monitoring centers was disputed within the MLSP and that their activity would have to be “coordinated” with the activities of five, already existing institutes subordinated to the former Ministry of Labor and Ministry of Social Protection. In mid-February, it appears (that is, it is by no means certain) that the Kyiv monitoring “filial” of the Kharkiv Center will be transferred to the Kyiv Labor Research Institute. This will require a formal instruction to be issued by the Cabinet of Ministers amending the earlier instruction that created the centers. The Labor Research Institute may be given the task of coordinating work on the revised procedures for estimating the poverty level.

3 3 OBLAST-LEVEL REPORTING

In addition to the need for the MLSP to monitor what is happening in the housing subsidy program as a whole, oblast departments need to know what is happening in the raion offices that they administer. To provide for this level of monitoring, the SSRT has developed a system of compiling monthly reports from raion offices in a way that allows oblast officials to measure the relative performance of each office in providing housing subsidies. The SSRT has developed a reporting program that compiles data and measures key indicators. This is being tested in L'viv and Mikolaiv, and, at the request of the MLSP, will also be tested in the City of Kyiv.

4 TRAINING AND EDUCATION

4.1 INTRODUCTION

Because all aspects of the housing subsidy program are new, training has been an important component of all aspects of program implementation. Before the first housing subsidy offices opened in 1995, an intensive series of training sessions were provided to all 5,000 oblast and local staff members by the SSRT in collaboration with the (then) Ministry of Social Protection.

But training was not limited to the new field staff at the opening of the new offices. Because of frequent updates in the program software and in normative acts regulating administrative procedures, it has been necessary to maintain a continuous training program. It has also been important to train staff in the MLSP in the use of computers, management information systems, and empirical analyses to evaluate alternative policy options. This chapter describes the training provided to Ministry staff and to oblast and local office staff. It also describes the formal, two-week seminar provided to 28 participants on the use of statistical techniques for social protection monitoring. Training is vital if the project is to leave the GOU with the capacity to continue the design and development of new and improved social protection programs.

In addition to training counterparts, the SSRT has engaged in extensive on-the-job training and formal training of its own members. Formal statistics courses and computer users seminars have been offered for staff engaged in designing and preparing reports; computer staff have attended seminars and training sessions linked to LANs, e-mail, and certain programming techniques; staff have participated in international and Ukrainian conferences and seminars, and staff have engaged in the preparation of analytic reports based on Western rather than Soviet format. The Ukrainian staff — which now numbers in excess of 30 professionals — will be one of the major legacies to Ukraine of the Social Sector Restructuring Project.

4.2 FORMAL TRAINING SEMINARS

Formal training — for oblast department members and the staff of local offices — have taken two forms: 1) monthly training sessions — lasting between one and two weeks depending on the level of preparation of the participants — in Kyiv and MLSP training facilities and 2) regional seminars of one or two days held at the invitation of the MLSP or of oblast departments. SSRT members have formed the core faculty at both types of training. The regional seminars tend to focus on recent legislative developments or recent additions to the core software. The monthly training sessions provide participants with a thorough grounding in the legal basis of the housing subsidy program as well as “hands-on” training in the use of computers and computer software.

During the 16 months of these projects, a total of 29 monthly seminars were held in Kyiv — providing training to a total of 264 oblast staff members and 630 staff members from local housing subsidy offices.

In addition, a total of 15 regional seminars were conducted by SSRT staff members — attended by a total of 300 oblast and local staff members from the housing subsidy program.

In the future, the MLSP is committed to providing the trainers for the monthly seminars in Kyiv — although the transition from SSRT trainers to MLSP trainers will be gradual to ensure the maintenance of quality. The process will be greatly aided by the use of the detailed office procedures manual that will be distributed at the end of February.

4 3 ON-THE-JOB TRAINING OF MLSP STAFF

The permanent and critical shortage of staff in the Ministry Department of Social Assistance has necessitated the automation of many office functions — from the installation of copying machines, faxes, and e-mail equipment with the corresponding training of staff to the installation of computers and printers and training staff in computer use and the use of Excel and Word. At the beginning of the collaboration between the SSRT and the MLSP Department of Social Assistance, the Department had no office equipment or computers. Today, seven of the eight full-time staff members are “computer literate” and the department regularly distributes materials to its 27 oblast counterparts simultaneously by e-mail.

The SSRT provided a “computer trainer” who was used by the deputy ministers and staff of both the Department of Social Assistance and the Department for Pensions. Lessons were scheduled at the convenience of staff, and the trainer also worked alongside staff when they faced specific tasks (preparation of monthly reports and presentation of reports to the cabinet, the Supreme Rada, and other entities, etc.) This approach provided the overworked Ministry departments with the opportunity to acquire significant skill levels in the use of computers and related equipment.

4 4 ACADEMY FOR EDUCATION DEVELOPMENT-SPONSORED STATISTICAL TRAINING SEMINAR

The Cabinet of Ministers and the MLSP has created, with USAID technical and material assistance, Social Protection Monitoring Centers. To assist the 28 participants — including staff of these centers, together with staff from GosKomStat, the MLSP, and key oblast housing subsidy staff — USAID sponsored a two-week training seminar in October 1997.

The seminar was delivered by 14 SSRT team members, 1 short-term U.S. MIS expert, and 3 short-term Ukrainian consultants, experts in social statistics. The direct costs of the seminar were paid for through a separate contract from the Academy for Educational Development (AED), although many SSRT team members participated under the social sector restructuring contracts. The topics covered in the seminar included:

- laws and regulations on social and economic statistics,
- basic statistical methods,
- the use of computers and e-mail for data collection and analysis,
- the use of statistics for program management, and
- the use of statistics for public education.

Participants, faculty, and AED judged the seminar a success — achieving its overall goals and leading to closer collaboration between SSRT team members and GOU staff.

5 COMPUTER TECHNICAL ASSISTANCE AND THE DEVELOPMENT OF GOU AND LOCAL CAPACITY

5.1 INTRODUCTION

The strong emphasis on computerization in the housing subsidy program has ensured that the Social Sector Restructuring Project has contributed to the development of a strong local capacity that increase the chances that the activities supported by the project will continue after the ending of technical support

There are many reasons for worrying about the long-term viability of activities supported by international donors. Ukraine has not moved fast toward reform in many areas, including tax reform, housing privatization, land privatization, regulatory reform, and pension reform. The USAID Social Sector Restructuring Project has a total staff level that is four times the permanent staff within the MLSP for the design, development, and administration of targeted social assistance programs. Were USAID to withdraw technical assistance today, the development of a full-fledged targeted assistance program would cease, the use of computers as a management and administration tool for social protection would be seriously hampered, and pension reform would slow and might even cease.

The greatest barrier to the faster development of stronger "in-house" capacity within government agencies in Kyiv is still the pitifully low salaries to which the Ministry of Finance limits staff of ministries, state committees, oblast governments, and local governments. Government employees are paid no more than one-quarter of what comparably qualified people might easily earn in private sectors employment in Kyiv. In oblasts and in cities distant from Kyiv, private sector jobs are not readily available. As a result, computer staffs in oblast or city departments of social protection are often of higher standard than they are in the Ministry.

Nevertheless, there are signs — from the Ministry's Department of Social Assistance to the more progressive oblast departments of social protection and the best local housing subsidy offices — that counterparts are learning to develop and implement their own initiatives, to commit resources necessary to fulfill these initiatives, and to consider efficiency and effectiveness in managing social assistance programs. This section describes some examples from the past experience of technical assistance at all levels of government that illustrate this point.

5.2 THE NATIONAL GOVERNMENT

The MLSP Department of Social Assistance, headed by Deputy Minister M. P. Noshchenko, is the closest GOU counterpart for the Social Sector Restructuring Project. During the project, the staff of this Department have shown that they can think for themselves about complex policy issues, can develop long-term plans for new programs, and can implement those ideas. Some examples from the areas of management and monitoring, policy development, and fiscal responsibility are discussed below.

The SSRT's other major counterpart, the State Committee for Architecture, Construction, and Housing (SCACH) has also begun to apply some lessons picked up through collaboration with the SSRT. Finally, GosKomStat, which resisted the threat of open collaboration until late in 1997, has begun to collaborate on the development of improved statistical collection techniques.

5.2.1 Management and Monitoring

Support of Monitoring The MLSP now recognizes the importance of information management as the key to administering targeted assistance programs. The MLSP supported the development of Monitoring Centers to provide the Cabinet and the Ministry with timely and comprehensive data on caseloads and

expenditures — although conflicts within the MLSP have slowed the start-up. The MLSP has played an active role in designing and adopting Statistical Bulletins — but acknowledges that it could not develop the statistical and computer software without help.

Support of Oblast Level MIS The MLSP has also supported the development of oblast-level MIS systems based on automatic data transfer from local offices to oblast departments. Noshchenko recognizes the importance of oblast departments understanding what is happening within housing subsidy offices. The Ministry has urged the transfer of the reporting technology to its Monitoring Centers and to oblasts that have staff competent enough to learn to manipulate the reporting programs. The SSRT is already working with Mikolaiv Oblast in a series of pilot reporting programs to train local staff.

Auditing The MLSP now strongly favors auditing. It was successful in persuading the skeptical Ministry of Finance that auditing makes good fiscal sense as well as good policy sense. The MLSP lobbied hard with the Cabinet of Ministers for Decree 1050, eventually issued on September 22, 1997, creating a permanent audit program. Since the Decree was issued, the MLSP moved quickly to draft the normative documents implementing the auditing program, which were distributed to all oblast departments on October 8, 1997.

5 2 2 Policy Development

Design of Policy Initiatives Deputy Minister Noshchenko and his staff have worked hard developing and improving the housing subsidy program and evaluating ways of providing means-tested benefits to poor families with children. The concept of converting NASH DIM into NASHA SEMYA — complete with the suggested name change — originated with Noshchenko. Staff have also known when to use SSRT support in preparing empirical analyses for the evaluation of alternative child-care policies.

Use of Empirical Analysis There is no strong tradition in the GOU of using real numbers as the basis for evaluating alternative policies — possibly the result of the absence of reliable and timely numbers from the Ministry of Statistics in the past. But, during the long summer debate over possible increases in tariffs (to cover 100 percent of allowable costs), the MLSP repeatedly requested and used empirical analyses prepared by PADCO to evaluate the consequences of different percentages of income to be paid by different groups as well as other variants that were proposed to the Cabinet.

Refining Statistical Gathering Techniques After rejecting all efforts for collaboration in the past, the newly demoted COMStat has at last expressed the desire to collaborate on data collection, compilation, and analysis techniques. It is too early to have shown any concrete results, but COMStat staff recently approved PADCO's latest report on indebtedness among families for housing and communal services — even though the report demonstrates severe shortcomings in COMStat data.

Automation Deputy Minister Noshchenko had never used a computer when he was appointed by Minister Yershov to head the housing subsidy program. He is now a convinced computer user — the first deputy minister, so he claims, to communicate with all his oblast departments via e-mail. He was recently given the responsibility to head social protection automation programs by Minister Bilablotsky.

5 2 3 Fiscal Responsibility

Paying Their Share Recognizing, explicitly, that USAID will not support social sector restructuring programs indefinitely, the MLSP has begun to support activities in which its staff can collaborate directly with SSRT staff. This fall, the MLSP finally persuaded the Ministry of Finance that it must develop its own software development capacity in its Information Center. It has had placed in the 1998 budget funds

to finance the development of software programs to support targeted assistance programs and has formally requested the opportunity to collaborate with the SSRT on software development issues. While the Ministry's Information Center cannot afford to hire top-rank programmers, it has proved that its staff can handle some sophisticated tasks. For example, it has developed a new database design for pension caseloads that is useful, and the Center collaborated with the SSRT on the development of electronic libraries. Nevertheless, Information Center management are not yet open about sharing programs or activities with SSRT staff.

Staffing Up The MLSP has at last expanded the staff in the Housing Subsidies and Social Assistance Department from six to nine people and has slots for two more. While salary of staff remains a perpetual problem, Noshchenko's department has managed to attract dedicated and hard-working people. In 1998, a total of 40 computer technical experts will be hired by oblast departments of housing subsidies to support local offices in the use of computers and software.

Training The MLSP is now running two regular monthly training seminars (in which SSRT staff participate). One seminar (usually one day) is for oblast department staff to update them on the latest changes in normative documents, new software developments, and other matters. The second seminar (usually several days) is provided for about 25 local office staff to train them in the administration of the program and the use of the caseload management software.

5 2 4 Logistics

Holding Meetings and Seminars The MLSP has learned how to hold effective meetings and seminars. On October 8, 1997, for example, it held an impressive one-day seminar to explain to all oblast departments (and some key city departments) the implications of the new Cabinet of Ministers decree issued on September 22. They prepared material to be distributed, explained the required policy and program changes carefully, and coordinated all the logistics. Two years ago, PADCO would have had to pay the travel expenses of participants, organize the seminar site, and prepare all material.

Management of Information Flows to Oblasts The MLSP has also learned how to distribute material to its oblast departments using e-mail or fax. The result is the more rapid implementation of policy changes and stronger links between the MLSP and its regional departments.

5 3 OBLAST DEPARTMENTS OF SOCIAL PROTECTION

The development of local capacity is proceeding faster at the oblast and local level than at the national level — possibly as a result of the greater ease of hiring skilled computer programmers and technicians at the oblast level compared with in Kyiv.

Creation of Computer Centers Several oblasts, including Mikolaiv, Kharkiv, Dnipetrovsk, and Donetsk, have created or expanded computer support centers with special staff to serve the department of social protection. The staff of these centers make ideal collaborators for the SSRT. They appreciate the value of management information systems and greatly reduce the level of effort the SSRT must put into local office support. They also allow the testing of new software products and are a useful source of new ideas.

LAN Installation So far, five oblasts have volunteered for a program under which SSRT staff train oblast-level computer staff to install LANs. This process illustrates the wide differences among oblasts with respect to computer skills.

Office-to-Office Mentoring Several oblasts — Mikolaiv and Kyiv, for example — have initiated programs under which staff from the successful housing subsidy offices are used to advise and mentor staffs from offices that experience problems. In Kyiv Oblast, for example, the heads of two or three well-managed and successful offices make frequent visits at the behest of the oblast to offices experiencing problems — long lines, lack of timely or accurate reports, etc.

Holding Monthly Management Meetings of All Housing Subsidy Offices (HSOs) Several oblasts have initiated monthly meetings involving the heads of all local offices. The meetings are used to distribute new information as well as to review operations and hear about problems. Mikolaiv has initiated a system of quarterly reviews of local office performance with office managers and the oblast head of the housing subsidy program. The oblast benefits from having all raion offices subordinated to the MLSP.

5.4 LOCAL HOUSING SUBSIDY OFFICES

There are 756 local offices that receive applications from families and issue notifications of subsidies granted. In addition, nearly 1,000 villages have a part-time representative of the housing subsidy program whose job is to collect applications from local residents and transfer them to the nearest full-time office. They are also responsible for collecting notifications and vouchers for liquid gas and solid fuel.

Some of these offices are poorly managed — characterized by long lines, inaccurate calculations of subsidies, and failure to adapt to the newest version of the program. But oblasts are, increasingly, taking action to deal with “bad” offices (see mentoring program, above). In addition, the MLSP is providing more intensive information about updates in the program and required practices — even though most offices are not subordinated to the Ministry.

Still, many local offices have demonstrated considerable inventiveness in solving the problems of getting a new program up and running. The work of the SSRT in preparing oblast- and national-level management procedures has uncovered many examples of local initiatives that deserve to be part of standard operating practices in many offices. Below is a sample of initiatives that have been developed and implemented locally.

Stationing housing subsidy personnel in ZHEKs and communal services enterprises to collect and process subsidy applications This is already widely used. In Vatutinsky Raion, Kyiv, the HSO is being connected to all ZHEKs to simplify the application process (the HSO will collect details of monthly housing and communal services payments and passportiste data automatically).

Using one office telephone line as a “Hot Line” Some raions have dedicated a telephone line with trained staff to answer questions from the public about the housing subsidy program and about the application process.

Linking HSOs with communal services enterprises In some local offices (in Cherkassı Oblast, for example), data on family heating or gas bills is transferred in machine-readable form directly from the heating company or the gas company. Families do not need to line up to collect this spravka separately.

Sending HSO staff to ZHEKs, communal service enterprises, and community centers to publicize the housing subsidy program In publicizing the program, some local office managers also write articles for newspapers or appear on local TV shows.

Stationing HSO staff at enterprises that are cutting back workforces or going out of business Moskovka Raion in Kyiv works closely with large local enterprises to “out-station” staff to distribute application forms and even to receive applications

Allowing people to make an appointment with an HSO officer by telephone Even when a person is not working, his or her time is valuable. By recognizing it, the HSO offers them dignity and respect

Setting certain days of the month as special days for certain classes of applicants This spreads the workload over the whole month for those HSOs that receive most of their applications at the end of the month, while the workload at the beginning is very light. In these cases, the first 10 calendar days of the month might be special days just for pensioners

Sending HSO staff to call on invalids and bedridden clients during periods of slow new enrollment This extra service has been used in several cities to reach invalids and the very elderly

Linking HSOs with pension offices to allow automatic enrollment of single pensioners — or, at least, automatic notification of the program In L’viv and Kyiv, HSOs are directly linked to pension offices, eliminating the need for pensioners to line up for an income spravka in the pension office

Using computers for processing HSO office operations Some offices have begun to maintain accounts and payroll records of their own staff on computers. As a result, the SSRT is including an office management module in the next version of the core software program

Evaluate the performance of each HSO staff member every six months Some large raion offices have begun a system of reviewing staff performance and maintaining records of the interviews. The manager give the evaluation to each person privately

6 LESSONS AND RECOMMENDATIONS

6.1 SOME LESSONS FROM TECHNICAL ASSISTANCE

The evidence presented in the previous sections suggests there are — even in the highly centralized and anti-innovative bureaucratic tradition of the former Soviet Union — people in government who are willing and able to take the initiative and use technical assistance to expand their capacity to initiate and to manage programs. It also suggests that the use of computers and customized software has helped such people move ahead more quickly in shaping policy and administrative procedures. Several lessons suggest themselves.

First, the housing subsidy program benefited from being started *de novo* rather than being “shoe-horned” into existing MLSP local offices and programs. Since most staff were new to the system of social protection, they were less settled in their approach to program administration. Office managers include retired military officers and managers from closed factories. Since there were no established ways of doing things, everything had to be invented. And, in times of rapid transition, invention can be a better way to develop a program than tradition.

Second, USAID’s provision of computers with software was vital to the success of the housing subsidy program. Provision of computers without software would have been a waste — they would have been used as glorified calculators for estimating subsidies. And providing computers and software without an intensive and long-term technical assistance program would also have been a waste. Computers made the housing subsidy program “special” — creating an ethos among the staff of computerized offices of being up-to-date and responsive to clients.

Third, provision of computers and software also made it essential to provide training — the computers would not have been exploited without it. This meant that local office staff came to view themselves as part of a new national system — they were called to Kyiv for monthly briefings and technical support staff visited them in their offices. This, in turn, stimulated peer pressure to come up with new ideas. Computers forced the MLSP into long-term collaboration with the USAID Social Sector Restructuring Project — and MLSP staff, eventually, became used to working closely with experts and to working collaboratively. A similar process is just starting with the Pension Fund offices in the pilot program.

Fourth, long-term technical support for training is also vital. There is no tradition of training personnel in the former Soviet Union — at least, training in the way it is undertaken in the West. Bureaucrats have traditionally learned their job by shadowing the bureaucrat whose job they will be taking over. Only a top-management elite received training in more general and flexible skills. The development of regular training programs for all levels of staff as has been achieved in the housing subsidy program is the result of having no existing officials to shadow and of all levels of staff having to learn computers. It has been very important to train the MLSP how to use and how to deliver training.

Fifth, observational tours to the U.S. and to Central Europe for key policy-making counterparts were important in enabling them to conceive of alternative ways of doing things. Because they had seen alternative systems at work, counterparts were better equipped to understand recommendations for new policies or amendments to existing ones. These tours were also important in building trust between the SSRT and counterparts. Even with close collaboration and several foreign trips, however, Ukrainian government officials remain suspicious and somewhat fearful of how their close collaboration with foreigners will be viewed by their rivals and enemies within the GOU.

Sixth, technical assistance must be provided for a sufficiently long period for new habits and views to grow roots in counterparts The social sector restructuring program has been working since January 1995 on the housing subsidy program and since May 1995 with local offices. The real fruits in terms of the development of local capacity described briefly above began to be harvested only in 1997.

Seventh, technical assistance must be comprehensive Technical assistance should support policy implementation as well as policy design. USAID/PADCO has worked with the Ministry on almost all aspects of implementing the housing subsidy program — from collaborating on drafts of the original decree, designing and printing application forms, providing computers to local offices, developing computer software to calculate subsidies and maintain records, teaching local staff how to use the software, analyzing the dynamics of the program, preparing advertisements for the media explaining the program, and providing support for the Ministry in identifying opportunities to improve the program. The MLSP would not have so readily adapted to the implementation of computerized caseload software in regional offices unless MLSP program staff had been trained in the use of computers and other equipment. Being told of the potential labor-saving wonders of the computer is not the same as being able to use the labor-saving computer yourself. Providing computers without comprehensive technical assistance is largely a waste of money.

6.2 BARRIERS TO BETTER CAPACITY BUILDING

There are many adjustments that the Western expert must make when he or she begins working on social protection policy issues in Ukraine if the technical assistance project is to transfer real skills.

First, resources available for Ukraine's social protection programs are very limited The absence of reliable telephone links, copiers, computers — even file cabinets and reliable filing systems — and other office equipment that Western administrators take for granted can be a major obstacle to rapid implementation of program changes. That is why we have always tried to meet the immediate needs of our counterparts in this area.

Second, at the national and regional level, there is an acute shortage of managerial staff The housing subsidy program allocates nearly \$1 billion in targeted assistance. Yet the Ministry department has a staff of only eight people and each oblast has a departmental staff of only four or five — at most. In the U.S., there would be at least 200 people working in the Ministry department and a further 40 working within each oblast. At the same time, there would be far fewer program staff working in local offices because operations would be automated.

Third, reporting, evaluation, and audit procedures are underdeveloped in Ukraine compared with typical Western social protection agencies Auditing the housing subsidy program, for example, was initially viewed as a process of ensuring that the local offices had copies of all the appropriate documents that should be provided by an applicant, not as a process of testing the accuracy and completeness of the information provided. There is no tradition of analyzing whether a program is meeting its stated objectives. In neither the Russian nor the Ukrainian language are there words distinguishing between “efficiency” and “effectiveness.”

6.3 RECOMMENDATIONS

The model of comprehensive, practical, long-term technical assistance that has been employed for the housing subsidy program could and should be employed to the reform of other social assistance and social insurance programs.

The targets for such technical assistance should be the extension of the targeted assistance program from housing subsidies to child-care allowances and the reform of the pension system. Intensive technical assistance should also be provided to GosKomStat to reform its system for compiling and reporting social and economic data.

ATTACHMENT 1. REPORT ON THE PILOT PROGRAM TO INSTALL LOCAL AREA NETWORKS FOR THE HOUSING SUBSIDY PROGRAM

SUMMARY

The conclusion is that, in planning a nationwide "roll out" of LAN installation, average costs of \$500-\$600 per installation should be considered

There are many requests for LAN installation assistance from local subsidy offices. There are also very few skilled LAN installation technicians who can meet this demand in Ukraine — and almost none outside Kyiv. There are also many sites where LANs cannot be installed because the electrical system is not grounded.

Recommendation Set aside a budget of \$75,000 — if funds are available — for the installation of 120-150 LANs. This should cover the main sites where there are multiple computers, large caseloads, and where local infrastructure conditions permit LAN installation.

1 INTRODUCTION

Under agreement with the Ministry of Social Protection of the Population of Ukraine (MSP) and the United States Agency for International Development (USAID), PADCO's Office of Technical Support (OTS) to the Social Sector Restructuring Project has provided technical assistance to the MSP to install LANs in offices of the housing subsidy program of Ukraine.

The MSP requested assistance with the purchase of equipment and the installation of LANs because the MSP lacked the financial resources to purchase LAN equipment itself and because its computer center lacked skilled personnel familiar with modern LAN equipment.

LANs are essential for housing subsidy offices because the offices serve an average of 12,000-20,000 family cases. Data are entered on several different computers simultaneously, yet a single, integrated database must be maintained for the purpose of preparing reports, transferring funds to communal service enterprises, and auditing cases.

2 PURPOSE OF THE PROJECT

Installations were to be carried out in 15 offices by trained staff from the OTS, which is part of PADCO's Social Sector Restructuring Project sponsored by USAID. The site offices were selected by the MSP based on a letter survey of oblast offices asking which sites would be most suitable for LANs. The infrastructure conditions necessary for the installation of LANs were specified in the letter from the MSP — and included the specifications that the premises be secure and that the electrical circuit supplying the computers be grounded. The LAN team used cabling and connectors and Ethernet cards purchased by the USAID and transferred to the MSP in late November 1996.

The purposes of the pilot program were

- to assess the costs of other resources necessary for the installation of LANs in housing subsidy offices,
- to assess the problems associated with the installation of LANs in subsidy offices,
- to assess the benefits of LANs to the work of subsidy offices, and
- to train personnel in the skills needed for the installation of LANs

3 DESCRIPTION OF PROJECT

A team of four people was hired by the OTS and received two weeks of intensive training in the housing subsidy database, the requirements of housing subsidy offices, and the Ethernet LAN system. The team was trained by OTS staff who have been working in housing subsidy offices for six months.

Of the 15 sites chosen by the MSP, 4 proved unsuitable and 1 (in Kyiv) already had installed a LAN system. The team selected the Ethernet LAN system for several reasons. First, the earlier systems that were in use in the MSP (since replaced under this pilot project) are inadequate for the full sharing of data and for the simultaneous use of databases and, second, all computers presented by USAID for housing subsidy offices already have Ethernet cards installed.

The data collected by the OTS LAN team show the following average costs for each LAN site (with considerable variation among sites):

- 1 The average material cost of each LAN — in addition to the cost of the LAN cable and connectors provided by USAID — was about \$310. Some of these purchases were non-recurring costs associated with equipping the team with necessary tools. We would project that — for a large-scale installation program — the average costs would be between \$250 and \$300.
- 2 Each installation required 10 person-days of OTS staff time (\$200 of paid time of staff). This included travel to and from the site, installation, testing, and training local staff in the use of the LAN. For a larger-scale project, it may be possible that this will be reduced to between eight and nine days (training sessions, for example, could be presented to the staff of two or three offices at the same time).
- 3 Travel and lodging expenses for team members averaged about \$100 per installation.

The OTS projects that, for a large-scale LAN installation program, the average cost per LAN installation (including troubleshooting and training) would be between \$500 and \$600.

4 RESULTS

The results of the LAN installation met all expectations. With instruction and troubleshooting from team members, local office staffs are able to make full use of the LAN system. They are able to maintain their growing caseloads more easily and with fewer duplications and errors. The ability to maintain unified databases is already assisting the MSP and PADCO in developing its monthly reporting system from selected raions.

At the same time, the pilot reveals that there are many offices that lack the necessary physical infrastructure to support the installation of LANs. The most widespread lack is a suitable grounding for the electrical system. LAN team members estimate that, in most of the offices where grounding is absent, the cost of rectifying the problem would be about \$500 — including material and labor. A related problem is that, in requesting the installation of a LAN, most of the offices without electrical grounding misrepresented the situation, claiming that grounding was in fact available. The team was unable to determine whether this was due to ignorance or was deliberate.

5 RECOMMENDATIONS

In view of the success of the pilot program, the OTS recommends that USAID support additional LAN installations in offices that are ready and that have a heavy caseload and that are prepared to make the necessary complementary investments in infrastructure. Rapid installation of LANs — especially in pilot

raions used for the reporting system that the MSP and PADCO are developing — will be the only way in which the reporting system can be completed on time. In the judgment of the OTS, there are very few offices that will be able to afford the installation of LANs without financial and technical assistance within the next year.

LANs will also be important for the expansion of audit activities. Auditing without a unified database and without the ability of office staff to access the full database will be more difficult and less effective.

The installation of LANs should be given a high priority in view of the following:

- the need to speed up the development of the reporting system from pilot raions because of the absence of any useful data on the number of families receiving subsidies and the cost of these subsidies to the State Budget,
- the need to prepare offices for the changes in tariffs and other aspects of the housing subsidy program scheduled for early summer 1997, and
- the installation of up to 800 computers to be financed with the proceeds with the loan from the World Bank.