

# Social Funds Innovations Updates

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## Bulgaria Regional Initiatives Fund (RIF): Innovative Approaches to Income Generation

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The Bulgaria Regional Initiatives Fund (RIF), funded through a Learning and Innovation Loan (US\$4.15 million), began in early 1999 and closed in April 2001. The project tested the social fund approach as an institutional mechanism to help Bulgaria protect incomes of the poor and vulnerable groups during the transition. Its development objective was to help alleviate adverse economic impacts of the country's present structural reforms by creating temporary and longer-term jobs.

### Why job creation?

The main problem of Bulgaria during the period of economic restructuring (1990 – present), and especially after the introduction of a currency board in 1997, has been the high rate of unemployment and the low levels of income associated with it. Currently the official unemployment rate for the country is around 18%, though some non-governmental sources claim much larger numbers. This is why the Bulgarian pilot social fund focused on short-term and long-term employment generation as its main goals. Originally a small project, the success of the pilot RIF attracted an additional BGN 16 million (equal to US\$7.4 million) of Bulgarian Government money to the project, and another BGN 16 million in funding from USAID.

### What does the project fund?

The RIF's sub-projects (micro-projects) component (US\$3.15million) funded two types of activities: social infrastructure and "innovative micro-projects." The infrastructure component was "classic social fund," providing short-term job creation by building much-needed community infrastructure. The innovative micro-projects component (IMPs) was the more innovative of the two. The purpose of the innovative micro-projects is to explore different approaches to employment generation for possible replication in

the future. To do this, the IMPs component had two goals:

- Create longer-term jobs (as opposed to temporary jobs created by infrastructure projects); and
- Foster the reintegration of disadvantaged groups back into society.

Such micro-projects utilized new technologies, local traditions, and promising employment opportunities such as handicrafts to create a new approach to job creation. In addition, IMPs targeted those social groups in a weaker position in the labor market and among whom there is a long-term tendency for high levels of unemployment (see below).



The innovative micro-project in the town of Karlovo trained women for jobs in the textile industry, and negotiated job placements in local companies.

### How does it work?

The IMPs created opportunities for *income generation* by establishing an enabling environment for business development. These micro-projects (initially envisaged only as grants) could be non-financial business services (e.g. training, business advice and marketing) to improve production activities that directly created jobs for disadvantaged ethnic minorities and women; social services; procurement of equipment and materials for demonstrative

production purposes; or productive (business) projects to help incorporate vulnerable beneficiaries into the market.

Seven Innovative Micro-projects totaling approximately US\$130,000 were funded by the Bank, and another 20 totaling approximately

World Bank-funded Innovative Micro-projects	Amount in \$US (approx)
Business Incubator in the town of Razlog	19,000
Plastic waste recycling for Roma in the towns of Plovdiv, Stara Zagora, Russe, Nova Zagora	26,100
Retraining for seamstresses in the town of Karlovo	18,000
Kitchen for the poor in the village of Tsenovo	13,750
Training and job search for unemployed, town of Tvarditza	13,900
Business Incubator, town of Vidin	20,800
Business support for start-up of herb cultivation business in Roma, Elhovo	18,400
<b>Total</b>	<b>129,950</b>

US\$700,000 were funded through additional donor financing provided by USAID.

### Who benefits?

The target beneficiaries of the IMP's are ethnic minorities at a disadvantage in the labor market, socially marginalized women, vulnerable youth (orphans first entering the labor market and youth leaving underage detention establishments), disabled unemployed people from the regions with high level of newly laid off workers as a result of the structural reform, as well as people from regions that are isolated in terms of communications.

The projects are developed and proposed by the intermediaries, mainly non-governmental non-profit organizations (NGOs). Examples of such organizations are: business centers, business incubators, trade associations, or community centers.

### How has the process worked so far:

The innovative microprojects cycle includes several stages:

1. Promotion
2. Identification
3. Pre-selection and preparation
4. Appraisal and final selection
5. Implementation
6. Impact evaluation

Being a pilot with limited duration, the RIF conducted one initial promotion campaign which led to the submission of 40 proposals. Then the RIF administration conducted pre-selection based on three sets of criteria – first a set of eligibility criteria, and then two tiers of objective criteria including targeting vulnerable groups, number of jobs created, cost per job created, etc. The experience with the first proposals, some more successful than others, have helped the RIF to further revise selection criteria.

#### Eligibility Criteria

- Microproject proposal must target vulnerable groups.
- Funding requested should not exceed DM 60,000.
- Project implementation should not go beyond February 2000.
- The intermediary must provide at least 10% cost sharing. At least 50% of Intermediary contribution should be in cash.
- Microproject proposal must demonstrate sustainability (technical, financial, social).

#### First Level Criteria

- Degree of targeting vulnerable groups - percentage of participating representative of the target groups in the direct beneficiaries group.
- Number of created/preserved long-term jobs.
- Cost per job created.
- Cost Sharing.
- Degree of acquiring or improving qualifications of the target group
- Degree of attained social integration of the target group.

#### Second Level Criteria

- Economic viability based on business plan evaluation.
- Replicability (possibility for a project to be used as a model).
- Experience of the intermediary in projects involving the target groups.
- Sum demanded from RIF.

## The IMP in action: examples from the first phase

### Roma plastic waste recycling project

One example of a RIF innovative micro-project was the US\$26,100 *Plastic Waste Recycling Project* implemented in four Bulgarian towns. The project was developed by a Roma NGO with chapters in these four towns. The IMP consisted of two elements: training in the plastic waste recycling process; and purchase of plastic processing machines. Altogether about 140 persons were trained. Out of them, 16 got jobs as machine operators at the recycling sites, the rest worked as waste collectors. Wages of machine operators (equal to the minimum wage) were paid by the state Professional Training and Unemployment Fund. Ex-trainees who collected the waste were paid somewhat higher commission than non-trainees as they supplied better quality materials, i.e. training increased their productivity.

The project proved efficient in targeting the disadvantaged Roma ethnic minority members with a view of fostering their social re-integration. Also, it improved the skills and productivity of the target beneficiaries and had a positive environmental impact. Most importantly, there was a strong feeling of ownership for the project on behalf of the Roma communities in the respective localities. However, the project's financial sustainability is uncertain beyond the wage subsidies and the term for the project supervision. Several months after the formal end of the RIF participation and monitoring, some of the sites were not functioning regularly (if at all) for the lack of markets and insufficient returns to self-finance the activities. *Therefore, this type of project needs to be developed on the basis of more businesslike approaches and improved productivity. Another point of caution is the issue of ownership of assets (equipment), and the relationship between the participating NGOs and the interested businesses. Future project managers should try to build in incentives for the NGOs to sustain the project benefits beyond the closing date of the micro-project.*

### VET for women in Tvarditsa

Another example of an innovative micro-project, this time based on the value of training and the flexibility of the NGO sector, was the US\$13,800 *Vocational Training to Unemployed Project* in the town of Tvarditsa. The project provided vocational training to the unemployed in the area which is

undergoing industrial restructuring, and is populated largely by people of the Turkish minority. The project was implemented by a local NGO – *The Social Protection Foundation*. The NGO selected on a competitive basis a training agency that provided training to 50 women from the area trying to find employment in the expanding local textile and clothing industry. Out of 50 women who received training, 31 were offered a job after successfully completing the training course and sustained these jobs after project completion.



Ethnic minority Roma workers at a plastic waste processing site in the Roma neighborhood of Stolipinovo in the city of Plovdiv.

The micro-project proved the importance of the close contacts and cooperation between the NGOs and the local employer community, which in this case, led to the provision of training tailored to employers' needs, and subsequently to a high rate of success in finding jobs for the trainees. The overall cost per trainee was lower compared to the training provided by the local labor office. In sum, the project activity complemented that of the local labor office, but services were provided in a more cost-effective way. *However, future projects of this type should seek to also include mechanisms for having the employers share in the cost of training.*

## Lessons Learned

The RIF has yielded a number of lessons for social fund task managers to bear in mind:

- A limited number of clearly defined and easily monitored types of micro-projects are key to successful administration and monitoring. Throughout the RIF project, the implementing agency had problems with monitoring, evaluating and comparing the success of the projects because they were so diverse in nature. It was difficult to apply common evaluation criteria to the IMP portfolio.
- A mechanism for community participation in the selection and implementation of the projects should be

embedded in the project cycle. The review of the RIF IMPs showed that sometimes the benefiting communities did not have the chance to provide their input during project development.

Every project proposal should have a sustainability analysis and a list of specific measures ensuring sustainability of project results. This will prevent cases in which project benefits are lost or cease when the project expires. This is especially important in cases when production equipment is provided as a part of the project.

For more information on the Bulgaria Regional Initiatives Fund, contact Peter Pojarski (ppojarski@worldbank.org) at the World Bank's Bulgarian office.



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