Moldova has undergone a difficult transition since the collapse of the Soviet Union. The country faced one of the most debilitating economic crises in the region, and the majority of the population, particularly in the rural areas, has experienced a drastic decline in living standards. A sharp fall in state revenues, along with tight monetary and budget policy resulted in the practical elimination of all investments for rehabilitation and maintenance of social and economic infrastructure.

The legacy of the Soviet hierarchical administrative system in which non-elected appointed local authorities served merely as an extended arm of the central government and whose function was to execute orders coming from above, meant that the country had no culture of participatory, consultative decision-making. Moldova was ill-prepared to face new challenges, particularly at the grass-roots level. Recognizing the need to tackle deepening poverty, build community participation, and slow the rapid deterioration of basic infrastructure and services, the Government requested financing for the Moldovan Social Investment Fund (MSIF). The MSIF was created in 1997, operating first as a pilot project and becoming effective in 1999.

Implementation Problems Connected with Community Participation

The MSIF’s Operational Manual builds community participation into every step of the subproject cycle. For example, the MSIF requires that each community have a General Community Meeting (unheard of during Soviet times) with mandatory attendance of at least 25-30 percent of the adult population and a community election of a gender-balanced Implementation Agency (IA). Procurement, supervision and other functions are delegated to the Implementing Agencies.

At the beginning, however, principles of transparency were not always followed—even by the Implementation Agencies that had been elected by their own communities. In one case, the IA did not consult the community on where a gas pipeline would be constructed. The pipeline ended up going through a neighborhood where many of the IA chairman’s relatives lived, causing considerable community dissatisfaction.

Another issue originated from the fact that the lack of consultation during the Soviet past made community members believe that what they think and want did not really matter. As a result, many IAs did not take the process of project proposal and sustainability plans write-up and community consultation seriously enough. This, in turn, led to delays in the subproject cycle and comparatively large change orders in the ongoing subprojects.

New Procedures Introduced

To address these issues, the MSIF management decided to delegate more responsibilities to IAs while increasing the technical assistance budget to train them. The MSIF also introduced two new procedures:

1. IAs argue the merits of their proposal to the MSIF Executive Committee

To facilitate “quality at entry” of subprojects, IA members are now required to argue the quality of their project proposals and sustainability plans before the Executive Committee. Only then are these proposals considered for funding.

2. Participatory Technical Appraisal (or Participatory Verification)
Along with a regular technical appraisal carried out by the MSIF engineers, this new procedure allows any willing community member, together with a MSIF representative and the members of the IAs, to participate in a verification process to ensure that IA-developed plans really meet the interests of the entire community, and/or to suggest improvements.

The introduction of these two procedures have served to increase the IA’s awareness of its responsibilities and to make it more accountable to communities at an earlier stage in subproject cycle. The results have improved community satisfaction with subproject quality. These procedures have also led to a considerable reduction in average period of community contribution collection which is down from 72 to 44 days.

**Investments that Make a Difference**

Although the subproject menu includes roads, water and gas projects, school rehabilitation is in the highest demand. This is understandable given a lack of state funding for school maintenance that has left a great number of Moldovan rural schools with leaking roofs and broken heating systems. These schools are also expensive to operate: according to a WB study, on average 60 percent of school budgets were spent on inefficient heating systems.

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**Box 1: Mladinesti School Project**

The school in the village of Mladinesti in Lapusna county serves 253 students. The old school boilers needed 200 tons of coal per heating season, but the temperature would still not go higher than 12 degrees Centigrade. Often, the heating system could not function at all because of frequent electricity blackouts. A state inspection concluded that 30 percent of students got ill during the academic year because of the low temperatures in the classrooms.

The MSIF provided a ray of hope to the desperate community. The USD 26,727 helped fix the school’s leaky roof, replaced the heating system and implemented basic energy conservation measures. Coal consumption was reduced to 60 tons of coal per heating season and the estimated cost savings was USD 7,636. To put this figure into perspective, the annual salary fund for all school employees is equal to USD 6,109. For the first time in many years, the students in Mladinesti school could take their winter coats off in the classroom.

The impact of the changes was immediately evident. Absenteeism decreased from 12 to 5 percent. Educational performance improved and student and teacher sickness due to low temperature was reduced considerably. The recently created PTA managed to collect USD 351 in the school fund and community members became more willing to participate in the solution of common problems.

In many cases, however, communities submitted subproject proposals that included works that were not necessarily a priority from an economic point of view, and did not have the direct effect of improving school conditions. For example, an expensive fence might be included in the subproject proposal rather than more-needed improvements like window glazing and insulation.

To improve the conditions in rehabilitated schools, the MSIF developed a strategy that prioritized the works that had to be carried under school projects in favor of energy saving and conservation measures and efficient space utilization works. MSIF staff also work closely with communities so that communities understand the benefits of such a strategy. This approach has led to considerable cost savings for the rehabilitated schools.

**Developing Partnerships to Achieve Greater Impact**

Aware of its unique outreach capacity, the MSIF has built partnerships with other local institutions that share similar objectives in order to achieve greater impact at the local level. An excellent example of such a synergy is the MSIF cooperation with the Soros-funded “Step by Step” educational program that promotes a shift away from authoritarian, teacher-centered education processes.
The two organizations signed a Memorandum of Understanding in 1999 whereby the MSIF assumed responsibility to procure furniture and equipment necessary to run the “Step by Step” program, while the partner committed to train teachers, principals and provide didactic material to schools rehabilitated with MSIF assistance. The program was so successful that it was introduced in 120 rural schools and directly benefited 5,000 students and 281 teachers. Parents and teachers report that children who went through the program are more active, inquisitive and open in communication.

**Box 2: Pirlita Performance Contract**

The village of Pirlita in Ungheni county entered into a Performance Contract with the NGO “Mostenitori.” The total cost of this two-year Performance Contract is USD 2,000. The NGO has already deposited USD 1,000 into its bank account and will use these funds to finance the following activities:

1) Procurement of modern didactic material, equipment for the gym.
2) Teacher Retraining - 12 teachers will participate in the training course on critical skills development in reading and writing and facilitation techniques.
3) Health educational programs.
4) Educational programs on democracy and civil society.
5) Visits to historical places in Moldova.

**Lessons Learned**

- **Communities must “own” the project to make it successful.** Communities must be aware that they are the key partners in subproject implementation and that their positive attitude, decisions and actions matter and are the most important ingredient for subproject success.

- **Wider community consultation may be needed not only at the identification of a priority problem, but also while solving technical issues.** In certain cases, community members were not consulted on the design of the proposed project, leading to community conflict. Operational procedures should be designed to ensure that every community member can provide input at key stages of the subproject cycle.

- **Communities may need help in priority identification.** Social fund staff should play a pro-active role in helping communities identify their priorities by providing as much additional information as possible. Communities should be given an opportunity to make an informed choice and not simply accept what is offered.

- **Partnerships improve development impact.** Developing partnerships with other institutions that share common objectives creates positive synergies and achieves greater development impact at the local level.

- **Maintaining links with communities after subproject implementation helps ensure sustainability.** Communities should not be left alone after subproject implementation is complete. Operational innovations designed to assist the community in sustaining the rehabilitated facilities may have an effect on the long-term development impact.

**Performance Contracts as Tools to Promote the Sustainability of Investments**

Sustainability of subprojects investments is high on the MSIF agenda and is considered at each stage of the subproject cycle. The MSIF encourages the creation of Beneficiary Associations, PTAs, local NGOss and their cooperation with local authorities to ensure that the rehabilitated facilities are well maintained. To support newly-created Community-Based Organizations and local authorities, the MSIF has decided to test a new approach by signing Performance Contracts with communities that have finalized the implementation subprojects.

The MSIF and the community enter into a two-year, post-implementation contractual arrangement. Provided that the community successfully implements the actions included in the sustainability plans, the community can receive a matching grant up to USD 500 a year for various development activities, such as maintenance training, teacher retraining and book fund development. So far, seven communities have benefited from these matching grants.
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