

EXECUTIVE SUMMARY
SECTOR FACILITY
ENHANCING MANAGEMENT OF THE SOCIAL PROTECTION SYSTEM
(UR-L1032)

Borrower:	Eastern Republic of Uruguay	
Executing agency:	Banco de Previsión Social	
Amount and source:	IDB: (Ordinary Capital)	US\$3,212,783
	Local:	<u>US\$ 686,602</u>
	Total:	US\$3,899,385
Financial conditions:	Amortization period:	25 years
	Disbursement period:	3 years
	Grace period:	3 years
	Interest rate:	LIBOR-based option
	Inspection and supervision fee:	*
	Credit fee:	*
	Currency:	United States dollars from the Single Currency Facility of the Bank's Ordinary Capital
Objectives:	The general objective of the program is to strengthen policy-making and implementation capacity for social security benefits and contributions in Uruguay. The specific objective is provide the high-quality statistical information necessary to diagnose and analyze the system, and to conduct analytical studies on coverage, efficiency, and sustainability as a foundation for reform proposals.	
Description and components:	Information will be generated with the introduction of a periodic longitudinal survey called the Social Protection Survey (EPS). The program will have three components: (i) EPS implementation; (ii) EPS analysis and dissemination; and (iii) strengthening of EPS management capacity.	
Special contractual conditions:	As conditions precedent to the first disbursement of the loan proceeds, the conditions precedent established in Article 4.01 of the General Conditions will be met to the Bank's satisfaction, and the borrower will: (i) establish the program execution unit (PEU), acting through the executing agency; (ii) designate the program general coordinator), acting through the executing agency; and (iii) sign a subsidiary agreement with the executing agency for the transfer of funds and program execution.	

Relationship to the Bank's country and sector strategy:	In the country strategy area of improving public management, the Bank seeks to enhance the social security system in order to improve the administrative efficiency of Banco de Previsión Social (BPS).
Coordination with other multilateral development institutions:	No other bilateral or multilateral organization is currently supporting the BPS in this area.
Environmental and social review:	There are no environmental or social risks associated with the activities planned under this operation. Under the Environment and Safeguards Compliance Policy, the project has been classified as category "C."
Potential benefits:	The main impact indicators included in the Results Matrix will measure (i) the increase in the number of jobs paying into the social security system; (ii) the increase in the number of beneficiaries of the pension system; and (iii) the number of beneficiaries of the family allowance system. Another important indicator will be the number of analytical studies and periodical publications by the BPS.
Potential risks:	The main risk is associated with institutional weakness of the participating entities, arising from their lack of experience with longitudinal surveys, which could make the decision-making processes last much longer than desired. To mitigate this risk, the operation includes an institutional strengthening component for both the BPS and the National Statistics Institute (INE), to train survey takers and analysts in compiling, managing, and processing the information generated by the EPS.
Procurement:	<p>The loan proceeds will be used to finance the costs of consulting services, software purchases and training logistics, as well as the value-added tax associated with those procurements, in accordance with the Procurement Plan in Annex II. Goods and consulting services will be procured for the program in accordance with Bank policies, documents GN-2349-7 and GN-2350-7, respectively, both dated July 2006.</p> <p>Direct contracting will be used for three institutions. The INE will be contracted directly to continue supporting the BPS with its experience and expertise in data collection. Two international consulting assignments will also be contracted directly with the Universidad de Chile, to provide advisory services on EPS organization, execution, and analysis.</p>
Key performance indicators:	Benefits and outcomes achieved will be determined by verifying that the targets in the Results Framework have been met. A table showing the baseline and the targets for this Sector Facility has been provided for such purpose.

**Information
shared by the
Bank and
executing
agency:**

The following documents will be used to monitor program execution:
(i) Itemized Budget; (ii) Procurement Plan; (iii) Results Framework; and
(iv) Operating Regulations.

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.