

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**ECUADOR**

**SECTOR FACILITY**

**STRENGTHENING RURAL SOCIAL SECURITY**

**(EC-0101)**

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## STRENGTHENING RURAL SOCIAL SECURITY

(EC-0101)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Republic of Ecuador	
<b>Executing agency:</b>	Instituto Ecuatoriano de Seguridad Social [Ecuadorian Social Security Administration] (IESS) through the Dirección del Seguro Social Campesino [Rural Social Security Directorate] (SSC)	
<b>Amount and source:</b>	IDB (IFF):	US\$5,000,000
	Local:	US\$ <u>580,000</u>
	Total:	US\$5,580,000
<p>The interest rate, the credit fee, and the inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3-Rev. and may be changed by the Board of Executive Directors, taking into account the available background information as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.<sup>1</sup></p>		
<b>Terms and conditions:</b>	Amortization period:	20 years
	Grace period:	3.5 years
	Disbursement period:	3 years
	Interest rate:	LIBOR rate
	Inspection & supervision:	0.00%
	Credit fee:	0.25%
	Currency:	United States dollars from the Single Currency Facility
<b>Objectives:</b>	<p>The objective of the program is to improve the health of SSC enrollees; it will be achieved by: (a) designing and offering training for personnel and communities in providing care for children under five and pregnant women, with emphasis on making services socioculturally sensitive; (b) ensuring that essential medications and basic equipment are available; and (c) strengthening current</p>	

<sup>1</sup> In no case will the inspection and supervision fee exceed, in a given six-month period, the amount that would result from dividing 1% of the loan amount by the number of six-month periods in the original disbursement period.

management systems, including financial management and monitoring and evaluation systems.

**Components:** The program is comprised of three components:

The objective of **component one** is to introduce effective health promotion and disease prevention activities into the services provided by SSC clinics and improve the skills of health care personnel in this area. Training and materials will be financed for SSC personnel working in clinics. Two training modules will be designed, implemented, supervised, and evaluated: (a) health care for children under five, based on the Integrated Management of Childhood Illness (IMCI) strategy used by the Ministry of Public Health (MSP); and (b) maternal and perinatal care, focused on better and more proactive management that is socioculturally sensitive, during pregnancy, delivery, and the postpartum period, including the development of protocols for referral to medical units able to handle deliveries. Each module will emphasize intercultural, gender-related, and social participation approaches. Training and communications activities for rural organizations and the community will also be financed in order to improve their knowledge of health care issues and practices.

**Component two** is intended to ensure that the medications and medical equipment needed to provide good quality primary health care are available in the SSC clinics. Technical assistance and computer equipment for developing an efficient system for planning, tendering, distributing, and using pharmaceutical products in the SSC will be financed. Medical equipment needed to respond to epidemiological profiles at the primary care level will also be financed, as will training for personnel involved in maintaining the clinics' equipment and physical plant, so that quality primary care can be provided.

**Component three** has the objective of strengthening the SSC's management and will finance: (a) studies to monitor enrollment and spending records for the purpose of determining whether or not the new regulations are appropriate; (b) technical support and computer equipment for developing an SSC monitoring and evaluation system and determining its impact on the health of the beneficiary population; and (c) technical support and computer equipment for improving the SSC's financial and administrative management.

**The Bank's country and sector strategy:**

The country strategy for the period 2000-2002 identified the following areas of action for Bank support: (a) improvement in governance and the quest for mechanisms for surmounting political and regional fragmentation; (b) economic stabilization in the context of dollarization; (c) poverty alleviation; (d) investment and

competitiveness; and (e) environmental protection and sustainable development. The new strategy being prepared shares the previous strategy's assessment but focuses on three development challenges: (a) better governance; (b) increased competitiveness; and (c) poverty alleviation.

The proposed program has been prepared during the transition from the existing strategy to the new strategy. The nature of the operation makes it consistent with both, since it is designed to boost the effectiveness of the primary health care services provided by Rural Social Security. The operation is also consistent with the new strategy, which identifies poverty reduction as a challenge. It also assists in improving governance in the social sector by helping to make more efficient use of public funds.

**Potential  
benefits:**

The main benefits of the project lie in the reduction in maternal and infant mortality and morbidity rates and morbidity rates associated with chronic diseases through the implementation of strategies for preventive health care and chronic disease management, as well as systems to ensure that medicines and equipment are available in the SSC clinics. These benefits are targeted to poor rural groups and will therefore also help to reduce rural poverty. The program will have a minimal, but positive, environmental impact by providing technical assistance for implementing national and local standards for hazardous waste management, in cooperation with the appropriate entities.

**Potential risks:**

**Regulations for the Social Security Law and the financial stability of the SSC.** The law's regulations will have a major impact on the financial viability of the SSC. Although unlikely given the most recent drafts of the regulations, a change to the minimum contributory wage could mean unviable increases in the welfare pensions paid by the SSC and could also have a considerable impact on its health care services. Also, although financial projections estimate that the reimbursement of clinical referrals to the IESS or another private provider by the SSC will be feasible in the short term, in the medium term, the obligation to reimburse the IESS-SGO (compulsory general insurance plan) or other private providers for tertiary level care could become unworkable. To mitigate these risks, the Bank is providing technical support to the SSC Directorate in negotiating the regulations and conducting studies to monitor these issues during the execution period (component 3). Also, in the event of an imbalance between the SSC's budget and its financial obligations, the Bank will reevaluate the proposed program to ensure the institution's sustainability and the appropriate use of program resources. The strong political and public

support for the SSC makes it likely that any reform needed to provide for its sustainability will be implemented.

**Timely financing for the SSC.** Despite the budget increase potentially associated with the new law, historically the SSC has received its budget late, resulting in a concentration of budget execution in the final months of the fiscal year. The sector loan being prepared (1466/OC-EC) includes a condition to ensure the timely transfer of budget resources to the SSC in 2003, 2004, and 2005.

**The SSC's institutional capacity.** The SSC has limited institutional capacity for financial and administrative management; this could affect its ability to execute the proposed program. To mitigate this risk, its administrative and management capacity will be strengthened under component 3. During this process, the program will finance the project coordination unit, which will support the SSC in its management, ensuring compliance with the Bank's accounting and financial reporting requirements and the seamless execution of the components, under continuous coordination by SSC Directorate.

**Coordination  
with other  
agencies:**

While the program was being prepared, there was close coordination with the Pan American Health Organization (PAHO) and the World Bank. PAHO supported the operation through the participation of an expert in socioculturally-sensitive preventive and promotional health care on the project team. As part of this cooperation, the program will support the agenda of the regional initiative of the IMCI strategy in Ecuador, strengthening the role of the SSC and complementing the efforts made to date by the MSP. As for the World Bank, the project team ensured that the proposed program was consistent with the support provided by the World Bank to the MSP and coordinated with the preparation of its program loan in the social sector, which included policy conditions to enable funds to be transferred from the MSP to the SSC in order to provide maternal and child health care services for non-enrollees who use the SSC's services (see paragraph 1.38).

**Special  
contractual  
clauses:**

Signature of an agreement between the borrower and the executing agency (paragraph 3.2), the selection and hire of the project coordination unit staff (paragraph 3.3), and the entry into force of the Operating Regulations (paragraph 3.12) are conditions precedent to the first disbursement.

**Social equity  
and poverty  
reduction  
classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI) (see paragraph 4.3).

<b>Exceptions to Bank policy:</b>	None
<b>Procurement:</b>	<p>The limit above which international competitive bidding will be used to procure goods and related services for this project is US\$250,000. Bids for procurements involving goods for less than this threshold (minor goods) will be based on ad hoc procedures agreed upon between the Bank and Ecuador. These include a system of restricted private calls for bids for procurements involving goods with an estimated value of up to US\$100,000 equivalent and local competitive bidding for procurements involving goods whose estimated value is between US\$100,000 and US\$250,000. Contracts for consulting services will be governed by document GN-2220-10 of 10 February 2004.</p>
<b>Key performance indicators:</b>	<p>The reduction in infant mortality in rural zones will be measured at the “goal” level while the increase in the utilization rate of SSC services and the level of user satisfaction with them will be measured at the “purpose” level. The other outcome indicators for each component are specified in the logical framework, attached as Annex 1 of this document.</p>
<b>Monitoring arrangements:</b>	<p><b>Monitoring meetings and evaluations.</b> The SSC and the Bank will hold monitoring meetings to review program activities on the institutional and operational levels. Two semiannual meetings will be held during the first year and one meeting will be held in each of the subsequent years. Based on the results of the reviews, any measure needed to ensure the smooth progress of the program will be taken.</p> <p><b>Progress reports.</b> The SSC will submit semiannual progress reports to the Bank during the program, with a breakdown of the activities carried out and progress in each component in terms of disbursements made and the physical goals established in the logical framework, as well as the reports and recommendations submitted by independent entities hired to execute the components.</p> <p><b>Final program evaluation.</b> A final evaluation of the program will be performed in year three. It will be based on the monitoring and evaluation system to be developed by the program to track the key indicators specified in the logical framework, attached as Annex 1. This system, which will be financed by the program, will produce a baseline for the second year of the program and will continue to generate this data each year. The final evaluation will also use the information compiled for the monitoring meetings and the progress reports.</p>