



MULTILATERAL INVESTMENT FUND (MIF)



PROJECT PERFORMANCE MONITORING REPORT (MPPMR)

I. BASIC DATA (Amounts in US\$ millions)																			
Country: Nicaragua Executing Agency (EA): NI-SETEC Window: 1 Has the project been reformulated: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (If yes see Section V)		Project Title: Legal Framework of New Pension System AT Number: MIF-AT-260-1 July, 1999 ATN/ATC Number (s): ATN-MT-6573-NI		Date of Donor Approval: 7 July, 1999 Date of Contract Signature: 27 July, 1999 Date of Contract Validity: 24 November, 1999 Date of Eligibility for Disbursement: 28 November, 1999 Original Date of Final Disbursement: 27 Nov. 2002 Current Date of Final Disbursement: 27 Nov. 2002															
CO Specialist: Jesse Wright Headquarters Staff Member Assigned: Ricardo Posada Date of Latest Report Update: N/A Date of Latest Report Review by Representative: N/A	Months in Execution from approval: 11 from signature: 11 Cumulative Extension of Original Disbursement Date (months): % Deviation from original Disbursement period: -0%-	Original TC Amount: \$1,200,000 Current Amount: \$1,200,000 Disbursements: % Disbursed: 10% Counterpart: \$720,000	TC Modality: <input checked="" type="checkbox"/> NR <input type="checkbox"/> R <input type="checkbox"/> CR																
II. PROJECT IMPLEMENTATION PROGRESS (IP)																			
Components/Outputs:	Key Delivery Performance Indicators:	Classification of Component																	
		HS	S	U	VU														
1. Part A: Draft New Pension Law 2. Part B: Implementation Strategy for Pension Reform; 3. Design Pension Superintendency (SUPEN); 4. Design information systems for Pension Superintendency (SUPEN); 5. Training program for Pension Superintendency (SUPEN) personnel.	1. Approval of New Pension Law by Asamblea Nacional; 2. Formulate comprehensive implementation strategy and ensure its execution; 3. Legal, institutional, financial and technical design completed; 4. Structure of information system, hardware and software specifications and technical training completed; 5. Detailed Training program designed and implemented.	X																	
			X																
			X																
			X																
			X																
Assumptions Related to the Implementation of each Component 1. Civil society (especially the business community and labor) after one or more years experience with the new system eventually accepts the pension system reform. 2. A complex pension strategy can be implemented in Nicaragua. 3. Adequate coordination will be established between the Superintendencies of Pensions (SUPEN) and Banks (SBIF). 4. SUPEN information systems will be available "online" electronically by the end of the project. 5. Adequate salaries will be paid to SUPEN personnel to attract and retain trained employees. Summary Component Assumptions Classification (check one)		Probability <table border="1"> <thead> <tr> <th>High</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td>X</td> <td></td> </tr> <tr> <td>X</td> <td></td> </tr> <tr> <td>X</td> <td></td> </tr> <tr> <td>X</td> <td></td> </tr> <tr> <td>X</td> <td></td> </tr> <tr> <td>X</td> <td></td> </tr> </tbody> </table>				High	Low	X		X		X		X		X		X	
High	Low																		
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X																			
Implementation Progress Summary Classification (IP): (A satisfactory or higher classification indicates, among other things, that the project will be completed during the currently approved disbursement period) <input type="checkbox"/> Highly Satisfactory (HS) <input checked="" type="checkbox"/> Satisfactory (S) <input type="checkbox"/> Unsatisfactory (U) <input type="checkbox"/> Very Unsatisfactory (VU)																			
III. ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)																			
Project Development Objective(s): 1. Nicaragua has an effective Pension Reform Law in place. 2. Nicaragua has a coherent Pension Reform strategy in place. 3. Nicaragua has an efficient and cost effective pension supervisory system to oversee a privatized pension system. 4. SUPEN is "on-line" electronically with private participants in the pension system. 5. SUPEN personnel are adequately trained to perform their pension supervisory functions.			Key Performance Indicators: 1. Pension Reform Law has been written, approved by the Asamblea Nacional and published in the Gazeta Nacional. 2. Qualified international consultants are hired to design a pension strategy that meets international norms. 3. Qualified international consultants are hired to design the SUPEN that meets international norms. 4. At the end of the project, SUPEN is able to communicate electronically with private AFP's. 5. SUPEN is able to retain its trained personnel.																



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<u>Assumptions Related to each Development Objective</u>	Probability	
	High	Low
1. There is a gradual increase in the confidence of the Nicaraguan public that the public system and the new privatized pension system (for younger workers) will be financially viable to assist them in their old age. As the public's confidence in the system rises, participant contributions to the system should also gradually improve.	X	
2. Executing agency (INSS) will conduct an international selection process to attract the best pension strategy consultants.	X	
3. Executing agency (INSS) will conduct an international selection process to attract the best pension supervisory consultants.	X	
4. Executing agency (INSS) will conduct an international selection process to attract the best pension information systems consultants.	X	
5. Executing agency (INSS) will conduct an international selection process to attract the best pension training consultants.	X	
Summary Development Objectives Assumptions Classification (check one)	X	

Expected Achievement of Development Objective Classification (DO):

☐ Highly Probable (HP) ☒ Probable (P) ☐ Low Probability (LP) ☐ Improbable (I)

Briefly explain major factors taken into account to justify the DO Classification:

Until very recently, the success of the project has been doubtful due to the reluctance of the executing agency (INSS) to conduct an international public solicitation for consulting firms and/or individual consultants. The COF/CNI has had to deny disbursement requests on at least two occasions due to failure of the executing agency to follow important IDB consultant procurement regulations. The CO specialist in charge of the project has had numerous meetings (at least five) to request that the executing agency immediately begin an international public solicitation for consulting firms and/or individuals. Finally, in a recent communication (REF: UCP-INSS-PRP-OMAA-073-06-00) to COF/CNI, the executing agency indicated that they have begun work on the international public solicitation for consultants. This has delayed the project for about five months, but we appear to be back on schedule and have sufficient time remaining to successfully achieve the goals of the project.

Annex 2

IV. OVERVIEW OF PROJECT PERFORMANCE ISSUES

Check key reasons for Unsatisfactory/Very Unsatisfactory IP Classification or Low Probability/Improbable DO Classification

- | | | |
|---|---|---|
| <input type="checkbox"/> Legislative approvals | <input type="checkbox"/> Consultant performance | <input type="checkbox"/> Environmental issues |
| <input type="checkbox"/> Borrower / executing agency commitment | <input type="checkbox"/> Inter-agency coordination | <input type="checkbox"/> Cost overrun |
| <input type="checkbox"/> Counterpart funding shortfall | <input type="checkbox"/> Supplier/contractor performance | <input type="checkbox"/> Qualified external audit |
| <input type="checkbox"/> Executing agency institutional capacity | <input type="checkbox"/> Project/component design | <input type="checkbox"/> Policy changes |
| <input type="checkbox"/> Organizational changes in executing agency | <input type="checkbox"/> Contract condition compliance delays | <input type="checkbox"/> Organizational changes |
| <input type="checkbox"/> Community/political opposition | <input type="checkbox"/> Bank efficiency (response delays) | <input type="checkbox"/> Executing agency personnel changes |
| <input type="checkbox"/> Executing agency staff deficiency | <input checked="" type="checkbox"/> Procurement difficulties | <input type="checkbox"/> Other (see Issues, Section VI) |

V. PROJECT STATUS

Progress to date in implementing each component (Include reference to IP assumptions, if applicable)

- Part A. the new Pension Reform Law has been written, passed by the Asamblea Nacional and published in the Gazeta Nacional.
- Part B. Implementation of Strategy for Pension Reform, Design of the Pension Superintendency (SUPEN), Design of SUPEN information systems and Design of SUPEN's training program have been delayed due to the executing agency not implementing the IDB's procurement regulations with regard to an international public solicitation.

Current Status of each Assumption related to DO

- An increase in public confidence in the privatized pension system will only be achieved over the long term as the public's experience with the new system grows.
- After five months delay, only very recently has the executing agency begun to implement the IDB's requirements for conducting an international public solicitation for consultants.



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Timeliness of Compliance with contractual conditions (If applicable)

The executing agency was very fast in complying with conditions precedent for Part A of the project, but has been very slow to comply with conditions precedent for Part B of the project.

“Qualified opinions” of external auditors

Not Applicable

Reformulation (If applicable): Date of last reformulation _____. Briefly describe:

Not Applicable

Lessons learned (If applicable):

Project design teams sometimes give executing agencies the impression that international competitive bidding can be waived or that the process is very short or abbreviated. Realistically, the international competitive bidding process requires about three months to complete. However, once the IDB's procurement regulations have been completed, Country Offices are able to rapidly disbursement against valid contract documents. Project design teams must be careful not to give the impression to executing agencies that they may contract consultants or other services without following the IDB's procurement rules.

Potential Problems (If applicable):

VI. ISSUES AND ACTIONS

<u>Issue</u>	<u>Action</u>	<u>Responsible Unit</u>	<u>Date Action to be taken</u>	<u>Completed</u>
1. Assumptions to development objectives 2,3,4 and 5 (that they will conduct and international bidding process) are about to be completed by the executing agency after a long delay.	Continue to work with the executing agency to move the international competitive bidding process forward.	COF/CNI	Over the July-September, 2000 period, the international bidding process should be completed.	[]

