



1. Project Data:		Date Posted : 05/28/2003	
PROJ ID: P008323		Appraisal	Actual
Project Name: Social Insurance Administration Project (siap)	Project Costs (US\$M)	32.3	24.3
Country: Bulgaria	Loan/Credit (US\$M)	24.3	20.4
Sector(s): Board: SP - Compulsory pension and unemployment insurance (100%)	Cofinancing (US\$M)	0	0
L/C Number: L4081			
	Board Approval (FY)		97
Partners involved : UNDP, USAID, DFID	Closing Date	12/31/2001	06/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
Poonam Gupta	Roy Gilbert	Kyle Peters	IEGSE
2. Project Objectives and Components			
a. Objectives			
<p>The objectives of the project as stated in the SAR were: (1) to strengthen efforts to increase the operational efficiency of the autonomous National Social Security Institute (NSSI), with a focus on reversing the trend towards reduced tax compliance which was undermining the financial stability of the public Pay As You Go social insurance program and ; (2) to strengthen the institutional capacity of the NSSI to perform key policy formulation and evaluation functions and better manage available resources . According to the Staff Appraisal Report (SAR), tracking key monitoring indicators was necessary to measure the impact of the project inputs on the major development objectives of the project. Outcome indicators for the two objectives were specified in the SAR (e.g., number of contributors registered, number of contributors' returns processed, cost per \$ collected, number of workers with unique identification numbers, number of contributors per NSSI employee, widespread, regular use of policy analysis as a management tool, use of actuarial model by NSSI staff). During project implementation the Government adopted a multipillar pension system and introduced a new social code that changed the concept of a contributor from a pension contributor to a social sector contributor .</p>			
b. Components			
<p>The project included two components . (i) Increasing compliance and operational efficiency through the development and implementation of modern payroll tax collection and audit strategies, improved services to contributors and beneficiaries and improved revenue/expenditure monitoring and projection capability . The project would support a centralized register containing information on employers, self-employed, employees and pensioners (e.g., on wages, contributions paid/received) through design/implementation, provision of hardware, software and technical expertise . It will also support foreign and local consultants in training /retraining NSSI personnel and streamline business processes in NSSI and regional offices . (ii) Strengthening institutional capacity . This component would strengthen NSSI's capacity to do policy analysis, actuarial forecasting, public education /information and personnel management .</p>			
c. Comments on Project Cost, Financing and Dates			
<p>The estimated project cost of the first component was US\$ 25.8 million and for the second was US\$2.8 million. In addition to these costs, the project included allowances for physical contingencies of US\$ 2.4 million and price contingencies of US\$1.4 million. A small project unit was established in the NSSI to coordinate, manage and monitor implementation of the project. Actual project costs were lower than those estimated at appraisal because prices obtained from bidding were lower than anticipated and real prices of computer hardware declined . The Borrower changed the denomination of the loan from US dollars to Deutsche Mark (DM) The DM depreciated in relation to the US dollar which reduced available loan funds in US dollars to US\$ 20.4 million at completion. Partners provided grant financing for Component 2.</p>			
3. Achievement of Relevant Objectives:			
<p>Under the components supporting the first objective, an automated system for collection of contributions and information about persons insured was designed and implemented . The development of procedures and forms required to create an ongoing register of employee service and earnings, as well as the development of software to</p>			

Implement the revised register system was completed. The Central Register was fully established. A modern audit system has enabled a complete redesign of the former inefficient manual audit selection process. NSSI staff were trained. NSSI customer service now has improved access to computerized contributor and beneficiaries records. The first distribution of statements to social insurance clients showing their contributions and or benefit status took place prior to project closing.

Under the components supporting the second objective, the office for actuarial and statistical analysis was established, equipped and trained. The Public Affairs Office was established, trained and equipped. It supports NSSI relations with other institutions and public bodies. The Human Resources Office was also established, trained and equipped.

4. Significant Outcomes/Impacts:

With regard to the first objective, 100 percent of benefit payments are calculated based on data in the central register and the contribution collection ratio has reached 80 percent of potential by 2002 when this goal was to be reached by 2005. However, the "potential" could not be determined from the ICR.

The systems in place will allow the NSSI to detect potential non-payments or underpayments and to take preventive measures. NSSI's capacity to generate profiles of potential non-compliers has improved. The project significantly assisted the Government of Bulgaria in the second objective of strengthening the institutional capacity of the NSSI to perform key policy formulation and evaluation functions. The NSSI has produced two annual actuarial reports and several statistical analyses. The NSSI undertakes short and long-term simulations of revenues and expenditures and incorporate the impact of changes in legislation on the fiscal situation. A number of reports in this area have been produced.

5. Significant Shortcomings (including non-compliance with safeguard policies):

It could not be determined whether operational improvements in the NSSI succeeded in reversing the trend towards reduced tax compliance. After five years of putting systems and business procedures in place, it would have been useful to know how they are being used to achieve project objectives.

Aide-memoire for a supervision mission in April 2002 indicates improvements in revenue adequacy from 0.193% in January 1997 to 0.244% in September 2000 but it could not be determined to what extent this reflected project achievements and/or policy changes.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Satisfactory	In this project, all systems and procedures were put in place but it difficult to assess whether the project achieved or exceeded all its major relevant objectives of reversing the trend towards reduced tax compliancer and of strengthening NSSI's capacity to better manage resources.
Institutional Dev.:	High	High	
Sustainability:	Highly Likely	Highly Likely	
Bank Performance:	Highly Satisfactory	Highly Satisfactory	
Borrower Perf.:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR:		Unsatisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

The project provides six lessons: (i) Autonomy of NSSI in staff selection, personnel and budget management, under a tripartite board, chaired by the Minister of Labor and Social Security, with government, union and business representatives was essential to ensure managerial responsibility and transparency for balancing the financial flows for contributions and payments. (ii) Attention to administrative and analytical capacity and public information systems is essential before trying to implement complex reforms. (iii) A properly designed and executed investment project can succeed in a difficult economic and political environment. (iv) Capacity building can provide the impetus to policy changes; policy changes don't necessarily need to precede capacity building. (v) Public information and involvement of key stakeholders builds trust and generates support for more difficult reforms. (vi). The project must report on outcome indicators to attest to benefits achieved under the project.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is unsatisfactory as it contains insufficient information on which to base evaluative judgements. If the SAR indicators which were clearly specified in the document became less relevant overtime then the ICR should have

explained this instead of saying that this project suffered from limited attention to real outcome and impact indicators . The ICR contains little discussion of the changes in the social code which was a major development affecting the project. It does not explain "potential" revenue in its major monitorable indicator (contribution collection ratio up to 80 percent of potential), and why it increased from 67 percent in 1997 (in the aide-memoire). For project evaluation, it was important to have an estimate of the potential given the existing tax code and the legal definition of the base for the social insurance, as there were different bases for health, social security and the unemployment funds during the duration of the project.

The ICR could have reported on the trends in social insurance contributions as percent of GDP, why social insurance contributions as percentage of GDP declined during project implementation, explained what was happening to "covered wage bill", what were the contribution rates, whether there were higher than average contributions for the same number of active contributors or an increase in the number of active contributors (versus those that contribute only occasionally). Fiscal data (not in the ICR) from 2000 and 2001 indicate that total social insurance contributions as a percent of GDP declined from 8.3 percent to 7.8 percent and of pensions and unemployment insurance from 6.7 percent to 6.2 percent. While revenue/GDP ratios maybe weak indicators for administration projects, particularly when the administration is subject to substantial changes in the policy environment, it would have been important to know the major policy changes (e.g., in contribution collection policies) when the administration project was being implemented and implications if any for the project components . The ICR says that the project team attempted to add indicators to measure outcome, particularly related to revenue collection performance which can be found in aide-memoires and progress reports prepared by NSSI . These should have been provided in the ICR itself .

An expected internal rate of return was included in the project appraisal document . The validity of the numbers given the change of the scope of collection from collection of pension contribution for a single pillar system to collection of all social security contributions in a multi-pillar environment would be questionable especially under highly constrained budgets. This could have been explained in the ICR as a reason for why an ERR was not calculated . Instead the ICR says that the project didn't include NPV or ERR calculations .

Also, the lessons in the ICR do not fully capture some of the key reasons (noted in OED's Country Assistance Evaluation on Bulgaria) for why the project succeeded in Bulgaria's difficult environment (e.g., the fact that the NSSI was made an autonomous institution.)