

INTEGRATED SAFEGUARDS DATA SHEET

CONCEPT STAGE

Report No.: ISDSC7355

Date ISDS Prepared/Updated: 10-Jan-2014

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Croatia	Project ID:	P145171
Project Name:	Social Protection System Modernization Project (P145171)		
Task Team Leader:	Ivan Drabek		
Estimated Appraisal Date:	30-Jun-2014	Estimated Board Date:	30-Sep-2014
Managing Unit:	ECSH3	Lending Instrument:	Investment Project Financing
Sector(s):	Other social services (100%)		
Theme(s):	Social safety nets (100%)		
Financing (In USD Million)			
Total Project Cost:	95.00	Total Bank Financing:	95.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			95.00
Total			95.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

B. Project Objectives

The proposed project will improve service delivery in social protection. It will aim to do this by: reducing fragmentation in the delivery of social assistance cash transfers; harmonizing disability certification procedures; reducing error and fraud in social assistance programs; supporting the adoption of incentives for work able social assistance beneficiaries to seek employment; and reducing the number of children and adults in residential institutions.

C. Project Description

A. Concept

1. Description

The Government of Croatia (GoC) is undertaking an ambitious, wide-ranging reform agenda in social protection. The goal of the proposed reforms is to “achieve the financial and procedural rationality and efficiency of the social assistance system.” It aims to do this through consolidation of benefits using the support allowance program as a base for a new Guaranteed Minimum Benefit (GMB) program, which will provide the backbone of last-resort social assistance, by mid-2014; harmonization of the eligibility criteria for remaining benefits under the Ministry of Social Policy and Youth’s purview; improved information systems to promote better decision making and to reduce the scope for error and fraud. The proposed project aims at supporting the government’s reforms of the social protection system, with a special focus on four areas: i) consolidation of programs and simplification of procedures; ii) reducing error fraud and corruption, iii) activation of social assistance beneficiaries; and iv) de-institutionalization.

Consolidation of programs and simplification of Procedures: One stop shop and Central Disability Certification Institute (CDCI)

A key element of the Government’s reform is the consolidation of cash administration for social welfare programs, family policy programs and unemployment benefits through a single delivery network. Four social assistance benefits will be consolidated into a single GMB in the Ministry of Social Policy and Youth starting in January 2014. At the same time, a one-stop-shop (OSS) for administration and payment of cash benefits will be implemented. The OSS will gradually include a larger number of cash benefits, starting with the new GMB from September 2014, and later incorporating child allowances, maternity benefits, and unemployment benefits. The OSS, one of the highest priorities of the current government, will transform the experience of social assistance beneficiaries by providing a single service point to apply for and receive a range of cash benefits. Having a OSS will reduce the time and cost of application for beneficiaries and will create the opportunity of introducing a cap to the total amount of social assistance benefits paid to one household, generating potential for savings and reducing work disincentives associated with the provision of multiple need-based social assistance benefits.

Another major reform supported by the project is the creation of a Central Disability Certification Institute (CDCI). The reform, led by the MLSY and coordinated with the MLPS, will introduce a single certification procedure for persons with disability along the medical, social inclusion and work capacity domains. This reform will simplify administrative processes and harmonize standards, and ensure horizontal equity for all persons with disability in Croatia. It is a revolutionary initiative, that it would encompass disability assessment procedures currently administered by several agencies including Croatian Pension Insurance Institute, Ministry of War Veterans, and Croatian Health Insurance Institute. Spending on disability benefits in Croatia is among the highest in EU, next to Denmark, Sweden and Finland. With 3.6% spent on disability programs in 2010, Croatia exceeded the EU27 average by 64%. Assuming that disability spending numbers would converge to 20% above the EU27 by 2035 (factoring in the objective disability factors in Croatia, such as Homeland war veterans’ disability) could lead to cumulative fiscal saving between 10 and 11% of GDP over the next two decades, with savings of up to 1% over the project period.

Reducing Error, Fraud and Corruption

The Government is committed to tapping significant fiscal savings by developing the mechanisms

and institutions needed to reduce the level of error and fraud in the social protection system. International evidence shows that any mass payment system is prone to error, fraud and corruption (EFC). In Croatia, benefits with high a-priority risk of EFC include income and means-tested programs (e.g., the child allowance and GMB programs), income-replacement programs, as well as disability pensions and allowances. The current delivery system of these benefits relies only on preventive measures to stamp out EFC, but fall short of a comprehensive system. Complementing these measures with an efficient detection and deterrence system will help safeguard the social protection system against EFC. The MSPY, MLP, Croatian Health Insurance Institute, Croatian Pension Insurance Institute and the Ministry of Public Administration agreed to work with the World Bank on identifying cutting edge EFC strategies and activities that could be applied to their benefits in the context of this project. It was also agreed that the project would support the application of EFC to the disability pension and allowances, where an important proportion of savings are expected to be generated. Support to the EFC agenda is expected to generate cumulative savings of 0.5-1% of GDP over the lifetime of the project.

Activation of Social Assistance Beneficiaries

The Government is keen in reforming social assistance programs and employment services to stimulate the labor market participation of social assistance beneficiaries. Croatia has a relatively large number of social assistance recipients that are able to work but do not work. About 35 percent of the beneficiary adults in the poorest quintile are not in employment, education, training, disabled or retired, and the share increases to 45 percent for beneficiaries of social assistance in cash. Partly, this is a reflection of the fact that poor households are often better off on assistance than on low-wage employment. Moving from assistance to employment would make them ineligible for means- and income-tested benefits, a feature of these programs that acts as an implicit tax on earnings. The Government could stimulate a higher employment rate by ensuring that the GMB and Child allowance programs reward work, and by offering tailored work support services to work-able beneficiaries from the poorest quintile. The project would support these efforts through specific technical assistance and by supporting the development of operational plans for using ESF for incentivizing and supporting the transition from assistance to employment for work-able adults from the poorest quintile. Activities would be defined during preparation and after an initial assessment of the working-age individuals who experience persistent labor market detachment, with a focus on those inactive who are beneficiaries of social assistance.

Deinstitutionalization

The MSPY's reform plans also encompass a process of deinstitutionalization in the provision of social services currently implemented by State-run institutions. The goal of the proposed reforms is to shift the balance of service provision for key vulnerable groups from institutional, residential care to a range of services provided by a variety of service providers in family-type environments outside of the institutions. De-institutionalization can be a life-changing event for each individual, allowing independent, supported living through foster care, small housing units and other family-type environments. The Plan for Deinstitutionalization and Transformation of Social Welfare Homes (2011-18) will be translated into an Operational Plan by December 2013, describing the precise steps and sequencing of the deinstitutionalization process, including the number and rate of people to be deinstitutionalized (approximately 1,000 adults and children with mild disabilities and children without parental care). The project would support this reform; specifically, the Bank will assist the authorities with the design and focus of its proposals for European financing and reward the achievement of specific milestones. The funds disbursed from the project could then be channeled back into contributing to the Government's co-financing share for further European fund proposals.

The Project will take a results-based financing approach to the implementation of agreed activities under a first component of the project [E50m]. Thus, under this component, project disbursements would off-set Government expenditures on the new consolidated Guaranteed Minimum Benefit program (defined as the project's eligible expenditures); and would be triggered by the achievement of specific results ("Disbursement-Linked Indicators" or DLIs), agreed with the Government of Croatia, that track step increases towards key results, which will then trigger disbursements:

DLI 1: One Stop Shop. Possible DLIs (4): Disburse each time a Social Assistance program is transferred and being administered through the OSS: GMB, Maternity/Birth allowances, Child Allowances, Unemployment Benefits

DLI 2: Central Disability Certification Institute. Possible DLIs (4): Disburse with each development stage of CDCI: harmonized procedures implemented; full staffing across regional network; fully operational

DLI 3: Error Fraud and Corruption. Possible DLIs (4): Disburse when minimum EFC capacity is in place; Thematic inspections completed; Data cross checks with x other databases complete; Risk-based inspection completed

DLI 4: De-institutionalization. Possible DLIs (4): Disburse each time numerical milestones are met related to the number of children w/out parental care and children and adults with developmental difficulties transferred from institutions to family-type living environments

Achievement of the DLIs would gradually lead to the achievement of the PDO over the project period. The main characteristics of the disbursement mechanism are: (a) each DLI would be associated with a specific value that would be disbursed upon achievement of the indicator; (b) the Government would provide evidence of achievement of each DLI, to be verified by the World Bank's technical team; (c) the World Bank will disburse the amount triggered by the DLIs that have been met. Disbursed funds would flow to the Croatian Treasury against expenditures made under the GMB program.

A second component [E20m] would support investments and technical assistance that are necessary, but not sufficient, to support achievement of the DLIs. Examples include: upgrades to the MIS to integrate systems currently used by other cash transfer programs and the IT system supporting CDCI operations; technical assistance on cutting-edge error fraud and corruption techniques and investments in the prevention and detection infrastructure; training and technical assistance on disability certification methodology; and communications campaigns to raise public awareness of the reforms to social assistance and disability benefits and to attract foster families.

The government has indicated it may request a Project Preparation Advance to support investments needed to make headway on project activities during the preparation period. Such activities could include the detailed needs assessment and preliminary drawings, analytical studies, and environmental assessments for renovations of one-stop-shops.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Environment

The part of the project likely to involve rehabilitation of infrastructure is the One-Stop Shop component. A detailed assessment study of the buildings is currently ongoing, which might identify additional rehabilitation works to be covered by the project. At present, beneficiaries have to visit a range of different decentralized branches of different Ministries, present similar documents at each and get separate decisions from each: Centers for Social Welfare (118 nationwide) administer cash

benefits that will be consolidated into a Guaranteed Minimum Benefit in mid-2014; the Health Insurance Fund branches nationwide administer maternity and layette benefits; the Pension Insurance Fund branches administer Child Support Allowance; the Public Employment Centers administer unemployment benefits; while the Public Administration Offices administer two war veterans' benefits (which are soon to be included in the new GMB). The proposed one-stop-shop will transform the experience of social assistance beneficiaries by providing a single service point for them to apply for and receive a range of cash benefits. Having a OSS will reduce the time and cost of application for beneficiaries.

The intra-governmental working group leading the OSS preparations has determined that the Public Administration Offices will be the primary hosts of the new OSS. However, a detailed assessment of the current facilities (space, renovations, IT etc.) of the PAOs has not yet been conducted. It is likely that significant investment and technical assistance would be needed to allow such transfers to happen effectively through the OSS housed in Public Administration Offices. Investments required would include: re-organization and upgrade of space, training of personnel and integration of a Management Information System. It is unlikely that any new build will be required, since there are so many public offices in every region that if one Public Administration Office is entirely unsuitable, the OSS could be housed in another government building (for example, in the Center for Social Welfare, Health Insurance Fund, Pension Insurance Fund or Public Employment Center).

The scope of environmental impacts is considered site specific, predictable and easily mitigated as the project might support only smaller buildings rehabilitation.

Social

The Program is expected to have positive social implications, with cash benefits more readily and easily accessible by beneficiaries; more means-testing to ensure cash benefits go to the needy and vulnerable groups; and greater de-institutionalization of vulnerable children and adults.

It is expected that the proposed program will stimulate greater social integration and assist in the development and implementation of more inclusive social policies to target better the vulnerable social groups. The implementation of the 'one-stop shop' concept for social benefits could also contribute to social accountability by increasing the effectiveness of controls of social service delivery outcomes that are currently shared by many different institutions.

Also, it could contribute to increase the ability to monitor and evaluate provisions of social welfare delivery system; increase the voice of beneficiaries and civil society groups in delivery of social welfare policies and programs; and improve their feedback on the program and state responsiveness.

Potential social risk associated with proposed de-institutionalization (approximately 1,000 adults and children with mild disabilities and children without parental care) to be supported by the Project is not a safeguards issue. However, it will be further elaborated in the PAD.

E. Borrowers Institutional Capacity for Safeguard Policies

The Borrower has implemented several investment projects with the World Bank, including the Social Welfare Development Project (which closed in 2011) in which renovations were made to Centers for Social Welfare. At the time, responsibility for social welfare was under the Ministry of Health and Social Welfare which had an experienced Project Implementation Unit. The Ministry was later divided and responsibility for social protection now lies with the Ministry of Social Policy and Youth, which has never had a PIU. It is likely that the PIU for the proposed project will reside in

the Ministry of Public Administration. Competent staff for such a unit will be identified if the Project Concept Review meeting authorizes the team to proceed with preparation of an investment project.

In addition, although there might be no specific environmental expertise with in the participating agencies, the PIU will include technical personnel that will be trained by the WB staff on implementation of WB safeguards policies.

F. Environmental and Social Safeguards Specialists on the Team

Vera Dugandzic (ECSSO)

Natasa Vetma (ECSN)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	Project will trigger OP/ BP 4.01 due to expected rehabilitation works in buildings, mainly inside of the buildings. The works will not include any changes in blueprint. The impacts will be temporarily, site specific and typical for small scale construction / rehabilitation works. The impacts will be mitigated through preparation of site specific EMP checklists.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	TBD	Many social care buildings in urban areas are protected as cultural monuments and as such special provisions should be triggered in EMP checklists.
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	Though a detailed assessment of the investments required for re-organization and upgrade of space has not yet been conducted, no land acquisition, displacement of occupants (legal or illegal), or restriction of access to resources or income streams is expected under the proposed Project. As currently stated, the Project will not finance any new construction but instead will support only small rehabilitation works within the existing buildings. Any sites presenting situations that would trigger OP 4.12, will be excluded from project consideration.
Safety of Dams OP/BP 4.37	No	

Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 30-Apr-2014

B. Time frame for launching and completing the safeguard-related studies that may be needed.
The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

March 2014, site specific EMP checklists

IV. APPROVALS

Task Team Leader:	Name: Ivan Drabek	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: Agnes I. Kiss (RSA)	Date: 16-Jan-2014
Sector Manager:	Name: Aylin Isik-Dikmelik (SM)	Date: 17-Jan-2014

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.