



Ln 8426-HR

Supplemental Letter No. 2

REPUBLIC OF CROATIA

September 25, 2014

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America


Re: Loan No. 8426-HR
(Social Protection System Modernization Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to Section II.A of Schedule 2 to the Loan Agreement of even date herewith between the Republic of Croatia (the Borrower) and the International Bank for Reconstruction and Development (the Bank). The Borrower hereby confirms to the Bank that the indicators set out in the attachment to this letter shall serve as a basis for the Bank to monitor and evaluate the progress of the Project and the achievement of the objectives thereof.

Very truly yours,

REPUBLIC OF CROATIA

By 
Authorized Representative

**REPUBLIC OF CROATIA:
SOCIAL PROTECTION SYSTEM MODERNIZATION PROJECT**

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values				End Target	Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1 2015	YR2 2016	YR3 2017	YR4 2018				
Stop Shop: Indicator 1: Reduce private costs for social assistance beneficiaries and reemployed by 15% from baseline (of X%, month 2014)	<input type="checkbox"/>	Percentage	(2014)	2.0	5.0	10.0	15.0	15.0	Annual	Survey of private costs of beneficiaries of the social protection programs that will be consolidated in the OSS	MSPY Monitoring Department
Central Disability Certification Institute: Indicator 2: Percentage of cases certified by DCPREPD's full-time certifying officers increased from 0% to at least 90% (December 2018)	<input type="checkbox"/>	Percent	0 (2014)	60	75	90	90	90	Annual	Administrative data: Share of new claims in a given year certified by IDCPREPD out of total new claims	IDCPREPD and CDCI
Reduced Error and Fraud: Indicator 3: EFC risk-prone programs have strengthened information systems, and oversight and control procedures including detection of error and fraud using risk-based investigation, data	<input type="checkbox"/>	Text	Piecemeal, partial EFC actions aimed at a limited set of Social Protection programs (2014)	EFC Strategy approved and is disseminated by the Government, and the Action Plan is adopted and disseminated by MLPS and MSPY	Minimum effective EFC capacity in place in MSPY, MLPS and/or CDCI and/or their implementing agencies	Inspections of risk-prone programs* are carried out to correct the list of irregularities resulting from the cross-checks between the MIS of these programs and the databases of the Tax Administration, CPII, CES, MLPS,	Inspections of risk-prone programs* are carried out to correct the beneficiary cases with higher risk scores, determined through analytical risk profiling.	EFC risk-prone programs have strengthened information systems, and oversight and control procedures including detection of error and	Annual	Legislation & regulations; Reports; and Administrative data	MLPS and MSPY

natching.						MSPY and the Civil Registry		fraud using risk-based investigation, data matching.			
institutionalization: Indicator 4: Number of children and adults moved from institutions to family-type care environments	<input type="checkbox"/>	Text & Number	0 (2014)	Operational Plan for Transformation and Deinstitutionalization of Social Welfare Homes 2014-2016 adopted by MSPY and published	210 people moved from institutions to family-type environments	Additional 225 people moved from institutions to family-type environments	Additional 280 people moved from institutions to family-type environments.	715 vulnerable children and adults moved from institutions to family-type care environments	Annual	Reports and Administrative data	MSPY
iscal Savings: Indicator 5: Cumulative fiscal savings of at least 0.5% of GDP	<input type="checkbox"/>	Text & Number	0 (2014)	0.1% GDP	0.2% GDP	0.35% GDP	0.5% GDP	0.5% GDP	Annual	Reports and Administrative data	MSPY

* EFC Risk prone programs: Disability Pensions and Allowances; Unemployment Benefit, non-contributory Maternity/Paternity allowances, Child allowances and the GMB.

Intermediate Results Indicators

Is 1-4: OSS in place: The administration of the GMB, Child allowances, Maternity/Paternity/ Birth Grant or non-contributory programs and the Unemployment Benefit programs are transferred to the OSS	<input type="checkbox"/>	Text	GMB, Child allowances, Maternity/Paternity allowances and Birth Grants, and Unemployment Benefit programs administered by different networks (2014)	The administration of the GMB program has been transferred to the OSS (DLI1)	The administration of the Child Allowance program has been transferred to the OSS (DLI2)	The administration of the non-contributory Maternity/Paternity/ allowances and the Birth Grants have been transferred to the OSS (DLI 3)	The administration of the Unemployment Benefit program has been transferred to the OSS (DLI4)		Annual	Administrative data: OSS MIS records showing that at least 90% of the new applicants of the respective SP program has been processed via the OSS network for at least two consecutive months	MSPY, MPA
Is 5-6: CDCI operating independently including: disability certifications processed centrally, unified disability	<input type="checkbox"/>	Text	No CDCI (2014)	CDCI legally established, adequately staffed, and unified disability certification		CDCI operating independently including disability certifications processed centrally, unified disability certification			Annual	Legislation & regulations; Reports; and Administrative data	IDCPREPD and CDCI

certification procedures applied, regional office network and independent IT system with interfaces to OSS and other agencies				methodology adopted by the Government (DLI 5)		procedures applied, regional office network and independent IT system established with interfaces to OSS and other agencies (DLI 6)					
Is 7-10: Reduced Error and Fraud: EFC risk-prone programs have strengthened information systems, and oversight and control procedures including detection of error and fraud using risk-based investigation, data matching	<input type="checkbox"/>	Text	Piecemeal, partial EFC actions aimed at a limited set of Social Protection programs (2014)	EFC Strategy approved and is disseminated by the Government, and the Action Plan is adopted and disseminated by MLPS and MSPY (DLI 7)	Minimum effective EFC capacity in place in: MSPY; and MLPS or a combination of MLPS and either, or both, of any of its implementing agencies and CDCI (DLI 8)	Inspections of risk-prone programs* are carried out to correct the list of irregularities resulting from the cross-checks between the MIS of these programs and the databases of the Tax Administration, CPII, CES, MLPS, MSPY and the Civil Registry (DLI 9)	Inspections of risk-prone programs* are carried out to correct the beneficiary cases with higher risk scores, determined through analytical risk profiling. (DLI 10)	EFC risk-prone programs have strengthened information systems, and oversight and control procedures including detection of error and fraud using risk-based investigation, data matching.	Annual	Legislation & regulations; Reports; and Administrative data	MLPS and MSPY
Is 11-14: Deinstitutionalization: number of beneficiaries living in State and non-State Institutions or family homes moved to family-type care environments	<input type="checkbox"/>	Text & Number	0 (2014)	Operational Plan for Transformation and Deinstitutionalization of Social Welfare Homes 2014-2016 adopted by MSPY and published (DLI 11)	210 beneficiaries living in State and non-State Institutions or Family homes moved from institutions to family-type environments (DLI 12)	Additional 225 beneficiaries living in State and non-State Institutions or Family homes moved from institutions to family-type environments (DLI 13)	Additional 280 beneficiaries living in State and non-State Institutions or Family homes moved from institutions to family-type environments. (DLI 14)	715 beneficiaries living in State and non-State Institutions or Family homes moved from institutions to family-type care environments	Annual	Administrative data	MSPY
Is 15-17: Statistical Profiling: Statistically assisted profiling introduced	<input type="checkbox"/>	Text	No statistically assisted profiling in place (2014)	Statistically assisted profiling pilot developed	Employment Officers in selected CES trained on the use of SAP	CES monitoring system includes data on unemployed categorized using SAP		Statistically assisted profiling introduced	Annual	Reports	CES
Is 18-20: Project Beneficiaries: Core Sector	x	Number	951,690	-	-	-	-	951,690	Annual	Administrative data	MSPY

Indicator: Number of people affected by the project											
which, female beneficiaries -indicator	x	Number	475,845	-	-	-	-	475,845	Annual	Administrative data	MSPY