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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

REGIONAL

**INCLUSIVE RETIREMENT SAVINGS: FROM ACCESS TO USE IN
CHILE, COLOMBIA, MEXICO, AND PERU**

**(RG-M1277)
(RG-X1247)**

DONORS MEMORANDUM

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PROJECT ABSTRACT

INCLUSIVE RETIREMENT SAVINGS: FROM ACCESS TO USE IN CHILE, COLOMBIA, MEXICO, AND PERU (RG-M1277)

The increased life expectancy of the population of Latin America and the Caribbean and retirement savings schemes' limited applicability¹ to the conditions of the low-income population, most of whom depend on self-employment, has created a situation of financial vulnerability for the majority of those who will reach retirement age in upcoming years. An estimated 130 million people in the region are working without contributing to their pension² (6 out of every 10)³ and will not have a contributory pension to cover their living costs.

The project's impact objective will be to increase the volume of retirement savings⁴ among the self-employed⁵ in Latin America and the Caribbean. Its outcome objective will be to increase the number of low-income self-employed workers who use retirement savings products. For purposes of the project, self-employed workers are those who work for themselves or provide services (without earning wages). Low-income means that they meet at least one of these two conditions: (1) being in the two lowest income quintiles; (2) earning less than 40% of the average income.

The project's beneficiaries will be 400,000 people, most of them self-employed or microentrepreneurs, who will increase their voluntary contributions to pension savings schemes and thus increase their income during retirement. It is estimated that 300,000 of the beneficiaries are already enrolled in a pension system but are not currently making contributions, and 100,000 will be new enrollees. It is also intended that more than half of the beneficiaries will be women.

The general model of intervention will be based on a cycle of three types of actions: (1) knowledge dissemination and awareness **workshops** with stakeholders that can promote retirement savings among the self-employed; (2) **studies** to gauge the obstacles existing in the four countries and evaluate the feasibility of providing incentives for the self-employed to contribute to retirement savings; and (3) **solutions** implemented to increase the use of retirement savings among those workers.

¹ Retirement savings are understood as savings for retirement captured by a pension fund or financial intermediary authorized to offer products of this type. It includes mandatory and voluntary contributions of employees and the self-employed.

² According to the International Labour Organization (ILO), 70% of the 130 million people with informal employment in the region are self-employed or employed by companies with no more than ten workers.

³ Mariano Bosch, Angel Melguizo, and Carmen Pagés: "Better Pensions, Better Jobs," IDB, 2013.

⁴ Primarily voluntary retirement savings.

⁵ This includes small business owners or the self-employed who operate on a fee-for-service basis and are not wage-earning employees.

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AVAILABLE IN THE DOCUMENTS SECTION OF THE MIF PROJECT INFORMATION SYSTEM

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ABBREVIATIONS

AFORE	Administradora de fondos para el retiro [retirement fund administrator]
AFP	Administradora de fondos de pensiones [pension fund administrator]
AWP	Annual work plan
BEPS	Beneficios Económicos Periódicos [Periodic Economic Benefits]
CONSAR	Comisión Nacional del Sistema de Ahorro para el Retiro [National Commission of the Retirement Savings System]
CRF	Corporate Results Framework
EAP	Economically active population
ILO	International Labour Organization
PCU	Project coordination unit
SCL/LMK	Labor Markets and Social Security Unit

**REGIONAL
INCLUSIVE RETIREMENT SAVINGS: FROM ACCESS TO USE IN
CHILE, COLOMBIA, MEXICO, AND PERU
(RG-M1277, RG-X1247)**

EXECUTIVE SUMMARY

Country and geographic location	Regional, the project will be executed in Chile, Colombia, Mexico, and Peru		
Executing agency:	Fundación Capital		
Access area:	Access to Finance		
Agenda:	Savings, Payments, and New Distribution Channels		
Coordination with other donors/Bank operations:	This project builds on the Bank's efforts to make pensions more universal and equitable by seeking to increase the self-employed population's participation in retirement savings plans in four countries of the region. The Labor Markets and Social Security Unit (SCL/LMK) is part of the project team		
Direct beneficiaries:	400,000 people, low-income self-employed workers ⁶		
Indirect beneficiaries:	400,000 people in households (assuming one additional adult per household)		
Financing:	Nonreimbursable technical cooperation:	US\$1,765,000	
	Total MIF contribution	US\$1,765,000	43%
	Local counterpart:	US\$1,377,000 ⁷	34%
	Cofinancing ⁸	US\$920,000	23%
	Total project budget	US\$4,062,000	100%

⁶ For purposes of the project, self-employed workers are those who work for themselves or provide services (without earning wages). Low-income means that they meet at least one of these two conditions: (1) being in the two lowest income quintiles; (2) earning less than 40% of the average income. Of this group, the project will target those workers who generate sufficient income to contribute to their pensions but are not regularly doing so.

⁷ These resources include the Fundación Capital counterpart as well as that of pension fund administrators (AFPs) participating in the project.

⁸ The expected cofinancing is from the MetLife Foundation, which will cofinance the project through a project specific grant (RG-X1247). Other financiers may participate in the same project specific grant.

Execution and disbursement period:	48 months of execution plus 6 months for the last disbursement.
Special contractual clauses:	The following will be conditions precedent to the first disbursement: (i) a formal participation agreement with at least one project technical counterpart in one of the four countries; ⁹ (ii) establishment of the Project Advisory Board; ¹⁰ (iii) approval of the project's final Operating Regulations by the Advisory Board; (iv) approval of the AWP by the Advisory Board; (v) appointment of the project's Regional Coordinator; and (vi) appointment of one or more delegates who can represent the coordinator in all actions related to execution of this agreement, with conformed copies of the signatures of those representatives having been sent to the Bank.
Environmental and social impact review:	This operation has been pre-evaluated and classified according to the requirements of the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Given that the impacts and risks are limited, the category proposed for the project is "C."
Unit with disbursement responsibility	The Bank's Country Office in Colombia.

⁹ Two initial technical counterparts have already been identified: CONSAR, for Mexico and Colpensiones for Colombia. In the case of Peru and Chile, the technical counterparts will be identified at the start of the project and may be pension administrators operating independently or through associations, and government agencies related to retirement savings.

¹⁰ The project manager, appointed by Fundación Capital, will report to the Project Advisory Board, which will consist of a representative of the Fundación Capital board, at least one MIF representative, and at least one representative of the Bank's Labor Markets and Social Security Unit.

I. BACKGROUND AND RATIONALE

A. Diagnostic assessment of the problem to be addressed

- 1.1 **The challenge of long-term savings.** In the commitments made by the governments of Latin America and the Caribbean, increasing household savings is one of the central aspirations of the financial inclusion initiatives implemented,¹¹ given that savings is associated with reducing the vulnerability of the region's population and increasing investments in household and business needs.
- 1.2 In that context, saving for retirement is both a challenge and an opportunity. The increased life expectancy of the population of Latin America and the Caribbean and retirement savings schemes' limited applicability¹² to the conditions of the low-income population, most of whom depend on self-employment, has created a situation of **financial vulnerability for most people who will reach retirement age in Latin America and the Caribbean in upcoming years. An estimated 130 million people in the region are working without contributing to their pension**¹³ (6 out of 10)¹⁴ and will not have a contributory pension to cover their living costs. This will make them economically vulnerable and dependent on their families and/or noncontributory social pensions.
- 1.3 In Chile, Colombia, Mexico, and Peru, of an economically active population (EAP)¹⁵ of 100.7 million people only an estimated 26.6 million, or 26.4%, contribute to their retirement savings. These four countries, identified and selected based on the progress they have made in the regulatory environment with regard to private pension funds and government efforts to expand access to contributory products, face common challenges when seeking to ensure that self-employed workers have access to retirement savings schemes.
- 1.4 **The problem: low retirement savings among low-income self-employed workers.** In Chile, Colombia, Mexico, and Peru, it is estimated that a significant portion of the nearly 74 million who do not contribute to their retirement savings accounts, or 58.5 million, are self-employed workers, and most of these operate with some degree of informality.¹⁶

¹¹ For example, the regulations to simplify the opening of savings accounts and the creation of frameworks for correspondent banking, see MIF publication: "Correspondent Banking and Financial Inclusion," 2013.

¹² Retirement savings are understood as savings for retirement captured by a pension fund or financial intermediary authorized to offer products of this type. It includes mandatory and voluntary contributions of employees and the self-employed.

¹³ According to the International Labour Organization (ILO), 70% of the 130 million people with informal employment in the region are self-employed or employed by companies with no more than ten workers.

¹⁴ Mariano Bosch, Angel Melguizo, and Carmen Pagés: "Better Pensions, Better Jobs," IDB, 2013.

¹⁵ World Bank figures.

¹⁶ Informality is understood in the sense used by the ILO, which sees informality as a complex, multidimensional phenomenon, in which formalization may affect one or more aspects of economic activity, such as legal registration of the business, tax formality, or employment formality.

Table 1

Country	EAP	Informality	Informal/EAP	Source
Chile	8,378,867	2,775,555	33.1%	Socioeconomic Household Survey (CASEN)
Colombia	23,573,864	13,777,356	58.4%	Ministry of Finance
Mexico	52,675,784	30,968,093	58.8%	INEGI/ECLAC
Peru	16,142,123	11,444,765	70.9%	Macroconsult 2014
Total	100,770,638	58,965,769	58.5%	

- 1.5 **Enrollment and contribution to retirement savings systems.** Although the four countries of the project show different levels of enrollment, they all have very low contribution levels among enrollees, at 31.9% (Mexico), 38.8% (Colombia), 46% (Peru), and 56% (Chile). In addition, the contribution rate is very low, which generates very low replacement rates¹⁷ among enrollees. In Chile, the country with the region's highest replacement rate from retirement savings, the rate is 41.9%, while in Mexico it is 24%. These percentages are even lower for self-employed workers in large part because contribution levels are also very low. This has a significant impact on the financial vulnerability of future retirees in the four countries, given the high percentage of self-employed or non-wage-earning workers in these countries.

Table 2

Country	EAP	With access to retirement savings (a)	With access/EAP	With use of retirement savings (b)	With use/with access	With use/EAP
Chile	8,378,867	9,525,048	113.7%	5,339,165	56.1%	63.7%
Colombia	23,573,864	11,738,942	49.8%	4,557,114	38.8%	19.3%
Mexico	52,675,784	44,552,912	84.6%	14,191,563	31.9%	26.9%
Peru	16,142,123	5,481,770	34.0%	2,521,305	46.0%	15.6%
Total	100,770,638	71,298,672	70.8%	26,609,148	37.3%	26.4%

Source: "How to strengthen Latin American pension systems: experiences, lessons, and proposals," SURA Asset Management, March 2015. (a) Affiliated with pension system through capitalization; (b) People making contributions to the system.

- 1.6 **Causes of the problem, regional situation.** There are a number of causes of the low level of contributions to retirement savings schemes among people working in the self-employed sector in Chile, Colombia, Mexico, and Peru, which are described below.
- 1.7 **On the supply side.** Pension funds have little information and knowledge regarding the financial preferences and habits of self-employed workers and offer complex retirement savings methods unsuitable for this segment that make decision-making difficult. In general, these are entities with an operational structure geared more toward the administration of retirement savings than knowledge of their clients. Thus, they are focused more on efficiency and profitability from investments and traditionally give limited attention to the design of pension savings products, services, and channels that might be adopted by self-employed¹⁸ and

¹⁷ Percentage of preretirement income covered by the pension.

¹⁸ For simplicity, the terms microentrepreneurs and self-employed workers are used interchangeably.

low-income workers who do not depend on a regular wage. For example, the terms for voluntary retirement savings are highly complex (due to the number of years of membership required or the conditions on early utilization), as is the information they provide regarding their savings products and the related options or methods, thus inhibiting their use.

- 1.8 Although governments and pension funds are aware of the limited use of retirement savings among the low-income or self-employed population, few efforts have been made to provide a solution in terms of increasing the levels of savings. In addition, and unlike what happens with the wage-earning population, contributions are not made automatically, so this population must voluntarily go to a point of payment, normally at the offices of a bank or a pension fund.¹⁹ This affects the level of contributions, as pension funds do not necessarily have a service tailored to this population nor are they located in rural or disadvantaged urban areas where this population resides. In turn, no reminders or follow-up messages are used to promote increased retirement saving, or there is no good customer service to inform users of their account statements. These limitations in the features of pension savings products, services, and channels are different in each of the countries selected, depending on regulations and the entities and types of entities that offer them. For example, in the case of Peru, there are no tax incentives for the voluntary retirement savings that self-employed workers can use, whereas such incentives do exist in Mexico, Chile, and Colombia.
- 1.9 **On the demand side.** The causes of the low level of savings reside in the limited financial education for this population segment, understood as limited awareness of the importance of savings as an instrument for preventing financial vulnerability in old age, in addition to significant unawareness of retirement savings product offerings. There are also many functional aspects of retirement savings schemes that limit people's ability to make timely and effective decisions regarding their pensions, such as not knowing which voluntary savings method will allow withdrawals in the event of emergencies or what the implications are of choosing each investment fund within the pension fund in terms of returns, risk level, tax or social security benefits, etc.
- 1.10 Given this ignorance of product features, the enrollment process creates uncertainty for self-employed workers as to the financial and tax implications and even the terms of the products. In addition, there is widespread ignorance regarding the advantages of pension savings products compared to other savings products. In general, retirement savings in the four countries have had real average annual levels of return²⁰ for users of 6.5% (Mexico), 8% (Peru), 8.5% (Chile), and 8.9% (Colombia). Mandatory pension products also have additional tangible benefits, such as disability and survival insurance, of which people are frequently unaware, whereas voluntary retirement savings have financial incentives in the case of Chile and Mexico.

¹⁹ In the case of Chile, they could do so through Previred, an online platform used primarily by salaried employees.

²⁰ "How to strengthen Latin American pension systems. experiences, lessons, and proposals," SURA Asset Management, March 2015.

- 1.11 Moreover, various surveys have shown that a large part of the population has a negative perception regarding the funds, essentially due to ignorance of the fund's net returns (price of the product) based on the perception that the service is costly and that pensions are too low.
- 1.12 Similarly, it is important to note that high levels of informality among self-employed workers in the four countries²¹ have kept them from using bank accounts or financial products, making it difficult for them to make automatic contributions. In 2015, just 51.5% of the region's population had a bank account, according to the World Bank's Findex Survey.
- 1.13 **Country differences in retirement savings for self-employed workers.** Although this project has a common thread of promoting retirement savings for self-employed workers in the four participating countries, there are contextual and regulatory differences in the four countries that set the stage for the initiatives to be implemented. Thus, the project will **establish a work plan** for each country that will be adapted to the specific features of each country explained in the following paragraphs, and will be approved by the Advisory Board.
- 1.14 **Mexico.** Through the National Commission of the Retirement Savings System (CONSAR), the government promotes the participation of low-income self-employed workers in retirement savings with the retirement fund administrators known as AFOREs. Self-employed workers have the option of making regular contributions (6.5% of income) and/or voluntary supplemental contributions. For low-income self-employed workers like small traders, self-employed service providers, and seasonal workers, the option of voluntary savings offers flexibility to adjust to the income ups and downs of the most vulnerable population. Voluntary retirement savings are permitted even in the absence of regular pension savings. However, according to CONSAR data, less than 1% of the population is participating in the voluntary savings of the AFOREs. This percentage is even lower for low-income self-employed workers, whereas this product is being used by the higher-income wage-earning population.
- 1.15 The MIF and CONSAR have been developing a joint work plan in the context of this regional project, which will begin with workshops attended by the AFOREs in 2015. Thus, Mexico is the first country where project activities can begin.
- 1.16 **Colombia.** There is the option to choose between the public pensions system administered by Colpensiones with defined contributions and benefits, and retirement savings with private pension fund administrators known as AFPs. In practice, regular participation in Colpensiones is minimal among low-income self-employed workers, primarily due to the number of weeks of contributions required (1,300 weeks as of 2015, corresponding to 25 years) and the mandatory contribution level (16% on at least a minimum wage). To counteract this, this population has two options that will be supported by the project. First, through its Beneficios Económicos Periódicos [Periodic Economic Benefits] (BEPS) program, Colpensiones provides an option for self-employed workers who are in the subsidized health system and earn less than the minimum wage to make individual savings contributions. The other option is to make contributions to voluntary

²¹ In Peru, Colombia, and Mexico, nearly all the self-employed are informal workers; in Chile this percentage falls to close to 50%.

retirement savings. However, for this option self-employed workers must first make mandatory contributions and make their health contribution.

- 1.17 **Chile.** As of 2016, contributing to a pension fund will be mandatory for self-employed workers²² (based on income obtained during tax year 2015), provided the entry into force of this law is not postponed. Contributions will be at least 10% of reported income (see Table 3). In addition, self-employed workers have the option of making additional contributions under the Aporte Previsional Voluntario [Voluntary Retirement Contribution] (APV) method, and earn a tax benefit of up to 15% of their income. As a recent requirement for self-employed workers, mandatory retirement contributions are also expected to be reflected in a significant increase in the number of people qualifying for APV. The planned project activities are expected to help increase the number of those starting to make their mandatory contributions as well as those supplementing them with voluntary retirement savings. The project will work with the pension funds to develop a strategy for reaching this segment.
- 1.18 **Peru.** In September 2014, the government eliminated the mandatory contributions to pension funds by self-employed workers that had been approved in 2012. Opposition came primarily from higher-income self-employed workers who operate on the basis of fees. As a result, self-employed workers may now voluntarily join the Sistema Nacional de Pensiones²³ [National Pensions System] (ONP) or the Sistema Privado de Pensiones [Private Pensions System] (AFP) and make retirement contributions of 10% of their remuneration—the regular contribution. However, in practice there are enormous gaps both in terms of enrollment and the contributions that low-income self-employed workers make to their retirement savings. Like in Colombia, self-employed workers have the option of voluntary savings for retirement purposes in the AFPs, which can be paid by self-employed workers or by others on the member's behalf and can only be withdrawn at the time application is made for the retirement pension. However—as in the case of Colombia—a self-employed worker may only make contributions to his APV if during the same month he has paid regular contributions to his pension fund. In addition, in Peru one must have been enrolled during the last five years in order to be able to make APV contributions.

²² Mandatory contributions affect the self-employed who work on a fee-for-service basis, not those who operate as microenterprises.

²³ Although in practice, and as happens in Colombia, the qualifying criteria are so difficult to meet for a low-income self-employed worker (i.e. the number of weeks required) that in practice the only option is the AFPs.

Table 3. Contribution Context: Low-income Self-employed Workers²⁴

Country	Monthly minimum wage (US\$) (11 May 2015)	Approx. regular contribution with income equal to one times the minimum wage (1)	Percentage	Mandatory regular contribution in order to contribute to APV
Chile	369	37	10.0%	Yes
Colombia	273	44	16.0%	Yes
Mexico	140	9	6.5%	No
Peru	298	30	10.0%	Yes

B. Project beneficiaries

1.19 The project's beneficiaries will be some 400,000 people, most of them self-employed or microentrepreneurs who have the ability to make contributions to their retirement savings but are not doing so on a regular basis. With the support of the project, the beneficiaries will increase their regular and voluntary contributions²⁵ to pension savings schemes and thus increase the income expected during their retirement. It is estimated that 300,000 of the beneficiaries are already enrolled in a pension system but are not currently making contributions, and 100,000 will be new enrollees. The aim is for the implementation of Component II to emphasize reaching women beneficiaries, who on average have lower contributory pensions than men due to a combination of the following factors: (1) lower incomes; (2) fewer years of contribution; (3) more post-retirement years. Efforts will be made to ensure that more than 55% of the beneficiary population is women. In addition, as a result of Component III on knowledge and dissemination, it is expected the lessons learned from the program can be spread to countries in the region where governments are promoting increased contributions to retirement savings by microentrepreneurs.

C. Contribution to the MIF mandate, Access Framework, and IDB strategy

1.20 In poverty mitigation and private sector development, the MIF has a central role when promoting retirement savings as an instrument of financial inclusion as well and thus reducing the vulnerability of the population of retirement age. With recent reforms in pension systems, various countries in the region have totally or partially delegated the collection of pension savings to the private sector. At the same time, public pension programs in various countries are making efforts to increase levels of enrollment and retirement contributions from non-wage-earning and self-employed workers, as in the case of Colpensiones in Colombia or Brazil's Ministry of Social Security through the Individual Microentrepreneur (MEI) program.

1.21 **Link to the Agenda: Knowledge.** This project will apply some of the knowledge developed by the ProAhorros program on the design and implementation of programmed savings products and channels by financial entities, extending it to pension fund administrators or other public and private actors unaccustomed to

²⁴ In-house estimates based on data provided by regulatory bodies of private pension systems, without including health plan contributions, or mandatory insurance

²⁵ In the case of Mexico, there may be beneficiaries who contribute only to their voluntary savings accounts, while in the other three countries it will be regular retirement savings or a combination of regular and voluntary savings.

working with non-wage-earners. It will also contribute to filling several knowledge gaps in the Savings, Payments, and New Distribution Channels agenda. In particular, it will be used to develop knowledge on what type of products, channels, and incentives are effective in increasing regular contributions by users and decreasing withdrawals, allowing savers to keep their savings over a longer period and begin using them at a later date.

- 1.22 **Collaboration with the IDB Group.** This program will be executed in coordination with the Bank's Labor Markets and Social Security Unit (SCL/LMK), which will participate along with the MIF in project cycle activities (design, studies, workshops, implementation of solutions). Specifically, SCL/LMK will be involved in defining the terms of reference for thematic studies on the obstacles to retirement savings for self-employed workers, as well as in analyzing progress reports and reviewing final reports. SCL/LMK will be involved in the development of workshops with local public and private stakeholders, and will co-lead them together with the pension funds and the countries' pension promotion and supervision entities. In addition, in the implementation of solutions to increase the use of retirement savings among those workers, SCL/LMK will be involved in the analysis, selection, and supervision of initiatives to be financed, through its presence on the Project Advisory Board.
- 1.23 **Other donors.** Cofinancing will be provided by the MetLife Foundation (of the MetLife Insurance Company). The MetLife Foundation shares an interest in retirement savings with the MIF. Part of the support is expected to be directly to the MIF through a project specific grant (RG-X1247), and part through Fundación Capital. Other cofinanciers may join in the cofinancing.

II. OBJECTIVES AND COMPONENTS

A. Objectives

- 2.1 The project's impact objective will be to increase the volume of retirement savings among low-income self-employed workers in Latin America and the Caribbean. The project's outcome objective will be to increase the number of low-income self-employed workers who use retirement savings products.

B. Description of the model/solution/intervention

- 2.2 The intervention model will be based on transferring to retirement savings the lessons generated by the MIF in programmed savings, including the behavioral economics factors that lead to the adoption and use of savings products.²⁶ To do this, a cycle of three types of actions will be implemented in each of the four countries: (1) **workshops** with stakeholders that can promote retirement savings; (2) **studies** to gauge the obstacles existing in the four countries and find strategies to provide incentives for the self-employed to contribute to retirement savings; and (3) **solutions** to increase the use of retirement savings among those workers.
- 2.3 **Workshops.** Two or three workshops will be conducted with local public and private stakeholders in each of the countries over the 48 months of the project. The

²⁶ <http://www.microfinancegateway.org/es/library/nota-3-claves-de-%C3%A9xito-del-ahorro-programado-los-mejores-ingredientes>.

purposes of these workshops are to: (a) create awareness of the need to increase savings for retirement; (b) analyze the obstacles to the use of retirement savings products by the non-wage-earning population and select initiatives to address the challenges; and (c) engage in dialogues on individual or collective initiatives of private pension funds and public programs to increase retirement savings, such as financial education campaigns.

- 2.4 **Studies.** The project will finance two main types of studies: (1) profiling studies to better understand the motivators for adopting and using retirement products among self-employed workers. Survey and focus group methodologies will be used to analyze the financial habits of workers who do contribute to their retirement savings and those who do not; and (2) feasibility studies on possible interventions to address the problems identified in studies, such as (a) channels inaccessible to this population, (b) limited financial education or awareness regarding the importance of saving for old age, (c) weaknesses in product design, including little flexibility in voluntary contributions, limited information, etc., (d) weaknesses in customer care, service, tracking of members, and other areas, and (e) unawareness of the tangible benefits associated with retirement savings products such as insurance, social pensions, or social security. The studies will gather data both from the target population (e.g., surveys and focus groups) and from the AFPs and other stakeholders participating in the workshops planned for the project.
- 2.5 **Initiatives.** In each of the four countries, and with the support of the project, AFPs individually or through their associations will formulate and implement initiatives geared toward increasing retirement savings (see Component II). These initiatives will be conducted in coordination with the technical counterparts in the countries, with which Fundación Capital will enter into local cooperation agreements that will be a condition for carrying out activities in the respective countries. In Mexico, the cooperation agreement will be signed with the National Commission of the Retirement Savings System (CONSAR). In Colombia, a cooperation agreement will be signed with Colpensiones for support of the Beneficios Económicos Periódicos [Periodic Economic Benefits] (BEPS) program, and later (in 2016) an agreement will be signed with at least one AFP or its association. In Peru, three of the four AFPs with which the MIF has met already indicated great interest in being technical counterparts for the project. In Chile, an agreement will be signed with the association of AFPs and possibly with a public entity²⁷ participating in the project cycle.

C. Components

Component I: Identification and promotion of retirement savings solutions. MIF US\$100,000; Local US\$180,000, Cofinancing US\$300,000

- 2.6 In each of the countries, the executing agency, with support from the IDB and MIF and local stakeholders, will pursue the following intervention cycle: (1) workshops with stakeholders, led by the MIF and the IDB's Labor Markets and Social Security Unit. Workshop participants will include private pension funds, financial entities focused on the self-employed and microentrepreneurial population, pension

²⁷ According to conversations held, this could be the Superintendency of Pensions, the Ministry of Finance, or the Department of Retirement Education of the Ministry of Labor.

supervisory agencies, government pension programs, and organizations focused on financial inclusion and the retirement age population. These workshops will: (1) identify and/or map out initiatives to increase enrollment and contributions based on advances made in this area in the country and in the region, studies, and information on the needs and preferences of self-employed workers. If there are no initiatives in a country, a call for proposals can be issued to support at least one innovative, sustainable, and inclusive proposal to increase contributions from the non-wage-earning population;²⁸ and (2) work with public and private counterparts on formulation of the initiatives identified. If necessary, commercial and economic feasibility studies could be commissioned for the proposed initiatives, as well as focus groups to provide key inputs for their implementation (see Component II).

- 2.7 The component activities are as follows: (i) workshops in each of the four countries; (ii) studies to identify and gauge the obstacles to increased retirement savings; (iii) design and development of action plans to launch retirement savings interventions for each country, which may include adaptations to retirement savings products and collection channels, marketing strategies, reminder programs, and new client service and follow-up activities; and (iv) feasibility studies on proposed initiatives to address the limitations on savings.

**Component II: Implementation of inclusive retirement savings initiatives.
MIF US\$1,135,200; Counterpart US\$1,066,800, Cofinancing US\$540,000**

- 2.8 In the project countries, between four and six initiatives will be implemented to expand inclusive retirement savings, which means extending such savings beyond wage-earning employees to cover low-income self-employed workers. The planned implementation timetable is as follows:

Table 4. Basic Timetable

	Year 1	Year 2		Year 3		Year 4	
	2nd half	1st half	2nd half	1st half	2nd half	1st half	2nd half
CHILE		Workshops studies	Implementation of initiatives				
COL-Colpensiones	Workshops studies	Implementation of initiatives to increase use of BEPS					
COL-AFPs		Workshops studies	Implementation of initiatives				
MEXICO	Workshops studies	Implementation of solutions to increase					
PERU		Workshops studies	Implementation of initiatives				

- 2.9 The series of initiatives or pilots will be in response to the barriers identified in the workshops and studies (Component I) and will be executed in coordination with the technical counterparts and pension funds operating in the four countries.²⁹ These interventions will seek to transfer some of the lessons learned from programmed

²⁸ In Colombia and Mexico, there are already a number of ideas for possible projects to develop retirement savings channels with Colpensiones and CONSAR, respectively.

²⁹ Except for the first subproject in Colombia, which will be with Colpensiones.

savings³⁰ to retirement savings in the areas described below, including lessons from “behavioral economics.”³¹

- a. **Making ordinary and/or supplemental contributions automatic,**³² i.e., in the form of microbusiness or consumer loan installments or automatic debits from savings accounts, or other electronic mechanisms such as coffee grower smart ID cards and electronic accounts;
- b. **Developing regular and/or supplemental contribution points in rural areas or lower-income neighborhoods,** facilitating voluntary contributions through correspondent banks, convenience stores, kiosks, betting networks, etc.;
- c. **Financial education and awareness programs, targeted promotion, and customer service to facilitate understanding and use of retirement savings;**
- d. **Programs of cell phone message reminders and follow-up** on voluntary contributions;
- e. **Other innovations based on behavioral economics regarding products, marketing strategies, and custom channels** to promote enrollment and contributions to retirement savings, such as reminders or one time only decision-making.

- 2.10 The main component activities are: (i) implementing the savings initiatives identified for each of the four countries, including accounts with automatic debit; (ii) identifying and involving partners such as large chains of suppliers, stores, self-employed workers’ trade associations, etc., to work together on campaigns to promote retirement savings; (iii) creating or adapting channels for collecting retirement savings that are tailored to the project’s beneficiary population; and (iv) developing financial education and retirement savings campaigns directed to self-employed workers.

Component III: Knowledge and dissemination. MIF US\$145,000; Counterpart US\$15,000; Cofinancing US\$40,000

- 2.11 The objective of this component is to articulate, document, and disseminate the experience and knowledge generated by the project, so as to publicize the types of interventions that successfully lead to a significant increase in contributions to retirement savings by self-employed workers. These initiatives include innovations in products, services, and channels for retirement savings, and will take the form of: (i) a thematic study compiling the results of the studies done in Component I; (ii) a closing and sustainability workshop for each country, conducted in

³⁰ Also known as contractual savings, planned savings, or advance savings. It consists of periodic savings of a set amount of money for a defined period of time to meet an objective or goal.

³¹ For example, keeping the saver from second-guessing his or her own earlier decision to save, through products geared toward saving by default, for example by deducting the savings from one’s bank account.

³² To account for regulatory differences, the term regular contributions is used to refer to the contributions that are mandatory for certain self-employed workers in some countries (e.g., self-employed people who work on a fee-for-service basis), whereas the term supplemental is used to refer to voluntary savings, since to some extent regular savings are also voluntary.

coordination with public and private retirement industry stakeholders in each country; (iii) four case studies containing information and lessons learned from the implementation of the interventions in each country; (iv) exit surveys of the beneficiaries of the various interventions; and (v) a final evaluation in the form of a case study on the initiatives undertaken in the execution of the project, taking into account country case studies that highlight: retirement savings products (with automatic debit or loan payment deduction), promotional strategies, awareness and financial education campaigns with the greatest impact, alternative channels for collecting contributions, motivation strategies and reminders to increase contribution levels, etc. The project will make an effort to rigorously assess the impact of the different pilot techniques on levels of contribution to retirement savings. This may include evaluations with a control group and evaluations with administrative information.

- 2.12 Each year, the executing agency will update the project fact sheet, which contains basic information on project progress, challenges, the intervention strategy, lessons learned, and outcomes achieved. The strategic audiences for these knowledge products are pension funds and financial intermediaries in the project countries and other countries in the region, and government agencies that regulate and supervise pension funds and social security programs. The technical file includes a matrix of audiences.

The component activities are as follows: (i) developing a thematic study on the results of Component I; (ii) conducting a closing and sustainability workshop for the four project countries; (iii) developing four case studies with the results of the interventions implemented in each country; and (iv) disseminating the knowledge products generated by the project among pension funds, financial intermediaries, and government agencies through the closing workshop, the media used by the project's technical partners, social networks, and the websites of the MIF and other actors working on retirement savings issues.

D. Project governance and execution mechanism

- 2.13 Fundación Capital will set up a project coordination unit (PCU) that includes the project manager based in Colombia, three resident technical coordinators (consultants, one per country), and an administrative and financial assistant. The project manager, appointed by Fundación Capital, will report to the Project Advisory Board, which will consist of a representative of the Fundación Capital board, at least one MIF representative, and a representative of the Bank's Labor Markets and Social Security Unit. The Advisory Board will meet at least once every six months to review the project's progress and six-monthly reports. It will also meet on an extraordinary basis to approve the Component II interventions. The PCU will operate in accordance with the project's Operating Regulations, the approval of which will be a condition for the first disbursement, and an annual work plan (AWP), which will include separate plans for each country, taking into account the activities specified in this memorandum and attached documents. For project execution, the PCU may engage consulting services in the different countries as stipulated in the procurement plan, for which it will follow the policies and procedures established by the Bank and the MIF.

E. Closing and sustainability workshop

- 2.14 Within the six months prior to the end of project execution, a **closing and sustainability workshop** will be held to jointly evaluate the results achieved with other entities involved and identify additional tasks for ensuring the sustainability of the actions initiated by the project. This workshop will be coordinated with government entities and pension funds, in order to generate greater interest and local commitment to lend sustainability to the intervention model proposed by the project for engaging self-employed workers in retirement savings.

F. Lessons learned from the MIF or other institutions in project design

- 2.15 The project will incorporate lessons from the projects of the ProSavings, Remittances and Savings, and Technologies for Financial Inclusion programs. Of these lessons, it should be emphasized that the success of programmed savings products depends on including the following elements: (1) active selling of the product and the use of simple and accessible messages to achieve enrollment; (2) use of reminders and follow-up on beneficiaries' contributions; (3) good customer care and service; (4) focusing financial education on awareness of the benefits of savings; and (5) establishment of convenient, low-cost points of service for deposits such as correspondent agents or user service networks.
- 2.16 This project will apply those lessons to a specific product, retirement savings, which has been offered only on a limited basis among the lower-income population. The savings products that have been offered in the context of financial inclusion have generally been for programmed savings schemes with terms of one to three years. It is worth noting that the element of flexibility is also important as a lesson learned. An example that can be mentioned is the case of Mexico, where a portion of voluntary retirement savings can be withdrawn for specific uses, and there is an opportunity to make the value of this type of savings more tangible for self-employed workers.

G. The MIF's additionality

- 2.17 **Nonfinancial additionality.** The MIF's experience and technical advisory support will contribute to the implementation of effective products that allow self-employed workers and the low-income population to increase their contributions to the pension system or supplemental retirement savings systems, thus reducing their vulnerability once they reach retirement age. In addition, the MIF's involvement will mobilize/leverage the engagement of other public and private actors that will play an essential role in meeting the objective of this program, and will gain additional credibility and confidence in joining, based on recognition of the MIF's work on financial inclusion and particularly savings for vulnerable populations, as CONSAR in Mexico, Colpensiones in Colombia, and various pension administrators in Peru and Chile have indicated that they will do.
- 2.18 The MIF's **financial additionality** is indispensable for the execution of this program, given the very early stage of development in this area, which makes significant investment necessary to gather information and support pilots and the scaling-up of new initiatives. It is also worth noting that, given the nature of pension funds and their mandate to offer returns on retirement savings, they must keep their administrative expenses as low as possible, and frequently view strategies for reaching a new or low-income population as unprofitable. Resources from the MIF

and Fundación Capital are therefore necessary to incentivize retirement savings among the excluded population.

H. Project outcomes

- 2.19 The project's outcomes will include 400,000 low-income self-employed workers, at least 55% of them women, who are saving for retirement age, and 100,000 of them will be newly enrolled in the pension system (primarily in Peru and Colombia). Additionally, based on the initiatives implemented, once disseminated with the entities that are part of the retirement system in the four countries, other AFPs are expected to adopt similar retirement savings solutions, which would add a larger number of indirect project beneficiaries. At least four entities supported by the project offer inclusive retirement savings solutions, and at least two public entities and two pension fund associations have retirement savings promotional activities targeting self-employed workers.

I. Project impact

- 2.20 The impact of the project will be measured through two of the impact indicators of the Corporate Results Framework (CRF):
- a. Clients with annual growth in formal savings of 10% or more (CRF: 310301)
 - b. Average annual growth of 5% in formal savings among clients (CRF: 310300)

J. Systemic impact

- 2.21 The project's systemic impact will stem primarily from: (1) the expansion and duplication of the pilots in Component II by the participating AFPs and others who learn of the program through workshops and studies; (2) potential improvements in regulatory environments for pensions resulting from lessons learned from the project on how to engage self-employed workers in retirement savings; and (3) replications of the intervention model in other countries of the region that face similar challenges.

III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline.** The project will set four **baselines**, one for each project country. These baselines will include economic and social indicators for low-income self-employed workers, broken down by gender. Specifically, the baselines will capture gross and net income levels, savings levels, economic flows, including financial expenditures, and consumption, for the purpose of characterizing this population.
- 3.2 **Monitoring.** Both for setting the baselines and for monitoring progress indicators, the executing agency will be responsible for maintaining an information technology tool (accessible to the Bank) for each of the four countries, in which the project indicators will be kept up to date, and for which periodic communication will be maintained with the public agencies responsible for the supervision/regulation of pension fund and/or the promotion of privately funded pensions, and with pension fund associations and/or pension funds participating in any of the project's initiatives.
- 3.3 **Evaluation.** The project will have a midterm evaluation and a final evaluation that will include (i) the impact of the project on beneficiaries in terms of retirement

savings, broken down by sex; (ii) outcomes achieved compared to the objectives established at the outset; (iii) lessons learned from each of the interventions; and (iv) the sustainability of the project's actions. This will be done using the case study method and will seek to answer the questions of: How can an inclusive retirement savings product be achieved that is profitable for the institution that offers it, and at the same time attractive to clients? What differences are there in the behavior of men and women with respect to retirement savings? How can retirement savings habits be created among the self-employed population? Is there an appropriate profile of public and private entities that should offer retirement savings products? as well as other relevant issues arising during project execution.

IV. COST AND FINANCING

- 4.1 The project has a total cost of US\$4,062,200. Of that amount, US\$1,765,000 (43%) will be contributed by the MIF, US\$1,377,000 (34%) will be contributed by the counterpart, and US\$920,000 (23%) will be cofinancing.³³ The execution period will be 48 months plus an additional six months for the last disbursement.
- 4.2 **Retroactive recognition of counterpart resources.** Counterpart expenditures of up to US\$50,000 incurred on or after 15 May 2015 will be recognized, provided they are related to project design and execution.

Table 5. Project Budget

	MIF	Counterpart	Cofinancing ³⁴	Total	%
Component 1. Identification and promotion of inclusive retirement savings initiatives	100,000	180,000	300,000	580,000	14%
Component 2. Implementation of retirement savings interventions	1,135,200	1,066,800	540,000	2,742,000	68%
Component 3. Knowledge and dissemination	145,000	15,000	40,000	200,000	5%
Monitoring and evaluation	160,200	0	25,000	185,200	5%
Midterm and final evaluation	50,000			50,000	
Exit survey (beneficiaries)	37,200		25,000	62,200	
Ex post audit/review	50,000			50,000	
Contingencies	23,000			23,000	
Project management and coordination	189,600	115,200	15,000	319,800	8%
SUBTOTAL	1,730,000	1,377,000	920,000	4,027,000	
Agenda Account	15,000			15,000	
Impact Evaluation Account	20,000			20,000	
TOTAL	1,765,000	1,377,000	920,000	4,062,200	100%
	43%	34%	23%	100%	

³³ The amount of cofinancing may increase, if there is an increase in the contribution from the MetLife Foundation or other actors.

³⁴ Cofinancing will come from the MetLife Foundation, and may include other financiers.

V. EXECUTING AGENCY

- 5.1 Fundación Capital will be the executing agency for this project and will sign the agreement with the Bank. Fundación Capital is a nonprofit private international organization founded in Panama in 2009 with a regional office in Colombia. It designs and implements innovative initiatives to build and improve the assets of poor people on a large scale. It has 40 full time professionals and is active in 12 countries of the Latin American and the Caribbean region through resident consultants. It is currently conducting financial inclusion projects for recipients of conditional cash transfers (CCTs), programs to graduate CCT recipients, financial education projects using tablets, and other initiatives financed by the Ford Foundation, Citi Foundation, International Development Research Center (IDRC), Skoll Foundation, United Nations Development Programme (UNDP), several governments in the region, and others. In recent years, it has managed an annual budget of about US\$3.5 million, and has a budget of US\$7 million for 2015.
- 5.2 Yves Moury, Founder and CEO of Fundación Capital, is a professional dedicated to the work of poverty reduction with more than 30 years of experience in Africa, Asia, and Latin America. He is an expert in financial inclusion and poverty reduction through the development of public-private partnerships. For his work with Fundación Capital, Yves Moury won the Skoll Award for Social Entrepreneurship in 2014. Fundación Capital has experts in financial inclusion and the development of savings and micropension programs. The organization has the experience needed and knowledge to understand the regional challenge of the project and to design innovative and scalable solutions to achieve the project objectives. In addition, Fundación Capital has field staff in Chile, Colombia, Mexico, and Peru working on financial inclusion issues, which makes it stand out among other potential executing agencies.

VI. PROJECT RISKS

- 6.1 The project has the following potential risks: (i) ***potential weaknesses of the executing agency***: Fundación Capital has solid experience implementing projects financed by foundations with Citi Foundation, Skoll, and others; it does not yet have experience with projects financed by the IDB/MIF. This can be mitigated with administrative and fiduciary capacity-building at the foundation through advisory support from a specialized consultant; (ii) ***sector risks***: the project will be subject to the profitability and economic viability of the pension funds in the four countries; a significant reduction in profitability would jeopardize the attractiveness of the retirement savings products. Like programmed savings products for the low-income population, the pension funds must implement the effective use of channels to reach the population on a broad scale, to lower their operating costs; and (iii) ***sustainability risks***: upon completion of the project, there will be a risk that the pension funds or government agencies that promote and supervise retirement savings will lessen their emphasis on the inclusion of self-employed workers. This can be mitigated with the implementation of structured interventions tailored to the problems encountered in each country, so that the results will provide incentives to continue promoting inclusive retirement savings.

VII. ENVIRONMENTAL AND SOCIAL IMPACT

- 7.1 The project will have positive social impacts, since it will contribute to making the participating non-wage-earning population less financially vulnerable when they reach retirement age. In addition, the financial education on retirement savings is expected to have a positive impact on all members of the families benefitting from the project, thus contributing to greater awareness of the importance of saving for old age. The project will have no environmental impacts.

VIII. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will commit to the MIF's standard arrangements regarding results-based disbursements, procurement, and financial management. Project disbursements will be contingent upon the achievement of milestones, which will be agreed between the executing agency and the MIF along with their means of verification. Achievement of milestones does not exempt the executing agency from responsibility to comply with the logical framework indicators and meet the project objectives.
- 8.2 Under the performance- and risk-based project management method, project disbursement amounts will be determined according to the project's liquidity needs for a maximum period of six months. These needs will be agreed upon between the MIF and the executing agency and will reflect the activities and costs programmed in the six-monthly and annual planning exercises (AWP). The first disbursement will be contingent upon the achievement of milestone 0 (conditions precedent), and subsequent disbursements will be made provided that the following two conditions are met: (i) verification by the MIF that the milestones have been met; and (ii) the executing agency has justified 80% of the cumulative funds advanced as contribution.

IX. ACCESS TO INFORMATION

- 9.1 **Access to information.** Project information will be considered public, in accordance with the Bank's Access to Information Policy.

RESULTS MATRIX
INCLUSIVE RETIREMENT SAVINGS: FROM ACCESS TO USE IN CHILE, COLOMBIA, MEXICO, AND PERU
(RG-M1277)

IMPACT							RISKS
Increase the volume of retirement savings ¹ among self-employed workers ² in Latin America and the Caribbean	Indicator 1	Month 0 Baseline	Month	Month (Cumulative)	Month (Cumulative)	Month 48 (Cumulative)	A decline in the returns and economic viability of pension funds in the project countries would make retirement savings products less attractive.
	Average annual growth in formal savings among clients.	To be determined				5%	
	Formula/Definition						
	(CRF: 310300)	Source: Administrative records of entities participating in the project					
	Indicator 2	Month 0 Baseline	Month	Month (Cumulative)	Month (Cumulative)	Month 48 (Cumulative)	
	Clients with annual growth in formal savings of 10% or more					200,000	
	Formula/Definition						
(CRF: 310301)	Source: Administrative records of entities participating in the project						
OUTCOME							RISKS
Increase the number of low-income self-employed workers ³ who use retirement savings products	Indicator 1	Month 0 Baseline	Month	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)	That pension funds or government agencies promoting and supervising retirement savings may reduce their emphasis on the inclusion of self-employed workers, or establish rules of enrollment that make it difficult.
	Low-income savers			50,000	150,000	400,000	
	Formula/Definition						
	(CRF: 210500)	Source: Administrative records of entities participating in the project					
	Indicator 2	Month 0 Baseline	Month	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)	
	Entities ⁴ offering inclusive retirement savings solutions supported by the project			1	2	5	
	Formula/Definition						
Number of pension funds and other intermediaries that offer new products, marketing strategies, payment reminders, client service activities, etc. with support from the MIF	Source: Project six-monthly reports					Limited demand for the retirement savings products offered in each of the countries.	

¹ Primarily voluntary retirement savings.

² This includes small business owners or the self-employed who operate on a fee-for-service basis and are not wage-earning employees.

³ Includes those who meet at least one of the following conditions: (1) being in the two lowest income quintiles, (2) earning less than 40% of average income, (3) earning less than the minimum wage.

⁴ Includes pension funds and Colpensiones in the case of Colombia

	Indicator 3	Month 0 Baseline	Month	Month 12 (Cumulative)	Month 12 (Cumulative)	Month 48 (Cumulative)
	Associations of pension funds with retirement savings promotional activities targeting self-employed workers			2	4	4
	Formula/Definition					
	Source: Websites of pension fund associations					
	Indicator 4	Month 0 Baseline	Month	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)
	Retirement savings models developed and implemented			2	4	6
	Formula/Definition					
	Source: Project six-monthly reports					
	Indicator 5	Month 0 Baseline	Month	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)
	New enrollments in pension systems or retirement savings				50,000	100,000
	Formula/Definition					
	Primarily applicable to Colombia and Peru	Source: Fundación Capital records				
	Indicator 6	Month 0 Baseline	Month	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)
	Active retirement savings accounts			50,000	150,000	400,000
	Formula/Definition					
	Those who make at least one contribution per year that reaches a minimum value to be determined in each country (e.g., as a % of minimum monthly wage)	Source: Fundación Capital records				
Component I						
Identification and promotion of retirement savings solutions	Indicator 1	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)
	Workshops held in the four countries (Component I)		2	4	6	8
	Formula/Definition					
	Number of awareness and identification of initiatives workshops	Source: Fundación Capital records				
	Indicator 2	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 12 (Cumulative)
	Strategies to increase retirement savings designed		4	10	16	16
	Formula/Definition					
RISKS						

	Adjustments to retirement products, marketing strategies, payment reminders, new client service and follow-up activities, etc.	Source: Monitoring reports of project's national coordinators					
	Indicator 3	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 18 (Cumulative)	Month 18 (Cumulative)	
	Studies on barriers to voluntary retirement savings identified in workshops.			2	5	5	
	Formula/Definition						
	Prepared on the basis of workshops, surveys, and studies available in the countries.	Source: Documents with studies					
	Indicator 4	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 30 (Cumulative)	Month 12 (Cumulative)	
	AFPs that have participated in the workshops		6	6		12	
	Formula/Definition						
		Source: Attendance lists					
	Component II						
Implementation of inclusive retirement savings solutions	Indicator 1	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)	RISKS
	Retirement savings solutions being implemented in the four countries			2	4	6	
	Formula/Definition						
	New retirement products, marketing strategies, payment reminders, new client service and follow-up activities, etc.	Source: Fundación Capital report					
	Indicator 2	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)	
	Partners for the implementation of campaigns promoting retirement savings, including financial education				4	8	
	Formula/Definition						
	Includes large chains of suppliers, stores, trade associations of self-employed workers, etc.	Source: Materials with content of promotional campaigns, photos, and videos					
	Indicator 3	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)	
	Solutions that include retirement savings accounts with automatic debit				2	2	
	Formula/Definition						
		Source: Fundación Capital report					

	Indicator 4	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)
	New channels available for receiving retirement savings				2	2
	Formula/Definition					
	Source: Records of operating collection channels					
	Indicator 5	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 18 (Cumulative)	Month 24 (Cumulative)
	Financial education and retirement savings campaigns targeting the self-employed				2	4
	Formula/Definition					
	Source: Materials with content of promotional campaigns, photos, and videos					
Component III						
Knowledge and dissemination	Indicator 1	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)
	Thematic study with results from Component I			1		1
	Formula/Definition					
	Source: Document with thematic study					
	Indicator 2	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 48 (Cumulative)	Month 48 (Cumulative)
	Closing workshop for the four countries				4	4
	Formula/Definition					
	In coordination with public and private actors in the retirement industry in the four countries	Source: Attendance record, photos, and report with workshop proceedings				
	Indicator 3	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)
	Case studies				2	5
	Formula/Definition					
	Study consolidating the results of solutions implemented by country and a case study with the final evaluation of the project	Source: Documents with case studies				
	Indicator 4	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)
	Exit surveys of project beneficiaries conducted					4
	Formula/Definition					
	Source: Documents from exit surveys completed and final report					

	Indicator 5	Month 0 Baseline	Month 6	Month 12 (Cumulative)	Month 24 (Cumulative)	Month 48 (Cumulative)	
	Pension funds, financial intermediaries, and government agencies that receive knowledge products generated by the project					50	
	Formula/Definition						
	(CRF: 150100)	Source: Survey of AFP associations					

**ITEMIZED BUDGET
(RG-M1277)**

		CONTRIB.	CO-FINANCING	COUNTERPART				
	TOTAL	MIG	METLIFE FOUNDATION	COUNTERPART				%
				FUNDACIÓN CAPITAL		OTHERS, e.g.. AFP´s Cash	Total	
				In kind	Cash		Counterpart	
Component I. Identification and promotion of retirement savings initiatives	580,000	100,000	300,000	80,000	0	100,000	180,000	14%
Studies to profile retirement savings among the self-employed	100,000	0	100,000					
Workshops (8 workshops, 1 launch, 1 identification of solutions)	200,000	100,000				100,000		
Studies (5 studies: identification of barriers and feasibility analysis of solutions)	200,000		200,000					
Development of action plans in each country	80,000			80,000				
Component II. Implementation of inclusive retirement savings initiatives	2,742,000	1,135,200	540,000	293,400	167,000	606,400	1,066,800	68%
Technical assistance for the Design of Retirement Savings Strategies and Solutions	392,000	235,200		78,400	0	78,400		0
Design or adaptation of inclusive retirement savings products	78,400							
Design of retirement savings promotional and awareness campaigns	117,600							
Design of strategy for channels for collection and delivery of retirement savings	117,600							
Design of incentives, follow-up, and monitoring strategies	39,200							
Design of other retirement savings strategies and solutions	39,200							
AFPs staff training sessions	70,000			35,000		35,000		
Solutions Implementation Managers (1 per country)	360,000		180,000	180,000				
Inclusive retirement savings initiatives. (1)	1,920,000	900,000	360,000		167,000	493,000		
Components with adaptation of retirement savings products (automatic debit)								
Components with retirement savings promotional and awareness campaigns								
Components with channels for collection and delivery of retirement savings								

Components with incentives (e.g., reminders, SMS messages), follow-up (e.g., call center) and monitoring								
Implementation of other savings solutions								
Component III. Knowledge and dissemination	200,000	145,000	40,000	0	15,000	0	15,000	5%
3.1 Thematic study with results from Component II	40,000	25,000			15,000			
3.2 Closing workshop for the four countries	80,000	40,000	40,000					
3.2 Case study	80,000	80,000						
Monitoring and evaluation	185,200	160,200	25,000	0	0		0	5%
Midterm evaluation	25,000	25,000						
Final evaluation	25,000	25,000						
Exit survey (beneficiaries)	62,200	37,200	25,000					
Regional ex post audit/review	50,000	50,000						
Contingencies	23,000	23,000						
Project management	319,800	189,600	15,000	115,200	0	0	115,200	8%
Project manager	159,600	159,600						
Administrative and accounting assistant	43,200			43,200				
Support for general coordination of the project	72,000			72,000				
Institutional strengthening (support for procedures)	15,000	15,000						
Coordinator's supervisory trips (2-3 days, 36 months)	30,000	15,000	15,000					
SUBTOTAL	4,027,000	1,730,000	920,000	488,600	182,000	706,400	1,377,000	
Agenda Account	15,000	15,000						
Impact Evaluation Account	20,000	20,000						
TOTAL	4,062,000	1,765,000	920,000	488,600	182,000	706,400	1,377,000	100%
		43%	23%	17%		17%	34%	

(1) Each subproject will include between one and three components. For example, c1 implementation of automatic debit and c2 a financial education campaign.

Quality for Effectiveness in Development - (QED)

Memo de Donantes

June 30, 2015

SECTION 1: PROJECT SUMMARY

PROJECT NAME: Inclusive Pension Savings	Project Number: RG-M1277
DESIGN TEAM LEADER: Fermin Vivanco	

SECTION 2: QED CONTENT

1. Características y alineación del proyecto	4.8
Specific benefits for women (5 Points)	
1.1.1. The project has specific benefits for women	1
Specific benefits for excluded populations and at-risk youth (2 Points)	
1.1.2. The project has specific benefits for excluded populations	0
1.1.3. The project has specific benefits for this excluded populations	0
The project targets firms with significant growth and job potential (3 Points)	
1.1.4. The project targets firms with significant growth and job potential	0
Specific benefits for the environment(2 Points)	
1.1.5. The project has specific benefits for the enviroment (GHG reduction, water savings, conservation, biodiversity)	0
Systemic Impact (3 Points)	
1.1.6. The project contributes to systemic impact, by (i) creating or expanding markets, (ii) scaling or replicating development models, or (iii) improving policies, regulations, or legal frameworks, or (iv) promoting adoption of practices by key public or private actors or institutions.	1
Innovation (3 Points)	
1.1.7. The project seeks to introduce new products or services into markets or fosters new processes within businesses or organizations	1
Experimentation (2 Points)	
1.1.8. The project will test new solution(s) to a specific problem under controlled conditions, using rigorous methodologies.	0
Target 1: Private Sector Development (50 Points)	
1.2.1. Foster entrepreneurship including innovative early stage firms	0
1.2.2. Improve the productivity of micro and small firms and small farms	0
1.2.3. Strengthen business environment including public/private collaboration	2
1.2.4. Inclusive Green Growth	0
1.2.5. Expand inclusive access to markets	0
1.2.6. Expand access to financial services and develop financial markets and institutions	2
1.2.7. Expand private sector provision of basic services	0
Target 2: Poverty reduction (20 Points)	
1.2.8. The project will be implemented in a region with a high incidence of poverty or target beneficiaries from the poor strata	1
1.3.1. Collaboration within the Bank Group. The document mentions how the project aligns with other Bank interventions, in both the public and private sectors, as appropriate.	1
1.3.2. Collaboration with outside actors for scalability and policy impact. The project has potential for scalability after execution. Project design includes activities aimed at fostering partnerships with the intention to scale, raising additional funds for replication and/or	2

other similar activities.	
2. Project Diagnosis	9.0
Diagnostic of the problem (60 Points)	
2.1. The problem is identified	2
2.2. The causes of the problem are identified	2
2.3. The effects of the problem are identified	2
2.4. Gender inequality issues are identified	1
2.5. Beneficiary identification	2
Proposed Solution (40 Points)	
2.6. Logic of the intervention	2
2.7. Description of the model	2
2.8. Description of the components	2
2.9. Gender issues addressed by the components	0
2.10. Lessons learned	1
2.11. Evidence	1
3. Additionality	10.0
3.1. Non-financial contribution	2
3.2. Financial contribution	2
3.3. Additional funding	2
3.4. Executing agency strengthening	2
4. Monitoring & Evaluation, Knowledge Sharing and Strategic Communication	8.3
Monitoring & Evaluation (50 Points)	
4.1. Monitoring mechanisms	2
4.2. Evaluation questions	2
4.3. Evaluation methodology	2
4.4. Evaluation activities	1
Knowledge Sharing & Strategic Communication (50 Points)	
4.5. Knowledge gap	1
4.6. Knowledge sharing products are defined and appropriate to the audiences	2
4.7. Communication strategy	2
5. Logical Framework Quality	9.5
5.1. Project impact and results	2
5.2. Vertical logic	2
5.3. Horizontal logic	2
5.4. Baseline, intermediate and target values	2
5.5. SMART Indicators	2
5.6. Indicators are sex-disaggregated	2

5.7. Source, or means for collecting data	1
5.8. Risks/assumptions column of the logical framework	2
6. Risks	7.5
6.1. Experience and the skills of the executing agency	1
6.2. Risks identification	2
6.3. Mitigation measures	1
6.4. IDB environmental/social policies	2

TOTAL	8.2

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/15

Regional. Nonreimbursable Technical Cooperation ATN/ME-____-RG
Inclusive Retirement Savings: From Access to Use in Chile,
Colombia, Mexico, and Peru

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with Fundación Capital, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation for inclusive retirement savings: from access to use in Chile, Colombia, Mexico, and Peru.

2. That up to the amount of US\$1,765,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on __ _____ 2015)