**REGIONAL**

**SCL/LMK**

**TERMS OF REFERENCE SUMMARY FOR TECHNICAL COOPERATION**

**Support for public policies to increase coverage, sustainability and adequacy of pension systems in the region**

**(RG-T3047)**

**Background**

Established in 1959, the Inter-American Development Bank (“IDB” or “Bank”) is the main source of financing for economic, social and institutional development in Latin America and the Caribbean. It provides loans, grants, guarantees, policy advice and technical assistance to the public and private sectors of its borrowing countries.

A strategic goal of the Bank is to promote social equity and poverty reduction by fostering greater inclusion for the poorest segments of the population. That entails protecting workers from facing poverty at old age. The Labor Sector Framework document (2016) states as a key objective to expand workers’ access to adequate and sustainable social security systems, in order to promote workers’ welfare.

In Latin American and Caribbean Countries, current lack of pension coverage, combined with an aging population, represents a hidden potential fiscal cost that governments are expected to assume given increasing demands for pension benefits (Bosch, et al, 2013). On average in the region, only 45% of workers contribute to a pension scheme. A key determinant of low pension coverage is the type of employment. While on average, 64% of wage workers contribute to a pension scheme, just 17% of independent workers do (OECD, World Bank and IDB, 2014). Additionally, due to low contribution densities, a large percentage of pensions are not adequate to smooth consumption for elderly adults. Estimations for Chile, Colombia, Dominican Republic, El Salvador, Mexico and Uruguay point that the net pension replacement rates for high income workers range between 15% and 32% and for low income workers between 10% and 15%. Due to the widespread implementation of non-contributory schemes across the region, the replacement rates for low income workers can increase and even reach 50%, however increasing fiscal costs (OECD, World Bank and IDB, 2014).

Policies that aim to prevent poverty in old age and a sudden drop in consumption upon reaching retirement age should balance the following three main aspects: coverage (people are guaranteed a pension when they retire), adequacy (pensions ensure a sufficient income and are equitable), and sustainability (balance pensions cost and the income to finance them). Therefore, policy recommendations to increase pension coverage should look at the complete system, integrally, aiming to get a balance between these three elements, which interact with each other. Despite the many efforts and reforms made to the pension systems of the countries of the region, they have not been able to provide adequate protection to important sectors of the population. All policies present trade-offs, and there is no one-size-fits-all policy capable of addressing all challenges (Bosch, et al, 2013). However, understanding the type of policies implemented in other contexts could potentially give a sense of direction. Where efforts are focused will depend on the specific priorities and initial conditions of the country.

**Consultancy: Diagnostic of Pension System and Policy Recommendations (three in total, one per country)**

**Objective:** Complete a country diagnostic and recommend policies that aim improving coverage, sustainability and adequacy of each pension system.

**Activities:**

1. analyze the main structural features of the country's national pension schemes, including qualitative description as well as quantitative estimates of pension benefit levels and coverage rate;
2. develop a diagnosis of the pension system of the country of interest, including recent reforms in terms of coverage, labor market and financial (and fiscal) implications
3. perform an analysis of the institutions involved in pension administration;
4. describe the socio-demographic and economic trends and their relation with the pension system;
5. compare with benchmark countries; and
6. provide policy recommendations that will lead to stronger and more efficient pension systems.

**Characteristics of Consultancies**

* Consultancy category and modality: National or international individual consultants or consulting firms.
* Contract duration: The duration of each consultancy will vary according to the corresponding products.
* Place(s) of work: To be defined
* Supervision: Principal Social Insurance Specialist, SCL/LMK

**Payment and Conditions:** Compensation will be determined in accordance with Bank’s policies and procedures. The Bank, pursuant to applicable policies, may contribute toward travel and moving expenses. In addition, candidates must be citizens of an IDB member country.

**Visa and Work Permit:** The Bank, pursuant to applicable policies, may submit a visa request to the applicable immigration authorities; however, the granting of the visa is at the discretion of the immigration authorities. Notwithstanding, it is the responsibility of the candidate to obtain the necessary visa or work permits required by the authorities of the country(ies) in which the services will be rendered to the Bank. If a candidate cannot obtain a visa or work permit to render services to the Bank the contractual offer will be rescinded

**Consanguinity:** Pursuant to applicable Bank policy, candidates with relatives (including the fourth degree of consanguinity and the second degree of affinity, including spouse) working for the Bank as staff members or Complementary Workforce contractuals, will not be eligible to provide services for the Bank.

**Diversity:** The IDB is committed to diversity and inclusion and to providing equal opportunities in employment. The selected provider embraces diversity on the basis of gender, age, education, national origin, ethnic origin, race, disability, sexual orientation, religion, and HIV/AIDs status. The IDB encourages women, Afro descendants and persons of indigenous origins to apply.