

## TC Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Supporting Social Protection Responses to the COVID-19 Emergency
▪ TC Number:	RG-T3703
▪ Team Leader/Members:	Tejerina, Luis R. (SCL/SCL) Team Leader; Bagolle, Alexandre (SCL/SPH); Bermudez Plaza, Neili Carolina (SCL/SPH); Gonzalez Alarcon, Natalia (SCL/SCL); Negret Garrido, Cesar Andres (LEG/SGO); Pombo Rivera, Cristina (SCL/SCL)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	21 Apr 2020.
▪ Beneficiary:	IDB's borrowing member countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Social Development(SOC)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	12 months
▪ Required start date:	May 31st 2020
▪ Types of consultants:	Individuals consultants and consulting firms
▪ Prepared by Unit:	SCL-Social Sector
▪ Unit of Disbursement Responsibility:	SCL-Social Sector
▪ TC included in Country Strategy (y/n):	N/A
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Institutional capacity and rule of law

### II. Objectives and Justification of the TC

- 2.1 The economic impacts of COVID-19 pandemic crisis will be felt through different channels at different times. First are the direct costs related to the health sector response, associated with the priority of saving lives in the very near term. Second are the costs associated with the necessary changes in people's behavior to "flatten the curve" of coronavirus progression, which will contribute to saving lives. These behaviors may be the result of government mandates (closing schools, canceling public events, etc.), decisions made by companies and other institutions (teleworking, cutting back production, etc.), and decisions made by consumers (reducing social contact). This will lead to a very significant economic downturn with immediate manifestations and lingering effects, even once the health emergency is over. The downturn is expected to contract the economy of the region by 5.3% and increase the number of poor by 29million<sup>1</sup>. All these costs will have a major impact on the income of most people, especially the poorest groups, who depend on their largely informal work activities to support their consumption. The employment challenge is significant,

<sup>1</sup> ECLAC. 2020. Measuring the impact of COVID-19 with a view to reactivation. Santiago de Chile.

as labor markets were already worsening in many countries of the region before the health emergency due to the slowdown and falling commodity prices.

- 2.2 Large-scale compensatory policies will be necessary, to respond to this emergency. The myth that program amounts or coverages cannot be expanded temporarily should be abandoned: We know that extraordinary payments can be made without setting a precedent (as long as there is clear communication and transparent milestones). Payments will have to be beyond existing programs as between 5 and 37% of the poorest households are not included in existing transfer programs.<sup>2</sup>
- 2.3 The impact of COVID-19 in the LAC region is going to be significant in terms of employment and income losses. The most affected population groups include: (1) formal workers whose salary will be reduced or temporarily suspended (e.g., Costa Rican employers are temporarily reducing working hours and salaries in half ); (2) vulnerable self-employed and informal workers whose income will be partially or completely lost (according to the Wilson Center, over half of the labor force in the LAC region is in the informal sector); and (3) other population groups currently receiving social programs, whose operations are being severely affected by the crisis (e.g., elderly citizens whose cash delivery is being interrupted due to risk of contagion, and children who lost school meal programs due to school closures).
- 2.4 Thus, appropriate targeting of social support should correctly intersect these vulnerable groups with prioritization by poverty levels, as well as national and regional budgets. However, due to the COVID-19, commonly used targeting methods are challenged as severe changes in the distribution of poverty, trade-offs between vulnerable groups and budget restrictions are expected. For this reason, simulations that allow the visualization of different alternatives to target transfers are needed to improve decision-making.
- 2.5 The general development objective of this project is to support activities to shield the consumption capacity of people who see their income cut, directly or indirectly, by contagion, social distancing measures (emergency stage), and the economic downturn (crisis and recovery stage). This will be done through data analytics to advise governments on decisions to design cash transfers.
- 2.6 The Bank has been one of the main supporters promoting Social Safety Nets<sup>3</sup> in the LAC region over the last 20 years, as a pivotal strategy to protect the poor and vulnerable populations from shocks, as well as fostering development. Moreover, as the positive impact of these social policies depend critically on how well-targeted, they are, the Bank has also provided financial and technical assistance for the improvement of social programs targeting schemes. Due to the COVID-19 pandemic, these efforts become relevant more than ever, as underserved populations are the most affected by the economic impact of the health emergency, and their needs have to be addressed timely and precisely. Thus, the Bank prioritized the Safety Nets for Vulnerable Populations as one of the main areas to focus on the deployment of financial and technical resources. The aim is to implement measures to protect the income of the most affected populations through existing social policies and by the

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<sup>2</sup> Blackman et. Al. 2020. Public policy to tackle COVID-19: recommendations for Latin America and the Caribbean. IDB. Washington D.C.

<sup>3</sup> While there are varying concepts of what a Social Safety net is in general the term refers to non-contributory systems to provide support to citizens of a country in the face of structural or individual hardship.

implementation of emergency assistance programs which include, for example, extraordinary transfers to workers in the informal sector.

- 2.7 **Strategic Alignment.** The TC is consistent with the Second Update to the Institutional Strategy (UIS) (AB-3190-2) and is strategically aligned with the development challenge of: (i) social inclusion and equality by providing appropriate social protection to the poor and vulnerable populations of the region such as women, children, indigenous peoples, residents of rural areas and urban slums. The TC is also aligned with the cross-cutting theme of Institutional Capacity by strengthening the government's ability to implement Social Safety Nets measures. The CT is aligned to the Corporate Results Framework (CRF) 2020-2023 (GN-2727-8) by creating tools to benefit Government agencies with projects that strengthen digital technology and managerial capacity to improve public service delivery. It is also aligned with the Ordinary Capital Strategic Development Program for Social Development (GN- 2819-1) objectives of enhancing the relevance, quality, and volume of Bank lending in support of the social sector and strengthening public institutions' efforts to become more effective and efficient in social programming, group targeting, and social sector project execution.
- 2.8 The TC is aligned with the priority area of reduction of poverty and inequality of the Bank's strategy with Guatemala since the transfers will help prevent malnutrition in children under 5, it is aligned with the strategic objective for improving management and quality of social services in the Bank's strategy with Ecuador, it is aligned with the priority area of human capital accumulation for inclusion and competitiveness of the bank's strategy in Costa Rica by ensuring that the most vulnerable groups get assistance to avoid human capital deterioration, it is related to the strategic objective of improving the quality and efficiency of social expenditure in Honduras by helping inform decisions related to targeted assistance, it is related to strategic objective of reducing extreme poverty with an emphasis on rural areas, indigenous groups and the under 15 age group of the Bank's strategy with Bolivia, it is related to strategic objective of improving access and quality of social services for vulnerable children and youth (quintiles 1 and 2) of the Bank's strategy with Uruguay, finally it is related to the strategic objective of improving efficiency and equity of social spending of the Bank's strategy with El Salvador.

### III. Description of activities/components and budget<sup>4</sup>

- 3.1 The tentative list of countries in which the studies will be implemented includes El Salvador, Uruguay, Costa Rica, Honduras, Ecuador, Bolivia, and Guatemala. All of these countries are implementing policies for transfers to help those affected by the pandemic and are receiving financial or technical support from the Bank. It is expected that proposals from these studies can be used as templates for other countries in the region that may be facing similar decisions in the context of the pandemic. Being that the three components require inputs from policymakers for the simulations to provide

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<sup>4</sup> It is important to note that the processes included in this TC are only part of the complete process of delivering transfers to people affected by the pandemic. Depending on the country different exercises will be needed to identify all the beneficiaries that are currently not included in information systems by for example setting up online forms as it was done in Costa Rica and Guatemala. While digital payments in general increase transparency of payment processes it is also important to note that they are not a sufficient condition and checks and balances will be needed to guarantee transparency for example by setting up hotlines as it was done in Paraguay.

meaningful data in all cases the work will begin by organizing counterpart teams from the different Governments involved.

- 3.2 **Component 1. Decision-support for the design and implementation of social protection policies in response to the COVID-19 emergency (US\$100,000).** This component will fund the implementation of an interactive decision-support tool for targeting emergent social programs amid the COVID-19 pandemic in El Salvador, Costa Rica, Ecuador, Bolivia, Honduras and Uruguay, accompanied by expert data science support to process relevant datasets swiftly, and simulate the effects of economic shocks. The component will fund individual consultant services, and results will be available for use to countries in the region that are involved in the design of transfers to population affected by COVID 19. Overall, the support will contribute to enhance the Safety Nets of Vulnerable Populations in the context of alleviating the COVID-19 socio-economic crisis. The tool will facilitate the identification of people left out and help by minimizing their number.
- 3.3 **Component 2. Geospatial analytics for mapping vulnerable populations and planning of logistics (US\$20,000).** This component will fund the creation of high-resolution poverty and population density maps for the identification of pay points where people collect cash transfers and might be crowded in Bolivia. This tool will contribute to identify poor or overcrowded areas as they are relevant factors in the pandemic's reach.
- 3.4 **Component 3. Analysis of digital payment solutions for cash transfers (US\$30,000).** This component will fund a study and proposal of digital payment mechanisms to be used for the delivery of cash transfers taking into account the particularities of the current crises in Bolivia and Honduras. That is, solutions that at least for the temporary payments related to the crisis minimize crowding of people at cash out points or at stores.
- 3.5 The total cost of this TC will be US\$150,000 which will be financed by the OC Strategic Development Program for Social Development (SOC). The execution and disbursement period will be 12 months.

#### Indicative Budget (US\$)

Activity/Component	Description	IDB/SOC	Total Funding
Component 1. Decision-support for the design and implementation of social protection policies in response to the COVID-19 emergency	Individual consultants will be hired for data analysis to simulate and visualize the effect of different options for cash transfers	100,000	100,000
Component 2. Geospatial analytics for mapping vulnerable populations and planning of logistics.	The component will finance the analysis of geospatial data to identify pay points where crowds might be expected,	20,000	20,000
Component 3. Digital payment systems alternatives for COVID 19 transfers.	The component will fund a proposal for payment systems that minimize physical contact of beneficiaries or cash out points	30,000	30,000
<b>Total</b>		<b>150,000</b>	<b>150,000</b>

- 3.6 Supervision activities will be the responsibility of the Team Leader (SCL-SCL) member of the Social protection and Health Division. There are no expected additional supervision costs.

#### **IV. Executing agency and execution structure**

- 4.1 In agreement with the Bank's Policy on Technical Cooperation (GN-2629-1, paragraph 4.5), this TC will be executed by the Bank, since it is a Bank initiative and the Bank has comparative advantage due to its experience in these type of exercises. The TC depends on direct coordination between specialists and their counterparts in each country. Moreover, sustainability of the project will not be affected by the Bank being the executing unit since it is expected that the Bank itself will disseminate and implement learning from this TC in future projects and will coordinate directly with beneficiary institutions.
- 4.2 **Procurement.** The activities to be carried out under this operation have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the Bank's established procurement methods, namely: (a) Hiring of individual consultants, as established in the regulations AM-650; (b) Hiring of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operating guides (OP-1155-4) and (c) Hiring of logistics services and other services other than consulting, according to the policy GN-2303-28. The UDR will be in Headquarters.

#### **V. Major issues**

- 5.1 A possible risk is that results from the studies are not considered by the relevant authorities. To mitigate this risk all exercises will start by defining a team from the Government that is empowered for decision making regarding social policy in each country. Parameters for the studies will be discussed with this team and results will be disseminated quickly with Government officials via videoconference to ensure that results are actually taken into account. A second risk is that due to the changing nature of COVID 19 the tool is outdated and not relevant for the authorities. The mitigation strategy for this risk is that the tool is not presented as a product but as a service. Accordingly, the service includes five iterations for each country in which the exercise will be done and through which the conditions can be updated. In case any work is done in a country a letter of no objection will be obtained from the Bank's liaison.

#### **VI. Exceptions to Bank policy**

- 6.1 There are no exceptions to Bank policy in this project.

#### **VII. Environmental and Social Strategy**

- 7.1 This TC is not expected to have any negative social or environmental impacts. According to the Environmental and Safeguards Compliance Policy (OP-703), Indigenous Peoples (OP-765), and Gender Equality (OP-270), this TC is classified as category "C". See filters [SPF](#) and [SSF](#).

#### **Required Annexes:**

[Results Matrix\\_63759.pdf](#)

[Terms of Reference\\_46170.pdf](#)

[Procurement Plan\\_98585.pdf](#)