



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 24-Sep-2020 | Report No: PIDC30078

**BASIC INFORMATION****A. Basic Project Data**

Country Belarus	Project ID P174400	Parent Project ID (if any)	Project Name Belarus COVID-19 Social Safety Nets Response (P174400)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Dec 28, 2020	Estimated Board Date Mar 31, 2021	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Economy	Implementing Agency Ministry of Labor and Social Protection	

Proposed Development Objective(s)

The Project Development Objective is to mitigate the economic impact of the COVID-19 crisis on the poor and vulnerable families, and to increase the capacity of social protection programs to respond to future emergencies by strengthening the GASP (GMI) program in Belarus.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	85.00
Total Financing	85.00
of which IBRD/IDA	85.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	85.00
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Environmental and Social Risk Classification
Substantial

Concept Review Decision
Track II-The review did authorize the preparation to
continue



Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. The COVID-19 outbreak and the resulting shock to global supply and demand have created extraordinary challenges for Belarus.** Belarus is a small open economy,¹ and any economic slowdown in its major trade partners quickly translates into an economic shock.² The latest IMF projections for Belarus predict a decline in GDP of about 6 percent.³ The diminished economic activity is expected to increase unemployment, cause loss of earnings due to shortened work hours and together these factors are expected to increase poverty.
- 2. The national poverty rate peaked at 5.9 percent in 2017, but then declined somewhat to 5 percent during the economic recovery of 2018-2019.** However, significant vulnerabilities remain: the share of population below the *Minimum Consumption Budget* — a national measure of welfare — was 29.4 percent in 2018, compared to 18.9 percent in 2014. These shocks have been exacerbated by the COVID-19 pandemic, which has severely disrupted global demand, contributed to a sharp fall in global energy prices and raised the cost of financing for emerging market economies including Belarus. The economy is expected to contract by at least 4 percent in 2020 and the public sector deficit to widen to 8 percent of GDP.
- 3. In the absence of an effective social protection response, poor and vulnerable people may resort to coping strategies that undermine their welfare and mental health.** Belarus's social protection system lacks adaptive provisions that would allow it to automatically expand in response to such crises, but it does have scalable programs that could be deployed in the short term and strengthened in the longer run. Therefore, the Government has requested an operation to support short- and long-term social protection measures to cushion the adverse impact of the economic downturn and prevent the permanent loss of private sector employment.

Sectoral and Institutional Context

- 4. Belarus devotes a sizable share of public resources to social protection; however, these resources are not adequately weighted towards the poor.** Spending on SP accounts for about 15 percent of GDP. Over three-fourths of this budget goes to social insurance (SI) programs, predominantly contributory pensions. Spending on social assistance (SA) is around 2.3 percent of GDP, above the ECA regional average of 1.8 percent. This includes allowances to households related to childbirth and childcare, social pensions, disability allowances, unemployment benefits and old age social support. SA expenditures in Belarus also cover privileges to specific categories of citizens (e.g. pensioners, war veterans) and various subsidies ranging from public transportation to housing and utilities.⁴ The means-tested minimum income scheme, operated through the Targeted Social Assistance System (GASP), distributes benefits to low-income households.

¹ In 2019 trade openness (measured as share of exports and imports in GDP) was 115 percent, and exports constituted 52 percent of GDP; see <https://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/vneshnyaya-torgovlya/>.

² <https://openknowledge.worldbank.org/handle/10986/24698>

³ See World Economic Outlook, April 2020: <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

⁴ SA does not include energy subsidies that are universal and hence provided to all households.



5. **The composition of programs under SA is lopsided, preventing the system from functioning as an effective and adaptive social safety net.** Child-related benefits (support to families with children 0-3 y.o.) consume about 70 percent of the total SA expenditures, with disability benefits and pensions being the second and third largest spending category respectively. Only 3 percent of SA goes towards targeted anti-poverty assistance while the expenditure on unemployment benefits is negligible. Benefit levels are low and do not represent a substantial share of household expenditures for the poor. Furthermore, the high rate of exclusion of the poor and low benefit adequacy results in low targeting efficiency. Addressing these issues requires increasing public spending on means-tested SA would improve the effectiveness of SA as a safety net by channeling larger amounts to those households that need these benefits the most.
6. **Unemployment benefits in Belarus are very low relative to international standards.** According to the ILO data, the employment rate in Belarus was a healthy 67.5 percent in 2018, while the unemployment rate was at 4.76 percent, with youth unemployment even higher at 9.7 percent.⁵ However, the country offers very little protection to workers in terms of unemployment benefits. The outlay on unemployment benefits amounts to 0.006 percent of GDP, significantly below the OECD average of 0.68 percent.⁶ Yet, according to the World Bank's Commitment to Equity (CEQ) study for Belarus, these benefits are the most efficient among all social protection measures, in terms of their impact on poverty.⁷ This is a major weakness in Belarus's safety net, laid bare as the COVID-19 crisis has taken hold. It underscores the value of having strong social protection systems in place that can reach affected households with immediate assistance. Having a strong unemployment benefit is a crucial component in the safety net system to address the major challenges from rising unemployment for formal and informal sector workers and business disruption for small/micro business owners. This clearly suggests that increasing budgetary allocation to this form of benefit to increase its coverage and its benefit amount (up to at least the subsistence minimum) will have a high payoff for Belarus and for its preparedness ahead of large-scale covariate shocks like COVID-19.
7. **The monthly cash component of the Targeted Social Assistance Program (GASP) program excludes a large share of the poor.** Majority of GASP support is provided as in-kind benefit and is geared towards the vulnerable with specific needs (e.g. subsidy to purchase diapers). The monthly cash component of GASP, which is similar to GMI and aims to reduce poverty depth, is about 25 percent of the total GASP budget. This is the only significant means-tested cash assistance program under SA, but it accounts for barely 3 percent of all SA, and almost 0 percent of GDP in Belarus. In comparison, the European Union spends nearly 1 percent of GDP on the monthly means-tested cash benefits.⁸
8. **Currently, at least three types of design restrictions drive the low coverage and effectiveness of the GASP program:** (1) households are eligible for a maximum of 6 months a year; (2) households with able-bodied members who have been working for less than 6 months during the last 12 months are not eligible irrespective of the level of their family income. This contributes to working poor households being excluded from the program; (3) the cross-conditionality between unemployment benefits and the GASP benefit restricts the coverage of families with unemployed members.⁹

⁵ International Labour Organization, ILOSTAT database

⁶ OECD (2019), Public unemployment spending (indicator). doi: 10.1787/55557fd4-en

⁷ "Fiscal Incidence in Belarus – A Commitment to Equity Analysis", Policy Research Working Paper, World Bank 2017, Table 14

⁸ EUROSTAT database

⁹ Potential beneficiaries from this group are considered eligible for GASP only while officially registered as unemployed, but not for the first three months of unemployment. This forces them to rely on a relatively small unemployment benefit that does not depend on the family's income and economic situation.



This is a feature of GASP design that discriminates against the unemployed relative to other types of beneficiaries. Moreover, the benefit amount is very low compared to the costs of meeting the eligibility conditions (for example, a beneficiary is required to visit the unemployment office for monthly check-ins; however the unemployment benefit amount may not even cover the cost to travel there), further discouraging eligible households from applying for the benefit.

Relationship to CPF

9. **The proposed project is aligned with the World Bank Group’s twin goals of eliminating extreme poverty and boosting shared prosperity as well as with the current Country Partnership Framework (CPF FY2018-2022).** The proposed project will contribute to the achievements of the World Bank Group twin goals in Belarus as it would support a set of structural measures and interventions to strengthen and improve the effectiveness of the country’s social protection systems to better support the neediest and most vulnerable to move toward graduation from social assistance. The projects supports four focus areas of the CPF on the Government’s Program of Socio-Economic Development for 2018–22, with main area falling under (c) “The development of human potential and improvements in the quality of life, including through improved education, health, active lifestyle, labor markets, retraining schemes and social assistance, youth and regional development programs.” (p. 13, CPF).
10. **The project is aligned with the World Bank Group’s strategy to respond to the COVID-19 pandemic.** The Project is designed to respond to the needs of Belarus Republic during all three stages –emergency relief, restructuring, and resilient recovery, specifically focusing on areas defined in Pillar 2, “Protecting Poor and Vulnerable People” of the World Bank Group COVID-19 Crisis Response Approach Paper – by supporting the incomes, employment and productivity of vulnerable and at-risk households, and improving delivery systems for expanded coverage. The project follows the World Bank’s policies to assist countries through a fast and flexible response to the pandemic, including emergency financing, policy advice, technical assistance, and building on existing instruments to support IDA/IBRD-eligible countries. The World Bank is also supporting the Government of Belarus through an emergency operation to prepare for and respond effectively to the health risks associated with the pandemic (Belarus Emergency COVID-19 Response Project, P173828). This proposed project complements the health operation through a set of social protection and jobs interventions to mitigate the impact of the COVID-19 in line with the recently approved anti-crisis program.

C. Proposed Development Objective(s)

The Project Development Objective is to mitigate the economic impact of the COVID-19 crisis on workers and vulnerable families, to support recovery from economic impacts, and to increase the capacity of social protection programs to respond to future emergencies.

Key Results (From PCN)

1. Benefit increase for households with 3 or more children receiving GASP
2. Number of women benefitting from improved GASP



D. Concept Description

- 11. The project includes two components: (1) short-term measures for immediate response to COVID-19 using temporary measures to expand GASP coverage, and (2) the long-term measures for structural reform of social assistance policy by strengthening the GASP.
- 12. **Component 1.** The short-term measures for immediate response to COVID – 19 and associated economic crisis will include temporary measures to expand coverage of the GASP program. Existing beneficiaries of the GASP program will be automatically re-certified for another six-month eligibility period, thus avoiding the need to apply for re-certification in person and minimizing the health risk for both the applicants and social workers in the process. For the new applicants, income reference period for the purposes of determining eligibility under GASP will be reduced, so that families become eligible for the benefit earlier during the period of falling incomes (from 12 months to 3 months). These expenses are due to the short-term amendments to the existing GASP program.
- 13. **Component 2.** *The long-term measures for structural reform of social assistance policy.*

Improvement in safety net design is needed for long-term poverty reduction and to enhance readiness to address future shocks. The current system of guaranteed employment failed to provide the needed support to the vulnerable during the crisis, and the Government is accepting the necessity to move to a more modern scalable social protection system. Therefore, the project would also support measures that improve the targeting and adequacy of the safety net system, through increase of the coverage and adequacy of the GASP program, which currently excludes a large share of the poor, especially families with children. The proposed measures include:

- a. Increase the income eligibility threshold for families with many children to cover households that are at risk of poverty and substantially increase the benefit amount for such families.
- b. Extend the program duration.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

In the absence of an effective social protection response, vulnerable people may resort to poor coping strategies that undermine their welfare and mental health. Belarus’s social protection system lacks adaptive provisions that would allow it to automatically expand in response to such crises, but it has scalable programs that could be deployed in the short term and strengthened in the longer run. While immediate social response is already being implemented, there is a risk that the social policy of the country may change with the developing political situation. Several mitigating factors guard against this risk such as: disbursements under the project would be made against expenditures linked to specific measures and the continued technical engagement with the Bank.



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APPROVAL

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