

## TC ABSTRACT

### I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Network for Pensions in Latin America and the Caribbean (PLAC Network)
▪ TC Number:	RG-T2609
▪ Team Leader/Members:	Solange Berstein (Team leader, SCL/LMK); Lucia Madrigal (SCL/LMK); Susana Medel (SCL/LMK); Ethel Muhlstein (SCL/LMK); and Betina Hennig (LEG/SGO).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination:	Client Support (CS).
▪ Reference to Request:	In process
▪ Date of TC Abstract:	May 29, 2015
▪ Beneficiary:	Entities in charge of regulating and supervising pensions systems in Latin American Countries to be determined.
▪ Executing Agency and contact name:	Inter-American Development Bank, through the Labor Markets and Social Security Unit (SCL/LMK). Solange Berstein.
▪ IDB Funding Requested:	US\$400,000
▪ Donors providing funding:	Special Program for Employment, Poverty Reduction and Social Development in Support of the Millenium Development Goals (ORC/SOF).
▪ Local counterpart funding, if any:	0
▪ Execution period:	36 months
▪ Disbursement period:	40 months
▪ Required start date:	November, 2015
▪ Types of consultants:	Individual consultants and consulting firms
▪ Prepared by Unit:	Labor Markets and Social Security Unit (SCL/LMK)
▪ Unit of Disbursement Responsibility:	Labor Markets and Social Security Unit (SCL/LMK)
▪ Included in Country Strategy (y/n):	No.
▪ TC included in CPD (y/n):	No.
▪ GCI-9 Sector Priority:	Social Policy for Equity and Productivity

### II. Objective and Justification

- 2.1 **Objective.** The general objective of this technical cooperation (TC) is to improve the institutional and technical capacity of the pension institutions through the creation of a Technical Support Network for Pensions for Latin America and the Caribbean (PLAC Network). This network will provide technical support with following specific activities: (i) improve the institutional capacity, specifically through supporting the areas of regulation and supervision of pension systems; (ii) provide technical support to

pension policies with emphasis in sustainability, adequacy, equity and efficiency of the pension systems; and (iii) and fostering experience exchanges between countries in and outside the region.

- 2.2 **Justification and background.** The limited coverage of labor and social security laws and their scant enforcement represent significant challenges for social security systems, and have an important impact on adequacy and sustainability of pensions. Achieving universal coverage, regardless of type of employment, will require rethinking social security systems, and strong institutions to promote and implement the necessary these changes to provide effective protection. As mentioned in the IDB-9 Report “The presence of strong and effective institutions is a determining factor of a country’s development” and the Report considers explicitly as a priority area, for labor markets development, the design and financing of social insurance programs.
- 2.3 In the coming decades, pensions will become a priority for economic and social policy in Latin America and the Caribbean. Lack of pension coverage also has a hidden fiscal cost in the region. Governments in LAC will not be able to ignore the demands of a growing proportion of the population (Bosch, et al, 2013). There are countries that have taken action to achieve these goals, and there are significant lessons to learn from these processes for other countries in the region. At this time, a number of countries are evaluating previous reform experiences and are working on new reforms. Sharing these processes would be of help for these and other countries in the region.
- 2.4 Facing the challenge of financing pensions in LAC requires strong institutions that can design and implement pension policies in a sustainable way. It also requires adequate regulation, supervision and management of pension systems. The institutions in charge of the different tasks associated to pension provision are not always well defined, well-coordinated and have the necessary capabilities required. Therefore, strengthening the institutions involved is key for the sustainability of adequate pensions in the region. In this respect, the PLAC network will support these goal by, not only promoting learning from other countries in LAC, but also from OECD countries. The PLAC Network would benefit from ongoing relationships between the IDB and supervisory and policy organizations, such as the Working Party on Private Pensions (WPPP) at the OECD, the International Organization of Pension Supervisors (IOPS), the International Association of Pension Supervisors in Latin America (AIOS) and the Caribbean Association of Pension Supervisors.
- 2.5 The PLAC Network will provide technical support in line with the guidelines established in the labor sector framework to provide institutional strengthening to the participant countries. This initiative seeks to promote horizontal and vertical cooperation at the regional level as a valuable tool that could accelerate the incorporation of policies that increase the sustainability, adequacy, equity and efficiency of the pension systems. These goals will be supported, not only by generating and spreading knowledge, but also helping to develop the institutions and human capital that is necessary. The IDB created a similar effort, the Red SEALC (RG-T1752 & RG-T2276), in 2009 to support the efforts of governments to build and strengthen their public employment services. This network is still active and has been very successful in promoting international cooperation and learning through technical assistance.

### III. Description of activities and outputs

- 3.1 **Component 1. Technical assistance through technical visits, courses and workshops.** The objective of this component is to provide technical assistance and support to improve the institutional capacity in the areas of: policy design and implementation with emphasis in sustainability,

adequacy, equity and efficiency of the pension systems and in regulation and supervision of pension systems; technical assistance and support will be based on demand, but it is expected to cover: (i) exchanges of experiences between countries in and outside the region; (ii) support for participation in relevant workshop/courses; and (iii) organization of workshops or courses.

- 3.2 **Technical assistance procedure.** Technical assistance shall be determined on the basis of country requests. The procedure in order to receive it is as follows: The PLAC Network member countries receive calls for proposals twice a year for submitting requests in order to receive technical assistance. The requesting countries interested in receiving assistance during the period in which the call for proposals is launched must send a request indicating an area of interest, justifying the relevance, the duration (a maximum of 5 days in each occasion) and planned dates, the type of support that will be provided in order for the visit to be carried out and a working plan. SCL/LMK analyzes the request through the Project Leader and the SCL/LMK specialists responsible for the operations in the countries receiving and providing the technical assistance, and recommends adjustments to the request. Technical assistance will be documented by the elaboration of a technical report, including a diagnosis of the areas that need technical strengthening within the subject of exchange and an implementation plan. It is expected to follow-up on a second visit or an implementation process when it is required. In case of support for training, the recipient will provide a report and proof of assistance. The technical assistances can be performed by government officials as well as by independent consultants. The resources assigned to this activity are intended to cover the travel expenses of government officials and in the case that the technical assistance is conducted by consultants; expenditures are covered according to the Bank's procedures.
- 3.3 The courses or workshops shall be determined on the basis of consultations on the topics of interest of the PLAC Network member countries. At least one course or workshop is expected to take place every year of the project. This courses or workshops could be organized in partnership with other pension associations that will be partners of the PLAC Network. The resources assigned to this activity are intended to cover the organization of the event and travel expenses of participants of PLAC Network member countries.
- 3.4 **Component 2. PLAC Network.** The objective of this component is to build the Network for which it would be necessary to establish communication channels and platform for the PLAC Network members and improve knowledge sharing. This component will finance: (i) design of a communication and dissemination strategy for the PLAC Network; (ii) design and construction of a website for the PLAC Network where country members can send their request for technical assistance and be informed of the activities; and (iii) translation and editing of documents.
- 3.5 **Component 3. Sustainability of the Network.** The objective of this component is to design a systematic collaboration approach for the PLAC Network, so as to keep it running once the TC has concluded. This component will finance: (i) a consultancy to identify complementary sources of international technical cooperation and country contributions with the purpose of making the PLAC Network sustainable over the medium term; (ii) finance complementary studies needed for technical assistances; (iii) documentation of good practices; and (iv) data compilation of historic and current data on social security, fiscal sustainability and other related variables provided by the PLAC Network country members.

#### IV. Budget

##### Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1. Technical assistance through technical visits, courses and workshop	Horizontal and vertical technical assistance, visits, courses, workshops	240,000	240,000
Component 2. PLAC Network	Communication strategy, design of PLAC Network website, translation and editing of documents	60,000	60,000
Component 3. Sustainability of the Network	Design of a sustainability framework for the PLAC Network, documentation of good practices, compilation of data	60,000	60,000
<b>Incidentals</b>		<b>10,000</b>	<b>10,000</b>
<b>Supervision</b>		<b>30,000</b>	<b>30,000</b>
<b>Total</b>		<b>400,000</b>	<b>400,000</b>

#### V. Executing agency and execution structure

- 5.1 The Labor Markets and Social Security Unit (SCL/LMK) will be responsible for the direction, supervision and coordination of this Technical Cooperation. Given the nature of this TC, and the experience of the Labor Markets and Social Security Unit in comparing pension systems policies and institutions, and identifying policy innovations and reforms across countries within and outside the region, this Unit will be responsible for the procurement and supervision of the products included in this TC.
- 5.2 **Procurement.** For the contracting of individual consultants, the IDB project team will observe Human Resources selection procedures (AM-650); and for consulting firms, as well as in the case of non-consulting services contracts, the Corporate Procurement Policy and Procedures (GN-2303-20). The Bank will consult with the GoRTT as it relates to the selection of these consultants.

#### VI. Project Risks and issues

- 6.1 There are no risks associated with the execution of this technical cooperation.

#### VII. Environmental and Social Classification

- 7.1 Based on the nature of this operation, there are no expected negative environmental or social impacts. Based on the Environmental and Social Safeguard Filter, the proposed technical assistance has been classified as category C. See [Safeguards](#).