

TC ABSTRACT

I. Basic Project Data

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| ▪ Country/Region: | REGIONAL/CCB - Caribbean Group |
| ▪ TC Name: | Social insurance in the Caribbean: the time has come |
| ▪ TC Number: | RG-T4030 |
| ▪ Team Leader/Members: | GONZALEZ VELOSA, CAROLINA (SCL/LMK) Team Leader; TAPIA TRONCOSO, WALDO ANDRES (SCL/LMK) Alternate Team Leader; WILKS, JASON MALCOLM (IFD/ICS); GOMEZ GERENA, MARIA FERNANDA (SCL/LMK); ACEVEDO CALLE, DANIELA (LEG/SGO); KING, DANA MICHAEL (IFD/ICS); GONZALEZ HERRERA, BEATRIZ MARIA (SCL/LMK); CECILIA SICCHA (SCL/LMK) |
| ▪ Taxonomy: | Client Support |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 12 Apr 2022 |
| ▪ Beneficiary: | Trinidad and Tobago. The Bahamas, Barbados |
| ▪ Executing Agency: | INTER-AMERICAN DEVELOPMENT BANK |
| ▪ IDB funding requested: | US\$150,000.00 |
| ▪ Local counterpart funding: | US\$0.00 |
| ▪ Disbursement period: | 24 months |
| ▪ Types of consultants: | Individuals; Firms |
| ▪ Prepared by Unit: | SCL/LMK - Labor Markets |
| ▪ Unit of Disbursement Responsibility: | SCL/LMK - Labor Markets |
| ▪ TC included in Country Strategy (y/n): | No |
| ▪ TC included in CPD (y/n): | No |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Social inclusion and equality; Institutional capacity and rule of law |

II. Objective and Justification

2.1 This TC seeks to provide a deeper understanding of the challenges faced by social insurance administrators in the Caribbean in the post-covid-19 era and, in continuous dialogue with the main stakeholders, outline a roadmap in three countries that includes: (i) administrative modernization and digital transformation; and (ii) policy improvements.

2.2 Justification. The unprecedented, dramatic consequences of the pandemic have underscored the limitations of social security systems in the presence of aggregate shocks that have a global impact on the labor markets. This has been especially true in small island nations of the Caribbean that are highly vulnerable to external aggregate shocks (e.g., commodity prices and natural disasters) due to their size, geographic characteristics, limited diversification, and demographic trends. Developing an agenda that improves the design and implementation of these systems is especially urgent. Caribbean countries face major challenges that were intensified with the pandemic. First, due to design features, social insurance systems to protect against unemployment, disability, and old-age risks (e.g., unemployment insurance and contributory pensions) have limited coverage and financial sustainability. The design of these systems limits their capacity to adapt to structural features such as rapid population aging, limited economic diversification, high emigration rates of tertiary educated workers, and high exposure to aggregate shocks (e.g., hurricanes or other extreme weather events) that increase the cost of insurance. For example, in The

Bahamas, job displacements due to extreme weather events have increased the demand of unemployment benefits putting an even greater fiscal pressure in the system. These issues deepened with the pandemic. For instance, in 2017 actuarial studies estimated that, in the absence of reforms, assets in Trinidad and Tobago's National Insurance System would be exhausted by 2035 (ILO, 2017). However, given the unprecedented impact of the pandemic on economic growth, assets will likely be exhausted at an even earlier date. Achieving a strong balance between coverage, benefits, and sustainability, will require reforms to policy design. There are also challenges related to the management and administration of social insurance programs. Administration of these programs is often fragmented and lacks synchronized targeting, leading to resource leakage (e.g., duplication in benefits and collections failures) and inequities (for example, specific groups may be eligible for multiple sources of coverage and others for none).

Vision 2025. this TC is aligned with Vision 2025, in the Tier of "Working towards sustainable and inclusive economic growth", in the pursuit of the following medium term strategic goals: (i) "Promotion of social progress", through better social protection systems; and (ii) "Strengthening good governance and institutions", through spending efficiency and enhanced redistributive effects of spending policies, fiscal sustainability to support economic growth, and digital government and more effective and efficient public management.

Countries. Due to limited financing, this TC could serve at most three Caribbean countries. The three selected countries, Trinidad and Tobago, The Bahamas and Barbados, were chosen based on three criteria: (i) similarities in the design of their social insurance systems and institutions (e.g., their National Insurance Boards have similar structures), can facilitate knowledge exchange and identify synergies; (ii) lack of financial sustainability; and (iii) a manifest interest from the Country Office Representatives.

III. Description of Activities and Outputs

- 3.1 **Component I: Roadmap for administrative modernization and digital transformation.** (i) a forum with the main social insurance administrators of participating countries to exchange challenges and good practices; (ii) incubation workshops with administrators and other stakeholders; (iii) a report analyzing operations in the administration of social insurance programs in three countries in the Caribbean; and (iv) a roadmap for technological modernization based on conclusions.
- 3.2 **Component II: Policy analysis and recommendations.** This component will finance: (i) a report analyzing unique challenges for social insurance in small economies, including pensions schemes and unemployment insurance, derived from particular characteristics of small island developing states and recommendations for improvement in their design; and (ii) a dissemination event.

IV. Budget

Indicative Budget

| Activity/Component | IDB/Fund Funding | Total Funding |
|---|-----------------------|-----------------------|
| Component I: Roadmap for administrative modernization and digital transformation. | US\$100,000.00 | US\$100,000.00 |
| Component II: Policy analysis and recommendations. | US\$50,000.00 | US\$50,000.00 |
| Total | US\$150,000.00 | US\$150,000.00 |

V. Executing Agency and Execution Structure

- 5.1 This technical cooperation (TC) will be executed by the Labor Markets Division (SCL/LMK). This is justified by the regional character of the technical cooperation and the lack of a suitable agency with the capacity to execute in the three countries. SCL/LMK will have overall responsibility for the direction, supervision, coordination, and evaluation of this TC.
- 5.2 The Bank's Labor Markets and Social Security Division (SCL/LMK) will have general responsibility for the direction, supervision, coordination, and evaluation of the TC.

VI. Project Risks and Issues

- 6.1 The risks in executing and achieving the project's objectives are: (i) unforeseen events related to the covid-19 crisis that affect implementation (e.g., limiting face-to-face workshops and missions); and (ii) insufficient engagement, given that has had a limited dialogue with the social insurance sector in these countries. To mitigate these risks, locally based consultants will be involved, support from the IDB's RED-PLAC will be leveraged and partnerships with other international social insurance networks (e.g., International Social Security Association) will be promoted.

VII. Environmental and Social Classification

- 7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).