TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Adaptive Social Protection: Towards More Shock-Responsive Social Programs
▪ TC Number:	RG-T4739
▪ Team Leader/Members:	Tejerina, Luis R. (SCL/SPL) Team Leader; Alaimo, Veronica (SCL/SPL) Alternate Team Leader; Gonzalez Herrera, Beatriz Maria (SCL/SPL); Rivera Herrera Sergio Andres (SCL/SPL); Becker Seco, Rosario Paz (LEG/SGO); Hellman Carolina Franco (SCL/SPL); Marer Ofir (SCL/SPL); Medellin Almanza, Nadin Fabiola (SCL/GDI)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	April 9, 2025.
▪ Beneficiary:	Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad y Tobago, Uruguay, Venezuela
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Social Development(W2E)
▪ IDB Funding Requested:	US$300,000.00
▪ Local counterpart funding, if any:	US$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	July 30th, 2025
▪ Types of consultants:	Individual Consultants and Consulting Firms
▪ Prepared by Unit:	SCL/SPL-Social Protection and Labor Markets Division
▪ Unit of Disbursement Responsibility:	SCL/SPL-Social Protection and Labor Markets Division
▪ TC included in Country Strategy (y/n):	N
▪ TC included in CPD (y/n):	N
▪ Alignment with the Institutional Strategy 2024-2030:	Social protection and human capital development; Gender equality; Diversity; Persons with Disabilities; Institutional capacity, rule of law, and citizen security; Public sector policy and management

II. Objectives and Justification of the TC

2.1 **Objectives:** The objective of the TC is to develop country-specific proposals to identify the main pro-poor programs in the region and, if warranted, to make them more adaptable, ensuring they can effectively protect vulnerable populations from systemic or idiosyncratic shocks. The specific objectives are: (i) to develop a framework to systematically assess existing social programs and policies in the region, considering how pro-poor they are, and the degree to which they can adapt to shocks; and (ii) to generate technical and operational country-specific proposals on how programs can be adjusted to better respond to exogenous shocks, including economic, natural disasters and health shocks.

2.2 **Justification:** Despite notable progress in poverty reduction over the past three decades, this trend has slowed significantly in recent years. The proportion of people living in extreme poverty[1] worldwide dropped from 37.9% in 1990 to 8.5% in 2024, and in Latin America and the Caribbean (LAC), it declined from 16.3% 3.3%. However, these gains have stagnated in the face of weaker economic growth and a series of shocks, including the COVID-19 pandemic. Between 2000 and 2019, the global poverty rate fell steadily from 29.3% to 8.8%, a notable reduction of 20.5 percentage points (pp) over nearly two decades. In contrast, from 2019 to 2024, the decline was marginal, with only 0.3pp, reflecting a marked stagnation in progress. A similar trend is observed in LAC, where poverty fell from 13.8% to 4.2% between 2000 and 2019 (9.6pp), and it declined from 4.2% to 3.3% in the period of 2019-2024 (0.9pp) (World Bank, 2024). This stagnation reflects both structural and cyclical challenges. Earlier reductions in poverty were largely driven by favorable external conditions, such as substantial economic growth in the United States, declining in oil prices, and the commodity boom. However, these gains were not accompanied by sustained public investment to increase productivity or expand access to quality jobs. Consequently, they have not kept up with the pace observed in previous decades (Alaimo, et al., 2025). In addition, the last few years have been marked by several factors, such as high inflation levels, tightening financial conditions, energy and food price shocks, among others, which increase the difficulty of reducing poverty (IMF, 2022).

2.3 At the same time, extreme natural events represent an additional threat to poor and vulnerable households in the region. In recent decades, both the frequency of natural disasters and their human devastation have increased steadily. Projections suggest that these dynamics will be intensified, and without development policies that integrate risk to natural events, up to 100 million additional people could fall into extreme poverty by 2030 (World Bank, 2020). These shocks tend to disproportionately impact poorer households, who tend to be particularly exposed to shocks and more vulnerable to their impacts, as they are typically more exposed and less equipped to cope with their consequences (Bagolle, 2023).

2.4 These challenges are compounded by the limited capacity of governments to implement expansionary fiscal policies, largely due to elevated levels of public debt. In Latin America[2], general government gross debt reached 70.4% of GDP in 2024, an increase of 26 percentage points compared to 2000, when the rate stood at 44.4% (IMF, 2025). The COVID-19 pandemic, in particular, triggered a sharp rise in debt levels, with the ratio jumping from 67.5% in 2019 to 76.6% in 2020, a notable 9.1 percentage point increase in a single year. However, the pandemic merely accelerated a structural trend that had been unfolding over the past two decades (Powell & Valencia, 2023). Between 2000 and 2009, general government gross debt rose by 4.1

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1 Poverty rates are reported for the poverty line of $2.15 per person per day (expressed in 2017 purchasing power parity dollars) (World Bank, 2024).

2 Countries of Latin America included in the group of Emerging Market and Middle-Income of the indicator "Gross debt, General government, Percent of GDP" in the Fiscal Monitor Dataset (IMF, 2025).

percentage points (from 44.4% to 48.6% of GDP) while in the following decade (2010–2019), it surged from 47.6% to 67.5%, a nearly 20-point increase, surpassing the 50% threshold since 2014 (IMF, 2025).

2.5 As a result, debt service payment has displaced investments in important areas such as health, education and social protection[3]. Currently, half of all developing countries allocate more than 1.5% of their GDP and 6.9% of government revenues to interest payments. In comparison, from 2010 to 2021, interest payments have grown at a faster rate than public spending on health, education, and investment. During this period, public expenditure increased by 40.8% on education, 41.1% on public investment in gross fixed capital formation, and 54.7% on health, while interest payments surged by 60.4% (UNCTAD, 2023; UNDP, 2023).

2.6 In this context of persistent poverty, increasing exposure to shocks, and high levels of public debt, governments face significant challenges in achieving fiscal sustainability while addressing pressing social needs. Reducing public debt must be combined with maintaining, and in some cases expanding, social protection programs (Powell & Valencia, 2023), while also implementing policies and programs that increase productivity, which is essential for generating inclusive and sustained economic growth. However, decisions about which programs to protect are hindered by the fact that social protection systems of LAC countries face deep structural weaknesses, many of which are related to their design and sustainability, including the dimensions of coverage, the adequacy of their benefits, and financial sustainability (ECLAC, 2021).

2.7 For example, during shocks, these systems have faced difficulties in responding in a timely and effective manner to the needs of the population, particularly those who have traditionally been excluded from these systems, such as the informally employed population (ECLAC, 2021). According to an analysis from 14 Latin American countries, in 2022, 23.5% of households lacked access to social protection. This gap disproportionately affected low-income households, with 36.5% of households in the lowest income quintile had no access to social protection, compared to only 17.3% among those in the highest income quintile (ECLAC, 2024). Additionally, in the region, coverage of regular transfer programs among the poorest population groups remains limited, especially in countries with greater vulnerability to natural disasters, for instance, transfer programs reach, on average, only 56% of the population living in extreme poverty (Bagolle, 2023).

2.8 Adaptive Social Protection (PSA) is a tool for building the resilience of poor and vulnerable households to these types of shocks. Given the evidence that social protection in LAC still face challenges in being truly pro-poor and responsive to crises,

[3] Social protection refers to a set of policies and contributory and noncontributory programs designed to reduce poverty and vulnerability by promoting productivity, diminishing people's exposure to risks, and enhancing their capacity to manage economic and social shocks (IADB, 2000; Bagolle, 2023).

this Technical Cooperation aims to identify the most relevant interventions in each country and, where needed, enhance their adaptability.

2.9 **Strategic Alignment.** This Technical Cooperation is aligned with the IDB Group's Institutional Strategy: Transformation for Greater Scale and Impact (CA-631), specifically with the focus areas: (i) the Gender Equality and Inclusion of Diverse Population Groups by analyzing programs tailored to populations that are on average poorer or that are more strongly affected by negative shocks; (ii) the Social Protection and Human Capital Development by helping orient the portfolio to the poor and the vulnerable in the region; and (iii) the Institutional Capacity, Rule of Law, and Citizen Security by providing technical and operational advise to improve the design and implementation of social protection programs that can adapt to shocks. The TC aligns with the Social Protection and Poverty Sector Framework Document (GN-2784-12) by supporting efficient and flexible cash-transfer programs that alleviate structural poverty and provide protection against systemic or idiosyncratic shocks. The TC is aligned with Window 2 of the Ordinary Capital Strategic Development Program (OC-SPD) (GN-2819-14), in priority area 5 "Inclusive social development" (W2E) by generating knowledge to support public institutions' efforts to become more effective and efficient in reducing poverty and inequality, including gender equality. Specifically, the TC will generate knowledge and actions to strengthen service delivery and management related to two cross-cutting themes: (i) assessing and monitoring mechanisms to enhance project resilience to climate change in order to protect vulnerable groups, especially the poor; and (ii) strengthening institutions to enhance social sector planning and execution capabilities and the development of robust policy frameworks.

2.10 Also, the TC is consistent with the Skills Development Sector Framework Document (GN-3012-3). Finally, the TC is aligned with ONE Caribbean and G20 focus areas on food insecurity by developing a framework to protect the most important poverty alleviation programs in the region in the face of strong fiscal constraints, not having sch a framework may leave priority programs unprotected if fiscal adjustments are needed, and with "America en el Centro's" focus area on adaptation and resilience, as well as with the Global Alliance Against Poverty and Hunger (created within the G20). The project is also aligned with the DRM Action Plan [GN-3225-1] and the recently launched Prepared and Resilient in the Americas both by helping protect priority social programs and by developing protocols to adapt social services in the face of shocks

III. Description of activities/components and budget

3.1 **Component 1. Regional assessment of poverty reduction programs (US$100,000).** This component focuses on developing a regional framework to systematically assess the pro-poor nature and shock responsiveness of existing social protection programs. It will fund a regional study of poverty reduction programs in the region. The study will present a typology of social protection programs, and it will present a framework for analysis based on criteria such as objective, targeting mechanism, coverage, evidence of impact, budget, and cost effectiveness. The report will highlight gaps in the social protection systems of the region as well as which programs should be prioritized for protection or creation in the face of fiscal adjustment. The study should take into account the fiscal, macroeconomic and social situation of the countries in the region, for example to provide differentiated recommendations for countries that have different levels of poverty and different levels of fiscal space.

3.2 **Component 2. Proposal to adapt social programs to increasing vulnerability from natural shocks (US$200,000).** This component will provide an analysis of a subset of key social programs in the region and will build a proposal on how to make them more adaptative and resilient in the face of different types of shocks. This will include, for example, continuity of early childhood development centers in situations such as the COVID-19 pandemic or the activation of special protocols for the elderly in the case of heatwaves. The study should include alternatives for children, the elderly, and people with disabilities, as well as a country-specific territorial perspective (i.e. urban/rural, coastal/mountains). This component will also facilitate the development of operational manuals or standard operating procedures (SOPs) for shock response within social programs (e.g., cash transfer scale-up, service continuity in early childhood development). Program selection will be based on existing programs that provide services to vulnerable populations, among these persons with disabilities, elderly, female led households, and small children, the selection will look for these programs in at least one country of the following regions: Southern Cone, Central America, Andean Countries and Caribbean Countries.

3.3 **Results:** The main results for this TC include: (i) Strengthened regional capacity to assess and compare pro-poor and adaptative features of social programs. A direct result of the regional assessment framework and typology, enabling countries to better identify, prioritize, and reform programs. This will have the long-term effect of more effective allocation of limited fiscal resources toward programs that protect the most vulnerable. (ii) Improved institutional preparedness and responsiveness to systemic and idiosyncratic shocks. Through technical proposals to adapt social programs to increasing vulnerability from natural shocks and the operational protocols, countries will be better equipped to maintain service continuity and scale up support during crises and will increase inclusion and protection of vulnerable groups during emergencies.

3.4 The total amount requested for the two components under this non-reimbursable TC is US$300,000.00 and will be financed by the OC SDP Window 2 - Social Development (W2E). The disbursement and execution period will be 36 months. The following table provides further detail on the resource allocation for each component.

Indicative Budget (US$)

Activity/Component	Description	IDB/Fund Funding	Total Funding

Component 1. Regional assessment of poverty reduction programs.	1.1. Regional study of poverty reduction programs.	$50,000.00	$50,000.00
	1.2. Regional framework to systematically assess the pro-poor nature and shock responsiveness of existing social protection programs	$50,000.00	$50,000.00
Component 2. Proposal to adapt social programs to increasing vulnerability from natural shocks.	2.1. Country-specific technical proposals for making programs adapt to different types of shocks.	$140,000.00	$140,000.00
	2.2. Operational protocols for adaptive responses at national level	$60,000.00	$60,000.00
Total		$300,000	$300,000

IV. Executing agency and execution structure

4.1 Since this is a TC focused on Research and Dissemination, the Bank will serve as the executing agency through the SCL/SPL team. This execution mechanism is based on the Bank's expertise in the technical aspects of the consultancies, the preparation of specialized terms of reference, as well as its role in providing technical oversight and reviewing the expected deliverables. The Bank has extensive experience in designing and implementing social protection programs and developing shock-responsive systems in the region. Through initiatives supporting the development of comprehensive and responsive social protection systems for the resilience of vulnerable households (ATN/AC-18441-RG,ATN/MD-18440-RG,ATN/OC-18439-RG), and the Shock Responsive Social Protection program in El Salvador (5785/OC-ES), the Bank has developed analytical tools and operational guidance to strengthen countries' capacity to effectively protect vulnerable populations from shocks. Additionally, the Bank will implement the TC in close coordination with the beneficiary countries, promoting the exchange of experiences and strengthening regional collaboration for a more effective and coordinated response in adaptive social protection. Close coordination will be kept with country offices to ensure adequate coordination with country authorities.

4.2 The activities to be executed under this operation have been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines. All knowledge products derived from this TC will be the intellectual property of the Bank, granting the corresponding license for use to the beneficiary governments of the TC. The products of the TC will be published as technical notes and disseminated internally through BBL

V. Major issues

5.1 The main risk that the TC could face is the limited availability and quality of data on social programs in some countries of the region, which could hinder both the regional assessment of poverty reduction programs and the proposal to adapt social programs to increasing vulnerability from natural shocks. To mitigate this risk, it is recommended to establish early coordination mechanisms with key national counterparts. Additionally, hiring local experts can facilitate access to administrative data and enhance the quality and relevance of the information gathered.

VI. Exceptions to Bank policy

6.1 There are no exceptions to the Bank policy.

VII. Environmental and Social Aspects

7.1 This TC does not intend to finance pre-feasibility or feasibility studies for specific investment projects or environmental and social studies associated with them; therefore, the requirements of the Bank's Environmental and Social Policy Framework (ESPF) do not apply to this TC.

Required Annexes:

Results Matrix_94081.pdf

Terms of Reference_61153.pdf

Procurement Plan_77323.pdf