

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Development of poverty reduction tools and guidelines for the IDB operations
▪ TC Number:	RG-T4564
▪ Team Leader/Members:	Tejerina, Luis R. (SCL/SPH) Team Leader; Evans, David (SCL/SCL) Alternate Team Leader; Mendoza Benavente, Horacio (LEG/SGO); Forero Sanchez Juan David (SCL/SPH); Lim Chae Hyun (SCL/SPH); Montes Velarde Jose Luis (SCL/SCL)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	18 Oct 2024.
▪ Beneficiary:	REGIONAL (Brazil, Argentina, Chile, Colombia, Costa Rica, Bolivia, The Bahamas, Barbados, Honduras, Paraguay, Peru, Jamaica, Belize, Suriname, Ecuador, Panama, Uruguay, Barbados, Venezuela, Guyana, Mexico, El Salvador, Nicaragua, Guatemala, Haiti, Dominican Republic)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Social Development(W2E)
▪ IDB Funding Requested:	US\$1,200,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	December 2024
▪ Types of consultants:	Individual;Firms
▪ Prepared by Unit:	SCL-Social Sector
▪ Unit of Disbursement Responsibility:	SCL/SCL-Social Sector
▪ TC included in Country Strategy (y/n):	N
▪ TC included in CPD (y/n):	N
▪ Alignment to the Institutional Strategy 2024-2030:	Diversity; Gender equality; Institutional capacity and rule of law; Persons with Disabilities; Social inclusion and equality

II. Objectives and Justification of the TC

2.1 **Objective of the TC.** The general objective of the TC is to develop the necessary tools and guidelines to assess how IDB projects are being targeted to the poor in Latin America and the Caribbean (LAC) to facilitate monitoring of project's contributions to its strategic objective to reduce poverty and inequality as stated in the Banks institutional strategy¹. The specific objectives are: (i) developing and updating poverty analysis tools to enable the identification of poverty-targeted operations; (ii) establishing a knowledge base for project classification across sectors, ensuring

¹ The Group will also define stricter criteria to analyze and classify projects based on their potential impact on poverty, inequality, and vulnerability. This will also entail the development of indicators and systems for better monitoring, measuring and analysis of the results of IDB operations and portfolios in this area, and will be connected to the development effectiveness efforts to support countries' own data systems.

alignment with poverty reduction efforts; (iii) deepening country and regional poverty analysis; and (iv) enhancing knowledge dissemination and capacity building to ensure effective application of newly developed poverty analysis tools.

- 2.2 **Justification and Importance:** Poverty in Latin America and the Caribbean (LAC) had a sustained fall in the first part of the 21st century. It was halved from 2000 to 2023. While the pandemic set the region back 7 years in its progress, the region was back to a sustained poverty reduction path in just one year (Rodríguez Castelán et al. 2023). Despite these gains, approximately 152 million people in the region still live in poverty, unable to meet their basic needs, underscoring the need for multisectoral approaches to address persistent poverty effectively.
- 2.3 **In 2019, non-contributory cash transfer systems reached about 30% of the population in these countries.** Even though the effectiveness of these cash transfers in reducing poverty and inequality is well documented, cash transfer programs cover only about 55% of the population in poverty within the region. Also, the value of the transfers represents only about 33% of the poverty gap, indicating that while the transfers help, they are not sufficient on their own to lift transfer recipients out of poverty (Stampini et al., 2023).
- 2.4 **The difficulty in reducing poverty is exacerbated by the increasingly frequent impacts of climate change and adverse events.** In 2020, due to COVID, the region's GDP dropped 7.4%, total employment fell 14%, and the total number of people in poverty rose by 22 million more people than the previous year (IDB, 2021; IDB, 2020; ECLAC, 2020). Climate change poses a greater threat in the long run, as this directly affects poverty through its impact on agriculture, water resources and infrastructure. It increases food insecurity by damaging crops and reducing agricultural productivity, which in turn can lead to malnutrition and increased poverty rates (Vera-Cossio et al., 2023; Bagolle et al., 2023).
- 2.5 **Poverty is also higher for some specific groups.** According to ECLAC's gender equality observatory, in 2022, for every 100 men living in poor households in the region, there were 118 women living in poverty. Moreover, in LAC, there is a significant and persistent gender gap in both the quality and quantity of employment. As of 2022, this disparity remained sizeable at 20.3 points, down from 23.1 points in 2010. This gap is critically linked to higher rates of informal employment and Informal jobs typically lack social protection and benefits, (IDB, 2024b).
- 2.6 **Aging populations will also present important challenges to poverty reduction in the coming years.** The LAC region is the fastest aging region in the world, by 2030 it is expected that the region will be home to 200 million people older than 60. Some countries like Barbados or Uruguay already face further challenges of growing poverty with aging populations. Many countries in the region are ill-prepared to implement effective long-term care systems. This lack of preparedness and infrastructure for long-term care could stress the economic pressures on older individual by forging them out-of-pocket healthcare expenses which leaves older adults vulnerable to financial instability due to health issues (Aranco et al., 2022; Tejerina and Pizano, 2016).
- 2.7 **Poverty is a primary motivator for migration within LAC.** Migrants leave their countries of origin hoping to find better economic opportunities elsewhere. However,

upon arrival in new countries, migrants often encounter significant barriers that can perpetuate poverty among migrants, unable to access essential social services and economic opportunities (Bailur et al., 2023).

- 2.8 To effectively address the challenges outlined above, it is important to keep focus on how Bank operations are effectively reaching the poor across the diverse sectors. To achieve this, the development of tools to target and analyze how projects are being targeted to the poor is essential. While one of the strategic objectives of the Bank is to reduce poverty and inequality, there is currently no defined methodology for the Bank to do it or a designated unit to develop them.² The objective of this technical cooperation is to develop such tools (including for example poverty maps and poverty profiles for different populations that are commonly selected as beneficiaries of Bank projects, also sector specific studies to understand how projects in different sectors such as water, transportation and energy might reach the poor) and make them easily available to Bank teams for the correct measurement of poverty targeting in Bank projects. The project aims at benefiting poor individuals in all Bank member countries by providing incentives and a way to monitor how the Bank's portfolio is reaching them.
- 2.9 **Strategic Alignment.** This Technical Cooperation (TC) is consistent with IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and aligns with its objectives to reduce poverty and inequality as the operation seeks to develop robust poverty analysis tools for bank operations to ultimately contribute to more impactful and sustainable poverty reduction efforts. The TC also aligns with the operational focus areas of: (i) social protection and human capital development by developing and utilizing comprehensive poverty mapping and analysis tools, ensuring that all sector operations are aligned with sustainable poverty reduction goals in the LAC region; (ii) institutional capacity, rule of law, and citizen security by developing necessary tools and guidelines for all IDB operations to facilitate the systemic integration of poverty reduction and thereby, assisting countries to establish benchmarks consistent with IDB standards which focus on strengthening institutional capacity, enhancing rule of law and improving citizen security; and (iii) gender equality and inclusion of diverse population groups by addressing structural factors that exacerbates poverty among vulnerable and marginalized groups, including women, ethnic minorities, and other diverse groups.
- 2.10 This Technical Cooperation is aligned with the Social Protection and Poverty Sector Framework ([GN-2784-12](#)) in addressing the first institutional challenge which emphasizes the need for socioeconomic classifications of the population, especially the identification of structural poverty or transient poverty, thereby improving the accuracy of targeting for social protection programs. The TC also responds to the Gender and Diversity Sector Framework ([GN-2800-13](#)) by developing poverty analysis tools aiming to not only reduce overall poverty but also ensure that the unique challenges faced by diverse groups are recognized and addressed, promoting greater inclusion and equity. It is also aligned with priority area 5 of inclusive social development financed with Ordinary Capital ([GN-2819-14](#)) OC SDP Window 2 –

² When the eighth replenishment of resources of the Bank was active the Bank did have a methodology to classify projects into poverty targeted and non-poverty targeted projects, mostly by automatic classification depending on the sector of the project. However much has changed in the region since then, and a project in health or education is not necessarily targeted to the poor in a country.

Social Development (W2E), especially with enhancing the relevance, quality, and targeting of social sector projects, supporting efforts to reduce poverty, inequality, and foster social inclusion.

- 2.11 **Support from related bank projects and lessons learned.** Previous operations such as “Creating knowledge for the implementation of digital transformation in health and social protection” ([ATN/OC-19449-RG](#)) and “Fostering Transformation Through Technological Innovation”([ATN/OC-16717-RG](#)) have been used to developed country specific tools exploring new methodologies such as image analysis using satellite images and small area estimation using administrative data. Through these operations we also identified options that may not be optimal due to their cost benefit ratio such as the use of call detailed records.

III. Description of activities/components and budget

- 3.1 The TC will be divided into four components: (i) Support for the development of measurement methodology, maps, and poverty analysis tools; (ii) Support for the impact and quality analysis of the Bank’s projects; (iii) Country and regional poverty analysis; and (iv) Support for the knowledge dissemination and capacity building activities on poverty reduction. No personal data is expected to be collected through this TC.
- 3.2 **Component 1: Support for the development of measurement methodology, maps, and poverty analysis tools (US\$450.000).** This component will fund activities such as the development and updating of poverty maps in the region, the development of profiles based on household surveys to help identify poverty targeted operation in the Bank and the development of the necessary user-friendly tools to make analysis easier for project teams. Poverty mapping will prioritize small area estimation methods (methodologies along the line of Lanjou and Elbers) but will explore and aim to validate alternative methodologies (such as poverty mapping based on satellite images) when necessary. Whenever available, existing poverty maps will be used, poverty maps will be developed when there are none or when they need to be updated. However, the goal is to have poverty mapping available for all 26 countries, at least at the administrative level 2 (municipality).
- 3.3 **Component 2: Support for the targeting quality analysis of the Bank’s projects (US\$400.000).** This component will fund project-specific studies to jumpstart the classification of Bank projects by creating a growing knowledge bank for the use of classification tools across different sectors. Studies under this component should set the guidelines to be followed by future projects and inform any sector specific updates needed for the classification methodology. The component will use 2024 approved projects as a benchmark and will provide support to 2025, 2026 pipeline projects. Priority for these studies will be given to projects where the poverty targeting classification is the hardest. This will be known after the first exercise with 2025 pipeline is performed.
- 3.4 **Component 3: Country and regional poverty analysis (US\$200.000).** This component will fund studies to provide a deeper understanding of poverty in countries and in the region, including diagnoses and solutions to poverty. This will inform Bank decisions on the choice of operations to alleviate poverty in the region. Studies will attempt to include all 26 Bank member countries with exceptions only when data makes the inclusion of a country impossible.

- 3.5 **Component 4: Support for the knowledge dissemination and capacity building activities on poverty reduction (US\$150.000).** Activities under this component would fund the development and implementation of training activities and tools to help Bank staff and consultants understand the implementation of the newly developed tools.
- 3.6 **Results:** The main results for this TC include: (i) Classification exercise of the complete 2024, 2025 and 2026 portfolio using available tools (poverty maps, poverty profiles among them), (ii) Platform for classification of Bank projects in use by at least 50% of the number of projects approved in 2026, (iii) Regional poverty study with poverty analysis across all 26 IDB member countries.
- 3.7 **The total amount requested for the three components under this non-reimbursable TC is US\$1,200,000.00.** The funds will be provided by 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 (USD\$)

Activity/Component	Description	IDB/ OC SDP Window 2 – Social Development (W2E)
Component 1: Support for the development of measurement methodology, maps and poverty analysis tools	This component will fund activities such as the development and updating of poverty maps in the region, the development of profiles based on household surveys to help identify poverty targeted operations in the Bank, and the development of the necessary user-friendly tools to make analysis easier for project teams.	450.000
Component 2: Support for the impact and quality analysis of the Bank's projects	This component will fund project-specific studies to jumpstart the classification of Bank projects by creating a growing knowledge bank for the use of classification tools in different sectors. Studies under this component should set the guidelines to be followed by future projects and inform any sector specific updates needed to the classification methodology.	400.000
Component 3: Country and regional poverty analysis	This component will fund studies to provide a deeper understanding of poverty in countries and in the region, including diagnoses and solutions to poverty. This will inform Bank decisions on the choice of operations to alleviate poverty in the region.	200.000
Component 4: Support for the knowledge dissemination and capacity building activities on poverty reduction	Activities under this component would fund the development and implementation of training activities and tools to help Bank staff and consultants understand the implementation of the newly developed tools.	150.000
TOTAL		1.200.000

IV. Executing agency and execution structure

- 4.1 The Technical Cooperation will be Bank executed, given the direct relationship to its own portfolio of operations. Procurement will follow the most recently approved version of guidelines for Bank executed operations.

- 4.2 The proposed execution structure is justified that tools and research to be developed require a strong internal knowledge of the Bank and access to Bank systems and data are essential to complete the assigned tasks. For these reasons it is necessary that the TC be Bank executed. The Bank will make sure to maintain internal coordination with the research department and country economists. Monitoring of the technical cooperation will be done through the convergence system every year and all documents and evidence of results will be uploaded in it.
- 4.3 This TC does not anticipate carrying out direct actions in the beneficiary countries. However, if an activity is executed in any of the 26 countries, a no-objection letter will be obtained from the corresponding government.
- 4.4 **Procurement:** All procurement to be executed under this Technical Cooperation 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.
- 4.5 Under the Bank's execution, the TC's financial management follows internal financial procedures and will not include the contracting of external auditing services. No conditions precedent to disbursement are established and the project does not foresee any reimbursement of expenses.
- 4.6 The knowledge products generated within this technical cooperation will be the property of the Bank and may be made available to the public under a creative commons license. However, at the request of a beneficiary, in accordance with the provisions of AM-331, the intellectual property of said products may also be licensed to one or more beneficiaries through specific contractual commitments that shall be prepared with the advice of the Legal Department. If activities must be conducted in the territories of any of the beneficiary countries, the team will obtain the country's no objection prior to the beginning of such activities.¹

V. Major issues

- 5.1 The main risks are: (i) the lack of recent, reliable data and sufficient inputs and limited access to structured datasets, especially in certain sectors or regions; (ii) inadequate identification of the types of needs from other sectors, and (iii) the risk of insufficient engagement of potential tool users. To mitigate these risks: (i) leverage of non-structured data and data with other institutions such as the World Bank, ECLAC and private sector; (ii) meetings for collaboration with data groups working in other sectors to build a common understanding of issues and relevant needs; and (iii) User centered design and development of capacity building training programs to ensure higher knowledge of the tools.
- 5.2 **Sustainability:** The outputs of this initiative will follow best practices to ensure the Bank has the installed capacity to use the poverty analysis tools without the need for additional investments (i.e. minimize the need for third parties to update solutions by using tools that have been widely accepted by IDB such as ATLAS and PowerBI). These tools, coupled with capacity-building efforts, will enable effective use across sectors to improve project classification. This will support data-driven poverty reduction efforts and align with the Bank's broader strategic goals across the LAC region.

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_19537.pdf](#)

[Terms of Reference_6818.pdf](#)

[Procurement Plan_97247.pdf](#)