

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Better results in education and health spending to leverage growth
▪ TC Number:	RG-T4369
▪ Team Leader/Members:	Manzano, Osmel Enrique (CAN/CAN) Team Leader; Andrian, Leandro Gaston (CAN/CAN) Alternate Team Leader; Margolis, David Lawrence (ORP/GCM) Alternate Team Leader; Zaroni Lopez, Wladimir (CAN/CEC) Alternate Team Leader; Bauhoff, Sebastian (SCL/SPH); Bonilla Merino Arturo Francisco (LEG/SGO); Elacqua, Gregory Michael (SCL/EDU); Mendoza, Mary (CAN/CCO) Andrian, Leandro Gaston (CAN/CAN) Alternate Team Leader; Margolis, David Lawrence (ORP/GCM) Alternate Team Leader; Zaroni Lopez, Wladimir (CAN/CEC) Alternate Team Leader; Bauhoff, Sebastian (SCL/SPH); Bonilla Merino Arturo Francisco (LEG/SGO); Elacqua, Gregory Michael (SCL/EDU); Mendoza, Mary (CAN/CCO)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	Operation Supported by the TC
▪ Date of TC Abstract authorization:	19 Sep 2023.
▪ Beneficiary:	Andean Countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Economic Growth(W2F)
▪ IDB Funding Requested:	US\$450,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	December 2023
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CAN-Andean Group
▪ Unit of Disbursement Responsibility:	CAN/CAN-Andean Group
▪ 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; Productivity and innovation; Institutional capacity and rule of law; Diversity

II. Description

- II.1 Previous work for the Andean region (CTs RG-T3253 and RG-T3717) shows that one of the main bottlenecks to accelerating growth in the Andean Region (CAN) is the quality of human capital. In turn, After the pandemic, the Andean economies are in a process of fiscal consolidation that has not yet ended. In turn, after the pandemic, the Andean economies are in a process of fiscal consolidation that has not yet ended. Thus, fiscal space for public policies is becoming scarcer, making it essential to maximize the results in health and education expenditures, and thus their impact on growth. In this context, CAN engage with different stakeholders. From these dialogues, the concern arose that before spending more on health and education, it is necessary to achieve better results and how to measure them.

II.2 At the same time, discrimination exerts detrimental effects on economic growth, undermining the potential of societies to flourish and develop. By limiting individuals' access to education, employment, and health, discrimination perpetuates a cycle of unequal resource allocation. This leads to the underutilization of human capital, as talented individuals are denied the chance to contribute fully to their respective fields. Such exclusionary practices result in reduced productivity, increased social welfare costs, and a constrained labor market, all of which collectively hamper a country's economic potential.

II.3 Thus, in Andean countries, understanding the determinants of efficiency and efficacy in health and education public expenditures is paramount. As it has been evidenced in previous studies, efficient public spending is foundational to a nation's socio-economic advancement, with disparities in spending often revealing inefficiencies that can hinder national progress. Furthermore, inefficiencies in public expenditure can lead to suboptimal outcomes in both education and health sectors. Moreover, while a country might achieve commendable health indicators, inequitable and inefficient health expenditures can disproportionately favor certain demographics, leading to broader societal disparities. Research also documents that regions with pronounced inequalities often grapple with inefficiencies in public spending. Therefore, for Andean countries, comprehending what drives the efficiency and efficacy of public expenditures is not just about optimizing resource allocation but is intrinsically tied to achieving broader developmental goals, ensuring equitable progress, and fostering sustainable growth in crucial sectors like health and education. The latter is of profound importance in informing effective policymaking.

II.4 Studying discrimination against minorities across markets in Andean countries is of paramount importance also due to the multifaceted implications it has on social, economic, and political landscapes. Discrimination, particularly in labor and housing markets, can perpetuate socio-economic disparities, hinder social cohesion, and exacerbate tensions within diverse communities. For instance, research has shown that racial discrimination is prevalent in online peer-to-peer platforms, such as Airbnb, where hosts from racial minorities face price penalties due to perceived biases. Furthermore, in some countries discrimination against the LGBTI community has been observed in both education and housing sectors, emphasizing the global nature of such issues. Field experiments have consistently found evidence of discrimination against minorities in labor markets, suggesting systemic biases that go beyond individual prejudices. In the Andean context, understanding these dynamics is crucial, given the region's rich cultural diversity and historical complexities. Addressing discrimination is not only a matter of justice but also essential for harnessing the full potential of these societies and ensuring sustainable development.

III. Objectives and Justification of the TC

III.1 The TC is aligned with the Second Update of the Institutional Strategy (UIS) 2020-2023 (AB-3190-2) and is strategically aligned with the challenge of promoting Social Inclusion and Equality, by supporting the development of diagnostics of the efficiency of spending on education and health, in order to identify strengths and challenges to achieve greater effectiveness and efficiency. It is also aligned with the cross-cutting theme of gender equality and diversity by conducting studies on the situation of migrants in Andean countries and how to integrate them into health and education systems. It is aligned with the Social Policy Strategy for Equity and Productivity (GN-

2588-4), as it is expected that the studies will identify best practices to improve the efficiency of spending on health and education. The TC is also aligned with the Skills Development Sector Framework (GN-3012-3) that promotes quality education. Also, the TC is aligned with the Corporate Results Framework (GN-2727-8) to the extent that it provides policy recommendations to improve the interventions of the IDB Group in the health and education sectors.

- III.2 By examining the efficiency and efficacy of health and education expenditures, this research can uncover disparities in resource allocation and utilization, leading to informed interventions that promote equitable access to vital services. Conducting research on discrimination against minorities in Andean countries is of paramount importance as it sheds light on the pervasive social inequalities that often go unnoticed. Such research not only uncovers the lived experiences of marginalized communities but also serves as a catalyst for policy changes and societal awareness. These investigations hold the potential to transform societal attitudes, fostering inclusivity and equal opportunity while bolstering the overall development of Andean nations. In addressing these critical issues, research acts as a guiding compass, steering countries towards a more just, prosperous, and harmonious future for all their citizens.
- III.3 The objective of this Technical Cooperation (TC) is twofold. On the one hand, the research aims to rigorously evaluate the efficiency of current health and education systems, pinpointing areas of resource allocation and utilization that may be hindering optimal outcomes. On the other hand, this research seeks to comprehensively understand the extent and manifestations of discrimination against minorities within Andean countries, particularly within the realms of health, education, and labor markets. The team might primary data and other forms of data collection and administrative data. However, analysis of that data will only take place after if de-identified following standards protocols has been. To guarantee that human subjects are properly ethically managed the research team will submit IRB reviews to qualified boards.
- III.4 By delving into these domains, the study seeks to illuminate the nuanced ways in which marginalized communities face barriers and biases that hinder their access to quality healthcare, equitable educational opportunities, and fair participation in the labor force. By merging the investigation of discrimination with assessments of efficiency, this research endeavors to provide actionable insights that can inform evidence-based policy reforms, foster social equity, and ultimately contribute to the holistic betterment of minority experiences in Andean societies.
- III.5 It is expected that the ministries of education and health of the countries under study will benefit. In turn, by including this knowledge in the CDCs, the bank will benefit by being able to improve dialogue with the authorities in the programming and approval stage.

IV. Description of activities/components and budget

- IV.1 Component 1: Public expenditure efficiency in education (US\$120,000).** This activity entails conducting analysis of the efficiency in expenditure of several education programs (a systematic analysis of public spending in the education sector to assess its efficiency, effectiveness, and equity) and how the decision making, and execution of the expenditure is performed. The activities encompass defining the areas of focus and the objective of the review, data collection and analysis and implementation of methods tailored to the specific context. The studies to be conducted under this component are expected to inform and guide actionable policymaking in the education sector. Consultancy for research on public expenditure efficiency in education is anticipated to reveal a multifaceted landscape of outcomes. At the forefront, one would expect to identify the optimal allocation of resources that maximizes educational outcomes, such as student performance and graduation rates. The research might also highlight disparities in funding allocation across different regions or demographic groups, indicating areas where resources could be better utilized. Furthermore, the study would likely uncover the relationship between spending levels and educational quality, determining whether increased funding directly correlates with improved student outcomes. Additionally, insights into the effectiveness of various educational programs and initiatives in relation to their costs would be unveiled. Ultimately, the findings would provide policymakers with data-driven recommendations on how to enhance the efficiency of public spending in the education sector, ensuring that every dollar invested yields the highest possible return in terms of educational achievement and societal impact.
- IV.2 Component 2: Public expenditure efficiency in health (US\$120,000).** This activity entails conducting analysis of the efficiency in expenditure of several health programs (a systematic analysis of public spending in the health sector to assess its efficiency, effectiveness, and equity) and how the decision making, and execution of the expenditure is performed. The activities encompass defining the areas of focus and the objective of the review, data collection and analysis and implementation of methods tailored to the specific context. Consultancy for studies to be conducted under this component are expected to inform and guide actionable policymaking in the education sector. Conducting research on public expenditure efficiency in health in Andean countries is anticipated to yield a diverse set of findings, given the unique socio-economic and geographical challenges of the region. One would expect to discern how efficiently health funds are allocated and utilized across various health facilities and programs. The research might reveal disparities in health expenditure between urban and remote Andean communities, potentially highlighting areas where resources are either underutilized or stretched thin. There could also be insights into the cost-effectiveness of indigenous health practices versus modern medical interventions. Additionally, the study would likely investigate the impact of health expenditure on key health indicators, such as life expectancy, maternal and child health, and disease prevalence. The findings would be instrumental for policymakers in the Andean region, offering evidence-based recommendations on optimizing health budgets to ensure equitable and effective healthcare delivery across diverse populations.
- IV.3 Component 3. Discrimination studies (US\$100,000).** The study is part of a comprehensive knowledge agenda being jointly pursued by several departments of the IDB (Inter-American Development Bank) to measure discrimination, understand its causes, and seek public policies that can reduce it. The studies aim to measure discrimination against diverse populations in the CAN (Andean Community) countries

in the labor, and public service markets, focusing on individuals with disabilities, the Afro-descendant population, the LGBTQ+ community, indigenous people, and migrants. Understanding the causes and determinants of discrimination in the education and health sectors will help better target spending in these sectors and help promote inclusion and aggregate productivity. Research into discrimination against minorities in labor markets in Andean countries is likely to unveil a complex tapestry of socio-economic dynamics. One would anticipate discovering both overt and subtle forms of discrimination that minorities face when seeking employment or promotions. The study might reveal wage disparities between minority groups and the majority population, even when accounting for education and experience. There could also be findings related to biases in hiring practices, where certain ethnic or indigenous groups face disproportionate challenges in securing job opportunities. Additionally, the research might shed light on workplace environments, highlighting instances where minority employees experience microaggressions or lack representation in leadership roles. Cultural and historical factors unique to the Andean context could further influence these patterns of discrimination. The results would be crucial for governments, NGOs, and businesses in the Andean region, providing a foundation for initiatives aimed at promoting inclusivity and equity in the labor market.

- IV.4 **Component 4. Dissemination (US\$110,000).** This component will allow an effective and targeted dissemination strategy of the results derived from this TC. Activities under this component include consultancies for graphic design to simplify complex technical results, social media strategic communication and other related activities. To this end, we plan to hold seminars between sector specialists and government authorities. Also, workshops with academia, think tanks and technical officials to present and discuss the results of the studies. At the same time, in order to broaden our audience and have a greater impact on knowledge products, we plan to make presentations to journalists and a dissemination strategy in social networks.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1	Public expenditure efficiency in education	120,000	120,000
Component 2	Public expenditure efficiency in health	120,000	120,000
Component 3	Discrimination studies	100,000	100,000
Component 4	Dissemination	110,000	110,000
Total			450,000

V. Executing agency and execution structure (estimated length: 1 page)

- V.1 This TC will be executed and supervised by the IDB, specifically by the Department of Andean Countries, in coordination with the Department of Social Protection and Labor Markets. The focal point will be the CAN's Regional Economic Advisor. All technical products be conducted under the co-supervision of SCL's Sectoral Economic Advisor.
- V.2 Supervision and monitoring will be carried out in accordance with the terms of the Terms of Reference. No supervision costs are foreseen since this will be carried out directly from CAN. Likewise, an evaluation report will be made at the close of the TC, which will identify achievements and lessons learned, which will serve as a reference for related operations.
- V.3 For each beneficiary country, the due non-objection of the corresponding entity of the beneficiary country will be managed.
- V.4 The Bank will select and contract the consultants/ national and international firms required for the execution of the activities in accordance with the Policies for the selection and hiring of consultants financed by the IDB (document GN-2350-9). Individual consultants may be hired according to the guidelines established in the manual AM-650 and AM-650-1 of the Human Resources Department. It is expected the possibility of direct selection of a firm provided it has exceptional value in development of analysis and planning strategies and territorial development that promote sustainability and equality, with a multidisciplinary approach according to the guidelines established in GN-2350-9 paragraph 3.10.
- V.5 All knowledge products derived from this Technical Cooperation will be the Bank's intellectual property.

VI. Major issues (estimated length: 1 page)

- VI.1 This risk is related to the Bank's ability to obtain the information and data necessary to conduct the analysis required in each of the activities. To mitigate this risk, the Bank will be in complete coordination with the authorities of the country to inform them about the purpose and scope of each of the activities, while requesting, as far in advance as possible, the management of the information through the official channels. of the Bank with the country.
- VI.2 For each beneficiary country, the due non-objection of the corresponding entity of the beneficiary country will be managed.
- VI.3 This TC does not contemplate exceptions to Bank policies.

VII. Environmental and Social Strategy

- VII.1 This CT will not finance feasibility or pre-feasibility studies for investment projects with associated environmental and social studies; therefore, it is excluded from the scope of the Bank's Environmental and Social Policy Framework (ESFP).

Required Annexes:

[Results Matrix_83564.pdf](#)

[Terms of Reference_28306.pdf](#)

[Procurement Plan_94636.pdf](#)

* If TC Document is sent for BOD approval, the only Annexes that need to be translated are the Results Matrix and the Procurement Plan. The Request from Client and the ToRs should be included as links and no translation is required.