

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **SOCIAL PROTECTION AND POVERTY SECTOR FRAMEWORK DOCUMENT**

**SOCIAL PROTECTION AND HEALTH DIVISION**

**OCTOBER 2014**

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## ABBREVIATIONS

CCTP	Conditional cash transfer programs
DEM	Development Effectiveness Matrix
ECD	Early Childhood Development
ECLAC	Economic Commission for Latin America and the Caribbean
EITC	Earned Income Tax Credit
GDP	Gross domestic product
ILO	International Labour Organization
IMF	International Monetary Fund
NREG	National Rural Employment Guarantee
OECD	Organization for Economic Cooperation and Development
OVE	Office of Evaluation and Oversight
PBL	Policy-based Loan
PCR	Project completion report
PDL	Performance Driven Loan
PMR	Performance monitoring report
PROGRESA	Programa de Educación, Salud y Alimentación [Education, Health, and Food Program]
SENA	<i>Servicio Nacional de Aprendizaje</i> [National Learning Service]
SFD	Sector Framework Document
SPD	Strategic Planning and Development Effectiveness
SUAS	<i>Sistema Único de Asistencia Social</i> [Unified health system]
TEP	Temporary employment programs
UN	United Nations
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WHO	World Health Organization

## **I. THE SOCIAL PROTECTION SECTOR AS PART OF THE STRATEGY ON SOCIAL POLICY FOR EQUITY AND PRODUCTIVITY**

### **A. The Social Protection and Poverty Sector Framework Document as part of the existing regulations**

- 1.1 This Social Protection and Poverty Sector Framework Document (SFD) sets forth the Bank's targets for the social protection of the poor and vulnerable, and guides the Bank's operational work, dialogue, and knowledge generation activities with the countries, their governments, and private borrowers. This SFD has been prepared by the Social Sector and covers the seven elements to be included in sector frameworks in accordance with "Strategies, Policies, Sector Frameworks and Guidelines at the IDB" (document GN-2670-1). This strategic framework is complemented by the Health and Nutrition SFD (as it relates to the quality of services available for the poor and vulnerable population, including the interaction between nutrition and early childhood development (ECD)); the SFD on Labor (given the need for efficient labor markets for the creation of formal employment, as well as quality job training and workforce integration programs); the SFD for Education and Early Childhood Development (in areas of human capital development); the Citizen Security and Justice SFD (related to youth and risk prevention policies); the SFD on Agriculture and Natural Resources Management (on issues of insuring productive risks in rural areas); the Urban Development and Housing SFD (on issues of access to public services, social housing, and neighborhood improvement); and the forthcoming Gender and Diversity SFD (for the cultural adaptation of the services taking account of gender and ethnic origin).
- 1.2 Upon approval of this SFD, "Supporting Reform in the Delivery of Social Services" (document GN-1932-1) and "The Use of Social Investment Funds as an Instrument for Combating Poverty" (document GN-1930-2) will no longer be in effect, as indicated in Annex II of "Strategies, Policies, Sector Frameworks and Guidelines at the IDB" (document GN-2670-1).
- 1.3 The Bank will update the SFD three years after its approval. This SFD is flexible and will allow the Bank to address the diversity of challenges and contexts being faced by the 26 borrowing member countries and will guide both sovereign and non-sovereign guaranteed operations in the area of social protection for the poor and vulnerable. This SFD is also adaptable to the specific conditions and preferences of each country, in terms of both project design and implementation.

### **B. The Social Protection and Poverty SFD as part of the Strategy on Social Policy for Equity and Productivity.**

- 1.4 This SFD is consistent with the "Strategy on Social Policy for Equity and Productivity" (document GN-2588-4, hereinafter the "Social Strategy"), which seeks to improve the effectiveness of the Bank in promoting social policies that enhance equity and reduce poverty in the region by raising productivity. This SFD sets forth the lines of action that will contribute directly to realizing the social

protection measures for the poor and vulnerable envisaged in the Social Strategy. In its implementation the Bank will seek to adapt the interventions to each country's specific needs and demands, and each client's specificities, capacities, and level of institutional development. This SFD is therefore strategic and indicative rather than restrictive, while the specificity of the interventions in each country will be based on the respective Sector Notes and country strategies, as required by individual countries.

- 1.5 It should be stressed that this SFD does not, in itself, constitute the Bank's strategy for combating poverty, which is defined in the priority areas of the Social Strategy.<sup>1</sup> Overcoming poverty requires policies that foster sustained and inclusive economic growth, generate job opportunities, and increase the returns on workers' skills. There is a particular need for policies to raise the quality of education and improve the efficiency of labor markets in order to reduce informality, which causes serious productivity losses (Levy, 2008). Efficient institutions and infrastructure, and wide-ranging reforms in areas such as innovation, fiscal policy, access to credit, rural development, regional integration and trade are also needed. All these policies are discussed in other Bank sector frameworks, which complement the content of this SFD.
- 1.6 The Social Protection and Poverty SFD recognizes that poverty is a multidimensional issue, whether measured in terms of insufficient income or expenditure (monetary poverty) and/or the presence of unmet basic needs (which may be caused by a wide range of factors). It also defines vulnerability as the risk of falling into poverty, or the existence of states of dependency. Based on these definitions, this SFD considers social protection of the poor and vulnerable to rest on redistributive programs, supporting minimum levels of consumption by the extremely poor, and on social inclusion programs, promoting poor and vulnerable people's autonomy and their accumulation of human capital, while offering special protection for those with specific care needs arising from their situation of dependency.
- 1.7 Broader definitions of social protection exist, which also include social insurance policies—protecting against risks due to health, age, and loss of employment income—and active labor market policies (World Bank 2012; Economic Commission for Latin America and the Caribbean (ECLAC), 2011; European Commission, 2010; International Labour Organization (ILO), 2011). In the Bank's view, the social insurance and active labor-market policy areas are included in the Health and Nutrition SFD (health risk) and the Labor SFD (protection against loss of employment income, active labor-market policies, and old-age pensions). This strategic decision makes it possible to separate social

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<sup>1</sup> For a comprehensive view of poverty combating efforts, the Social Strategy is complemented by elements of the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2) and Sustainable Infrastructure for Competitiveness and Inclusive Growth: IDB Infrastructure Strategy (document GN-2710-5).

protection policies focusing on the poor and vulnerable—regardless of their status as formal or informal workers—from social insurance policies that seek universal coverage in order to manage health and old-age risks adequately.<sup>2</sup> The Bank recognizes that social protection, social insurance, and employment policies are interrelated and will work to ensure they are consistent with one another and with policies to boost productivity.

- 1.8 This SFD's perspective reflects the way in which the debate on social protection for the poor and vulnerable in the Latin America and the Caribbean region has evolved. Throughout most of the twentieth century, economic development was expected to produce opportunities for formal employment that would provide social insurance to larger segments of the population. The debt crisis in the eighties created the need to attend to the hardest hit groups in society and make social spending more efficient. This led to protection arrangements geared to coping with emergencies. Since the nineties, social protection for the poor has developed from specific compensatory programs addressing crisis situations (such as social investment funds) into more comprehensive medium and long-term strategies to sustain minimum consumption levels and promote investment in human capital through improved access to quality social services (ECLAC, 2011; Székely, 2014). This more recent phase has been characterized by the development of conditional cash transfer programs (CCTPs) in most Latin American and Caribbean countries, consolidating a new vision of social protection for the poor in terms of institutional policies that simultaneously promote human capital development, redistribution, and social inclusion.
- 1.9 Investment in social protection for the poor and vulnerable is justified by reasons of equity, efficiency, and productivity. The advancement of democracy and the recognition of social rights in the region have led to the emergence of a broad consensus on the basic components of a social pact or contract in which it is ethically unacceptable for broad sectors of society to be condemned to live in poverty (Maldonado, 2014). Moreover, it is inefficient to squander the potential of a significant share of the population who, living in chronic extreme poverty, is unable to develop its capabilities or contribute to the community's progress. Broadening the talent base by including heretofore excluded groups in the

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<sup>2</sup> This approach is consistent with other definitions of social protection focusing on risk management or on rights. The World Bank's risk management approach concerns policies aiming to ensure minimum levels of welfare and social inclusion that allow individuals to develop their capabilities. In a complementary way, ECLAC and ILO take a rights-based approach that emphasizes that social protection is a mechanism for achieving full citizenship. In this regard, the social protection floor initiative led by the ILO and the World Health Organization (WHO) promotes social policies fostering basic income security and access to quality essential social services.

development process will enhance society's welfare, boost productivity, and enable sustainable growth of the economy.<sup>3</sup>

**C. Executive summary of the diagnostic assessment**

- 1.10 The region has made considerable progress in reducing poverty. The fact that 96 million people have risen out of poverty in the last 10 years is undoubtedly a success story.<sup>4</sup> Nonetheless, the majority of this population group have yet to fully join the ranks of the middle class and remain vulnerable (a situation affecting around 207 million people, as shown in Figure 1 in the Annex). Moreover, there are still 169 million people in poverty, of whom 92 million live in extreme poverty, needing redistribution and social inclusion policies. This is all taking place in a context of demographic transition, which offers an enormous opportunity for economic growth (the demographic dividend), but also—in the short term in some countries and in the medium term for others—creates the need to prepare for the challenge of an aging population.
- 1.11 The region has been a pioneer in developing and implementing targeted redistributive programs contributing to social inclusion by promoting human capital. The Bank has been the main strategic partner in the design and implementation of these policies. The Bank has also supported dialogue and innovation in response to emerging challenges, recognizing the heterogeneity of the region, and facilitating learning from intraregional experiences. Drawing on accumulated analytical and operational experience, this SFD positions the Bank as a point of reference on social protection issues for poor and vulnerable population groups, in particular as concerns: (i) efficient redistributive programs that contribute to human capital development; and (ii) delivery of services for social inclusion, in particular those aimed at early childhood development and at-risk young people. The SFD also identifies the emerging topic of social services for the elderly as an area in which the IDB will work to position itself as a strategic partner in the region over the medium term. It is important to stress that to reduce poverty, it is essential to have efficient labor markets that promote access to more productive formal work among the poor and vulnerable, and therefore the approaches in this SFD are complementary to those in the Labor SFD.

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<sup>3</sup> Social inclusion and redistribution policies help make the economy's growth sustainable and pro-poor (Organization for Economic Cooperation and Development, (OECD), 2009; ILO, 2011). In addition, the use of transfers in response to systemic or idiosyncratic shocks can resolve market failures and contribute to efficiency, especially if they foster human capital formation (Dercon, 2011). Inequality also has a negative effect on the duration and strength of sustained periods of growth (five years or more of growth at over 2%), which are essential to achieve significant and sustained poverty reduction (Ostry et al., 2014).

<sup>4</sup> This figure has been standardized for demographic growth. It is the result of comparing the number of poor people in 2012 with the number there would have been if the poverty rate had been the same as in 2002. The data used are provided in this document's Annex.

## II. INTERNATIONAL EVIDENCE ON THE EFFECTIVENESS OF SOCIAL PROTECTION POLICIES AND PROGRAMS FOR THE POOR AND VULNERABLE AND IMPLICATIONS FOR THE IDB'S WORK

### A. Redistributive programs

- 2.1 International evidence shows that the main redistributive or income support instruments are generalized subsidies, universal basic income structures, minimum guaranteed income, tax exemptions, transfers (universal or targeted, in cash or in kind), and public or temporary employment programs.
- 2.2 **Generalized subsidies and tax expenditure.** Generalized subsidies (whether explicit or implicit) and tax expenditure are widespread in developing countries as a means of supporting poor people's consumption. The most common subsidies are on energy and food. In 2011, energy subsidies absorbed 0.7% of global gross domestic product (GDP), rising to 8.6% of GDP in some North African and Middle Eastern countries. In some Latin American and Caribbean countries they exceeded 5% of GDP in 2011 (Levy and Schady, 2013) and, on average, were six times higher than in developed countries as a share of GDP (International Monetary Fund (IMF), 2014). Spending on food price subsidies is relatively small in comparison, but in some countries approaches 2% of GDP (Albers and Peeters, 2011). Similarly, tax expenditure due to value-added tax exemptions comes to 2% of GDP in Colombia, Costa Rica, and Mexico and 1.6% in Ecuador and Peru (Corbacho et al., 2013). However, the literature shows that generalized subsidies and tax expenditure are inefficient, as the majority of the resources involved do not reach the poorest people (Corbacho et al., 2013; IMF, 2014; Regalia and Robles, 2005; Scott, 2011).
- 2.3 **Universal basic income and minimum guaranteed income.** Universal basic income represents unconditional income given to all individuals. It is administratively simple relative to executing programs that require the application of some form of targeting criteria. One example is the annual dividend from oil earnings received by all residents of Alaska, which has helped make the state one of the most egalitarian in the United States (Widerquist and Howard, 2012). On the other hand, the minimum guaranteed income is targeted according to the level of income. This instrument is used in Europe. For example, in France it is the main social assistance program (*Revenu minimum d'insertion*), and according to Peña-Casas et al. (2013), 26 of the 28 countries of the European Union have some form of this kind of system. In developing countries, this type of program would be very expensive to implement, so countries have resorted to transfers of smaller sums, and placed the emphasis on targeting.
- 2.4 **Tax credits.** Tax credits are redistributive instruments that aim to create incentives for participation in the formal labor market by making the benefit contingent upon a statement of income. The main example is the Earned Income Tax Credit (EITC), which is the main redistributive mechanism in the United



States in terms of coverage and budget (Bitler et al., 2014). The EITC is a benefit received by households that obtain and declare employment earnings under a specific amount, depending on the size of the household and whether or not it includes children. The EITC reduces the tax liability to the point that it becomes a cash transfer paid to households. Up to a certain level, receiving higher income raises the value of the support, giving households an incentive to participate in the labor market.<sup>5</sup> In the case of Latin America and the Caribbean, the high level of informality in the labor market (close to 50% according to the Labor SFD's data)<sup>6</sup> is a significant constraint when considering this type of redistributive instrument.

- 2.5 **Unconditional transfers.** Some countries pursue redistributive goals through unconditional transfers in cash or in kind. Cash transfers are usually targeted and are common in developing countries in Africa and Asia (McKinley and Handayani, 2013). These differ from basic and minimum income mechanisms as they do not seek to guarantee a minimum level of income for beneficiaries. International evidence shows that these transfers boost spending by poor and vulnerable households, reducing the intensity of poverty and inequality. Transfers in kind have similar redistributive potential. However, they are relatively inefficient, as they limit the set of alternatives available to the poor (J. Cunha, 2014), devote a significant percentage of their budget to the supply and distribution of goods,<sup>7</sup> and can cause distortions in the markets for the goods they distribute.
- 2.6 **Conditional cash transfer programs (CCTPs).** In the nineties, Latin American and Caribbean countries complemented cash transfers with joint responsibility mechanisms aimed at fostering the accumulation of human capital among beneficiary children and households.<sup>8</sup> The dual objective of CCTPs is to alleviate

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<sup>5</sup> A similar tax credit mechanism exists in the United Kingdom (Brewer et al., 2012). The EITC's design is countercyclical, and its administrative costs are low (*Internal Revenue Service*, 2014). However, there are concerns over the EITC's ability to reach the poorest. For example, people need to be trained on filling out tax returns or affordable tax return preparation services need to be provided (Holt, 2011). Moreover, given that income needs to be declared in order to obtain a tax credit, households that depend on a single source of income are left unprotected if that job is lost (Bitler et al., 2013).

<sup>6</sup> For more details and trends, see also ILO (2013) and ECLAC (2013), where recent progress in formalization is reported, and the scale of the challenge in terms of the number of formal jobs that need to be created in order to continue making substantive progress toward formalization is estimated.

<sup>7</sup> Hidrobo et al. (2012) compare the delivery of cash, in kind, and coupon transfers, and find that all three forms significantly increase the quantity and quality of food consumed, but that transfers in kind increase calorie consumption more, whereas coupons broaden the variety of foods consumed. For their part, Grosh et al. (2008) report that beneficiaries appreciate cash transfers more, a finding which is consistent with the fact that this type of program reduces the beneficiaries visibility and consequently their stigmatization.

<sup>8</sup> CCTPs began at local level in Brazil (*Bolsa Escola and Programa de Garantia de Renda Mínima*) and in Mexico (Pilot Program in Campeche) in 1995. The first program on a country-wide scale was PROGRESA (*Programa de Educación, Salud y Alimentación* [Education, health, and nutrition program]) in Mexico, launched in 1997 and later renamed *Oportunidades*.

- current poverty by supporting consumption and encouraging the accumulation of human capital among children and young people.<sup>9</sup> The joint responsibilities typically include prenatal checkups for pregnant women, compliance with health, nutrition, and vaccination protocols for preschool age children, and school attendance for children and teens. CCTPs make transfers to mothers. In some cases, there is also the requirement that beneficiaries take part in educational sessions on health, nutrition, and childrearing topics.
- 2.7 CCTPs rapidly spread throughout the region and beyond. In 2010 approximately 129 million people in 18 Latin American and Caribbean countries—24% of the region’s population—received transfers, representing an average of 20% to 25% of their household income (Stampini and Tornarolli, 2012). In most cases, mature programs invested 0.3%-0.4% of GDP (Paes-Sousa et al., 2013). Some of the larger programs outside the region include those in Pakistan (four million homes in 2013, Government of Pakistan, 2013), the Philippines, Indonesia, and Turkey.
- 2.8 CCTPs have been effective in reducing the incidence, and particularly the intensity, of poverty. Even where there is evidence of inclusion and exclusion errors, CCTPs have reached the very poorest, achieving levels of targeting that exceed all previous programs (Levy, 2006; Lindert et al., 2006; Grosh et al., 2008; Stampini and Merino-Juárez, 2012). It is estimated that the incidence of poverty in Latin American and Caribbean countries implementing a CCTP would have been approximately 13% higher in the absence of these programs (Stampini and Tornarolli, 2012). CCTPs have also increased the quantity, quality, and variety of food consumption (Ruiz-Arranz et al., 2006).
- 2.9 CCTPs have reduced child labor and increased school enrollment and attendance rates in many countries, including Chile, Colombia, Ecuador, Honduras, Jamaica, Mexico, and Nicaragua (Levy, 2006; Fiszbein et al., 2009; Saavedra and García, 2012). They have also contributed to school progression: in Mexico, after three to five years’ exposure to the program, schooling increased by between six months and one year; and in Nicaragua, after two years’ exposure to the program, beneficiary children progressed almost half a grade further than nonbeneficiary children (Maluccio et al., 2009). The evidence for impacts on learning is somewhat weaker, possibly as a result of the poor quality of educational offerings. Two recent studies have found positive impacts. Barham et al. (2013) report that the social safety net in Nicaragua significantly improved the medium-term results in mathematics and language, and Ozler (2011) reports significant impacts in mathematics, reading comprehension, and cognitive skills in Malawi.

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<sup>9</sup> In the literature on CCTPs, the second objective of accumulating human capital is normally associated with putting an end to the intergenerational transmission of poverty. However, operational experience shows that achieving this end is fundamentally dependent on the quality of the supply of health and education services and the performance of the labor markets, both of which exceed the scope of the CCTPs. Evidence on these points is discussed below.

Additionally, in the case of Mexico, Behrman et al. (2009, 2011) did not find an impact on tests of learning despite reporting increased enrollment, but did find impacts on the probability of women having a job, and on the transition to non-agricultural employment. Filmer and Schady (2014) found that a program of scholarships in Cambodia achieved impacts in terms of years of schooling, but not on standardized test results, employment, or income. At the same time, fifteen years after implementing CCTPs in Latin America and the Caribbean, there is insufficient evidence to determine whether young people who managed to accumulate more years of education are faring better in the labor market in terms of better jobs and higher wages (Rodríguez-Oreggia and Freije, 2008; *Departamento Nacional de Planeación* (DNP), 2012). This area requires more analytical work to fill knowledge gaps and improve program design.

- 2.10 In health, CCTPs have achieved positive impacts on the use of services and reduced morbidity among certain age groups (Gaarder et al., 2010). One recent study (Rasella et al., 2013) found that *Bolsa Familia* in Brazil helped reduce infant mortality, particularly in cases attributable to poverty-related causes, such as malnutrition and diarrhea. There is also evidence in some countries that CCTPs have a positive effect on reducing teenage pregnancies (*Juntos* in Peru: Lopez Calva and Perova, 2012; *Subsidio Educativo* in Colombia: Cortés et al., 2011; *Bolsa Familia*: Azevedo and Favara, 2012).<sup>10</sup>
- 2.11 One concern about CCTPs is the possibility that they produce negative incentives, particularly, but not exclusively, in terms of the willingness of adults in beneficiary households to work. In general, all rigorous evaluations of the impact of CCTPs have examined this issue and have not found negative impacts in the short term (Alzúa et al., 2013; Fiszbein and Schady, 2009). However, there is recent evidence of possible disincentives to formal employment, particularly when the benefits of CCTPs are associated with beneficiaries' informal status. In Ecuador, Bosch et al. (2013) reported a drop in the percentage of relatively well educated young women with formal jobs among CCTP beneficiaries (the formality rate dropped by half a percentage point, from a 5% baseline, probably due to the specific way beneficiaries were selected). No evidence was found of other undesired effects such as increased fertility (Glassman et al., 2013) or a reduction in private transfers (Nielsen and Olinto, 2007).
- 2.12 The evidence shows that conditionality explains a significant share of the positive results of these programs, as it increases school enrollment rates and the demand for routine preventive health services in comparison to what would be achieved without conditionality (Akresh et al., 2012; Baird et al., 2011; de Brauw and Hoddinott, 2008; Schady and Araujo, 2008). A review of 75 studies for

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<sup>10</sup> Although more evidence is needed in order to determine the mechanisms by which this happens, studies suggest that it may be due to increased school attendance and the resulting change in preferences, the higher opportunity cost of having children that this entails, and households' improved access to health services, raising awareness of contraception and making it more readily available.

- 35 programs (Baird et al., 2014) shows it to be important that conditions be explicit, effectively monitored, and that there be penalties for noncompliance. This significantly increases the impact on school enrollment when compared to unconditional programs. Additionally, although there are many opportunities for improvement, verifying compliance with joint responsibilities has contributed to more effective coordination of the planning and execution of activities to strengthen the health and education services offering for the poorest populations, and substantive progress on information systems and the use of data to inform policy decisions.
- 2.13 The implementation of CCTPs in urban areas poses additional challenges, as has been reported in operational and impact evaluations, which generally show impacts to be positive, although less so than in rural areas (Angelucci and Attanasio, 2009; Behrman et al., 2012). First, urban poverty is more volatile than rural poverty, so it requires mechanisms to allow beneficiaries to join and leave the ranks of beneficiaries more frequently. Urban poverty is also more difficult to identify by means of an income estimate based on asset holdings (Coady and Parker, 2005), and therefore requires alternative targeting mechanisms. Moreover, the opportunity cost of complying with the joint responsibilities is higher in urban areas due to the higher labor-force participation rate among the women responsible for compliance, because health services are more congested, and because young people have more job opportunities. Lastly, children in urban areas may drop out of school for reasons that are complex and not explained by purely economic factors, including greater exposure to risk behaviors.
- 2.14 The design of CCTPs gives them a significant gender dimension, as women are generally selected as the recipients of the transfers, programs include medical check-ups for pregnant women and nursing mothers among their conditions, and in some cases seek to empower women through workshops aimed at gender equality (Paes-Sousa et al., 2013). Various programs have adopted a transfer structure for young people of school age differentiated by gender, to close the gap in women's (Mexico) or men's (Jamaica until 2013) enrollment and attendance. The literature finds that having a regular and reliable source of income increased women beneficiaries' empowerment and self-esteem (Adato et al., 2000; Adato and Roopnaraine, 2004; Pinzani and Rego, 2014). The consumption of products preferred by women has also been reported to increase, which is consistent with their having greater bargaining power in the family (Attanasio and Lechene, 2014). However, it has not been possible to demonstrate the effectiveness of education sessions on gender equality topics when these have been given as part of a CCTP (ECLAC-GEO, 2013).
- 2.15 One positive consequence of CCTPs that has not been sufficiently discussed is their impact on the generation of social capital and strengthening of cooperation within communities. Evidence from Mexico shows bonds in social and family networks to have been strengthened, allowing the benefits of CCTPs to be shared even with nonparticipants in the program (Angelucci et al., 2009; Angelucci et al.,

- 2012). There is also evidence that families taking part in Colombia's CCTP in Cartagena developed higher levels of confidence and social capital than similar families in neighborhoods not covered by the program (Attanasio et al., 2009). In Nicaragua the importance of social interactions in the framework of CCTPs has been shown to raise aspirations and improve beneficiaries' investment decisions (Macours and Vakis, 2013). In this regard, beneficiary families have assimilated the idea that their commitment to fulfill the joint responsibilities goes hand in hand with their entitlement to quality services. It has also been reported that CCTPs can facilitate beneficiary households' investments in productive assets (Gertler et al., 2012; Trivelli and Clausen, 2013).
- 2.16 The development of the transfer payment system, moving from cash payments to bank transfers via public and private banks, has produced major opportunities for financial inclusion among the poorest segments of the population. Beneficiaries' bank cards initially only allowed cash withdrawals. However, some programs have recently added additional banking services (checking and savings accounts). In the Dominican Republic, for example, transfers are credited to a debit card that beneficiaries can use in a network of stores. The role of the private sector and public-private partnerships could grow with the provision of more banking services, more debit card functionality, and the expansion of cell phone-based payment services. This has led countries to explore the possibility of promoting financial inclusion<sup>11</sup> as an additional social inclusion mechanism (Trivelli, 2013). Although as yet no impact evaluations have been conducted on these financial inclusion initiatives, the accumulated evidence on microfinance programs (microsavings and microinsurance) and mobile money suggests that they could smooth out fluctuations in consumption patterns (Jack and Suri, 2014; Consultative Group to Assist the Poor (CGAP), 2014) and even have impacts on reducing the crime rate (Wright et al., 2014).
- 2.17 **Temporary employment programs (TEPs).** TEPs are simultaneously both an active employment policy (see discussion in Labor SFD) and a redistributive instrument. In contrast to CCTPs, which address situations of structural poverty, TEPs are a tool to address temporary drops in income and, therefore, aim to alleviate transient poverty. In this regard, TEPs are an imperfect substitute for unemployment insurance mechanisms, which in contexts of high informality tend to have low coverage, particularly among the poor (an issue highlighted in the Labor SFD—paragraph 2.38). There is a long tradition of the use of these programs, which offer unskilled work for a set period of time and low wages to

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<sup>11</sup> Financial inclusion is understood as a situation in which people have sufficient tools to be familiar with and understand financial services, are able to decide what services they need, and once they have decided, have access to them and are able to use them (Ministry of Development and Social Inclusion (MIDIS), 2012).

promote beneficiary self-selection.<sup>12</sup> India's National Rural Employment Guarantee Programme (NREG) is currently the largest TEP.<sup>13</sup> TEPs have faced various operational challenges, for example, in terms of targeting, implementation capacity at local level, and the creation of distortions in local labor markets.<sup>14</sup> One of the most recent and rigorous evaluations of NREG shows positive impacts on consumption in the short-term and accumulation of nonfinancial assets over the medium term, with these impacts being greater among the poorest (Deininger and Liu, 2013).

- 2.18 **Exiting redistributive programs.** There is a concern that remaining on redistributive programs with generous benefits for extended periods can lead to dependency among some beneficiaries. In high income countries, where the benefits are particularly high, this debate centers on the transition to the job market. In the United States, the 1996 reform known as Welfare to Work made it obligatory to take part in systems based on training programs and workforce integration mechanisms. The reform achieved a significant increase in the labor-force participation rate with smaller impacts on poverty.<sup>15</sup> It is worth noting that Welfare to Work systems were developed in the context of a correlation between unemployment and poverty and a high rate of creation of formal jobs, limiting, in principle, their applicability to Latin America and the Caribbean. Nonetheless, the lesson learned from these experiences is the need to seek employment activation and linkage to better jobs as mechanisms for exiting redistributive programs.
- 2.19 In the context of limited creation of formal jobs, several countries have promoted self-employment programs to boost household incomes. However, the literature shows the impact of these programs to be limited (Almeida and Galasso, 2010;

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<sup>12</sup> TEPs have been used in Latin American and Caribbean countries to respond to systemic shocks caused by economic crises or adjustment programs. The *Programa de Empleo Temporal* was set up in Mexico in 1997 to address temporary drops in income; Argentina, Bolivia, Colombia, Peru and Uruguay also implemented TEPs in response to crisis situations. El Salvador currently runs the *Programa de Apoyo Temporal al Ingreso* (PATI), which has similar characteristics.

<sup>13</sup> NREG guarantees adults in rural households 100 days of work at the applicable minimum wage (Deininger and Liu, 2013). In 2010/11 it had a budget of US\$8.9 billion and generated around 2.5 billion days of work. For details of other TEPs, see del Ninno et al., 2009 and Subbarao et al., 2013.

<sup>14</sup> On the subject of targeting, although some studies show most participants to be poor (Galasso, 2011; Subbarao et al., 2013), others find that there are difficulties ensuring that the program reaches the neediest populations (for the case of India, see: Ravallion et al., 2013). Other key operating issues include: (i) the share of total expenditure devoted to wages rather than supplies for the works; and (ii) the proportion of income that represents a net gain over the expected income in the absence of the program.

<sup>15</sup> The evaluations of Welfare to Work show that, in the short term, workforce integration interventions achieve greater impacts than those based on developing skills, managing to find work for up to 50% of participants (Greenberg et al., 2009; Nightingale et al., 2002; Walter, 2012). However, the limited number of evaluations focusing on poverty show that up to half of those who find work remain poor (Blank, 2002; Fraker et al., 2004), and that the beneficiaries exiting poverty are matched by an equal percentage of beneficiaries falling into poverty (Cappellari and Jenkins, 2008).

Cho and Honorati, 2013; Premand et al., 2012). It is therefore important to stress that policies that raise the quality of education and job training, and develop infrastructure and institutions that support the generation of well paid job opportunities need to be promoted in order to achieve sustained and significant poverty reductions. At the same time, redistributive programs and social insurance programs need to create consistent incentives in order to stimulate productive formal employment (an issue highlighted in the Labor SFD; see also Levy, 2007).

## **B. Services for social inclusion**

- 2.20 As defined in paragraph 1.6, social inclusion services promote the autonomy of poor and vulnerable persons. These services play a key role at crucial moments in the life cycle: infancy, when there is a first window of opportunity to develop cognitive and socioemotional capacities; youth, when there is a risk of straying from a successful path toward full and productive adulthood; and in old age, when social services and health care become particularly important.
- 2.21 Promoting social inclusion requires coordinated action from sector-specific social services (for example, health and education) and specific differentiated social services for poor and vulnerable populations (Trivelli and Clausen, 2013). Differentiated social services are necessary because: (i) they provide a link to health and education sector services, which often fail to reach the poorest and most vulnerable; and (ii) sector services are unable to address the multidimensional nature of poverty and vulnerability. The remainder of this section discusses ECD services, services for at-risk youth, and the provision of networked services supplemented by family support, the context in which differentiated services for the elderly are discussed.

### **1. Early Childhood Development**

- 2.22 Evidence shows that development in early childhood is malleable and that investments at this stage have a positive impact on children's long-term trajectory (for the United States, see Almond and Currie, 2011 and Cunha et al., 2006; for developing countries, Engle et al., 2007 and 2011; Behrman et al., 2013). Therefore, ECD services promote equal opportunities and improve the prospects of inclusion for children from poor and vulnerable households.
- 2.23 ECD has been covered by the Education and Early Childhood Development SFD, with a focus on preschool education. This SFD focuses on children under four years of age from poor and vulnerable households who have not yet reached preschool. It considers: (i) child-care services outside the home; and (ii) parental support services, primarily aiming to modify conduct in areas relating to childrearing, adult-child interactions, and learning opportunities.
- 2.24 Malnutrition and maternal infections during pregnancy limit intrauterine growth, which has been associated with developmental delays in childhood and adolescence. At the same time, high exposure to infections and chronic child malnutrition are associated with cognitive deficits, poor academic performance,

- and dropping out of school. In turn, the adverse effects on child development and the impacts of malnutrition on productivity translate into lower performance in the labor market (Walker et al., 2007; Walker et al., 2011). These issues have been addressed by the Health and Nutrition SFD, and for this reason, this SFD stresses cognitive and socioemotional development.
- 2.25 Public provision of care services is mainly organized through two types of arrangements: institutional and community-based. Institutional services operate in larger centers specifically built or adapted to provide them. In this model children are organized into groups by age, staff must have a certain level of education or specialized vocational training, and there must be a formal employment relationship with the program. By contrast, services provided in through the community operate in smaller units, bringing together children of different ages, and care is assigned to a mother from the community, who receives payment for her services, but does not have a formal employment relationship, and is not required to have any particular educational background or vocational training. It is also more common for institutional care services to have a teaching model, curriculum, and early learning guidelines. Institutional care services may be provided directly by central or municipal government, or by subcontracting individuals, firms, communities, or nonprofit organizations.
- 2.26 In both cases financing may come from the State and may be supplemented with payments by parents. Regardless of the mechanism by which care services are delivered, government oversight is needed to ensure providers meet minimum quality standards. However, in practice there has been very little progress in terms of regulating or monitoring the quality of child and infant care services—whether public or private.
- 2.27 International evaluations of the impact of child-care services on child development have yielded mixed results. There is empirical evidence of the short-term benefits in terms of health and cognitive and socioemotional development, particularly among the poorest children attending high quality programs.<sup>16</sup> This evidence gets stronger as children grow older (Burchinal et al., 1997; Campbell and Rame, 1995; NICHD Early Child Care Research Network, 2000; Phillips, 1987; Vandell and Wolfe, 2000). Studies on the Abecedarian project and the HighScope Perry Preschool project (aimed at poor children in the United States) found positive effects that were sustained over the long term (F. Cunha and Heckman, 2009; Schweinhart et al., 2005). Nonetheless, there is evidence suggesting that care services can have negative impacts on some aspects of development, particularly among children under two years of age (Baker et al.,

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<sup>16</sup> The following critical components of the quality of care services for children aged 0-3 years have been proposed: (i) nutrition, food, hygiene, sanitation, and security; (ii) low care ratios (number of children looked after by each adult); (iii) ongoing quality monitoring and improvement system; (iv) training and professional development; (v) quality and frequency of child-adult interactions; and (vi) activities, play equipment, and stimulating spaces (IDB, 2012).



- 2005; Belsky, 1988; Bernal and Keane, 2010; Howes et al., 1992; Loeb et al., 2005; Love et al., 2003; Yamauchi and Leigh, 2011). It is important to stress that the literature identifies program quality and results as depending in particular on the quality of adult-child, child-child, adult-adult interactions and the implementation of the curriculum and health and safety protocols, and not so much on the structural variables or aspects that are easy to regulate (López Boo et al., 2014). There are few rigorous evaluations of the impact of child care services on children's development in Latin America and the Caribbean.
- 2.28 It has been reported that women's workforce participation rate rises when they have family support for child care (Araujo et al., 2013). A recent study in Rio de Janeiro (Paes de Barros et al., 2011) found that women with access to free child-care services achieve better labor market integration and that the benefits last over time. These findings are in line with the evidence presented in numerous studies (for example, see Connelly and Kimmel, 2001; Herbst, 2013; Mateo and Rodríguez, 2013).
- 2.29 Parental support services tend to be aimed at rural or scattered areas. Services of this kind became consolidated and spread in the eighties. In many cases, evaluations have been limited to small-scale programs. A review of the literature from developing countries suggests that the most effective parental support interventions are those that are focused on the youngest and most disadvantaged children and seek family involvement. Moreover, the effectiveness of the intervention also seems to be correlated with its duration and intensity (Baker-Henningham and López Boo, 2013). Other parental support and home visit programs during pregnancy and the early years of life that have been evaluated in Ireland, Turkey, and the United States have shown positive impacts on mothers' welfare and in some cases on the child's development as well (Olds et al., 2007, 2014; Supplee et al., 2012; Vegas and Santibáñez, 2010).
- 2.30 The best known evaluation of parental support programs in the region focuses on an intervention that began in Jamaica in the eighties. The program targeted children aged 9 to 24 months suffering from chronic malnutrition. The study followed the children through to adulthood. It was consistently found that children who received home visits based on a structured curriculum to promote a variety of play-based interactions and learning activities had better results in terms of learning, schooling, and income. The results were significant as they enabled children in the program to catch up with peers who were not malnourished at the time the baseline was conducted (Gertler et al., 2013; Powell et al., 2004). In Colombia a program of home visits with a design and curriculum based on that in Jamaica was recently evaluated, and after 18 months of intervention, significant impacts were found on various dimensions of child development (Bernal et al., 2012).

- 2.31 The provision of childhood development services, particularly in the care area, has frequently been subcontracted to the private sector, in both developed and developing countries.<sup>17</sup> The mechanisms for this are varied. In some cases, such as in Colombia, a large-scale private supplier is subcontracted, who entrusts operations to a large number of centers. In other cases, such as *Estancias Infantiles* in Mexico, the agreements are signed with individuals. Regardless of the subcontracting arrangements, defining and monitoring quality standards for service providers remains a major challenge.

## **2. Youth programs and services**

- 2.32 Youth is a critical time in life as it is an important phase for the accumulation of skills which determine the individual's future productive trajectory and successful social inclusion (ECLAC and United Nations Population Fund (UNFPA), 2012). Situations such as youth inactivity (dropping out of school without joining the labor market), teenage pregnancy, and exposure to drugs and violence may cause deviations from the productive trajectory and ultimately lead to social exclusion. These risk behaviors have high cost for young people, their families, and society as a whole (Cunningham et al., 2008).
- 2.33 The subject of youth has been addressed in the SFDs for Education and Early Childhood Development (in relation to school attendance), Labor (employment), and Citizen Security and Justice (rehabilitation of young offenders and youths at risk of being victims and/or perpetrators of violence). This SFD focuses on differentiated services created specifically to develop cognitive and socioemotional skills among poor or vulnerable young people, who have difficulty accessing sector social services (education, health, and employment) and to remain in them and obtain good results. It therefore complements the focus on the social prevention of crime and violence adopted by the Citizen Security and Justice SFD.
- 2.34 In addition to the CCTPs discussed above, three types of interventions for young people can be identified: (i) interventions aimed at discouraging risk behaviors among young people, primarily in health centers and educational institutions; (ii) support actions to develop noncognitive skills through sport and music, etc.; and (iii) support strategies based on specialized counseling at family or individual level, highlighting in particular mentor-based services.
- 2.35 Although rigorous evidence on the impacts associated with various different services for young people is still limited, there are promising signs:

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<sup>17</sup> Several programs in the region with the broadest coverage (for example, *Estancias Infantiles* or *Guarderías de la Seguridad Social* in Mexico, JUNJI in Chile, *Centros Infantiles del Buen Vivir* in Ecuador and several municipal governments in Colombia) have expanded coverage significantly by subcontracting services to third parties.

- a. Services tend to have a higher probability of success when they combine several interventions to respond to the multidimensional nature of vulnerability. For example, a study by Bloom et al. (1993) in the United States showed that the package of conditional cash transfers, monetary support for transportation, provision of child-care services and counseling raised school enrollment, retention, and attendance rates among teenage mothers and fathers. This is one of the few studies to have also found positive effects on reintegration into school.
- b. Interventions are more effective when, in addition to giving information, they provide concrete tools for decision-making through the development of noncognitive skills, such as the capacity for critical thinking, communication, and negotiation in interpersonal relations (Kirby, 2008; Vivo S. et al., 2012). Moreover, Jemmott et al. (2005) have shown that counseling programs based on the development of skills so young people can make informed decisions about responsible sexual behavior are more effective than information sessions on sexual and reproductive health.<sup>18</sup>
- c. Interventions that incorporate work with families yield better results than individual interventions with young people.<sup>19</sup> For example, Terzian et al. (2011) find that programs solely teaching young people life skills fail to prevent or reduce aggressive behavior. By contrast, programs combining these elements with family therapy and parenting skills to help parents improve communication, exercise discipline, set limits, and supervise their children have been found to have significant impacts. Short interventions aimed at improving intrafamily mediation skills can reduce the incidence of hostile interactions between parents and young people in the home and violent or aggressive behavior by young people outside the home (Spoth et al., 2000).
- d. International evidence shows that support and mentoring services, with stable regular meetings with qualified mentors and adequate supervision, have considerable potential to modify the behavior of at-risk youths. For example, the Mentor-Implemented Violence Prevention Intervention for Assault-injured Youth Program and the Buddy System Program, implemented in the United States, managed to reduce levels of violence and crime rates, as well as produce better relationships with peers and family, and raise self-esteem (Karcher, 2008). The Big Brothers Big Sisters volunteer mentoring program

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<sup>18</sup> These skills include the ability to negotiate the terms of sexual relations (expression of consent and use of contraceptives), interpersonal communication, and self-esteem.

<sup>19</sup> Although there is no solid evidence on community interventions, these look to be a promising alternative. Sikkema et al. (2005) found that adolescents who received community intervention had a higher likelihood of delaying sexual initiation and to have used a condom the last time they had sex. Oesterle et al. (2010), in their studies on the Communities that Care program in the United States, found that programs empowering community leaders to implement prevention initiatives in their communities could have significant results in terms of reducing risk behavior by teens over the long term.

managed to reduce drug use among young men (Tierney and Baldwin Grossman, 2000). Lastly, Black et al. (2006) showed that a mentoring program based on home visits reduced the risk of a second pregnancy among poor teenage mothers in the United States.

### **3. Networked service provision**

- 2.36 Network-based care systems respond to the need to coordinate multiple social services within a comprehensive vision to address the multidimensional nature of poverty and vulnerability.<sup>20</sup> There are important examples of this management model in Europe and the United States. Networks are differentiated by the scope of the services offered and the form of territorial organization. In Europe, the Danish model stands out for its comprehensiveness, as it combines active employment policies and sector services providing universal coverage with a complete range of differentiated social services. It is operated under a decentralized model, with a high level of participation from municipalities, and given women's high labor-force participation rate and the high dependency rate, places the emphasis on developing care systems. By contrast, the Spanish model is more fragmented, as it operates through local networks that vary in terms of content and quality depending on the region's level of economic development.
- 2.37 In the United States, while the federal government plays a strong role in defining the content of differentiated social programs, and controlling and monitoring the quality of services, the individual states have considerable autonomy to adapt these services. Local governments offer various support services directly to the general population and disadvantaged families, and many service providers are private for-profit or nonprofit organizations operating as concessions. Work with families occupies a significant portion of these networks, with alternatives ranging from support for childhood development and interventions with families confronting multiple problems, to providing care for the homeless.
- 2.38 Networks frequently use the family support model to enable them to work closely with beneficiaries on an ongoing basis, to improve management strategies for the available assets, and promote social inclusion. Family support services have common elements such as the use of home visits, recurrent interactions with social workers, and social workers' professional profiles. However, there are important differences depending on the social and institutional context, the quantity and quality of the services they link families to, and the final outcomes they pursue. Family support is commonly targeted on: (i) improving basic conditions of household welfare (habitability, identity, health, education);

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<sup>20</sup> The multidimensional approach considers that the condition of poverty and vulnerability manifests itself in multiple dimensions that extend beyond the need of income. This approach typically includes needs in the areas of health, education, and housing conditions, including housing materials and access to basic public services such as drinking water and drainage. These issues have been addressed in other SFDs (Education and Early Childhood Development, Health and Nutrition, and Urban Development and Housing).

- (ii) training parents in skills relating to raising and rearing children and adolescents; (iii) supporting containment and repair after traumatic processes caused by crises; (iv) supporting the substitution of risk behaviors; and (v) promoting linkages to employment and labor intermediation services.<sup>21</sup>
- 2.39 The literature reports that family support programs improve families' perspectives of their own capabilities, develop parental skills, and generate positive effects on both the children and the functioning of the family (Dunst et al., 2007; Trivette and Dunst, 2005). The best results are associated with long-term services delivered by qualified technical staff, with appropriate supervision, complementing other differentiated services (Schorr, 2003).
- 2.40 The evidence that networked services are superior to individual services is limited. However, there is no significant recent experience in the region. The networked model in Brazil, the *Sistema Único de Assistência Social* (SUAS) [Unified health-care system], is a combined strategy of economic protection and family intervention services, geared towards reversing situations of poverty and exclusion. The SUAS structures aid around the *Bolsa Família* CCTP and organizes services by level of complexity, established across the whole country. For its part, Chile's *Sistema Intersectorial de Protección Social* is an example of a management system based on legal and budgetary principles organizing non-contributory transfers and access to services, with strong central management and high degree of municipal participation. In Colombia, *Red Unidos* brings together 22 national-level entities and establishes partnerships with departmental and municipal governments to provide coordinated care to the poorest or displaced families, facilitating their preferential access to government social programs.
- 2.41 According to a qualitative study (Bronzo and Prates, 2012), *Bolsa Família* beneficiaries who participated in the services offered by the SUAS were more willing to look for work than households that only received the transfer. Moreover, they improved their social skills, quality of family relationships, knowledge of public services, and saw a change in their perception of their own effectiveness. The evaluation of the Juntos program in Colombia, the precursor of *Red Unidos*, shows impacts in terms of greater familiarity and higher likelihood of accessing social services and remaining in programs, and improved independent problem-solving ability. Moreover, there were no indications of the intervention's leading to beneficiaries becoming dependent on state aid (DNP, 2011). For its part, the impact evaluation on the Chile Solidario Puente program (Galasso, 2011) showed significant results in access to subsidies and use of social services, as well as improvements in the habitability and preschool attendance

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<sup>21</sup> The latter approach is complemented with the Labor SFD's vision that proposes strengthening national employment and labor intermediation services to achieve labor market integration.

dimensions. It also showed the spouse's participation in the labor market to be an effective strategy for improving households' independent income.

- 2.42 The provision of services via networks is particularly important in the context of an aging population. By providing a variety of services, networks promote active aging, defined as broadening the opportunities for health, participation, and security (United Nations, 2003). They also expand access to quality care services<sup>22</sup> and support family members via service vouchers, the main source of care for the elderly.<sup>23</sup> They therefore support labor-force participation among caregivers (generally women), who in the absence of these services would be less likely to be engaged in paid work, and would tend to work fewer hours if they were. This is undoubtedly relevant for developing countries, where the role of the family in providing care is greater still and boosting women's labor-force participation rate remains a challenge.

### **C. Models of institutional organization**

- 2.43 An analysis of the subject of social protection and poverty shows that while the most developed countries, represented by the OECD, focus on life-cycle-related vulnerabilities, in developing countries the emphasis is on conditions of poverty. Moreover, the majority of developed countries (with the exception of the United States) use a concept of relative poverty—such as 50% or 60% of the country's median income—whereas in developing countries the predominant concept is absolute poverty, calculated in terms of a monetary poverty line defined on the basis of a basic basket of products (Marx and Olivera, 2014; Ravallion, 2013). Lastly, for several decades, the majority of developed countries have had some form of welfare state providing social insurance and income protection. By contrast, in Latin American and Caribbean countries, as in most developing countries, an institutional framework has only recently been put in place for redistributive and social inclusion policies aimed at the poor and vulnerable.
- 2.44 A study conducted for this SFD describes the degree of institutional progress on the structure of social protection policy for the poor and vulnerable in 23 Latin American and Caribbean countries (Székely, 2014). This study proposed 10 indicators (see Annex, Table 1) to identify cases where formal elements exist

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<sup>22</sup> Estimates by the Organization for Economic Cooperation and Development (OECD) put the number of adults over 65 receiving long-term care at around 14%, of whom 60% receive these services at home (OECD, 2005, 2008). Average public spending on long-term care between 2006 and 2010 in OECD countries was 0.8% of GDP, and it is estimated that in 2030 this figure will have risen to 1.1%-1.3% of GDP (de la Maisonneuve and Oliveira Martins, 2013).

<sup>23</sup> Even in developed countries where a supply of long-term services exists, informal care remains important (Colombo et al., 2011). In the United States just 9% of the elderly use only paid care services, whereas 66% depend exclusively on family members. Considering that each caregiver devoted an average of 18 hours per week to the task, the cost is estimated to be equivalent to 3.2% of GDP (Feinberg et al., 2011).

showing that the social protection policy has been institutionalized.<sup>24</sup> The institutional framework indicators consider aspects such as the existence of a ministry with management capacity and resources whose main mandate is serving to the poor and vulnerable population; the existence of a system of monitoring and evaluation indicators for the sector objectives; a legal framework for establishing coordination mechanisms and responsibilities, and rules of operation; and the development of a census of beneficiaries. The analysis also shows that Latin America and the Caribbean have similar levels of institutional development as other developing countries (such as India, Indonesia, and South Africa).

### **III. MAIN PROGRESS AND CHALLENGES FOR THE REGION**

#### **A. Trends in poverty and inequality<sup>25</sup>**

- 3.1 The region has made significant progress in reducing poverty: the percentage of the population living on less than US\$2.5 per capita per day fell from 27.8% to 16.2% between 2000 and 2012, while the percentage living on less than US\$4 per capita dropped from 45.2% to 29.8%. Moreover, between 2000 and 2012 inequality—a distinctive feature of the region—decreased, as observed in the Gini coefficient, which dropped from 0.57 to 0.51 (see the Annex and Levy and Schady, 2013).
- 3.2 This progress is promising but sustaining these trends is a significant challenge, particularly in a context of a slowdown in economic growth, which has characterized the last decade. At the same time, reducing poverty has entailed a significant increase in the numbers of people classed as vulnerable, defined by López-Calva and Ortiz-Juarez (2014) as people whose daily per capita income is between US\$4 and US\$10, who have a probability of 10% or higher of falling into poverty. These vulnerable strata pose a dual challenge: on the one hand, they require policies to consolidate their trajectory towards lower levels of vulnerability, and on the other they generate strong demand for quality public services. This phenomenon of socioeconomic transition generates new demands while old challenges persist, as around 92 million people continue to live in extreme poverty and a further 77 million in moderate poverty.
- 3.3 Poverty can be characterized in terms of depth (extreme or moderate) and duration (chronic or transient). A longitudinal analysis of household incomes between 2000 and 2013 suggests that a large share of poverty in Latin America is chronic, i.e. comprises people who have been poor for six or more years in the

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<sup>24</sup> A limitation on this approach is that it is necessary to determine the relationship between these elements and the outcome in terms of social protection and inclusion of the poor and vulnerable population. It is also important to note that the formal existence of an element does not necessarily imply that the underlying function is being performed adequately.

<sup>25</sup> The data mentioned were generated by the IDB's Social Sector and can be found in the Annex, unless indicated otherwise.

- analysis period. For example, in Argentina, Colombia, Honduras, Peru, and El Salvador, nine out of ten of poor people are chronically poor. The region's heterogeneity should also be borne in mind (as well as heterogeneity within countries), as levels of extreme poverty vary from rates of under 5% to over 50%. Poverty also varies significantly by age and ethnicity. As Table 1 in the Annex shows, the incidence of poverty is greater among children under four years of age and in indigenous and Afro-descendent households.
- 3.4 Two long-term trends that are generating additional challenges also need to be mentioned. First, the region is still undergoing a process of urbanization, with the urban population growing from 49% of the total population in 1960 to 75% in 2000, and is projected to reach 83% in 2025 (United Nations, 2012). In absolute terms the number of people living in rural areas has in fact dropped since 1995. Although the poverty and vulnerability rates are higher in rural areas, the majority of the poor live in urban areas (Ravallion et al., 2008). As the nature of poverty and vulnerability is different in rural and urban areas, tools for each situation are needed. Specifically, poverty reduction in rural areas has been much slower as these areas are characterized by larger gaps in the human capital and assets needed to generate income.
- 3.5 The second trend is the demographic transition, i.e. a temporary growth in the population of children and young people, and then of the working age population—the demographic dividend—and lastly, a steady increase in the numbers of the elderly. Achieving adequate levels of child development has huge potential, particularly for countries at the early stages of this transition. Another challenge arises from the fact that in 2012 the incidence of poverty among children aged 0-3 years was 47% higher than poverty among the general population, and this situation has become worse, as in 2000 the figure was 30%. Although poverty has fallen in all age groups, the reduction was smaller among children.
- 3.6 The region lags significantly behind in early childhood development. Recent evidence for five countries (Schady et al., 2014) shows dramatic gaps in cognitive development based on a vocabulary test conducted on children from different socioeconomic strata. This study finds that at age six, children from the poorest 25% of the population have a lag in terms of their vocabulary equivalent to around two years. This means that at age six, children from poor and vulnerable households have a vocabulary level similar to that of children aged four from households in the top quartile. Moreover, within the countries there are big differences in performance on vocabulary tests between the wealthiest and poorest children, and as the Education and Early Childhood Development SFD reports, these gaps are maintained in the results on standardized tests for children of school age. To close these gaps and capitalize on the demographic dividend, the region needs to invest in ECD programs, particularly to support the poor and vulnerable.



- 3.7 A second window of opportunity opens up during youth, which takes on particular importance in the context of the demographic dividend. To enable today's young people to contribute to the region's development, it is necessary to support positive youth trajectories enabling social integration and full productivity in adulthood. The challenges in terms of youth in the region are significant (ECLAC and UNFPA, 2012). Levels of teenage pregnancies are high, particularly in households in situations of poverty and vulnerability, leading to interruptions in teenage girls' education. The birth rate per thousand women aged between 15 and 19 in 2010 was 72, compared with 19 in Europe and Central Asia, and 35 in the Middle East and North Africa. In some Latin American and Caribbean countries the figure is over 100 (Azevedo et al., 2012). The rate of completion of secondary education among young people aged 20-24 is still low (53% for men and 59% for women), with a considerable gap (slightly over 50 percentage points) between the first and last income quintiles. According to Cunningham et al. (2008), between 25% and 35% of young people aged 12 to 24 suffer the consequences of at least one risk behavior (they dropped out of school, had children early, are unemployed, suffer from an addiction and/or have been arrested). This is reflected in the high level of young people who are neither studying, working, nor looking for work, which, according to the Labor SFD, stands at between 15% and 35% of young people between the ages of 15 and 24. Lastly, as the Citizen Security and Justice SFD reports, young people's exposure to violence and insecurity in the region is also high.
- 3.8 Lastly, the demographic transition implies that the percentage of the population aged over 65 will continue to rise: in 1960 it was 3.7%, in 2000 it reached 5.6%, and it is estimated that it will be over 10% by 2025. Between 2001 and 2011 the number of people over 65 rose from 30 to 40 million. By 2025 it will be around 68 million and in 2037 it will pass the 100 million mark. Over these same periods, the figures for the number of people over 80 will be 5, 6, 9, 15, and 26 million. Non-contributory pensions have enabled greater poverty reduction among people over 65 than among the general population. For example, in Brazil the incidence of poverty in this group fell from 50% to 6% between 1990 and 2012. Nevertheless, the aging of the population will present challenges for the organization of the household labor supply among poor and vulnerable households as it will increase the need for care, which falls primarily on women.

## **B. Challenges for the implementation of redistributive programs**

- 3.9 This section sets out the main challenges the region faces in implementing redistributive programs. It should be stressed that most countries are facing several of these challenges simultaneously. However, the region lacks a comprehensive or coherent vision of the redistributive effort being made. The first challenge in this area is therefore to articulate a coherent vision of redistributive and human capital promotion policies, and ensure they are consistent with policies

to boost productivity and reduce levels of informal labor.<sup>26</sup> At the same time, it is important to acknowledge the complex economics of any reform initiative. For such initiatives to be successful, there must be a strong political will and a sequential approach, allowing achievements to be consolidated and progress to be made in the implementation of efficient redistributive policies. The need to consolidate redistributive programs with similar functions in order to enhance spending efficiency is noteworthy.

### **1. Tax credits, generalized subsidies, and tax expenditure**

- 3.10 The outlook for using tax credits to support the poor's income through a negative income tax are limited in the context of the high level of informal work typical in the region. However, the region offers evidence of successful experiences of reducing tax expenditure and generalized subsidies in favor of more efficient ways of targeting social investment resources. For example, the Dominican Republic eliminated the generalized gas subsidy and used the *Solidaridad CCTP* to compensate the poorest families, saving 75% on the pre-reform cost of the subsidy. Similarly, in late 2013 a reform was passed in Honduras to improve the targeting of the electricity subsidy, which is projected to reduce its cost from 0.3% to 0.1% of GDP. These experiences show that it is feasible to reduce social protection spending by opting for more efficient mechanisms, and the region needs to make further progress in this direction.

### **2. Conditional cash transfers**

- 3.11 Conditional cash transfer programs (CCTPs) have yielded highly positive results in redistributive terms and have increased the use of health and education services. However, it is important to reiterate that their two core objectives are supporting current consumption and promoting the accumulation of human capital by children and young people in the beneficiary households. Based on the theory of exchange that underpins them, CCTPs should not become a response mechanism for transitory shocks as many of the people affected are not on the register of beneficiaries. Moreover, increasing the coverage and value of CCTP transfers in a selective and temporary way creates administrative complications, and the changes often become permanent. It should also be stressed that CCTPs are not income or employment generation programs (topics covered in the Labor SFD).

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<sup>26</sup> This issue is related to the discussion of incentives introduced by health insurance and social pension programs, which have recently been scaled up in the region (see Levy and Schady, 2013). In the case of social insurance for health risks or aging, the debate focuses on the need to avoid disincentives to contribute to programs associated with formal employment, for which various authors have suggested instituting universal programs (Levy, 2008; Antón et al., 2012). In the case of redistributive programs for social protection for the poor and vulnerable, the debate focuses on the need to avoid the poor and vulnerable not looking for, or not accepting, formal work out of fear of losing their transfers. Both issues require careful program design to take account of participants' incentives.

- 3.12 **Register of beneficiaries.** Due to their scale and emphasis on poverty, CCTPs in a number of countries (for example, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, and Mexico) have created single beneficiary registers that are a powerful tool for managing not only transfers but also social inclusion services. The experience of developed countries shows the usefulness of having full and reliable electronic registries in order to be able to implement programs efficiently. In a number of countries, CCTPs are serving as a starting point and main gateway into social services networks by seeking to link into ECD services, labor intermediation and training, and education and financial inclusion services, etc.
- 3.13 **Targeting.** Although CCTPs are the most sharply targeted redistributive programs, there is considerable scope to reduce inclusion errors and under-coverage gaps (which are largely due to budgetary constraints).<sup>27</sup> In some cases, inclusion errors were due to weaknesses in the statistical selection methods used or in the operating mechanisms characterizing phases of expanding coverage. In others, improvements in welfare conditions among beneficiary households, also the result of public investment in the social sector and economic growth over the last decade, have allowed some beneficiary households to pass the eligibility threshold. It is therefore necessary to consolidate regular mechanisms for recertifying households' socioeconomic conditions and, where necessary, strengthen statistical selection tools and the associated operational processes, while taking care to ensure that beneficiaries do not have disincentives to improve their homes or invest in assets so as not to exceed the eligibility point. In this regard, in Ecuador around 200,000 families recently exited the *Bono de Desarrollo Humano* program as a result of the updating of the social registry, which permitted eligibility recertification and the prioritization of families in extreme poverty. Another important challenge for the design of these programs is to explore targeting mechanisms so that eligibility is not categorical, but benefits are inversely proportional to the household's socioeconomic level. This will limit potential negative incentives for households close to the eligibility threshold.
- 3.14 **Coordination with programs geared towards improving health and education service access and quality.** There is evidence that it is cost-effective to deploy CCTP programs with interventions improving access to and the quality of the services whose demand they promote (Saavedra and García, 2012). However, CCTP beneficiaries usually have more limited access to services and a lower probability of participating in programs geared to improving the quality of these services, primarily as a result of the difficulty these programs have operating in the poorest areas (Mancera et al. 2010). One of the big challenges for the future of CCTPs is to leverage their operational capacity and political visibility better to promote a more effective coordination model, with interventions focused on improving the supply and quality of services. In

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<sup>27</sup> Moreover, CCTPs exclude localities where there is no supply of education and health services where the poorest populations live.

- Argentina, the synergy between Plan Nacer (a payment program for performance in health) and the CCTP Asignación Universal por Hijo [Universal allocation per child] demonstrates the potential impact of coordination between a program that strengthens supply and one that promotes demand. Qualitative evaluations (SUMAR, 2013) show improvements in maternal-child health achieved through Plan Nacer that are attributable to the promotion of the use of health services by Asignación Universal por Hijo.
- 3.15 **Verification of joint responsibilities.** Verifying compliance with conditionalities remains an operational challenge in some countries. The cost of verification could be reduced if sectors had named information on enrollments and attendance available electronically. Experience in some countries that have explored this option suggests that strengthening information systems in education and health services is operationally complex and requires incentives to be put in place for the information to be completed adequately. Nevertheless, when efforts are led by the sector, as in the case of electronic school enrollments in Honduras, results are positive. With these efforts, the health and education sectors can leverage the presence of CCTPs on the ground to generate useful information with which to improve service access and quality (e.g., in terms of the incidence of drop outs and the underlying reasons).
- 3.16 **Relevance of joint responsibilities.** Although a certain amount of inertia has been seen in the design of conditionalities, a number of countries are implementing a new generation of programs with revised joint responsibilities relevant to the main challenges faced by poor population groups. For example, the Bahamas, Honduras, and the Dominican Republic are changing the conditions in education to create incentives to progress through school and obtain a high school diploma. In other countries health conditionalities are being modified to respond better to the population's epidemiological challenges (for example, to tackle child obesity in the Bahamas). It is also essential that joint responsibilities and the rules of program operation are adapted to the specific situation of indigenous peoples and Afro-descendants to ensure their cultural relevance (an issue that will be analyzed in the Gender and Diversity SFD). Several countries, such as Ecuador, Honduras, Mexico, and Peru, have made progress in this direction.
- 3.17 **Labor incentives.** There is a substantial body of rigorous evidence showing CCTPs do not have negative impacts on the labor-force participation rate among adults in beneficiary households. Moreover, several countries have taken preventive steps to avoid any drop in the formality rate among the eligible population. For example, some countries have excluded labor variables from records and from the eligibility form. In parallel, a number of programs are making significant efforts to improve labor participation by beneficiaries through linkages with active labor market policies—job training and intermediation, as analyzed in the Labor SFD—through national employment services (e.g., Mexico and Brazil) or through changes in the incentives structure (as in Chile). Analytical

work is required to evaluate the effectiveness of these measures in the region's countries.

- 3.18 **CCTPs in urban areas.** As a response to the challenges raised by urban poverty, a number of countries have successfully adapted CCTPs to urban areas. For example, in Brazil, the program is targeted based on declared income, and the registry is dynamically updated, allowing the ongoing entry and exit of beneficiary households. At the same time, countries like Colombia and Mexico have adjusted the joint responsibilities to better address urban problems (placing more emphasis on the preparatory level of secondary education and piloting direct transfer mechanisms to young people). In addition, in urban areas, the potential for linking CCTPs to active labor market policies is greater, and has given rise to significant coordination efforts, as described in the preceding paragraph.
- 3.19 **Gender considerations.** CCTPs have been questioned for imposing responsibility for fulfillment of the joint responsibilities on mothers, increasing their workload in the family and reinforcing their traditional role (Chant, 2008; Molyneux, 2008; Rodríguez Enríquez, 2011). Integrating information technology into the operating cycle has the potential to reduce the burden for families (by lowering the opportunity cost of receiving the transfers) and improve the verification of joint responsibilities. Moreover, to improve the impact of CCTPs in terms of gender, it is important to stress to the families the importance of men's involvement in child care and to promote their participation in the fulfillment of the joint responsibilities in health and education. The gender agenda is undoubtedly broader, and there is room to explore innovations in CCTPs in order to contribute to this dimension.
- 3.20 **Financial inclusion of beneficiaries.** As described in Section II.A, countries like Brazil, Colombia, Ecuador, Mexico, and Peru have started to promote financial inclusion among CCTP beneficiaries by paying their transfers into a bank account. Peru and Colombia have explicit financial inclusion policies for vulnerable populations, including CCTP beneficiaries. These measures have managed to bring the poor population into the formal financial system on an unprecedented scale: in Colombia alone, bank accounts were set up for 2.6 million households. The challenge for the region is to offer financial education programs for these population groups, and to develop regulatory frameworks for charges and commissions by participating financial institutions (Maldonado and Tejerina, 2010).
- 3.21 **Financial sustainability.** Experience in the region shows that CCTPs' budgets tend to grow over time, as coverage expands and transfer values rise, stabilizing in middle-income countries at around 0.4% of GDP. During the early years of implementation, countries generally received technical and financial support from the Bank and other multilateral agencies. In the medium term, countries have absorbed most of the investment in CCTPs with tax revenues, and the Bank has remained involved as an important strategic and technical partner. The region's experience shows that the challenge of financial sustainability can be tackled by

means of reallocations within the portfolio of redistributive programs (Paes-Sousa et al., 2013). In some cases, the debate over financing considers replacement of generalized subsidies, tax expenditure, and price controls, which produce market distortions and are characterized by their poor targeting, with targeted, non-distorting transfers (see paragraph 3.10). However, in a less favorable macroeconomic context, the region's countries will have to enhance the efficiency of their social protection programs for the poor and vulnerable in order to maintain and build on their achievements in poverty reduction.

- 3.22 **Institutionalization of CCTPs.** The consolidation of CCTPs requires that the programs operate with clear, transparent criteria regarding coverage and rules of operation. It also demands that CCTPs be government policies that are not associated with any administration, executed by technical professionals, and subject to social audits and continuous monitoring. The challenge is to consolidate the progress made in recent years and extend it to all of the region's CCTPs in the context of strengthening the institutions responsible for social protection policies for the poor and vulnerable (see Section III.D).

### **3. Temporary Employment Programs**

- 3.23 The diagnostic assessment presented highlights the importance of having tools with which to address situations of transient poverty. In the Labor SFD, the Bank has proposed social insurance policies against unemployment that include subsidies on the contributions from people on low incomes. Similarly, in the case of rural producers, the Agriculture and Natural Resources Management SFD proposes supporting efforts to manage producers' risks from natural threats such as floods and drought. Given that coverage by these instruments is low among the poor, ad hoc alternatives, such as TEPs, are needed although their use would gradually be reduced as social insurance and risk coverage increase. These measures need to be implemented in coordination with national employment systems in order to ensure they are consistent with employment policies and do not distort the labor market. Coordination is also needed to ensure they do not create undesired incentives in terms of intertemporal consistency and participation in social insurance mechanisms.

### **C. Progress and challenges for the provision of social services**

- 3.24 To consolidate and expand the benefits of CCTPs, and in response to trends in poverty and vulnerability, the region has developed initiatives to promote social inclusion through differentiated social services. Thus, programs have been implemented that promote ECD, particularly among the poor, together with programs to promote positive trajectories among vulnerable young people. It is worth highlighting that the vulnerability of young people is strongly associated with living in poverty, such that although programs in this area are not always targeted by the level of poverty, there is significant overlap between the two conditions (Cunningham et al., 2008). At the same time, several countries have begun to develop approaches to ensure proper care for poor and vulnerable older

- people. In this regard, there has been innovation with significant efforts to create social networks providing support services to promote social inclusion.
- 3.25 There are two crosscutting challenges for the delivery of social services in the region. The first is the emphasis on quality of both sectoral and differentiated services. As the Health and Nutrition and Education and Early Childhood Development SFDs show, countries are taking measures to enhance the quality of health and education services for the entire population and to guarantee that poor and vulnerable population groups have effective access to these services. In relation to this topic, another crosscutting aspect is the need for professional human resources able to provide quality differentiated services. This requires the definition of minimum skills and care protocols for the various social services.
- 3.26 Private sector participation as social service providers can help increase coverage and improve the quality of the services. To achieve these results, it is essential for the government to be strengthened as the sector's governing body, developing service protocols and quality standards, and ensuring their fulfillment through continuous monitoring. This includes services provided by for-profit or nonprofit organizations and structures in which families contribute part of the cost of the social services as well as those where the government covers the entire cost. Following this logic, there is a need to explore the use of contracts employing the results-based payment method or other instruments that promote the efficient use of public resources.
- 3.27 Social services can also represent a platform for promoting gender equity and women's empowerment and addressing special vulnerabilities (e.g., exposure to domestic violence). These services reduce the amount of work in the home and can promote its more equitable division. Specifically, ECD programs promote childrearing practices in which fathers and mothers share responsibilities more equitably and, along with elder care services, help reduce the need for care at home, facilitating women's participation in the labor market. Moreover, services for young people aim to promote the development of socioemotional skills among adolescent men and women for responsible sexuality and early pregnancy prevention. Lastly, getting close to the families as part of the family support and networked services helps identify situations of risk and connect women with domestic violence prevention and care services in a timely manner.

#### **4. ECD programs**

- 3.28 The first care services in Latin American and Caribbean countries date back to the late nineteenth century, but it was in the seventies that public programs offering large-scale care services in various countries became consolidated (Araujo et al.,

- 2013).<sup>28</sup> Originally, care services were conceived of by some countries as a public policy to facilitate women's workforce integration and had less (or no) emphasis on promoting child development. This vision has evolved and today most programs offering care services recognize child development as one of their priority objectives (Araujo and López Boo, 2013).
- 3.29 **Coverage gap.** There are no systematic data on the coverage of childhood development programs in the region. Schady (2006) analyzes coverage of preschool services, which, although not being part of the definition of ECD for this SFD, serve as an upper limit on coverage in the 0-3 year age group. With information for 17 countries, it is calculated that around the end of the 2000s, preschool coverage in the region was in the 30% to 90% range. It has also been shown that there is a broad coverage gap between homes in the wealthiest and the poorest quintiles, exceeding 25 percentage points in some cases. This highlights the need to broaden coverage of these services among the poor and vulnerable, which is the group for which the benefits of these programs are greatest.
- 3.30 **Quality.** The quality of care services in the region is quite mixed, but on the whole, very low (Araujo et al., 2014; Bastos and Cristia, 2012; Bernal et al., 2012). Countries such as Colombia, Ecuador, Mexico, and Peru have made significant efforts to improve the quality of their care services, and Jamaica has made efforts to improve the quality of preschool services. Some of these initiatives are being evaluated experimentally with the Bank's support. Together with these investments, a challenge the countries share is implementing permanent monitoring systems and continuously improving the quality of their services.
- 3.31 **Human resources.** ECD programs face major difficulties in terms of human resources. People working in child care are traditionally poorly paid. It is also frequent for them to work voluntarily or without being formally employed by the program, which contributes to high turnover rates. Under these circumstances, little can be expected in terms of staff's professional training. Araujo et al. (2013) report that levels of schooling among workers in the region's ECD programs are lower than the program's own requirements, and they also offer very limited opportunities for job-skills training. Alternatives are therefore required to build skills and create incentives for staff in charge of early childhood programs to stay.
- 3.32 **Behavioral changes.** In both institutional care settings and in the home, interactions between adults and children are a key factor in achieving sensitive, personalized care that motivates learning. Achieving quality interactions requires behavioral changes in parents and caregivers. There is still little evidence on the

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<sup>28</sup> Larger-scale national programs in the region include *Hogares Comunitarios de Bienestar Familiar* in Colombia (reaching over 1.1 million children in 2011) and *Programa de Educación Inicial del Consejo Nacional de Fomento Educativo* in Mexico (parental support services reaching 435,000 children in 2011).



most cost-effective mechanisms enabling this type of change and ensuring high-quality care environments during early childhood in both the home and in child-care centers. This issue is complicated by the region's cultural diversity and the variety of childrearing practices.

## **5. Progress and challenges in programs and services for young people**

- 3.33 The current demographic dividend has put the importance of investing in human capital and young people's skills on the agenda for promoting productivity. Moreover, most governments in the region have explicitly recognized young people's right to better opportunities. In this context, three categories of large-scale program for poor and vulnerable young people implemented in the region stand out. The main programs linking these young people to educational services are CCTPs (discussed previously under the category of redistributive programs). In some cases, CCTPs have incorporated family support (for example, in Paraguay this has been used to reduce child and youth labor). Programs that are linked to training offered to young people finishing secondary education also stand out. For example, the *Projovem* program in Brazil coordinates actions by several ministries through the SUAS to keep teenagers in the school system and offer them vocational education options. In Colombia, young people exiting the "*Familias en Acción*" CCTP are being encouraged to take up training through the *Servicio Nacional de Aprendizaje* [National Learning Service] (SENA). One challenge these programs face is building links to labor intermediation services so as to improve young people's job prospects. Lastly, there are programs to promote social inclusion and development of socioemotional skills (which are important to ensure young people remain on productive life trajectories), through musical education, with an emphasis on group working skills. The only large-scale program in this group is the *Sistema Nacional de Orquestas y Coros Juveniles e Infantiles* [National system of youth and children's orchestras and choruses] in Venezuela, which has almost half a million beneficiary children and young people. The system has been replicated on a smaller scale in over thirty countries both inside and outside the region.
- 3.34 **Coverage gaps.** With the exception of the programs mentioned in the preceding paragraph, there is no systematic information on the supply and coverage of services and programs for poor and vulnerable young people in the region. There is a multiplicity of small-scale programs based on sports or artistic activities, support and mentoring, and education associated with risk behaviors.<sup>29</sup> However,

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<sup>29</sup> For example: (i) *Fábricas de Cultura* in Brazil, which encourage participation by children and young people between 7 and 19 at high risk due to levels of violence and social exclusion in the more vulnerable districts of greater Sao Paulo in artistic and cultural activities; (ii) *Programa Jóvenes en Red* in Uruguay, which aims to reverse youth inactivity by encouraging the poorest young people to return to the education system and/or link to employment opportunities through tailored support looking for alternatives and promoting the skills and capabilities training; and (iii) *Programa Puntos de Encuentro* in Nicaragua, which disseminates content through soap operas created specifically for young people.

the supply of differentiated social services for young people is inadequate in relation to the size of the youth population exposed to risk factors (between 25% and 35% according to Cunningham et al., 2008).

- 3.35 **Knowledge gaps.** Little is also known about the quality, effectiveness, and impact of existing services in the region. For the design and implementation of differentiated social services for young people, rigorous evidence needs to be generated on the most effective practices to prevent and substitute young people's risk behaviors and on the determinants of youth vulnerability.

## **6. Challenges for networked service provision**

- 3.36 One of the biggest challenges that Latin American and Caribbean countries face in relation to social services for social inclusion is integrating these services into networks to facilitate coordination of the government institutions responsible for their design, funding, regulation, implementation, monitoring, and evaluation. On top of the coordination challenge, coverage is limited, and there is a shortage of human resources qualified in differentiated social services, as discussed in the sections on ECD and youth services.
- 3.37 Several countries in the region, including Barbados, Brazil, Chile, Colombia, Ecuador, and Uruguay, have adopted family support strategies to build networks. These programs perform several functions, such as supporting verification of joint responsibilities in CCTPs, coordinating various service providers based on work with families, and having an impact on the determinants of vulnerability, which can only be done by taking a close, continuous approach (Jara, 2013). However, there are serious coverage gaps and this mode of intervention faces the challenge of growing without losing the quality of the relationship built with the families.
- 3.38 No studies in the region have yet reported on the costs of family support or its advantages relative to alternative interventions. It has been suggested that interventions with the family unit may be more cost-effective than working with individuals, particularly when seeking to link various services to the same family. Robust economic and impact analysis therefore needs to be performed to support this hypothesis.
- 3.39 Lastly, policies for the elderly have taken on greater prominence, and the associated challenges are set to increase. Argentina, Brazil, Chile, and Uruguay have made headway on care programs and modalities for the elderly (in both day centers and homecare services), including staff training to raise awareness about caring for the elderly and linking low-income elderly people to social services. The challenges include consolidating the institutional care model for the elderly and defining the scope, type, targeting, quality of service, and funding needs. Moreover, just a handful of countries in the region have a systematic diagnostic assessment in this area. It is therefore necessary to deepen our understanding of the characteristics of the population's aging process, including elderly people's degree of dependence and vulnerability of their households.

**D. Institutional organization of the sector**

- 3.40 Although Latin American and Caribbean countries recognize that poverty is a structural characteristic rather than a short-term cyclical problem, and requires a long-term vision and sustained, systematic interventions to address it, structuring and organizing piecemeal programs to support the poor and vulnerable is a challenge. To address this challenge, progress is needed towards institutionalizing social protection policy.
- 3.41 Based on the formal elements of institutional development listed in Table 1 of the Annex, high levels of institutional consolidation can be identified in Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Uruguay. In the remaining countries, the areas where there are greater opportunities for progress are evaluation, budget, rules of operation, and beneficiary registries.
- 3.42 The sector's main challenge in institutional terms is consolidation, and in some cases development, of the processes and agencies tasked with designing, implementing, and monitoring social protection programs. This can be achieved through a single ministry bringing all the functions together or by coordinating various agencies. Rigorous evidence needs to be produced in this area on the relationship between the type of institutional organization and impacts of the sector and the elements necessary for institutions to perform their functions.
- 3.43 The challenge of institutional organization is all the more relevant in countries with decentralized government systems. The region's countries have developed interesting models for cooperation between national and local governments. For example, most of the implementation of the *Bolsa Familia* program is in the hands of Brazil's 5,700 municípios, based on contracts signed with the federal government. Likewise, in Colombia, the national government and local governments signed formal joint responsibility agreements defining the obligations of each party. In all cases, the national authorities maintain responsibility for setting the policy agenda, planning (of design and evaluation), determining operating rules, and the budget (Paes-Sousa, et al., 2013).
- 3.44 On balance, as regards the main progress and challenges in poverty and social protection, the region has made noteworthy progress on the use of efficient redistributive programs promoting the accumulation of human capital among the poor. There are undeniably many challenges to address, some of which arise out of these programs' expansion and consolidation. In addition, changes in poverty and vulnerability, together with demographic trends and urbanization, present significant challenges for increasing social inclusion and productivity of the poor and vulnerable. Governments have therefore responded with a diversity of interventions promoting early childhood development, keeping young, vulnerable people on productive trajectories, and supporting the most vulnerable families. In this context, one challenge is to look beyond individual programs, taking a strategic view of the social protection and poverty sector as part of a comprehensive antipoverty strategy.

#### **IV. LESSONS LEARNED AND IDB EXPERIENCE IN SOCIAL PROTECTION FOR THE POOR AND VULNERABLE**

##### **A. Report of the Office of Evaluation and Oversight (OVE): “Review of IDB Support to Secondary Education” through CCTPs 2000-2011**

- 4.1 The Bank’s Office of Evaluation and Oversight (OVE) has not undertaken sector evaluations on the main themes identified in this SFD in the last ten years. However, as part of the “Review of IDB Support to Secondary Education,” OVE analyzed the education component of 20 CCTPs in the region. OVE recognizes the Bank’s work in supporting the full secondary education cycle through CCTPs. To continue these efforts, the office recommended undertaking more analytical work to develop alternatives allowing the benefits of CCTPs to be expanded to all levels of secondary education. OVE also recommended strengthening the results matrix, the vertical logic, and evaluation activities, and designing pilot projects to support the Bank’s operational activities. Lastly, OVE suggested creating a system to accumulate institutional knowledge on CCTPs, including: evaluation agendas consistent with operation timetables; monitoring and evaluation workshops with the participation of counterparties and Bank employees; running evaluations that help identify and monitor operational risks; and a knowledge system enabling dissemination of lessons learned based on rigorous evaluations.
- 4.2 The Bank has supported changes in the structure of CCTP transfers in Honduras, Mexico, and Peru to encourage secondary school attendance, while in the Bahamas school performance was promoted by supporting young people through mentoring programs when needed as part of a system of joint responsibilities. The Bank is also supporting countries’ efforts to develop evaluations to confirm that the changes are yielding the desired results and to measure other relevant impacts. Also in line with the OVE’s recommendations, the Bank has placed emphasis on project logic and results matrices (as observed in the analysis of the dimensions of the Development Effectiveness Matrix (DEM)), and is developing knowledge products on operational challenges, long-term impacts, and other options supplementing CCTPs to address the challenges in terms of social protection and poverty discussed in Section III.A. In conjunction with the Office of Strategic Planning and Development Effectiveness (SPD), work is underway with executing agencies to strengthen their impact evaluation and process capacity, emphasizing the quality of studies and the formulation of recommendations so as to allow project implementation to be improved.

##### **B. Results of the Development Effectiveness Matrix**

- 4.3 Key aspects of the design of social protection projects have been strengthened in recent years, such as sector diagnostic assessments, evidence-based identification of interventions, and planning of monitoring and evaluation (see Annex, Table 7). In 2013, performance of the five operations approved for the sector was equal to or above the Bank’s averages in dimensions such as “program logic” (diagnostic assessment, evidence-based solutions, results framework) and “evaluation and

monitoring,” and below average on the “economic analysis” dimension, although the average was 8.9 out of 10.

- 4.4 The “program logic” dimension showed an improvement, primarily in terms of the quality of the proposed solutions, indicating that the interventions supported by the Bank’s operations in the sector were based on relevant and up-to-date studies and diagnostic assessments. On the “economic analysis” dimension scores rose consistently over time, indicating that the use of cost/benefit analysis or cost-effectiveness tools has become widespread in sector projects. The score on the “evaluation and monitoring” dimension rose from 6.9 in 2009 to 10 in 2013, as a result of the strengthening of operations’ monitoring and evaluation plans and the intermediate and final results frameworks considered to be of higher quality than the Bank’s average. In this regard, social protection and poverty operations stand out for their having solid evaluation plans allowing their impacts and the validity of their programs’ theory of change to be measured in areas where new knowledge is required. The proportion of social protection and poverty operations with experimental or quasi-experimental evaluations (76% between 2009 and 2013), is considerably higher than for the rest of the Bank’s operations (31%). Moreover, this percentage rose from 67% in 2009 to 100% in 2013.
- 4.5 In short, all of the IDB’s projects in the sector in 2013 were classified as highly evaluable. The Bank is committed to the lessons learned from impact and process evaluations being used as inputs for countries’ public policies and guiding action in the sector.

### **C. Lessons learned from the IDB’s operational experience**

- 4.6 The analysis of a sample of 26 operations in 13 countries by the Bank’s Knowledge and Learning Sector, based on an in-depth review of the operational documents and interviews with project team leaders and institutional counterparts, enabled the lessons learned, which are presented in this section (and summarized in Box 2 of the Annex), to be gathered.<sup>30</sup> The majority of the operations contain elements supporting CCTPs (16 operations) and accompany reforms to social protection systems for the poor and vulnerable (12 operations). However, operations financing social inclusion programs (four ECD programs, two targeting at-risk youth, and two family support programs) were also considered.
- 4.7 **Institutional coordination.** Coordination between the various ministries and levels of government is essential when implementing redistributive and social inclusion programs aimed at promoting demand for sector services offered by other institutions, typically ministries of education and health, and in

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<sup>30</sup> To conduct this analysis, 12 sovereign guaranteed operations were selected; the documents analyzed included loan proposals, loan contracts, results matrix, risk matrix, institutional capacity assessment reports, operating regulations, annual work plan, technical cooperation operations supporting the loans, progress monitoring reports (PMRs), midterm and final evaluation reports, project completion reports (PCRs), and interviews with project team leaders and executing agencies.

decentralized countries, by subnational governments. Regional experience highlights the importance of having coordination mechanisms with legal, operational, and budgetary capacity to facilitate dialogue and coordinate actions allowing the development of integrated strategies to implement social protection programs for the poor and vulnerable. In this regard, establishing concrete targets, allocating specific budgets—down to territorial level—and having information systems and mechanisms enabling accountability, are critical tools for generating interagency synergies. Some Latin American and Caribbean countries have managed to frame these coordination efforts in integrated social development strategies that specify the scope, stakeholders, targets, and responsibilities in the design, implementation, and monitoring of programs.

- 4.8 **Joint responsibilities and organization of service provision.** Challenges still remain for ensuring that social protection program beneficiaries have effective access to quality sector services. In CCTPs, verification of joint responsibilities creates an opportunity to strengthen sector information systems and generate information that is useful when planning to expand the service offering. It is also necessary to adapt conditionalities so they encourage relevant behavioral changes based on the context (for example, in some countries school attendance is universal, so performance-based conditionalities have been proposed, an alternative that needs to be explored to see its results in practice). Results-based financing mechanisms also need to be consolidated on the supply side to change behaviors among service providers—an issue mentioned in the Health and Nutrition SFD—and help close the gap between demand and supply in terms of access and quality.
- 4.9 **Targeting and managing beneficiary registries.** Experience with CCTP suggests that the country context and program size need to be taken into account when selecting the targeting mechanism. For example, geographical criteria are appropriate in areas with a high incidence of poverty and a uniform socioeconomic structure, and facilitate the processes involved in managing the expansion of health and education services attached to CCTPs as joint responsibilities. Proxy means tests reduce inclusion errors but are more expensive to operate and pose a number of technical challenges, such as the need for periodic review to reflect the shifting correlation between assets and poverty, and they make managing complementary services more difficult when they result in a scattering of beneficiaries. Experience also shows that it is necessary to adapt statistical models when the program expands to urban areas. It is also crucial to strengthen the technical capacity to manage beneficiary registers and design recertification strategies. Databases on fulfillment of joint responsibilities may be used to identify families that, for some reason, are not complying and channel them to specialized social services (for example, family support). A single registry of social protection program beneficiaries linked to monitoring systems can be a valuable tool in managing networked social protection programs.

- 4.10 **The financial inclusion process for beneficiaries.** Experience in CCTPs with electronic payments indicates the need for specific activities to promote effective financial inclusion. Beneficiaries need to be given support to facilitate the transition from cash payments to electronic payments, and negotiations need to be conducted with financial institutions so that beneficiaries can access other types of financial services.
- 4.11 **Early Childhood Development.** In recent years integrated ECD programs have been implemented, offering support in areas such as nutrition, maternal and infant health, training, and broader preschool coverage, and supporting registration of births in poorer rural communities. However, these initiatives face interagency coordination challenges and persistent challenges in defining minimum quality standards for service provision and establishing effective monitoring and evaluation mechanisms. Experience in the region suggests that support needs to be given with training and ongoing feedback to ECD service providers in order to guarantee quality standards, regardless of whether providers are public or private.
- 4.12 **Youth services.** Experience in the region shows that interventions for young people have been scattered and marginal, with little evidence of their cost-effectiveness. Therefore, bearing in mind the multidimensional nature of the risks and the situation of youth vulnerability, it is necessary to develop programs based on theories of change that make it possible to show a clear delimitation of the problem to be addressed and the causal logic of how to achieve the planned outcomes. These interventions should include an evaluation component making it possible to generate rigorous knowledge on program effectiveness.
- 4.13 **Monitoring and evaluation.** CCTPs have contributed to the development of rigorous monitoring and evaluation agendas, enabling validation of change theory and feedback, with innovations, on program design and implementation. Moreover, in the case of at-risk youth and, to a lesser extent, ECD, there are knowledge gaps as to the most appropriate interventions. One challenge for the region is to institutionalize evaluation strategies as rigorous as those for CCTPs, combining impact evaluations with evaluations of processes, and tailoring them to the features of new social inclusion programs. In this regard, direct technical assistance has been provided to promote rigorous evaluation methodologies in the framework of operations, in the context of regional policy dialogues, and in training activities designed for Bank clients. It is also important for the Bank to support evaluations allowing research not only into what works but also why (or why not), seeking to use administrative data and putting the emphasis on mediation (to ensure that the concepts discussed in evaluations are relevant and appropriate). This calls for research into the motivations behind the behaviors that programs seek to change in order to be able to design effective interventions.
- 4.14 **Financial instruments for social protection projects.** The Bank has used various instruments to support the implementation of social protection policies and programs. Programmatic instruments have proven effective in supporting sector reform and social expenditure streamlining processes to enhance their

efficiency (as in the cases of Jamaica, the Dominican Republic, and Peru, etc.). Investment loans have also managed to ensure very close technical support by the Bank to promote design and operational innovations, for example. Moreover, investment loans have been the ideal instrument for strengthening the supply of services associated with social inclusion policies. Both instruments have enabled the development and consolidation of monitoring and evaluation systems with notable achievements, for example, in CCTPs and more recently, in the ECD area.

- 4.15 **Consolidation of social protection policies.** The Bank's work over the last 15 years has shown that at the strategic level it is necessary to have a programmatic approach with ongoing technical support allowing the programs analyzed to adapt to the demographic and socioeconomic changes in the region's countries. The Bank has supported countries in the region on the consolidation of the social protection sector as the backbone of the various sectors involved in social inclusion, helping develop the human capital of households living in poverty. The Bank has also supported the development of innovations and has facilitated the exchange of experience between the region's countries.

**D. The Bank's comparative advantages in the social protection and poverty sector**

- 4.16 The Bank has a strategic presence in the region on social protection issues, with a portfolio of loans and technical cooperation operations in 22 of its 26 borrowing member countries. The portfolio of social protection operations or operations with a social protection component currently in execution comprises 28 loans (12 with CCTP support components, seven with components in the ECD area, six in youth, and seven in social services network integration) representing over US\$2 billion, and 45 technical cooperation operations, with a value of US\$30 million, including four regional technical-cooperation operations.
- 4.17 Since the mid-nineties, the Bank has supported the design, implementation, and evaluation of the main social protection programs in the region: social investment funds, CCTPs, and more recently, ECD, youth, and family support programs. For example, in the late nineties, it was a pioneer in supporting the development of innovations such as CCTP in small and vulnerable countries such as Honduras and Nicaragua, and in supporting the consolidation of CCTPs in a middle-income country (Mexico). Since then, the Bank has supported numerous interventions in the region; the number of countries in which it has CCTP operations rose from seven to 18 between 2002 and 2012. The Bank has demonstrated rigorous knowledge, flexibility, and creativity in this process, working in partnership to adopt and adapt programs to each country's particular needs. Reforms have been supported to increase the efficiency of social expenditure and avoid duplication across programs, with an emphasis on targeting and results monitoring. The Bank has also facilitated intraregional cooperation on operational experiences. As part of a south-south cooperation exercise, the Bank contributed to knowledge sharing on CCTPs with countries in the region and on other continents.



- 4.18 In the case of ECD, the Bank is also recognized for its leadership. In the last five years it has provided technical and financial support to countries including Bolivia, Colombia, Ecuador, Jamaica, Nicaragua, Paraguay, Peru, and Suriname, in various technical assistance activities. These included documenting the existence of socioeconomic gradients in levels of child development from a very early age, evaluation of service quality, and strengthening the sector's institutional framework. The Bank is also supporting rigorous evaluations to identify cost-effective interventions to be scaled up. All this positions the Bank as a point of reference on the development, implementation, and evaluation of ECD policies and programs in the region.
- 4.19 Thanks to its proximity and ongoing dialogue with the region's countries, the Bank has contributed to the institutionalization of social protection policies for the poor and vulnerable, as well as to interagency coordination processes. For example, through policy-based loans and high-level technical support, it recently helped Peru set up and consolidate a Ministry of Development and Social Inclusion. It has also provided similar support to other countries, such as Ecuador, Honduras, the Dominican Republic, and Uruguay, to mention just a few.
- 4.20 The Bank is an acknowledged leader in impact evaluation. CCTPs marked a paradigm shift in terms of monitoring and evaluation, and the Bank has taken part in technical discussions and promoted the use of evaluations for program improvement. Moreover, the Bank has worked closely with evaluation offices in the countries, which normally give priority to the evaluation of social protection programs (for example, the National Planning Department in Colombia, and the *Consejo Nacional de Evaluación de la Política Social y Medición de la Pobreza* [National council for evaluation of social policy and poverty measurement] in Mexico).
- 4.21 The IDB's technical and dialogue capacity has enabled it to respond to countries' needs and to support work on emerging topics, such as youth and family support programs, care for the elderly, and support for people with different abilities. Through technical assistance and regional and subregional policy dialogues, the Bank is leading efforts to develop, implement, and evaluate cost-effective alternatives to meet these needs. For example, the Bank is currently financing regional technical cooperation on policies for the elderly in the Southern Cone, and has previously supported Chile's development of innovative models of care for the elderly.
- 4.22 The Bank's analytical work, alongside its loan operations, technical cooperation work, and country policy dialogue, is another of its most important comparative advantages. The Bank stands out for its broad knowledge agenda. In the last three years, for example, the Bank's Social Protection and Health Division has produced 33 publications on social protection and poverty (books, technical notes, working documents, and monographs), as well as numerous studies published via external channels. To these are added various publications by specialists in other areas of the Bank, such as the Research Department, the Social Sector, the Vice

Presidency for Sectors and Knowledge, and OVE. In the case of ECD, the Bank has made progress on the generation and implementation of the Regional Program of Indicators for Child Development, and the next edition of the Research Department's flagship publication, *Development in the Americas*, will be on the subject of ECD. The IDB's blog on ECD has also become a benchmark in discussion of the topic in the region.

- 4.23 There are areas of social protection for the poor and vulnerable where the Bank, recognizing the experience and institutional capacity of other actors, is not seeking the leadership role. For example, on matters concerning institutions for children without a family, partnerships will be strengthened and joint activities promoted with institutions such as the United Nations Children's Fund (UNICEF), along with local and international nongovernmental and civil society organizations.

## **V. TARGETS, PRINCIPLES, DIMENSIONS OF SUCCESS AND LINES OF ACTION THAT WILL GUIDE THE BANK'S OPERATIONS AND RESEARCH ACTIVITIES**

- 5.1 This SFD proposes that the fundamental goals of the Bank's work in social protection for the poor and vulnerable should be supporting minimum levels of consumption by the extremely poor through mechanisms favoring capacity building, promoting the autonomy of poor and vulnerable persons, and offering special protection for those whose situation of dependency means they have specific care needs.
- 5.2 Three dimensions of success have been defined to achieve these goals. These are related to efficient redistributive programs for the extremely poor, and for the poor and vulnerable, promotion of early childhood development, and access to quality differentiated social services. These dimensions were defined to respond to the region's challenges, based on international evidence and best practices, significant progress made in the region, and lessons from the Bank's operational and analytical work reported in this SFD. They also make it possible to coordinate actions by the Bank and the countries towards concrete goals that reflect the region's aspirations.
- 5.3 It is acknowledged that the challenges and priorities in terms of social protection and poverty vary from one country to another, according to their legal and constitutional framework, the stage through which they are passing in the socioeconomic and demographic transition, and their financial and institutional capacities. Additionally, the geographic scope of interventions (urban and/or rural) and the concentration of indigenous or Afro-descendant populations raise specific challenges that need to be taken into account. The Bank's actions will therefore be adapted to each country's specific needs. That said, the following guiding principles have been defined for the Bank's operational and analytical work:

- a. **Social returns on investment.** High social rates of return will be sought, supporting interventions of proven cost-effectiveness, with an emphasis on the most efficient execution mechanisms. This will be achieved by conducting robust ex ante economic analyses for all projects. Projects will be based on the most recent and relevant evidence available, and will consider accumulated experience at global and regional level. If significant knowledge gaps exist, projects will seek to produce evidence and contribute to closing the gaps.
  - b. **Promoting opportunities.** The aim will be to help provide families and individuals living in poverty and vulnerability with concrete opportunities to develop their capacities and improve their living conditions in a sustainable way. This will be achieved by verifying that the interventions' implementation plans include provisions for ensuring the sociocultural adaptation of services to ethnicity or gender, and responding to regional, national, and local contexts and needs.
  - c. **Cooperation.** Close collaboration will be sought with the main stakeholders involved in policy formulation and provision of social protection services for the poor and vulnerable population groups. These stakeholders will include governments, the private sector, civil society, and other international institutions. South-South cooperation between countries of the region and other developing regions will also be promoted. In this context, ongoing dialogue will continue with the countries, both directly and in regional forums, to identify and present success stories on the core issues raised by this SFD, as well as emerging issues that arise in the region.
  - d. **Intersector coordination.** In view of the fact that poverty and vulnerability have multiple dimensions, the Bank's work on social protection for the poor and vulnerable requires coordination with the health and nutrition, education, work, citizen security and justice, gender and diversity, and fiscal areas. This will be achieved by forming cross-divisional work teams within the Bank and promoting cooperation among the various governmental stakeholders.
- A. **Dimension 1. People in extreme poverty have access to efficient redistributive programs supporting consumption that promote development of their capacities in a way consistent with policies to boost the economy's productivity.**
- 5.4 This dimension of success highlights the importance of having efficient redistributive programs that target benefits on those who need them most, and do not cause distortions in product markets or disincentives in the labor market. It is also necessary to strengthen the capacity-building of extremely poor households so they can access the opportunities generated by economic growth. To this end the following lines of action are proposed:
- a. **Consolidation of CCTPs.** Investing in the development and evaluation of operational innovations in CCTPs to improve their redistributive efficiency,

their synergies with sector interventions, and their impacts in terms of capacity-building.

- b. **Subsidiary use of other redistributive instruments.** Reducing generalized subsidies and strengthening tools (for example, temporary employment programs) to address situations of transient poverty in the absence of comprehensive social insurance mechanisms.
- 5.5 In order to implement these lines of action, the Bank intends to support the financing of the following activities:
- a. Technical assistance, investment, and analytical work to develop innovations that achieve effective and dynamic handling of the registry of beneficiaries, improving targeting—particularly in urban areas—the process of registration, verification of compliance with joint responsibilities, confirmation of payments, and establishing a regular and transparent recertification mechanism.
  - b. Technical assistance, investment, and analytical work to ensure that joint responsibilities are relevant and contribute to reducing poverty. In the case of education, for example, the use of conditionalities to close gaps in child development, promote secondary education, and explore alternative ways of linking incentives to performance and not just school attendance. In the case of health, without neglecting the child and maternal health agenda, revisions are proposed to encourage risk screening and the use of appropriate prevention and management protocols for chronic, noncommunicable diseases, and also to strengthen health care and counseling service on sexual and reproductive health for adolescent men and women. To increase the impact of the programs in terms of gender, men's involvement in the fulfillment of joint responsibilities will be promoted. The guiding principle must be to keep operations simple (so that joint responsibilities are easy to verify) and relevant in order to narrow gaps affecting the extremely poor's ability to develop their skills, while also avoiding compliance difficulties preventing the most disadvantaged population groups from participating in the program.
  - c. Analytical work to explore innovations in CCTP structures, including alternatives combining transfers with incentives for formal work by beneficiaries, and non-category-based targeting mechanisms. The Bank will leverage its portfolio of operations in middle-income countries to evaluate the impacts of innovations regarding joint responsibilities. In parallel, analytical work will be done to identify and study the effects of CCTPs on children and young people over the medium and long terms.
  - d. Technical assistance, investment, and analytical work to promote financial inclusion among transfer program beneficiaries. Given the increased contact with the financial sector, innovations will be supported on transfer payment mechanisms and financial education programs.

- e. Investment and technical assistance to support temporary employment programs, in an ad hoc and subsidiary manner, in coordination with the Labor Markets Unit (LMK) and following the criteria of the Labor SFD, in order to address systemic shocks having a particular impact on people living in extreme poverty.
  - f. Technical assistance to reduce tax expenditure as much as possible and use of generalized subsidies for household utilities, gasoline, and foods. The design of alternatives will be supported to promote more efficient ways of targeting public resources aimed at supporting consumption. These actions will be carried out in coordination with the Fiscal and Municipal Management Division (FMM).
- B. Dimension 2. Children under four years of age living in poverty and situations of vulnerability receive care (in the home and/or at care centers) stimulating their comprehensive (cognitive, socioemotional, and physical) development.**
- 5.6 This dimension aims to support the countries' efforts to strengthen parental support services and care services, with the aim of having long-term impacts and reaching the entire poor and vulnerable population. To this end the following lines of action are proposed:
- a. **Coverage.** Efforts will be made to expand access to child care and parental support services, particularly for the poorest and most vulnerable strata.
  - b. **Quality.** Efforts will be made to ensure that child care and parental support services for the poor and vulnerable population groups are of high quality.
- 5.7 In order to implement these lines of action, the Bank intends to support the financing of the following activities, in coordination with the Education Division in the framework of the Education and Early Childhood Development SFD:
- a. Technical assistance, investment, and analytical work to pilot the delivery of ECD services through various modes of care, evaluating their cost-effectiveness and identifying the most promising models to scale up. Subsequently, technical assistance and investment to scale up the most efficient arrangements.
  - b. Technical assistance and investment to create and implement quality assurance systems for child development services (measuring quality, defining standards, monitoring systems, and systematic actions to improve them).
  - c. Technical assistance and investment to strengthen the sector's institutional framework, including: (i) improvements in coordination between sectors and levels of government; (ii) development of information systems enabling proper monitoring of children's comprehensive development; (iii) implementation of accountability systems improving the efficiency of administrative processes; (iv) promoting reforms to ensure sustainable sources of financing; (v) strengthening and expanding specialized human resource

training processes; and (vi) instituting adequate and competitive employment conditions for staff entrusted with child care.

- d. Technical assistance and investment to strengthen curricular coordination and activities to ensure quality transitions between different child-care settings (home, care center, and preschool).
- e. Technical assistance and investment to study diverse childrearing practices and behaviors among poor and vulnerable population groups, and to study the effectiveness of programs to promote parental involvement in the rearing and education of their children from the start of life in a culturally relevant way.

**C. Dimension 3. Poor and vulnerable people have access to quality, networked, differentiated social services promoting their social inclusion.**

5.8 This dimension of success aims to guide investments targeted on strengthening the capacity to plan, implement, and evaluate policies for social inclusion, and develop service delivery platforms. To this end the following lines of action are proposed:

- a. **Linkages.** The creation or strengthening of service networks linking the poorest and most vulnerable population groups to the supply of sector services, as well as their expansion and accessibility for these groups.
- b. **Social Inclusion.** Work will be done on defining and managing differentiated social services, complementing sector social services and allowing opportunities to be promoted, while accelerating the process of social inclusion of the poorest and most vulnerable population groups.

5.9 In order to implement these lines of action the Bank intends to support the financing of the following activities:

- a. Technical assistance and investment to strengthen the institutions tasked with the design and implementation of differentiated social service networks and ensuring efficient linkages with sector services at territorial level.
- b. Technical assistance, investment, and analytical work for the definition and implementation of quality standards in the care modes and in the services provided to beneficiaries, with special emphasis on family support models.
- c. Technical assistance, investment, and analytical work to define the theory of change and pilot service delivery, both in the various modes of support and social services for the social inclusion of poor and vulnerable young people (including mentoring services and models of care that develop cognitive and socioemotional skills). Efforts will be made to evaluate the cost-effectiveness of different models of care and identify the most promising for scale-up. Subsequently, initiatives will be supported to scale up the most efficient arrangements. Work with young people will be coordinated with other Bank areas such as LMK and the Institutional Capacity of State Division (ICS).

- d. Technical assistance and analytical work so that the countries of the region can conduct a comprehensive diagnostic assessment on population aging, prepare policies in the framework of medium- and long-term strategies to promote active aging and offer efficient care services that facilitate family members' labor-market participation.

## BOXES, TABLES, AND FIGURES

### **Box 1. Ten criteria for determining whether social protection policies for the poor and vulnerable have been institutionalized**

The ten criteria were developed in order to measure progress and identify institutional challenges for social protection policies for the poor and vulnerable. It is based on the premise that a policy has been institutionalized when it follows from a political agreement to address a specific problem, establishes and monitors progress toward clear objectives and targets, establishes relevant stakeholders' rights and obligations, and has defined standards and rules of conduct.

Accordingly, a country is considered to have an institutionalized policy if the following ten elements are present:

1. There is a ministry of social development whose principal mandate is to combat poverty.
2. Concrete targets have been set in a national plan or program.
3. Indicators for evaluating fulfillment of objectives have been defined and adopted, and formal systems exist for monitoring and implementing them.
4. The legal framework establishes responsibilities, powers, and authority for stakeholders.
5. There is a budget to enable the exercise of powers.
6. Explicit mechanisms exist for coordination within and between levels of government.
7. There is a social oversight office and bodies for citizen participation and service.
8. Operating rules are in place for programs and actions.
9. Beneficiary registers are established.
10. There is a legal framework regulating officials' behavior and conduct.

One limitation of the ten criteria is that they focus on the formal existence of elements and do not consider whether each element performs its role properly. Another pending task is to determine how elements perform and the extent to which having them contributes to positive results in terms of social protection and inclusion for the poor and vulnerable.

**Source:** Székely, 2014.



### **Box 1. Lessons learned from IDB operations**

#### **Institutional coordination**

- Coordination between the various ministries and levels of government is essential for the implementation of social protection programs for the poor and vulnerable who, given their situation, often do not receive the services they need.
- Regional experience highlights the importance of having coordination mechanisms with legal, operational, and budgetary capacity.
- Some countries in the region have framed their coordination efforts in integrated social development strategies that specify the scope, stakeholders, targets, and responsibilities in the design, implementation, and monitoring of programs.

#### **Joint responsibilities and organization of service provision**

- Conditionality must be adapted so they encourage relevant behavioral changes, based on the context of the country.
- Databases on fulfillment of joint responsibilities may be used to identify families that, for some reason, are not complying and channel them to specialized social services (e.g. family support).
- Verification of joint responsibilities creates an opportunity to strengthen sector information systems and generate information that is useful when planning to expand the service offering.
- Supply-side results-based financing mechanisms have the potential to change the behaviors among service providers and close gaps between demand and supply in terms of access and quality.

#### **Targeting and managing beneficiary registries**

- A single beneficiary registry linked to other administrative databases is a valuable tool for managing social protection programs for the poor and vulnerable.
- Beneficiary selection mechanisms based on proxy means tests work well to identify the extremely poor, particularly where poverty is more chronic.
- In urban areas, where there is more moderate and transient poverty, targeting mechanisms must be designed to allow beneficiaries to join and leave the ranks of beneficiaries more frequently.
- Strengthening the technical management capacity of the beneficiary registries and designing recertification strategies is fundamental.

#### **The financial inclusion process for beneficiaries**

- Promoting effective financial inclusion requires supplementing the use of the banking system for the transfers with financial education initiatives.
- It is important for the governments to negotiate with the financial institutions in order to minimize the cost for the beneficiaries and increase the range of financial services offered.

#### **Early Childhood Development (ECD)**

- Effective implementation of ECD programs requires significant efforts to ensure institutional coordination and define minimum quality standards in service provision, as well as to establish effective monitoring and evaluation mechanisms.
- Experience in the region shows that ECD providers must be given support with training and ongoing feedback in order to guarantee quality standards.

**Youth services**

- Interventions for young people have been scattered and marginal, with little evidence of their cost-effectiveness.
- Investments must be made in monitoring and evaluation in order to identify successful interventions that can be scaled up.

**Monitoring and evaluation**

- The institutionalization of rigorous evaluation strategies, combining impact and process evaluations, enhances the credibility and political capital of social protection programs.
- It is important for the Bank to support evaluations allowing research not only into what works, but also why (or why not).

**Financial instruments for social protection projects**

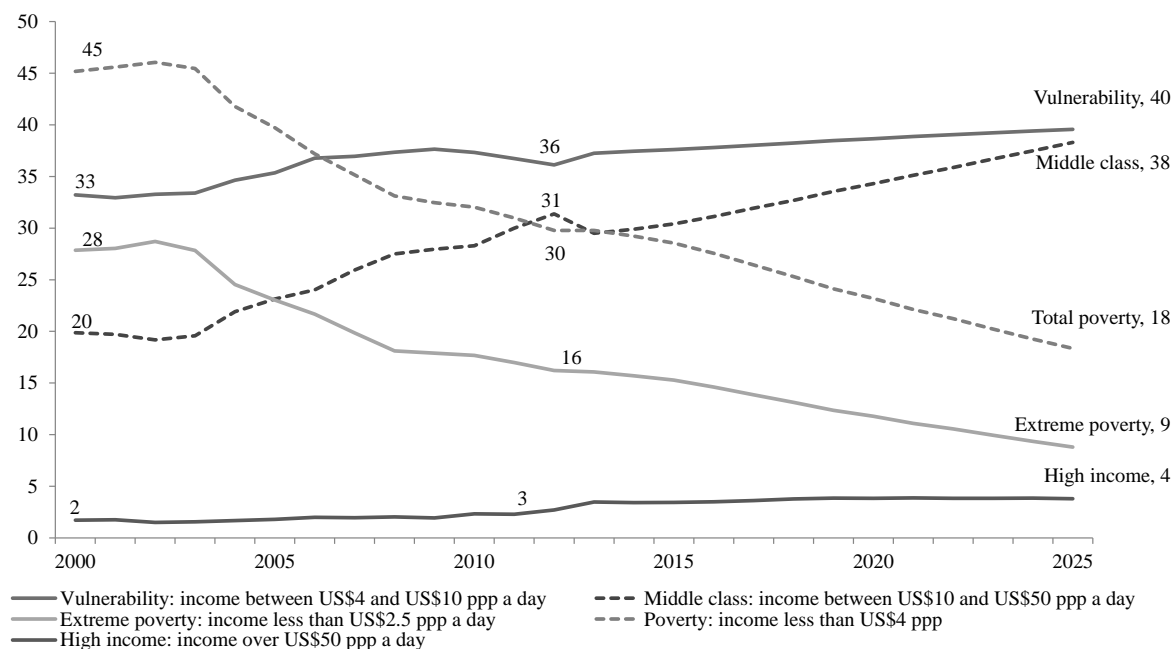
- Programmatic instruments have proven effective in supporting sector reform and expenditure streamlining processes.
- Investment loans have managed to ensure very close technical support by the Bank and have been the ideal instrument for strengthening the supply of services associated with social inclusion policies.

**Consolidation of social protection policies**

- It is necessary to have a programmatic approach with ongoing technical support allowing the programs to adapt to demographic and socioeconomic changes.
- The Bank has supported countries on the consolidation of the social protection sector as the backbone of the various sectors involved in social inclusion.
- The Bank has supported the development of innovations and has facilitated the exchange of experience between the region's countries.

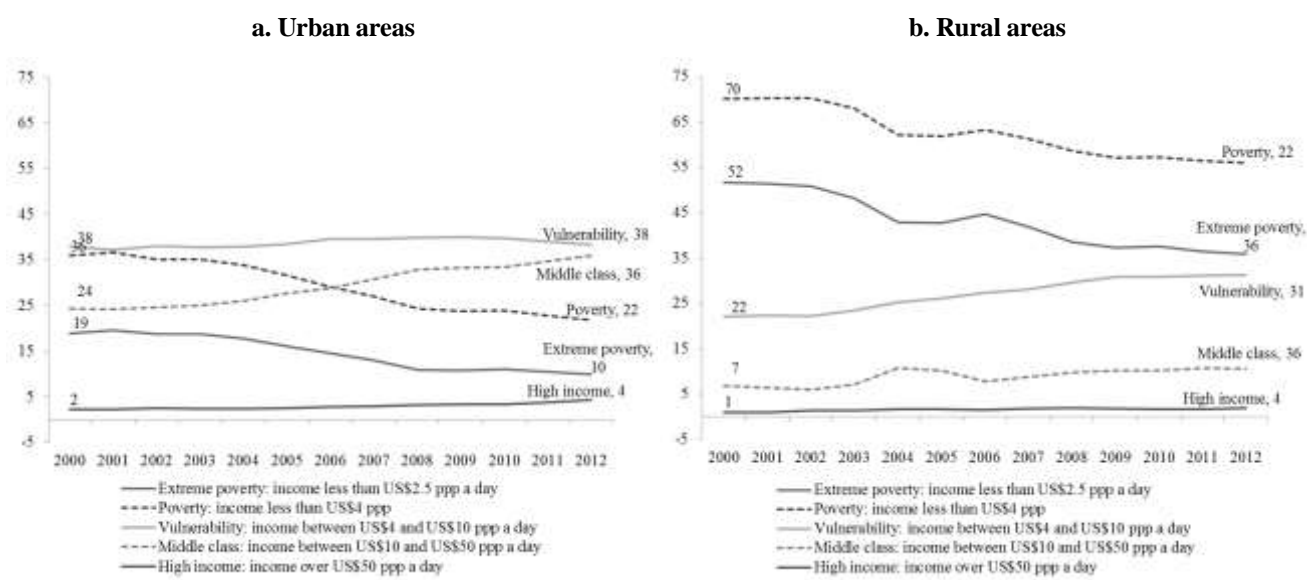
Source: To conduct this analysis, 12 sovereign guaranteed operations were selected; the documents analyzed included loan proposals, loan contracts, results matrix, institutional capacity assessment reports, operating regulations, annual work plan, technical cooperation operations supporting the loans, progress monitoring reports (PMRs), midterm and final evaluation reports, project completion reports (PCRs), and interviews with project team leaders and executing agencies.

**Figure 1. Trends in poverty 2000-2025.** The incidence of poverty fell between 2000 and 2012, while the share of homes that are not poor but remain on a level of income that makes them vulnerable has increased considerably as the middle class has grown. The projections for 2025 suggest that this trend will continue.



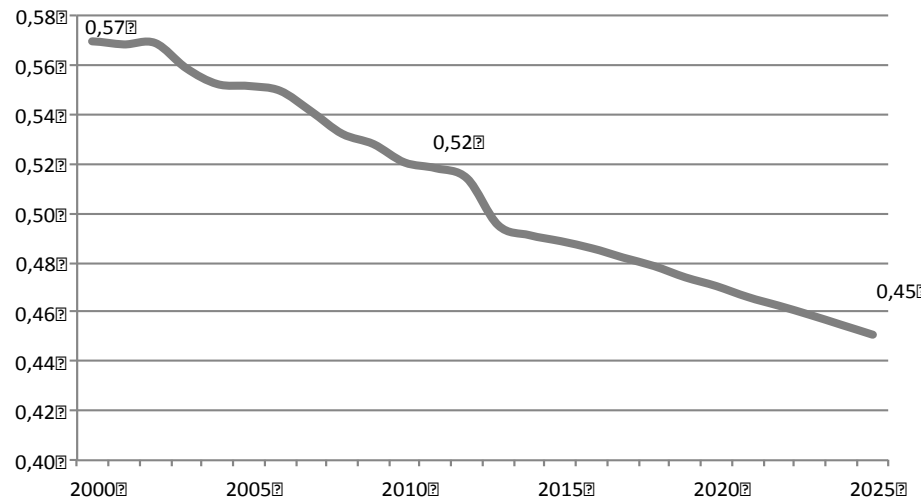
**Source:** Prepared by the IDB's Social Sector using harmonized data from household surveys. The models used for projection estimates are based on GDP per capita, government spending, and inflation figures estimated by the International Monetary Fund, as well as CELADE population projections.

**Figure 2. Trends in poverty 2000-2012 (Urban and Rural).** Although a drop in poverty has been observed in both rural and urban areas, the incidence of poverty in rural areas remains much higher.



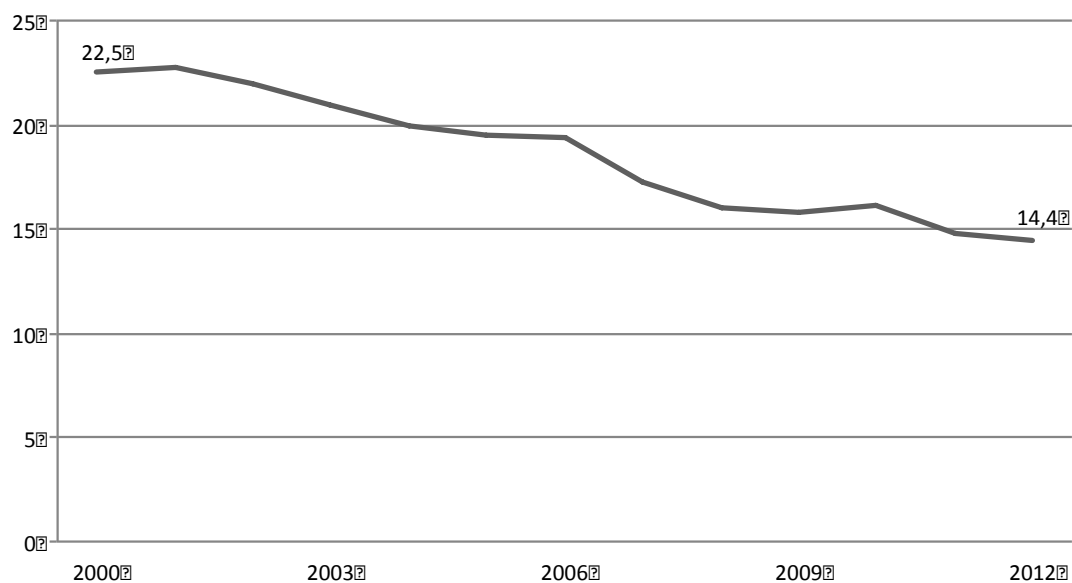
**Source:** Prepared by the IDB Social Sector with harmonized household survey data.

**Figure 3. Trends in the Gini coefficient 2000-2025.** Household income inequality has also dropped, and projections suggest that this trend will continue.



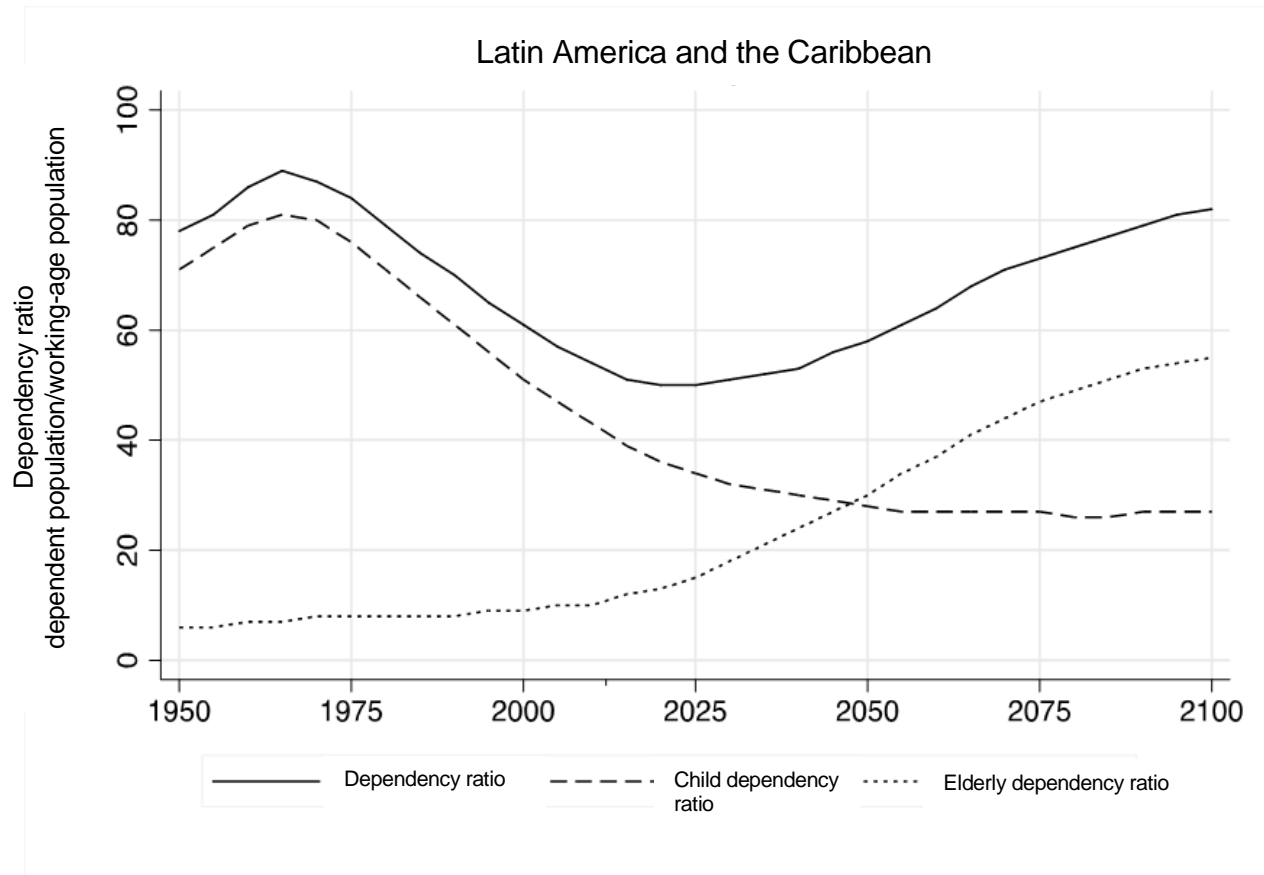
**Source:** Prepared by the IDB's Social Sector using harmonized data from household surveys. The models used for projection estimates are based on GDP per capita, government spending, and inflation figures estimated by the International Monetary Fund and CELADE population projections.

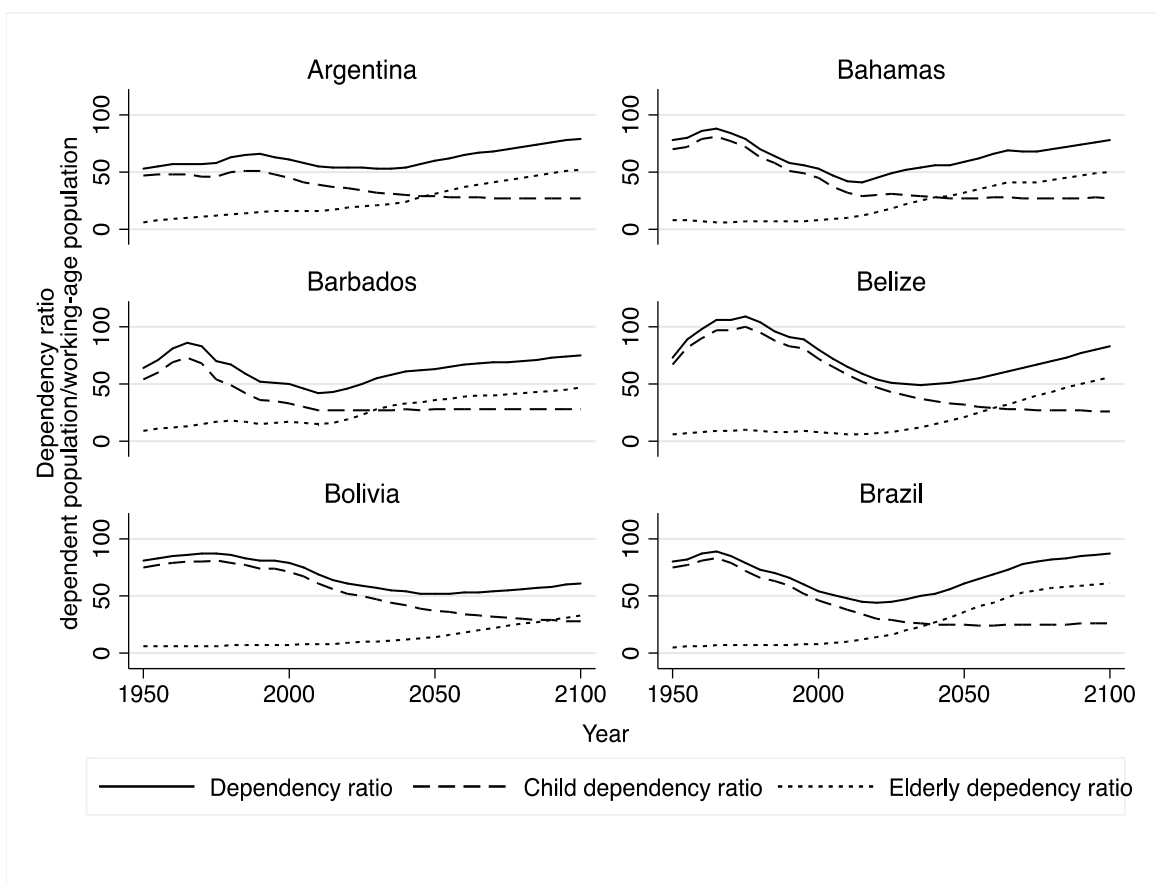
**Figure 4. Trend in the ratio of income in the wealthiest quintile to the poorest quintile.** Although the average income gap between the wealthiest and poorest quintiles remains considerable, it did narrow between 2000 and 2012. Whereas the wealthiest 20% had income almost 23 times that of the poorest 20%, in 2012 the difference was just over 14 times.



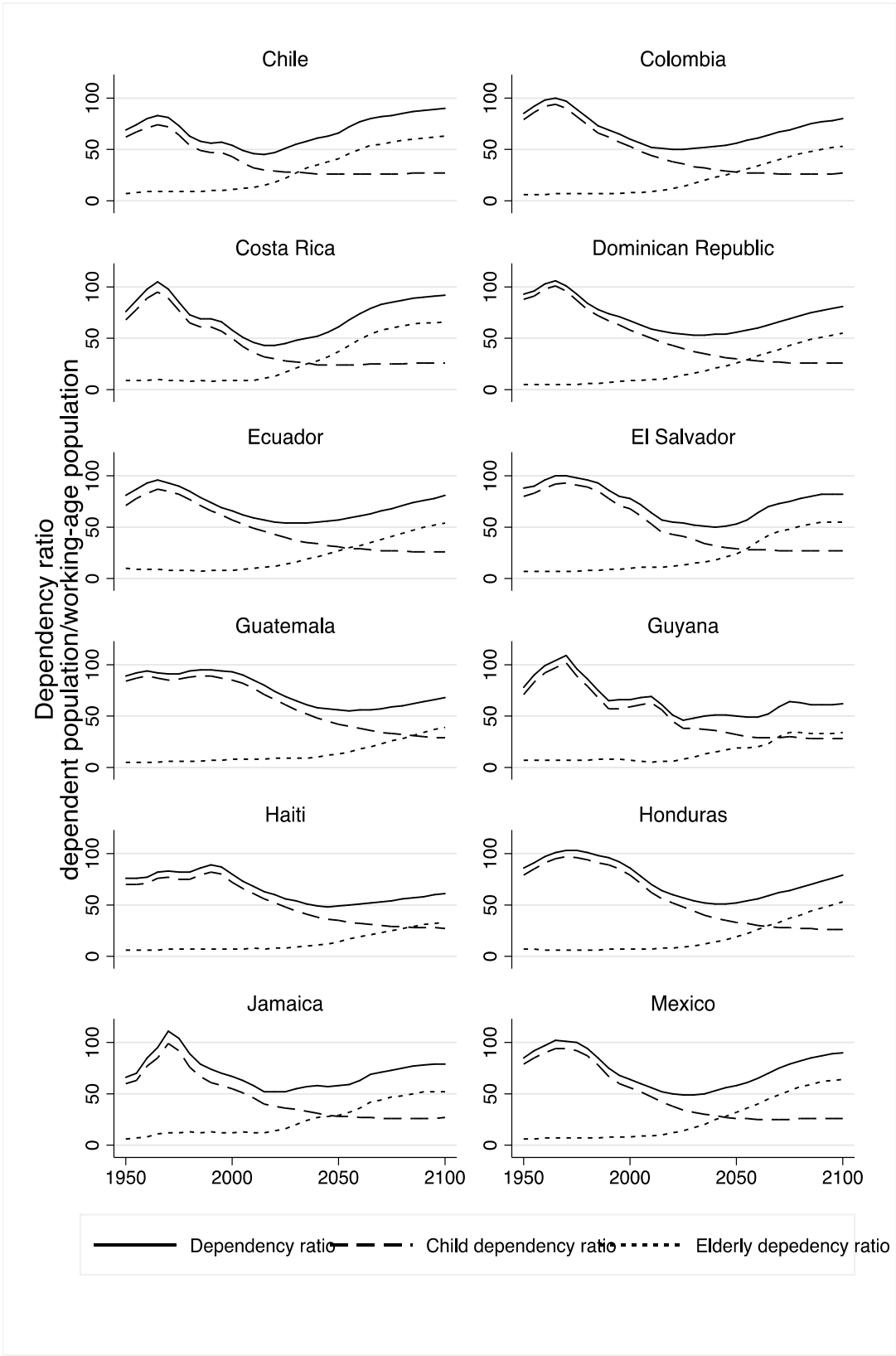
**Source:** Prepared by the IDB Social Sector using harmonized household survey data.

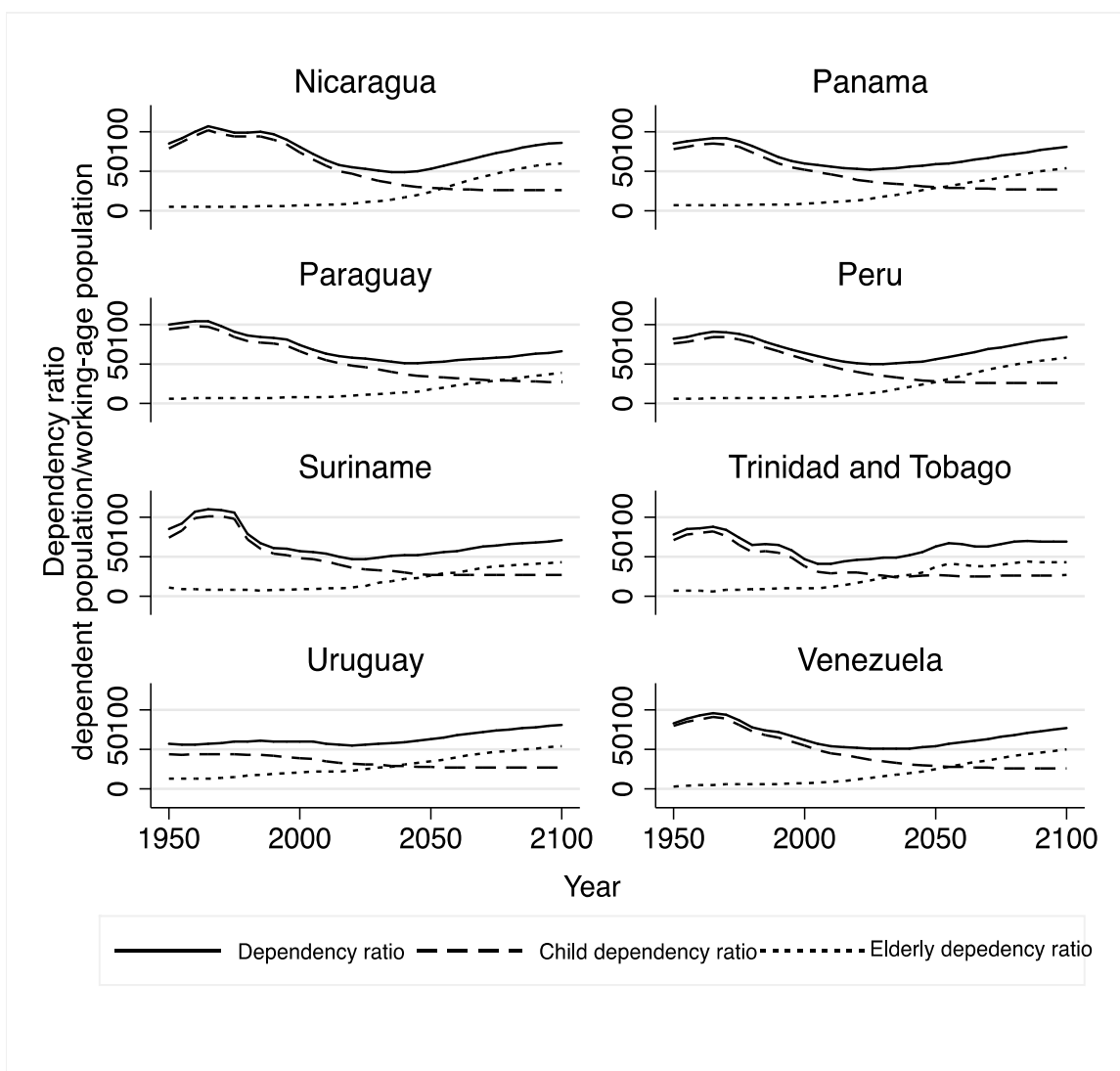
**Figure 5. Demographic transition: trend in the dependency rate 1950-2100.** In recent years the region has been experiencing a demographic dividend. However, as of 2025 the downward trend in the dependency rate will reverse as the population ages. As shown in these figures, the region’s countries are at different stages of the transition.











**Note:** The dependency rate is defined as the ratio of the population not of working age (children aged 0-14 years and adults over 64 years) to the working age population (15-64 years).

**Source:** The authors, using United Nations data (World Population Prospects, 2012 revision).

**Table 1. Key poverty, inequality, and vulnerability indicators by country in 2012**

Description	AR	BH	BL	BO	BR	BA	CH
<b>Poverty indicators</b>							
% of population in extreme poverty (income less than US\$2.5 PPP per day)	1.0		31.2	19.7	10.8		3.7
Urban	1.0			7.9	7.7		3.2
Rural				43.7	28.3		6.7
% population in moderate poverty (income of US\$2.5-US\$4 PPP per day)	2.0		21.8	12.8	12.1		6.6
Urban	2.0			11.7	10.9		6.0
Rural				15.0	18.6		10.6
% vulnerable population (income of US\$4-US\$10 PPP per day)	14.9			38.5	39.0		37.7
Urban	14.9			43.8	39.2		36.3
Rural				27.7	37.8		47.9
<b>Inequality indicators</b>							
Gini coefficient	0.42		0.53	0.48	0.53		0.53
Ratio of the average income of the wealthiest quintile to the income of the poorest quintile	9.5			17.6	17.6		14.4
Average monthly per capita income of the poorest quintile (US\$PPP)	219			45	75		127
Average monthly per capita income of the wealthiest quintile (US\$PPP)	2,085			792	1,319		1,830
<b>Incidence of poverty in vulnerable groups (considering the poverty line to be US\$4 PPP per day)</b>							
Incidence of poverty in the population	3.0			32.5	22.9		10.3
Incidence of poverty among children under four years of age	6.7			40.0	41.3		16.2
Incidence of poverty among young people aged 15-24 years	3.5			26.5	25.0		10.8
Incidence of poverty among adults aged over 64 years	0.2			35.3	4.5		6.5
Incidence of poverty among individuals living in female-headed households	3.1			27.9	17.8		11.9
Incidence of poverty among indigenous persons				53.2	43.4		16.8
Incidence of poverty among Afro-descendent persons					30.8		
<b>Other indicators of vulnerability among the poor (considering the poverty line to be US\$4 PPP per day)</b>							
Young people aged 15-24 who neither study nor work	43.0			12.9	29.2		32.7
Men	33.9			4.9	17.8		24.8
Women	49.2			19.8	39.8		39.2
% children aged 6-12 years attending school	99.4			97.1	98.1		99.1
% of young people aged 13-15 years attending school	89.6			89.7	94.6		97.6
% of young people aged 16-20 years attending school	57.7			63.4	56.6		64.6
<b>Demographic indicators</b>							
Teenage pregnancy rate (births per 1,000 women aged between 15 and 19 years)				17.9			
Economic dependency rate	54.4	40.9	62.2	66.8	46.8	42.1	45.1
Economic dependency rate among the elderly	16.7	10.5	6.4	8.1	10.7	15.1	14.1
Economic dependency rate among children	37.7	30.5	55.8	58.8	36.1	27.0	31.0

**Notes:**

1. The dependency rate is defined as the ratio of the population not of working age (children aged 0-14 years and adults over 64 years) to the working age population (15-64 years).
2. Data for 2012 or the most recent year available were used: Chile (2011), Belize (1999), Guyana (1998), Haiti (2001), Jamaica (2004), Suriname (1999), and Trinidad and Tobago (1992).

**Source:**

Prepared by the IDB Social Sector using harmonized household survey data and data from the World Bank's World Development Indicators (WDI).

Description	CO	CR	DR	EC	GU	GY	HO
<b>Poverty indicators</b>							
% of population in extreme poverty (income less than US\$2.5 PPP per day)	21.5	8.5	24.2	15.5	58.7	24.8	51.7
Urban	13.0	5.0	19.9	7.7	44.1		29.5
Rural	49.1	14.1	33.1	30.5	73.0		71.2
% population in moderate poverty (income of US\$2.5-US\$4 PPP per day)	15.5	10.5	20.8	15.1	15.3	20.8	17.2
Urban	13.4	6.9	19.4	11.2	17.5		19.6
Rural	22.1	16.4	23.6	22.7	13.1		15.1
% vulnerable population (income of US\$4-US\$10 PPP per day)	35.9	37.8	38.6	40.8	20.5		22.7
Urban	39.8	34.5	39.9	43.1	28.4		34.8
Rural	23.1	43.1	35.9	36.4	12.7		12.0
<b>Inequality indicators</b>							
Gini coefficient	0.55	0.51	0.48	0.48	0.55	0.45	0.57
Ratio of the average income of the wealthiest quintile to the income of the poorest quintile	20.0	15.6	12.7	13.4	54.2		44.0
Average monthly per capita income of the poorest quintile (US\$PPP)	51	91	52	65	6		10
Average monthly per capita income of the wealthiest quintile (US\$PPP)	1,022	1,417	659	870	325		440
<b>Incidence of poverty in vulnerable groups (considering the poverty line to be US\$4 PPP per day)</b>							
Incidence of poverty in the population	37.0	19.0	45.0	30.6	74.0		68.9
Incidence of poverty among children under four years of age	47.4	34.4	56.8	39.8	77.9		74.8
Incidence of poverty among young people aged 15-24 years	36.7	26.4	43.1	29.5	73.3		64.6
Incidence of poverty among adults aged over 64 years	31.5	19.3	43.6	30.0	73.7		65.3
Incidence of poverty among individuals living in female-headed households	31.9	16.8	43.6	27.7	67.3		60.5
Incidence of poverty among indigenous persons				64.6	88.5		
Incidence of poverty among Afro-descendent persons				41.0	66.1		
<b>Other indicators of vulnerability among the poor (considering the poverty line to be US\$4 PPP per day)</b>							
Young people aged 15-24 who neither study nor work	31.1	34.1	28.2	20.5	28.7		33.3
Men	16.9	25.5	19.0	12.0	6.9		14.5
Women	44.7	42.7	36.6	28.9	49.8		53.4
% children aged 6-12 years attending school	96.0	97.3	97.1	97.7	80.6		93.3
% of young people aged 13-15 years attending school	86.8	82.5	95.6	88.8	72.9		62.3
% of young people aged 16-20 years attending school	49.8	54.7	62.2	60.2	36.3		30.8
<b>Demographic indicators</b>							
Teenage pregnancy rate (births per 1,000 women aged between 15 and 19 years)	19.5		20.6	19.4	21.8	18.0	24.0
Economic dependency rate	51.5	44.5	58.0	57.9	82.8	66.9	67.0
Economic dependency rate among the elderly	9.0	9.9	9.8	10.1	8.2	5.5	7.3
Economic dependency rate among children	42.5	34.6	48.2	47.8	74.6	61.4	59.6

**Notes:**

1. The dependency rate is defined as the ratio of the population not of working age (children aged 0-14 years and adults over 64 years) to the working age population (15-64 years).
2. Data for 2012 or the most recent year available were used: Chile (2011), Belize (1999), Guyana (1998), Haiti (2001), Jamaica (2004), Suriname (1999), and Trinidad and Tobago (1992).

**Source:**

Prepared by the IDB Social Sector using harmonized household survey data and data from the World Bank's World Development Indicators (WDI).

Description	HA	JA	ME	NI	PN	PE	PR
<b>Poverty indicators</b>							
% of population in extreme poverty (income less than US\$2.5 PPP per day)	83.0	11.2	19.9	33.0	13.8	19.8	20.4
Urban			9.4	23.9	4.0	9.2	10.7
Rural			37.4	45.6	32.6	50.9	40.7
% population in moderate poverty (income of US\$2.5-US\$4 PPP per day)	7.7	17.5	17.6	23.9	11.5	13.9	13.4
Urban			14.5	23.3	6.9	12.0	12.2
Rural			22.8	24.7	20.3	19.5	19.9
% vulnerable population (income of US\$4-US\$10 PPP per day)			37.8	33.5	35.8	40.6	39.2
Urban			42.5	39.2	37.5	46.3	35.2
Rural			30.0	25.5	32.5	24.0	28.7
<b>Inequality indicators</b>							
Gini coefficient	0.59	0.46	0.54	0.47	0.52	0.48	0.50
Ratio of the average income of the wealthiest quintile to the income of the poorest quintile			18.0	11.9	18.0	16.3	17.6
Average monthly per capita income of the poorest quintile (US\$PPP)			52	40	70	48	48
Average monthly per capita income of the wealthiest quintile (US\$PPP)			937	476	1,262	783	845
<b>Incidence of poverty in vulnerable groups (considering the poverty line to be US\$4 PPP per day)</b>							
Incidence of poverty in the population			37.5	56.9	25.3	33.7	33.8
Incidence of poverty among children under four years of age			48.5	66.5	38.1	41.7	45.8
Incidence of poverty among young people aged 15-24 years			33.6	56.5	24.6	30.0	37.8
Incidence of poverty among adults aged over 64 years			36.1	51.9	20.0	37.7	38.7
Incidence of poverty among individuals living in female-headed households			30.5	51.9	19.9	32.7	30.0
Incidence of poverty among indigenous persons			70.1		91.8	42.6	0.6
Incidence of poverty among Afro-descendent persons						29.8	
<b>Other indicators of vulnerability among the poor (considering the poverty line to be US\$4 PPP per day)</b>							
Young people aged 15-24 who neither study nor work			28.0	18.5	30.2	18.8	23.6
Men			13.3	9.6	15.0	13.4	12.4
Women			41.0	27.6	43.6	24.2	35.8
% children aged 6-12 years attending school			97.7	89.8	97.8	94.1	97.3
% of young people aged 13-15 years attending school			82.6	75.6	86.1	89.4	87.9
% of young people aged 16-20 years attending school			40.0	43.5	47.0	50.8	52.4
<b>Demographic indicators</b>							
Teenage pregnancy rate (births per 1,000 women aged between 15 and 19 years)	14.2	13.7		25.2		13.2	11.6
Economic dependency rate	66.3	55.5	54.5	61.3	55.6	54.9	61.6
Economic dependency rate among the elderly	7.5	12.3	9.7	7.5	11.0	9.7	8.7
Economic dependency rate among children	58.8	43.2	44.8	53.8	44.6	45.2	53.0

**Notes:**

1. The dependency rate is defined as the ratio of the population not of working age (children aged 0-14 years and adults over 64 years) to the working age population (15-64 years).
2. Data for 2012 or the most recent year available were used: Chile (2011), Belize (1999), Guyana (1998), Haiti (2001), Jamaica (2004), Suriname (1999), and Trinidad and Tobago (1992).

**Source:**

Prepared by the IDB Social Sector using harmonized household survey data and data from the World Bank's World Development Indicators (WDI).

Description	ES	SU	TT	UR	VE
<b>Poverty indicators</b>					
% of population in extreme poverty (income less than US\$2.5 PPP per day)	23.8	34.3	20.7	4.2	12.5
Urban	12.2			4.3	29.4
Rural	44.1			3.6	31.6
% population in moderate poverty (income of US\$2.5-US\$4 PPP per day)	21.4	18.5	20.5	6.9	14.5
Urban	19.2			6.7	22.3
Rural	25.3			8.6	20.8
% vulnerable population (income of US\$4-US\$10 PPP per day)	40.9			33.8	46.1
Urban	48.8			32.5	35.8
Rural	26.9			42.6	32.7
<b>Inequality indicators</b>					
Gini coefficient	0.45	0.53	0.40	0.42	0.42
Ratio of the average income of the wealthiest quintile to the income of the poorest quintile	11.3			9.7	11.1
Average monthly per capita income of the poorest quintile (US\$PPP)	48			130	63
Average monthly per capita income of the wealthiest quintile (US\$PPP)	542			1,260	698
<b>Incidence of poverty in vulnerable groups (considering the poverty line to be US\$4 PPP per day)</b>					
Incidence of poverty in the population	45.2			11.1	27.0
Incidence of poverty among children under four years of age	56.7			23.2	39.3
Incidence of poverty among young people aged 15-24 years	45.2			12.7	29.7
Incidence of poverty among adults aged over 64 years	40.2			1.8	19.0
Incidence of poverty among individuals living in female-headed households	35.7			8.3	24.4
Incidence of poverty among indigenous persons				11.9	
Incidence of poverty among Afro-descendent persons				24.5	
<b>Other indicators of vulnerability among the poor (considering the poverty line to be US\$4 PPP per day)</b>					
Young people aged 15-24 who neither study nor work	31.5			35.0	15.3
Men	14.0			25.2	9.4
Women	47.8			44.6	21.5
% children aged 6-12 years attending school	94.4			98.8	97.2
% of young people aged 13-15 years attending school	83.8			86.8	90.6
% of young people aged 16-20 years attending school	42.1			43.9	58.9
<b>Demographic indicators</b>					
Teenage pregnancy rate (births per 1,000 women aged between 15 and 19 years)	22.8				
Economic dependency rate	60.5	52.4	41.8	56.4	53.4
Economic dependency rate among the elderly	11.3	10.0	12.4	21.9	9.2
Economic dependency rate among children	49.1	42.4	29.4	34.5	44.2

**Notes:**

1. The dependency rate is defined as the ratio of the population not of working age (children aged 0-14 years and adults over 64 years) to the working age population (15-64 years).
2. Data for 2012 or the most recent year available were used: Chile (2011), Belize (1999), Guyana (1998), Haiti (2001), Jamaica (2004), Suriname (1999), and Trinidad and Tobago (1992).

**Source:**

Prepared by the IDB Social Sector using harmonized household survey data and data from the World Bank's World Development Indicators (WDI).

**Table 2. Incidence of extreme poverty (income less than US\$2.5 PPP per day)**

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TOTAL	27.8	28.0	28.7	27.8	24.5	23.0	21.7	19.8	18.1	17.9	17.7	17.0	16.2
AR <sup>1</sup>	14.9	19.1	28.3	23.6	16.9	13.2	10.0	6.2	5.2	4.1	2.2	1.3	1.0
BO	42.6	38.7	40.2	30.4		36.5	34.6	33.6	26.4	22.8		18.0	19.7
BR		27.1	26.2	27.2	24.8	22.8	21.0	19.4	16.0	15.3		13.0	10.8
CH	10.2			8.5			5.4			4.2		3.7	
CO	40.1	42.5	43.9	40.9	31.3	25.1	37.7	35.2	27.8	26.6	23.8	20.8	21.5
CR	15.2	15.0	15.1	14.7	14.3	12.2	12.0	9.1	8.2	8.1	8.5	11.0	8.5
DR	24.0	24.8	24.9	29.8	36.5	30.8	28.4	26.3	25.7	25.1	25.2	23.5	24.2
EC	40.8	36.7	18.5	34.0	29.2	27.7	22.7	22.7	21.2	20.9	18.2	15.2	15.5
GU	47.2		45.7	40.7	54.3		42.6				60.3	60.7	58.7
HO		47.4	52.4	53.0	51.4	48.3	47.1	44.8	43.4	41.3	45.8	49.7	51.7
ME	22.9		19.3		13.2	14.1	16.7		15.6		19.5		19.9
NI		47.4				48.5				44.5	39.5	35.6	33.0
PN	23.7	29.4	27.0	25.4	25.3	25.3	24.8	22.3	21.7	20.8	19.4	17.7	13.8
PE	34.8	40.4	37.4	38.5	40.9	43.8	39.6	31.4	28.6	24.0	22.2	22.5	19.8
PR		30.6	38.5	35.1	34.6	29.6	29.2	24.2	24.1	23.0	22.2	20.8	20.4
ES	30.1	31.0	30.3	27.9	27.1	32.1	27.3	23.6	26.5	27.0	26.1	25.5	23.8
UR <sup>2</sup>	4.8	7.0	9.7	11.9	13.3	12.4	8.9	9.3	5.1	6.2	5.0	4.3	4.2
VE	31.4	30.1	37.1	44.5	34.3	28.8	19.7	14.4	13.3	12.2	12.6	12.8	12.5

**Notes:**

1. Urban data are reported given that the surveys do not consider rural areas.
2. Rural areas are excluded between 2000 and 2005 as they were not covered by surveys.

**Source:** Prepared by the IDB Social Sector with harmonized household survey data.

**Table 3. Incidence of moderate poverty (income of US\$2.5-US\$4 PPP per day)**

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	17.3	17.1	16.5	17.4	20.7	22.2	23.5	25.3	27.1	27.3	27.5	28.2	29.0
AR <sup>1</sup>	15.4	16.9	16.7	16.4	15.3	13.4	10.4	7.7	6.8	6.0	4.4	2.3	2.0
BO	18.0	17.4	17.1	17.8		18.4	16.1	16.2	16.5	15.4		13.2	12.8
BR		16.8	16.8	17.1	17.3	16.7	15.4	15.4	15.2	13.2		12.5	12.1
CH	13.1			12.9			10.0			7.3		6.6	
CO	19.5	20.3	18.8	21.5	18.3	18.4	18.2	18.3	16.6	17.5	17.1	16.5	15.5
CR	14.9	15.4	15.2	14.2	15.8	13.7	15.0	12.7	12.3	12.9	11.6	10.6	10.5
DR	17.7	19.1	17.9	20.0	21.5	19.4	19.0	19.3	20.5	19.6	19.6	20.8	20.8
EC	20.8	20.5	18.2	19.4	18.4	18.5	18.9	18.1	17.1	19.3	18.4	17.0	15.1
GU	14.1		16.3	16.7	17.3		18.3				16.3	15.3	15.3
HO		15.5	15.1	15.0	15.2	16.1	16.2	16.4	17.3	17.3	15.9	16.9	17.2
ME	17.9		17.6		16.2	15.1	14.7		15.6		18.0		17.6
NI		17.3				20.2				21.9	23.8	25.1	23.9
PN	14.8	14.8	14.9	14.9	14.5	14.5	15.1	14.1	12.8	12.5	11.6	12.2	11.5
PE	18.2	18.5	17.9	17.4	18.0	17.8	16.8	16.1	15.6	16.2	14.9	15.5	13.9
PR		14.7	18.3	18.3	18.0	17.7	17.5	18.9	18.6	14.8	15.3	13.9	13.4
ES	18.2	17.8	17.9	18.9	21.8	21.0	20.9	22.2	22.4	21.7	21.7	22.7	21.4
UR <sup>2</sup>	9.1	11.0	14.0	17.0	15.7	13.5	13.4	12.8	11.2	9.8	9.7	7.6	6.9
VE	21.5	21.8	21.5	22.1	22.1	23.2	19.6	18.7	16.2	16.3	16.3	16.8	14.5

**Notes:**

1. Urban data are reported given that the surveys do not consider rural areas.
2. Rural areas are excluded between 2000 and 2005 as they were not covered by the surveys.

**Source:** Prepared by the IDB Social Sector with harmonized household survey data.

**Table 4. Incidence of vulnerability (% persons with income between US\$4 and US\$10 PPP per day)**

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	33.2	33.0	33.3	33.4	34.6	35.3	36.8	37.0	37.3	37.6	37.3	36.7	36.1
AR <sup>1</sup>	36.5	34.1	34.2	35.6	38.3	37.8	38.2	33.1	31.0	26.5	24.2	19.0	14.9
BO	25.8	29.5	28.4	31.1		28.0	31.1	32.0	37.5	40.4		41.4	38.5
BR		32.5	33.0	32.7	34.0	35.5	36.4	36.7	37.7	39.3		39.2	39.0
CH	38.6			40.5			40.5			39.4		37.7	
CO	26.8	25.6	24.9	26.3	27.9	32.0	28.4	29.7	33.4	33.3	34.8	36.2	35.9
CR	40.6	39.3	40.6	38.7	40.3	42.5	41.8	42.9	42.0	39.8	40.1	36.3	37.8
DR	34.9	34.8	36.4	34.2	29.1	33.1	33.7	37.4	36.7	37.1	36.8	36.9	38.6
EC	27.5	28.7	39.3	30.9	33.2	33.8	36.0	35.9	38.2	38.4	39.0	40.1	40.8
GU	22.7		25.1	28.4	20.6		26.9				17.7	19.2	20.5
HO		25.0	22.3	22.6	22.1	24.6	25.6	26.6	27.3	28.5	26.2	23.8	22.7
ME	37.2		39.2		40.7	39.7	41.5		39.9		39.4		37.8
NI		23.6				24.1				26.4	28.9	30.5	33.5
PN	34.0	32.1	32.4	32.9	32.8	32.6	33.1	34.4	35.1	35.3	36.3	38.1	35.8
PE	34.3	29.0	31.0	30.4	29.6	27.9	30.2	34.7	36.7	37.6	39.6	39.6	40.6
PR		33.3	29.1	30.0	30.5	31.6	35.1	36.6	36.4	38.4	38.6	37.5	39.2
ES	33.9	34.4	34.3	36.2	35.7	33.3	38.2	39.1	36.6	37.6	37.3	38.7	40.9
UR <sup>2</sup>	37.4	38.2	39.6	41.2	39.2	40.9	41.0	39.0	40.0	37.1	38.0	35.0	33.8
VE	36.2	34.8	31.0	26.4	33.4	36.0	42.5	44.8	46.0	46.9	47.5	46.6	46.1

**Notes:**

1. Urban data are reported given that the surveys do not consider rural areas.
2. Rural areas are excluded between 2000 and 2005 as they were not covered by the surveys.

**Source:** Prepared by the IDB Social Sector with harmonized household survey data.

**Table 5. Gini coefficient**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TOTAL	0.57	0.57	0.57	0.56	0.55	0.55	0.55	0.54	0.53	0.53	0.52	0.52	0.51
AR <sup>1</sup>	0.51	0.53	0.53	0.51	0.48	0.47	0.47	0.46	0.45	0.45	0.44	0.43	0.42
BO	0.63	0.59	0.61	0.60		0.59	0.58	0.56	0.52	0.51		0.47	0.48
BR		0.59	0.59	0.58	0.57	0.57	0.56	0.55	0.54	0.54		0.53	0.53
CH	0.58			0.56			0.53			0.53		0.53	
CO	0.59	0.58	0.61	0.56	0.59	0.58		0.60	0.57	0.57	0.56	0.55	0.55
CR	0.49	0.51	0.51	0.50	0.49	0.47	0.50	0.50	0.49	0.51	0.50	0.53	0.51
DR	0.54	0.53	0.52	0.53	0.53	0.53	0.55	0.51	0.50	0.51	0.49	0.50	0.48
EC	0.57	0.59	0.56	0.56	0.57	0.55	0.54	0.55	0.52	0.51	0.51	0.47	0.48
GU	0.68		0.60	0.57	0.58		0.57				0.57	0.58	0.55
HO		0.59	0.62	0.60	0.62	0.59	0.60	0.58	0.57	0.55	0.58	0.58	0.57
ME	0.54		0.54		0.53	0.53	0.54		0.53		0.51		0.54
NI		0.67				0.69				0.52	0.48	0.47	0.47
PN	0.57	0.58	0.57	0.57	0.57	0.56	0.57	0.55	0.55	0.54	0.54	0.52	0.52
PE	0.51	0.56	0.57	0.58	0.55	0.56	0.56	0.54	0.52	0.51	0.50	0.49	0.48
PR	0.59		0.61	0.59	0.56	0.56	0.56	0.54	0.53	0.51	0.53	0.54	0.50
ES	0.52	0.52	0.52	0.51	0.48	0.50	0.48	0.47	0.48	0.48	0.46	0.45	0.45
UR <sup>2</sup>	0.45	0.47	0.47	0.47	0.48	0.47	0.47	0.48	0.46	0.47	0.46	0.44	0.42
VE	0.45	0.47	0.48	0.47	0.45	0.48	0.44	0.42	0.41	0.41	0.39	0.40	0.42

**Notes:**

1. Urban data are reported given that the surveys do not consider rural areas.
2. Rural areas are excluded between 2000 and 2005 as they were not covered by the surveys.

**Source:** Prepared by the IDB Social Sector with harmonized household survey data.



**Table 6. Dynamic and static poverty**

**a. Argentina**

<b>Dynamic poverty 2000-2012</b>	<b>Incidence of poverty 2012</b>		
	<b>Poor</b>	<b>Nonpoor</b>	<b>Total</b>
Chronically poor	95.2	11.1	11.7
Transient poor	4.8	41.4	41.1
Nonpoor	0.00	47.6	47.2
Total	100.0	100.0	100.0

**b. Colombia**

<b>Dynamic poverty 2000-2013</b>	<b>Incidence of poverty 2013</b>		
	<b>Poor</b>	<b>Nonpoor</b>	<b>Total</b>
Chronically poor	95.7	38.6	53.7
Transient poor	4.4	33.5	25.8
Nonpoor	0.00	27.9	20.5
Total	100.0	100.0	100.0

**c. Costa Rica**

<b>Dynamic poverty 2000-2012</b>	<b>Incidence of poverty 2012</b>		
	<b>Poor</b>	<b>Nonpoor</b>	<b>Total</b>
Chronically poor	75.60	10.1	24.3
Transient poor	24.40	38.2	35.2
Nonpoor	0.00	51.6	40.5
Total	100.0	100.0	100.0

**d. Dominican Republic (2000-2012)**

<b>Dynamic poverty 2000-2012</b>	<b>Incidence of poverty 2012</b>		
	<b>Poor</b>	<b>Nonpoor</b>	<b>Total</b>
Chronically poor	82.3	17.7	49.5
Transient poor	17.7	46.6	32.4
Nonpoor	0.00	35.7	18.1
Total	100.0	100.0	100.0

**e. Ecuador**

<b>Dynamic poverty 2000-2013</b>	<b>Incidence of poverty 2013</b>		
	<b>Poor</b>	<b>Nonpoor</b>	<b>Total</b>
Chronically poor	86.0	16.0	38.4
Transient poor	14.01	43.3	34.0
Nonpoor	0.00	40.7	27.7
Total	100.0	100.0	100.0

**f. Honduras**

Dynamic poverty 2000-2013	Incidence of poverty 2013		
	Poor	Nonpoor	Total
Chronically poor	90.30	13.8	68.5
Transient poor	9.70	50.7	21.4
Nonpoor	0.00	35.5	10.1
Total	100.0	100.0	100.0

**g. Panama**

Dynamic poverty 2000-2013	Incidence of poverty 2013		
	Poor	Nonpoor	Total
Chronically poor	72.9	22.5	38.1
Transient poor	27.1	33.0	31.2
Nonpoor	0.00	44.6	30.7
Total	100.0	100.0	100.0

**h. Peru**

Dynamic poverty 2000-2012	Incidence of poverty 2012		
	Poor	Nonpoor	Total
Chronically poor	92.3	22.9	52.0
Transient poor	7.7	50.4	32.5
Nonpoor	0.0	26.7	15.5
Total	100.0	100.0	100.0

**i. El Salvador**

Dynamic poverty 2000-2012	Incidence of poverty 2012		
	Poor	Nonpoor	Total
Chronically poor	88.6	18.8	50.5
Transient poor	11.5	47.4	31.0
Nonpoor	0.0	33.8	18.4
Total	100.0	100.0	100.0

**Note:** Poverty is understood to be chronic when the individual experienced six or more episodes of poverty during the study period.

**Source:** Prepared by the IDB Social Sector with harmonized household survey data.

**Methodology:** Synthetic panels (see Dang et al. (2011)).

**Table 7. Summary of Development Effectiveness Matrices (DEM)  
for Social Protection and Poverty Projects**

	Social protection loans (including PBLs/PBPs)					Bank total
Year	2009	2010	2011	2012	2013	2013
<b>Project total</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>11</b>	<b>5</b>	
Baseline score 2009	6.2	7.4	8.3	9.0	-	
Baseline score 2013	5.9	7.1	8.1	8.7	9.2	8.7
<b>Section 3. Program logic</b>	<b>7.1</b>	<b>8.6</b>	<b>7.9</b>	<b>8.1</b>	<b>8.8</b>	<b>8.8</b>
Program diagnostic	2.6	2.9	2.4	2.5	2.3	2.7
Proposed solutions	0.7	1.1	2.9	3.1	3.7	3.3
Quality of the results framework	2.6	2.8	2.5	2.4	2.8	2.8
<b>Section 4. Economic analysis (CBA or CEA)</b>	<b>3.8</b>	<b>5.4</b>	<b>8.4</b>	<b>9.2</b>	<b>8.9</b>	<b>9.6</b>
<b>Section 5. Monitoring and evaluation</b>	<b>6.9</b>	<b>7.3</b>	<b>8.0</b>	<b>8.8</b>	<b>10.0</b>	<b>7.8</b>
Evaluation	2.7	2.7	2.5	2.4	2.5	2.5
Monitoring	4.2	4.7	5.8	6.4	7.5	5.3
<b>Section 6. Risk management</b>	<b>6.9</b>	<b>8.3</b>	<b>9.1</b>	<b>9.8</b>	<b>-</b>	
Risks matrix	5.0	5.0	5.0	5.0	-	
Mitigation matrix	1.9	3.3	4.3	4.8	-	

**Source:** Office of Strategic Planning and Development Effectiveness.

**Table 8. Pattern of disbursements by IDB Sector**

Classification of projects with respect to the country curve which are:							
	Above the country curve		At the same rate as the country curve		Below the country curve		Total
	#	%	#	%	#	%	#
<b>IDB</b>	<b>435</b>	<b>84%</b>	<b>50</b>	<b>10%</b>	<b>35</b>	<b>7%</b>	<b>520</b>
<b>INE</b>	<b>204</b>	<b>82%</b>	<b>26</b>	<b>10%</b>	<b>18</b>	<b>7%</b>	<b>248</b>
ENE	32	89%	2	6%	2	6%	36
TSP	66	89%	6	8%	2	3%	74
WSA	57	73%	11	14%	10	13%	78
RND	49	82%	7	12%	4	7%	60
CCS	0	-	0	-	0	-	0
<b>SCL</b>	<b>117</b>	<b>95%</b>	<b>4</b>	<b>3%</b>	<b>2</b>	<b>2%</b>	<b>123</b>
EDU	26	96%	0	0%	1	4%	27
SPH	52	95%	2	4%	1	2%	55
Social protection*	30	94%	2	6%	0	0%	32
LMK	8	100%	0	0%	0	0%	8
GDI	1	100%	0	0%	0	0%	1
<b>IFD</b>	<b>131</b>	<b>78%</b>	<b>22</b>	<b>13%</b>	<b>14</b>	<b>8%</b>	<b>167</b>
FMM	63	82%	11	14%	3	4%	77
ICS	38	76%	5	10%	7	14%	50
CMF	18	82%	3	14%	1	5%	22
CTI	12	67%	3	17%	3	17%	18
<b>INT</b>	<b>13</b>	<b>93%</b>	<b>0</b>	<b>0%</b>	<b>1</b>	<b>7%</b>	<b>14</b>
TIU	13	93%	0	0%	1	7%	14

**Notes:** The universe of analysis comprises the operations that had reached eligibility and were active on 31 December 2013. The historical country curves for the period 2003-2013 were used. Policy-based Loans (PBLs) and Performance-driven Loans (PDLs) are excluded. Loans classed as social investment are assumed to be for social protection. Projects disburse at a rate on the curve when they are less than half a standard deviation above or below the country curve. They are considered to be below the curve when they disburse at more than one standard deviation below the average country curve.

**Source:** Office of Strategic Planning and Development Effectiveness.

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