

Protecting the Vulnerable:

The Design and Implementation
of Effective Safety Nets



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**Social Risk Analysis:
Early Applications in Argentina
and Mexico**

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In the beginning -- Argentina: the life-cycle approach to social risk analysis

Age Group/ Indigence and Poverty Rates	Main Risks	Leading Indicators of Selected Risks	Indicator Value		Number of Indigent & poor uncovered	Covering the Gap with Strategies of:	
			Indigent	Poor		Risk Prevention	Risk Coping
			* = poorest quintile				
0-5 Years 12% indigent 43% poor	- Stunted development	- malnutrition - pre-school /ECD program coverage	-- --	-- 22%*	400,000 Ind. 1,000,000 Poor	- Reduce poverty - Increase coverage of ECD programs	- Care of malnourished
6-14 Years 13% indigent 45% poor	- Poor education quality (low human capital development)	- late entry - grade repetition		8%* 27%*		- Reduce poverty - reduce repetition, late entrance, raise quality	- Remedial education
15-24 Years 7% indigent 31% poor	- low human capital development (education quality/attainment) - Unemployment/low wages - inactivity (violence, substance abuse, etc.)	- Secondary school enrollment repetition - unemployment - inactivity		62%* 33%*	100,000 Ind. 400,000 Poor	- Reduce poverty - raise secondary school enrollment -- Sex education Employment - see below	- Remedial education - Scholarships/income support tied to school attendance - Youth programs

...and continued over the life-cycle

Age Group/ Indigence and Poverty Rates	Main Risks	Leading Indicators of Selected Risks	Indicator Value		Number of Indigent & poor uncovered	Covering the Gap with Strategies of:	
			Indigent	Poor		Risk Prevention	Risk Coping
			* = poorest quintile				
25-64 Years 5% indigent 23% poor	-- Low income	- unemployment - below poverty earnings (under- employment)	36%	23%	800,000 Ind. 3,700,000 Poor	- Labor-intensive growth - Flexible labor market	- Workfare programs - Income support - Remedial education - Targeted training/job search assistance
Over 65 Years 1.4% indigent 13% poor	- Low income	- Pension coverage rate	47%	55%	24,000 Ind. 200,000 Poor	- Increase coverage of SIJP system for future elderly	- Increase coverage of non-contributory pensions
General Population 7% indigent 29% poor	- Poor health care - Poor housing /lack of basic infrastructure	- health insurance coverage - running water --sewerage - in flood-prone area		35%* 66%* 53%* 28%*	1,700,000 Ind. 6,000,000 Poor 200,000 hh. Ind. 800,000 hh. Poor 250,000 hh. Ind. 1,000,000 hh. Poor 150,000 hh. Ind. 600,000 hh. Poor	- Health insurance - savings/mortgages - investment in water, sanitation provision - titling programs - relocation	Health care Housing subsidies

Argentina – a first attempt to arrive at policy implications

Managing Social Risk in Argentina: Main Risks and Policy Responses

Age group/ Main Risk	Role for Other Programs	Role for Social Protection		Number of Indigent & Poor Uncovered
		Social Insurance	Social Assistance	
<u>0-5</u> Stunted development	PHC Services Pre-school education	--	Early Child Development Programs (ECD)	400,000 ind. 1,000,000 poor
<u>6-14</u> Low education quality	Improve primary school quality	--	--	--
<u>15-24</u> Low secondary school completion	Improve secondary school access/quality	--	Scholarship/ return to school incentive programs	100,000 ind. 400,000 poor
<u>25-64</u> Low income (unemployment/ under employment)	Labor-intensive growth and labor market reforms	Unemployment insurance	Workfare/income transfers	800,000 ind. 3,750,000 poor
<u>65 and Over</u> Low income	--	Social security (contributory pensions)	Non-contributory pensions (income transfer)	24,000 ind. 200,000 poor
<u>General Population</u> Low access to/quality of health care Low housing quality	Provision of health svcs. Mortgage facilities, infrastructure investment	Health insurance --	-- Housing subsidies	1,700,000 ind. 6,000,000 poor 200,000 hh.ind. 800,000 hh. poor

Source: World Bank, 2000. Argentina: Managing Social Risks. Human Development Department, Social Protection Group.

Let's try again... developing the life-cycle analysis in Mexico

Population Group/ Main Risk	Leading Risk Indicators	Indicator Value, Urban Area			Indicator Value, Rural Area			
		Poorest 10 percent	Poorest 30 percent	All	Poorest 10 percent	Poorest 30 percent	Poorest 60 percent	All
<u>Ages 0-5:</u> Stunted development	<ul style="list-style-type: none"> Chronic Malnutrition (stunting) ECD coverage Preschool attendance (age 5 only) 			11%.				30%
				n.a.				n.a.
		53%	71%	82%	44%	52%	62%	66%
<u>Ages 6-14</u> Low human capital development	<ul style="list-style-type: none"> Primary school enrollment (ages 6-11) Age-for-grade* (ages 6-11) Lower secondary school enrollment (ages 12-14) Age-for-grade (ages 12-14) 	92%	94%	95%	86%	91%	93%	94%
		1.07	1.04	1.01	1.13	1.12	1.10	1.08
		41%	55%	68%	24%	24%	29%	37%
		1.19	1.13	1.07	1.36	1.37	1.31	1.24
		16%	13%	9%	40%	30%	28%	26%
Violence/crime	<ul style="list-style-type: none"> Inactivity—neither work nor attend school (ages 12-14) 	21%	12%	7%	9%	14%	14%	13%

(Highlighted areas signal prominent at-risk groups)

The results, continued...

Population Group/ Main Risk	Leading Risk Indicators	Indicator Value, Urban Area			Indicator Value, Rural Area			
		Poorest 10 percent	Poorest 30 percent	All	Poorest 10 percent	Poorest 30 percent	Poorest 60 percent	All
<u>Ages 15–24</u>								
Low human capital development	• Upper secondary enrollment (ages 15–17)	19%	29%	46%	6%	6%	7%	13%
	• University enrollment (ages 18–24)	2%	4%	15%	0.7%	0.2%	0.9%	2%
Low income	• Unemployment (ages 15–24) male	24%	23%	13%	4.4%	3.2%	5.2%	4.9%
	female	12%	12%	10%	0%	6.9%	5.3%	5.2%
Violence/crime	• Inactivity (ages 15–17)	37%	28%	18%	31%	30%	29%	27%
	• Inactivity (ages 18–24)	49%	43%	28%	29%	36%	36%	35%
<u>Ages 25–64</u>								
Low income	• Unemployment: male	6.5%	4.9%	3.2%	0.6%	0.9%	1.5%	1.5%
	female	3.5%	2.8%	1.8%	0.0%	1.5%	0.8%	0.6%
	• Part-time job (as % of all employed)	37%	32%	26%	52%	50%	46%	42%
	• No education or incomplete primary (low skills) (ages 25–40)	49%	36%	17%	70%	68%	61%	49%
	• No education or incomplete primary (low skills) (ages 41–64)	78%	69%	42%	93%	90%	90%	85%
<u>Ages 65+</u>								
Low income	• Receives pension	2%	7%	22%	0%	0.1%	0.2%	7%
<u>General population</u>								
Low-quality housing	• No piped water	18%	15%	7%	55%	53%	48%	38%
	• No piped sewerage	50%	37%	18%	96%	93%	89%	79%
	• No electricity	5%	3%	0.9%	29%	24%	20%	14%

The life-cycle faces its limits and so we move beyond it:

Social risk among specific population groups in Mexico

Population Group	Leading Risk Indicators	Indicator Value, Urban Area	Indicator Value, Rural Area
<p><u>Isolated rural villages</u> (population 100 or less, total 2.6 million people)</p>	<ul style="list-style-type: none"> Lack of access to basic infrastructure, social services High dependency ratio (large proportion of children and elderly relative to working-age population) 	<p>Not applicable</p> <p>(all indicators for indigenous are given in next column—data do not allow rural/urban breakdown)</p>	<p>- Without access to: electricity (59 percent), sewerage (90 percent), primary school (40 percent), secondary school (100 percent), health mobile unit (30 percent), access to temporary employment program (94 percent), free tortilla (99 percent), etc.</p> <p>- These villages represent 2.9 percent of total population, but 3.3 percent of youth (0–14) and 3.4 percent of elderly (over 65), vs. 2.6 percent of working age population (25–64).</p>
<p><u>Indigenous</u> (total population 11,500,000 people, of which 80 percent (9,200,000) among the extreme poor, and 1 million monolingual)</p>	<ul style="list-style-type: none"> Systematically higher poverty rates and lower social development indicators 		<p>-Illiteracy rates, age 15 and over: 49 percent (women), 27.8 percent (men). In communities with over 70 percent indigenous populations (total pop. 4,000,000), 28 percent of children do not attend school, most living in communities with 100 or fewer inhabitants. Over 1 million school-age children speak indigenous language, 250,000 of which are monolingual. Only 38 percent of schools in indigenous communities offer all 6 grades of primary education.</p>

Producing an overview of Social Protection spending...

painstaking, but worth it!

Type of Program	Number of Programs	Budget 2000 (million pesos)	Percent of total Budget	Major Beneficiaries
1. <u>Social Insurance</u>	<u>4</u>	<u>170,539.0</u>	<u>76.1</u>	
—Social Security	3	158,687.0	70.8%	- Formal sector employees
—Negative Income Tax	1	11,760.0	5.2%	- Formal sector employees
2. <u>Sectoral Social Assistance</u>	<u>29</u>	<u>15,861.9</u>	<u>7.1%</u>	
—Education	18	6,622.8	3.0%	- Poor, low educated
—Health	5	4,740.7	2.1%	- Rural poor
—Housing credit	2	3,779.6	1.7%	- Public sector employees
—Other	4	718.8	0.3%	- Various vulnerable groups
3. <u>Income Transfers and Subsidies</u>	<u>7</u>	<u>14,765.2</u>	<u>6.6%</u>	
—Progresa (conditioned income T)	1	9,635.0	4.3%	- Rural poor
—Food Programs	6	5,130.2	2.3%	- Poor
4. <u>Income Generation</u>	<u>54</u>	<u>15,531.8</u>	<u>6.9%</u>	
—Temporary Employment	1	3,997.7	1.8%	- Poor unemployed
—Labor Training	2	1,683.9	0.7%	- Low income
—Rural Development	51	9,850.2	4.4%	- Rural communities
5. <u>Social Infrastructure</u>	<u>5</u>	<u>2,250.1</u>	<u>1.0%</u>	
				-- Communities with low access to basic infrastructure
6. <u>Natural Disaster Protection</u>	<u>1</u>	<u>4,839.9</u>	<u>2.2%</u>	
				-- Communities hit by natural disasters
7. <u>Other</u>	<u>5</u>	<u>202.8</u>	<u>.09%</u>	
				-- Poor communities
TOTAL	105	223,990.7	100%	

Clarifying policy recommendations: seven problems and seven solutions

Problem	Diagnosis	Best Practice Policy Options
1. Low preschool and ECD Program coverage	Public services not widely available, private services cost-prohibitive for the poor.	Mexico's exemplary ECD education services for parents (PRODEI) and community-based pre-school services (CONAFE) illustrate best-practice techniques, but offer insufficient coverage and should be expanded.
2. Pocket of low primary school attendance in rural areas	In rural areas, 15 percent of 6–14 year-olds in the poorest income decile (largely indigenous) do not attend school.	Community-based rural schooling (CONAFE), combined with scholarships and training for indigenous students to become teachers, bilingual education, distance learning and mobile education units.
3. Low secondary school enrollment rates	Opportunity cost of schooling, poor quality, and low access yield high youth employment in rural areas and “inactivity” in urban areas.	Expand demand-side subsidies (for example PROGRESA scholarships) complemented by increased access and quality of secondary schooling; special education programs to bring dropouts back into education system, and high-school equivalency programs.
4. Low earnings among the poor, working-age population	Low education/skill levels yield higher unemployment and underemployment among the poor; but majority of poor (over 60 percent) are employed full time at below poverty wages. Current negative income tax program excludes poorest (informal sector).	Self-targeted workfare program for the poor unemployed (Mexico's PET), complemented by targeted income-support (reformed negative income tax is an option) for poor working families, within macroeconomic and labor market framework promoting labor-intensive growth, along with financial services for the poor.
5. Low access to pension (income support) among the elderly poor	Pension system only recently open to informal sector; current access to pensions regressive with extremely low (0.2 percent) incidence among rural poor.	Expanded options for informal sector participation in public and/or private contributory pension plans, complemented by targeted noncontributory pension system for elderly poor.
6. Low housing quality among the poor	Restricted or access to savings and borrowing mechanisms for the poor, existing public subsidies largely targeted to middle class (public sector employees).	Targeted subsidies to finance small-scale home improvements, complemented by expanded financial services (mortgages) and basic infrastructure networks serving poor areas.
7. Concentration of indigenous people among the chronically poor, and in isolated rural villages	Geographic and social isolation, low access to basic infrastructure, few public interventions specifically designed to foster local control or driven by indigenous cultural norms.	Targeted investment to reduce basic infrastructural deficiencies of these communities (i.e. water), combined with specific, community-driven and managed development programs (see Indigenous Peoples Chapter).

And finally, going out on a limb! Estimating costs for SP initiatives in seven major categories of risk

Problem	Size of population at-risk (coverage gap)	SP policy initiative	Annual cost per person (pesos)	Estimated cost to cover gap (million pesos)
1. Low ECD and pre-school coverage	ECD: 4.6 million poor children ages 0-4; Pre-school: 375,000 poor children age 5	Expand ECD services (PRONEI) to all poor children 0-4;	540	2,500
		Expand <i>CONAFE</i> preschool coverage to all poor children age 5	3,510	1,300
2. Pocket of low primary school attendance in rural areas	270,000 rural poor children ages 6-12 not attending primary school	Expand <i>CONAFE</i> primary-school coverage to all poor	3,735	1,000
3. Low secondary school enrollment rates	1,900,000 poor youth ages 12-14 not attending lower secondary; 2,200,000 poor youth ages 15-18 not attending upper sec.	Offer secondary scholarships (<i>PROGRESA?</i>) to non-attending youth ages 12-14 (lower sec.), and to youth ages 15-18 (upper sec.)	3,090	5,900
			3,600	7,900
4. Low earnings among the working poor	4,400,000 poor ages 25-64, employed full time	Expand/reform negative income tax (<i>ISR negativo</i>) to cover all fully-employed working poor ages 25-64	1,710	7,500
5. Low access to pension (income support) among elderly poor	2,250,000 elderly poor (over age 64) 8,800,000 current workers w/o access to social security	Provide minimum old-age pension to all current elderly poor	1,200	2,600
		Expand access to social security pension system to all informal sector workers	780	6,900
6. Low housing quality among the poor	4,800,000 households	Offer subsidized housing credits to all poor households with low housing quality (<i>PASVP</i>)	2,383 per family	11,500
7. Remote villages with low access to basic infrastructure	1,300,000 people in remote villages without access to water	Install potable water service in all isolated communities currently without water	10,000 per person (avg.)	13,000
Total Annual Cost of Implementing the Above SP Interventions				60,100