



Social Protection Discussion Paper Series

Social Safety Net Assessments from Central America: Cross-Country Review of Principal Findings

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Synthesis Consultores Internacionales

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Main Acronyms and Abbreviations

AFPs	Private Administered Pension Plans
CBI	Centro de Bienestar Infantil (El Salvador-rural)
CCSS	Caja Costarricense de Seguro Social
CDI	Centro de Desarrollo Integral (El Salvador-urban)
CEIE	Centro de Iniciación Escolar No Formal (Honduras)
CEN/CINAI	Centro Integral de Atención Infantil (Costa Rica)
CEPENEf	Centro de Educación Preescolar no Formal (Honduras)
EAP	Economic Active Population
EDC	Early Childhood Development Program
FHIS	Fondo Hondureño de Inversión Social
FISDL	Fondo de Inversión Social para el Desarrollo Local (El Salvador)
FODESAF	Fondo de Asignaciones Familiares (Costa Rica)
FONAVIPO	Fondo Nacional de Vivienda Popular (El Salvador)
HDI	Human Development Index (UNDP)
HOGASA	Hogares Gestores de Atención en Salud, Servicios de Salud (Honduras)
IGSS	Instituto Guatemalteco de Seguridad Social
IHNFA	Instituto Hondureño de la Niñez y Familia (Honduras)
IHSS	Instituto Hondureño de Seguridad Social
IMAS	Instituto Mixto de Ayuda Social (Costa Rica)
IMF	International Monetary Fund
INPEP	Instituto Nacional de Previsión de los Empleados Públicos (El Salvador)
INSAFORP	Instituto Salvadoreño de Formación Profesional
ISPM	Instituto Salvadoreño de Protección al Menor
ISSS	Instituto Salvadoreño de Seguridad Social
IVM	Insurance for incapacity, old age or death
LAC	Latin America and Caribbean
LMSL	Living Standards Measurement Survey
M&E	Monitoring and Evaluation Systems
MINED	Ministry of Education (El Salvador)
MOH	Ministry of Health
NGOs	Non- Government Organizations
PAPIN	Programa de Apoyo a la Población Indígena y Negra (Honduras)
PRAF	Programa de Asignaciones Familiares (conditional transfers Honduras)
PRIESS	Programa de Reorganiz. y Extensión Servicios Básicos en Salud (Honduras)
PROHECO	Community-managed education program (Honduras)
PRONADE	Programa Nacional Autogestión para el Desarrollo Educativo (Guatemala)
RNC	Non Contributive Pension Plan (Costa Rica)
SA	Assistance Programs
SI	Social Insurance
SIDA	Swedish International Aid Agency
SIPO	Sistema de Selección de Población Objetivo (Costa Rica)
SNF	Secretaría Nacional de la Familia (El Salvador)
SP	Social Protection
SRM	Social Risk Management
SSNAs	Social Safety Net Assessments
UNDP	United Nation Development Program
WB	World Bank
WDR	World Development Report

Abstract

This paper reviews the first generation of Social Safety Net Assessments (SSNAs) conducted in Central America, including those of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The World Bank supports SSNAs to help identify strengths and weaknesses in social protection policies and recommend improvements in the programs for the consideration of governments and other stakeholders. The paper provides an overview of social protection systems in the region, summarizes findings and policy recommendations, and outlines the implications for future analyses.

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1. Introduction

1. To assess that state of the social protection systems in Central America, the World Bank (WB) has completed five country-level Social Safety Net Assessments (SSNAs).¹ The purpose of each of the SSNAs was to identify weaknesses and strengths in the social protection policies and programs and provide the government and other stakeholders in the five countries with a set of recommendations to improve their social protection systems. The purpose of this paper is to identify common issues and threads in the SSNAs prepared for the five Central American countries with two objectives: to offer Central American governments an overview of social protection systems in the region so that they can put the SSNAs prepared for their own countries in perspective as they seek to strengthen their social protection policies and to generate a discussion in the region among other stakeholders over social protection policies.

2. The five Central American countries considered in this review have a total population of 33 million, 39% of whom are under 15 years of age compared to 32% for the Latin America and Caribbean (LAC) region. Their per capita income averaged US\$ 1,680 in 2000 or about one-half of the average for LAC. Poverty is still widespread in most countries. The distribution of income continues to be highly concentrated, with 42% of income being held by the richest 10% of the population (Table 1). Nevertheless, there are marked differences between the countries. According to the UNDP's Human Development Index (HDI), Costa Rica has achieved a much higher development than the other countries, with El Salvador in an intermediate position, and Honduras, Nicaragua, and Guatemala at the bottom.

¹ In this paper, Central America is considered to be comprised of the six countries in the Central American Common Market (CACM): Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The SSNAs prepared for the World Bank reviewed for this study cover five countries: "Costa Rica: Social Spending and the Poor", World Bank Latin America and Caribbean region, processed, June 2002. "El Salvador: Social Safety Net Assessment", World Bank Latin America and Caribbean region, processed, May 2002. "Guatemala: Poverty in Guatemala" World Bank Latin America and Caribbean region, February 2003. "Honduras: Vulnerability, Risks and Poverty", World Bank Latin America and Caribbean region, August 2002. "Nicaragua: Towards a Social Protection Strategy for Nicaragua: A Review of Selected Programs in the PRSP Portfolio", World Bank Latin America and Caribbean region, processed, March 2001.

Table 1. Population and Key Development Indicators, 2000 1/

	Total Population (Millions)	Population 0-14 years old (% of total)	Per capita income (Constant 1995 US\$)	Human Development Index 2/	Human Poverty Ranking 3/	Income share held by lowest 20%	Income share held by highest 10%
Costa Rica	3.8	32.4	3912	0.820	2	4.5	34.6
El Salvador	6.3	35.6	1752	0.706	32	3.3	39.5
Guatemala	11.4	43.6	1558	0.631	40	3.8	46.0
Honduras	6.4	41.8	711	0.638	36	2.2	42.7
Nicaragua	5.1	42.6	466	0.635	41	2.3	48.8
Average	33	39.2	1680	N/a		3.2	42.3
LAC	515.7	31.5	3856	N/a		N/a	N/a

1/ Estimates of income shares are for 1998

2/ HDI is a summary measure of human development that takes into account three dimensions of development: a long and healthy life measured by life expectancy at birth; knowledge measured by education enrolments and literacy; and decent standard of living measured by per capita income.

3/ Ranking from a sample of 88 developing countries

Source: World Bank (WDR) and UNDP (HDI)

3. Poverty and inequality offered a fertile ground for conflict. During the 1980s the region experienced civil wars, often fueled by Cold War competition. War brought economic deterioration and increased poverty, but more recently peace agreements have been reached in each of the countries with military conflicts: Nicaragua, El Salvador and Guatemala.

4. Most of the CACM countries have made progress in the 1990s in reconstructing their infrastructure, stabilizing their economies and moving ahead with structural reform. While the economic situation of the countries improved, a large segment of the population continues to be poor. There are several reasons for these results. First, social reforms are difficult to design and implement and, once in place, often take more time to yield results than economic policy reforms; second, there is a huge gap between available fiscal resources and social needs; third, natural disasters to which Central America is prone have repeatedly reversed recent advances made in social conditions and absorbed available resources; and lastly, social safety nets have been generally inadequate. Indeed, the five Central American countries reviewed spend on average almost 5% of GDP on social protection, yet the vast majority of this spending is absorbed by social insurance programs that reach only a small percentage of the poor. At the same time, social protection programs are often not well targeted on the poorest at-risk groups or are not administered efficiently.

5. This paper is organized as follows. After reviewing briefly the conceptual framework in section 2, sections 3 to 10 of the paper investigate how the SSNAs answered the following questions: What are the principal risks and vulnerabilities facing the poor in Central America and their coping strategies? What are the principal groups-at-risk? What types of programs are in place to address the risks facing the poor? How much do the countries spend on the Social Protection, Social Insurance and Social Assistance? How adequate are the social protection systems? Are the programs well targeted to groups-at-risks and cost-efficient? Are institutional arrangements to manage the Social Protection systems adequate? And, what are the key issues and recommendations that emerge from these SSNAs? Section 11 explores the implications of this review for future SSN work in the region. To the extent possible, the review pays particular attention to how indigenous populations fare in the SSN, given their relative importance, particularly in Guatemala, Honduras, and Nicaragua. Box 1 presents the definitions of the main concepts used in SSNAs and in this paper.

Box 1
Definition of Key Concepts

Conditional Transfers: Transfers schemes include payment in cash (e.g. family or child allowances), near cash (e.g., food stamps, vouchers), and in-kind (e.g., food supplements). Conditional transfers require the recipient family or individual of the transfer to perform some predetermined activities such as regularly attending school or visiting a health center. The transfer has the twin purpose of supporting household income and contributing to human capital development.

Chronic poverty: Poverty that results from long-term structural factors.

Life-cycle risk analysis: A framework to identify and organize the presentation of the risks that affect the different age groups of the population, particularly the poor population, mostly based on the determinants of poverty from the poverty studies, survey results, and other social studies.

Means test: Tests designed to identify and separate the poor and usually done on the basis of income.

Safety Net: A term usually applied to the set of social assistance programs such cash transfers, in-kind transfers and public works.

Self-selection: Targeting through program design features that ensure that only the target population (usually the poor) makes use of the program, e.g. through setting a wage rate in public works that is lower than market rate.

Shocks: Events that can reduce group or individual well being, such as illness, unemployment, or drought, and which may themselves cause or compound poverty; shocks that directly affect households are called idiosyncratic; shocks that are associated with macro or sectoral perturbations, covariant.

Social Assistance: Transfer programs that provide benefits in cash or kind including subsidies, workfare and conditional cash transfer programs.

Social Insurance: Approaches that pool risk, including unemployment, old age or pension, disability, sickness, etc.

Social Protection: Public interventions to: i) help individuals, households and communities better manage risk; and ii) provide support to the critically poor. Usually includes social insurance and social assistance programs.

Social Risk Management: A framework consisting of the identification of the appropriate risk prevention, mitigation and coping strategies to minimize the adverse impact of shocks.

Transient poverty: Poverty that results from some temporary shock(s) which could be reversed over time.

Vulnerability: It has two elements: a) a person or household's resilience to a given shock, which is largely based on the portfolio of assets at their disposal (the higher the resilience, the lower the vulnerability); and b) the severity of the impact of the shock (the most severe the impact, the higher the vulnerability).

Workfare programs: Transfer schemes that require participation in a public works program. Benefits are paid either in cash or kind (e.g., food-for-work schemes).

Source: World Bank Social Protection web site and SSNA reports.

2. Methodological Approaches

6. The reports reviewed in this paper were the first SSNAs produced for the countries involved. Their principal objective was to focus the attention of the authorities on the most vulnerable groups within society, revising existing programs and institutional arrangements, proposing strategies to minimize the risks facing the poor, and stressing the need to improve the allocation of meager fiscal resources and the efficiency of resource use. They provide the authorities and other stakeholders with a fresh analysis of old problems by utilizing a new framework: social risk management.² This chapter provides a brief overview of the underlying conceptual framework used in the SSNAs and a discussion of issues related to the scope and type of analysis adopted in the SSNA exercises.

Conceptual Framework

7. All SSNAs based their analysis on the social risk management (SRM) framework developed by the World Bank.³ The concept of managing social risk comes from the notion that certain groups in society are vulnerable to unexpected shocks, which threaten their livelihood and/or survival. However, some groups live in a chronic state of impoverishment, which places their livelihood in a constant state of risk. Social risk management involves policies aimed at reducing key risks, breaking inter-generational cycles of poverty and vulnerability. Risk management consists of choosing the appropriate risk prevention, mitigation and coping strategies to minimize the adverse impact of social risks. These strategies may involve informal

² The author of this paper was also responsible for the preparation of the SSNA for El Salvador and Honduras. Some of the opinions expressed are based on his experience with these exercises.

³ Holzmann, Robert and Steen Jorgensen, "Social Risk Management: A New Conceptual Framework and Beyond", World Bank, February 2000.

arrangements (i.e., community based or family based), market mechanisms (i.e., insurance, banking credit), or public supported programs.

8. Social Protection under SRM is defined as public interventions to: i) assist individuals, households and communities to better manage risk; and ii) provide support to the critically poor.⁴

Thus Social Protection should provide:

- a) *A springboard for the poor to bounce out of poverty: Opportunity for the poor to adopt higher risk and higher return activities and avoid inefficient and inequitable informal risk sharing mechanisms; and*
- b) *A Safety net: Support to help the poor access basic social services, prevent social exclusion, and avoid coping strategies with irreversible negative effects during adverse shocks.*

9. In practice, Social Protection (SP) includes social insurance (SI) programs that pool risk and include unemployment, old age or pension, disability, and sickness insurance; and social assistance programs (SA) programs that provide transfers in cash or kind, including subsidies, workfare and conditional cash transfer programs. Labor market policies are usually considered part of social protection but have not been included in the SSNA and therefore are not address in this review. The term “safety net” is usually applied to the set of social assistance programs.

Scope of the Analysis

10. As mentioned, all SSNAs reviewed here have used the conceptual framework provided by the SRM, but have appropriately focused on a narrower set of issues depending on the country context (Table 2). All the reports included a discussion of social assistance programs. The Costa Rica and El Salvador reports also included an in-depth review of social security; the Guatemala and Honduras a more selective one, and the Nicaragua report did not discuss social security issues.

⁴ Ibid., page 3.

Table 2. Scope of Analysis of Central America SSNAs

Country	Areas of Analysis	Observations
Costa Rica	Social insurance Social assistance Social sectors	It includes an analysis of the Social Security program.
El Salvador	Social insurance Social assistance Remittances	It includes an analysis of the Social Security program. Originally it included an analysis of electricity, water and transport subsidies that were subsequently eliminated. Natural disasters are included.
Guatemala	Social insurance Social assistance Remittances Social sectors	It includes an analysis of the Social Security program, the TAM (insurance for migrant workers) program; catastrophic insurance recommended. It includes an analysis of housing, transport and electricity subsidies.
Honduras	Social insurance Social assistance	It includes only a brief analysis of the Social Security because the WB had ongoing work in this area. Macroeconomic risks are mentioned. Natural Disasters are included.
Nicaragua	Social assistance	Natural Disasters are included.

Source: SSNA Reports

11. The analysis has focused more on social assistance programs than on social insurance in part because of the focus on the most vulnerable populations that are largely concentrated in the informal sector beyond the scope of most social insurance schemes, and because social insurance issues are often dealt with as separated analytical tasks. The poor often do not have access to market insurance because these usually require a formal job and steady stream of income, which most poor lack. When the poor do have access to insurance these are often publicly mandated insurance schemes (i.e., social security). Although public insurance schemes have a rationale because the “*mandatory participation in the risk pool can circumvent issues of adverse selection*”,⁵ they usually include only those in the formal labor market. Since publicly mandated insurance programs are usually very costly for the treasury (and often inefficient), there is often reluctance to recommend their expansion. On the other hand, the experience with alternative insurance mechanisms (either market, informal, or self-insurance) still needs to be systematized. Consequently, the discussion of insurance related issues in SSNAs is often limited or is taken as a separate task.

12. With the exception of Guatemala, the reports did not discuss informal insurance mechanisms. To the extent that remittances can be considered an informal insurance mechanism (i.e., one member migrates to provide for the family) they were briefly treated in the El Salvador

⁵ Holzmann, Robert, “Risk and Vulnerability: The forward looking role of social protection in a globalizing world”, World Bank, March 2001, page 7

report. The Guatemala report considers informal coping mechanisms such as borrowing or receiving help from friends and relatives. Given the limited coverage that formal insurance systems (either old age, disability or health) have in the region and the real difficulties of expanding coverage of these regimes to the poor (even in reformed systems such as the one in El Salvador), measures to support informal insurance mechanisms or to avoid that these break down deserve more attention in future SSNAs.

13. As shown in Table 2, the Guatemala and Costa Rica SSNAs were part of a broader analysis of the social sectors. In the case of El Salvador, Honduras and Nicaragua, the respective reports considered some programs in the areas of education and health as “social assistance programs”, which could be regarded as line agency programs; the Nicaragua SSNA included some infrastructure programs.⁶ It is clear that SSNAs cannot be evaluated in isolation and are part of the government’s broader social policies. Therefore, education and health sector analysis should either be available or done concurrently with SSNAs, as it would help focus the analysis in the SSNAs.

14. There is considerable debate over whether disaster relief programs should be considered part of countries’ social assistance strategies. In Central American countries, which are prone to natural disasters. Therefore, safety net programs play an important role in minimizing the negative effects of natural disasters, particularly on the poor. With respect to natural disasters, the emphasis of SSNAs has been on coping mechanisms. The Guatemala report has a more extensive analysis of natural disaster shocks and recommends the introduction of catastrophic insurance. In the El Salvador, Nicaragua and Honduras reports there are references to prevention and mitigation measures such as disaster readiness, reallocation of people from vulnerable areas, and better housing, but these aspects are not treated in depth. Interventions to cope with the results of natural disasters such as workfare and income transfers to the affected poor are mentioned in all reports, as these are part of the SSN traditional tool kit. In the case of El

⁶ In the discussion of the SSNA with the Social Cabinet of El Salvador this was one of the most contentious points. The Ministries of Public Works and Environment argued that their programs should be part of the assessment given their impact on social exclusion and mitigation against the impacts of natural disasters.

⁷ Holzmann, Robert, “Risk and Vulnerability: The forward looking role of social protection in a globalizing world”, World Bank, March 2001, page 5.

Salvador and Honduras the role of the Social Investment Funds in spearheading reconstruction in the wake of natural disaster was stressed. Notwithstanding, the analysis of policies and instruments to mitigate and cope with the impact of natural disasters should receive a more detailed discussion in future SSNAs in Central America, including catastrophic insurance, civil organization, and emergency programs to respond in a crisis.

15. All five SSNAs took a national perspective in their analysis. The assessments identified groups-at-risk from national surveys, and often included disaggregations by urban and rural areas and gender. A potential drawback of looking at national data is that some groups or regions may face specific risks that would be ignored. In this respect, the Honduras report makes an attempt to look in more detail at the issues facing the indigenous population but the scarcity of data did not permit much analysis.

16. The actual or potential role of local governments and NGOs has not been addressed in the majority of SSNAs reviewed. With the current emphasis on decentralization and local development, local authorities are eager to support instruments that may help focus their efforts in SSN related areas. However, social assistance programs executed by local governments have not been covered in any of the reports. The role of NGOs is also somewhat ignored in some SSNAs reviewed. Part of the reason is that some reports (Nicaragua and Costa Rica) explicitly focus on public expenditures and limit the analysis to government-financed programs. In the case of Guatemala both NGO and private sector programs were reviewed. In the case of El Salvador and Honduras, the key NGO programs were covered. Nevertheless, it is important to ensure that the role of local governments and NGOs are addressed in a more systematic way in future SSNAs.

Type of Analysis

17. The SSNAs are concerned with the key risks that affect the poor given adverse shocks (i.e., natural or man-made), their vulnerability to these risks, and the strategies to address these risks/vulnerabilities. Risk and vulnerability are intrinsically linked since vulnerability relates to a specific risk. Nevertheless, it is possible to identify two types of analysis in the SSNAs

reviewed which may be called: risk and vulnerability (Table 3).⁸ The first type was used in the Costa Rica, El Salvador and Honduras reports. The second in Guatemala, and to less extent, in the Nicaragua SSNA. Risks (or social risks) have been defined as “*events that can reduce group or individual well being, such as illness, unemployment, or drought, and which may themselves cause or compound poverty*”.⁹ On the other hand, vulnerability has been defined as depending on two elements: “*a) a person or household’s resilience to a given shock, which is largely based on the portfolio of assets at their disposition (the higher the resilience, the lower the vulnerability); and b) the severity of the impact of the shock (the most severe the impact, the higher the vulnerability)*”.¹⁰ The risk analysis is essentially static and the vulnerability analysis seeks to bring poverty dynamics into the analysis. The risk analysis relies on existing survey data, while the vulnerability analysis requires special survey modules or studies, or, ideally, panel data.

18. The risk analysis has been used in conjunction with the life-cycle approach. Following the original work in Mexico,¹¹ many SSNAs have used the life-cycle approach as an organizational tool. In this approach, risks that affect the different age groups are identified on the basis of the determinants of poverty from poverty studies, survey results and other social studies. In some sense, the “life cycle” approach brings some time considerations into play by focusing on the risks facing the poor at different ages. For example, it may predict that there is a high probability that a poor child just born will not have a pension when it reaches old age, if existing conditions persist. It also underscores the message that vulnerabilities often accumulate and therefore preventive measures at the early stage of the life cycle should receive high priority. Nevertheless, the risk analysis under the life-cycle approach is essentially a static exercise and ignores the role of households in risk management. By its own nature, the life-cycle organizational approach narrows the type of risks that are examined, namely those that affect the specific age group (idiosyncratic risks). To overcome in part this limitation, a general category has been added to the analysis where risks that affect various groups, regions or even the nation

⁸ A more extensive discussion of the methodological issues raised by these SSNA can be found in Marques, José Silvério “Central America: Cross-Country Evaluation of Social Safety Nets Assessments- Issues Paper”, processed, December 2002.

⁹ Nicaragua SSNA report, page 4 footnote 3.

¹⁰ Guatemala SSNA report, page 113

¹¹ Gillette Hall and Ana Maria Arriagada “Mexico: Social Protection”, PN, December 2000.

(covariant risks) have been included. Finally, note that the Nicaragua report which introduced the vulnerability analysis and the Guatemala report which has a more in-depth vulnerability analysis, both used the life-cycle approach to organize the risk/vulnerability information and program responses.¹²

Table 3. Type of Analysis in SSNAs

Country	Type of Analysis	Type of Risk/Vulnerability	Information Inputs
Costa Rica	Risk	Idiosyncratic (chronic risks)	Household surveys SIPO- Mean Test data base Social sector studies, poverty study (UNDP) and WDR data
El Salvador	Risk	Idiosyncratic (chronic risks)	Poverty Assessment Household Survey (special tabulations) Human Development reports Various social studies Newspapers stories
Guatemala	Vulnerability	Covariant Idiosyncratic (chronic and transient vulnerability)	LSMS (ENCOVI) including special module on risk and shocks at household and community level 12 technical papers
Honduras	Risk	Idiosyncratic (chronic risks)	Poverty Assessment/PRSP Household Survey (special tabulations) Human Development Various social studies Newspapers stories
Nicaragua	Risk/Vulnerability	Idiosyncratic (chronic risks)	Qualitative Poverty Study LSMS

WDR: World Development Report; LSMS: Living Standards Measurement Survey

Source: SSNA Reports

3. Risk/Vulnerability and Coping Strategies

19. To identify risks, two main instruments were used in the SSNAs: shock/vulnerability analysis and “expert opinion”. The reports on Nicaragua and Guatemala used a special module in the household surveys or other studies to identify the vulnerabilities and their ranking. In the case of Nicaragua a special module in the LSMS was used. To conduct the Guatemala exercise, a special module on risks, shocks and vulnerability was added to the household survey (LSMS). It also examined several case studies at the community level. In the cases of El Salvador and Honduras the identification of risks was mostly based on the “expert opinion” of government and NGO officials involved in the sector, based on an initial list drawn from previous WB reports

¹² An advantage of the life-cycle approach is that it allows for an easy match between the analytical categories and the institutional ownership of the programs.

and other reports complemented with informal sources. The list of risks was then crosschecked with information from survey data and other sources to determine their relevance and estimate the groups-at-risk. A similar approach appears to have been followed in the Costa Rica SSNA. The identification of the relative importance of the shock/vulnerabilities/risks by the potential groups at-risk contributes clearly to a more solid analysis. Indeed, the vulnerability analysis brings in additional elements, namely the ranking of the vulnerabilities and the identification of strategies to cope with the vulnerabilities, elements that should become the norm in future SSNAs.

20. Three out of the five SSNAs reviewed focused mainly on risks that affect directly households (idiosyncratic) rather than on risks associated with macro or sectoral shocks (covariant). The key risks identified in the Costa Rica, El Salvador, and Honduras reports are shown in the first column of Table 4. The results for Nicaragua and Guatemala are summarized below.

21. The assessment of vulnerabilities facing the poor in Nicaragua was based on a qualitative study of the poor's perceptions of their own living conditions, as a complement to quantitative LSMS data on poverty, which was included in the World Bank's Nicaragua Poverty Assessment prepared in 2000. One goal of the study was to identify the priorities defined by the poor with regard to the different types of economic, social, and environmental risks that they confront. The principal findings, summarized in Table 5, are:

- The main risk reported by poor households is the risk of low food consumption and hunger. Hunger was consistently mentioned by poor people as the main problem. The priority ranking presented in the Qualitative Poverty Study suggests that the other risks perceived by households are a distant second to low food consumption.
- The second most important source of risk is low income from work. In urban areas the poor—being conscious of their low human capital—express concern about the limited demand for unskilled labor, while in rural areas the poor are concerned about the lack of productive resources, especially working capital. Both urban and rural poor understand that to increase productivity it is necessary to be more educated and to have access to capital. Land in rural areas, and housing in urban areas is the third concern among the poor, followed

by access to good health care, education, and basic services, such as electricity, potable water, and sanitation.

Table 4. Population at Risk a/

	Costa Rica		El Salvador				Guatemala				Honduras				Nicaragua	
Age Group/ Principal Risks	% Poor in Age Group	No. Poor in Age Group	% Poor in Age Group	No. Poor in Age Group	% Total in Age Group	No. Total in Age Group	% Poor in Age Group	No. Poor in Age Group	No. Total in Age Group	% Total in Age Group	% Poor in Age Group	No. Poor in Age Group	% Total in Age Group	No. Total in Age Group	% Poor in Age Group	No. Poor in Age Group
Infants Malnutrit. (chro) Not in ECD Not in preprimary	0-5 - 94%	0-5 - 83,000	0-6 - 99% (0-3) 75% (4-6)	0-6 - 334,000 207,700	0-6 23.% 96.% 65%	0-6 143,000 574,700 304,140	0-5 52% - 97%	0-5 756,380 - 1.4 mill	0-5 44% - 94%	0-5 945,970 - 2 mill	0-6 - 98.6% (0-4) 35%(5-6)	0-6 - 667,670 269,350	0-6 33% g/ - 32%	0-6 300,000 - 338,120	0-6 31% - -	0-6 171,000 - -
Children Not in school Working			7-15 21% -	7-15 152,000 -	7-15 18% 18% f) -	7-15 223,800 256,000 -	6-13 22% 18%	6-13 357,960 294,400	6-13 16% 15%	6-13 420,590 387,542	7-15 19% 14% (10-14)	7-15 236,800 97,360	7-15 17% 13% - -	7-15 269,030 112,630 -	7-12 21% -	7-12 95,000 -
Teens Not in school Unemployed Inactive	13-18 31% 15% 17%	13-18 38,300 18,800 21,000					14-17 67% -	14-17 410,300 -	14-17 54% -	14-17 577,500 -						
Young adults Not in school Unemployment	19-24 84% 10%	19-24 57,470 6,800	16-23 - -	16-23 - -	16-23 - 12.5%	16-23 - 79,300	18-24 91% 1%	18-24 610,760 8,870	18-24 81% 2%	18-24 1.1 mill 27,488	16-23 - -	16-23 - -	16-23 64% b/ 24.6% c/	16-23 303,300 115,860		
Adults Low wages e/ No social security No health insuran. Underemployed	25-60 - 44% d/ - -	25-60 - - 28,700	24-64 43%(urb.) - 93%	24-64 - - 2.7 mill	24-64 25% (urb.) 60% d/ 81%	24-64 350,000 2.4 mill 4.9 mill	25-60 25% 64% 22%	25-60 423,080 1.1 mill 379,570	25-60 18% 63% 22%	25-60 627,000 2.2 mill 758,110	24-59 32% d/ - -	24-59 497,660 - -	24-59 23% d/ 89% h/ 72% d/ -	24-59 562,500 103,400 1.8 mill -	15-59 - - - 27% d/ i/	15-59 - - - -
Seniors No health insuran. No pension	Over 65 7% 49%	Over 65 2,418 17,425	Over 65 - 94%	Over 65 - 170,000	Over 65 - -	Over 65 - -	Over 60 95% 96%	Over 60 288,072 290,290	Over 60 86% 88%	Over 60 854,220 597,830	Over 60 - 96%	Over 60 - 289,100	Over 60 - 95%	Over 60 - 403,070	Over 60 -	Over 60 34,000 70,000
All Population Poor housing No water No electricity Poor	Hhold- - 15% - 21% (all)	Hhold 100,000 25,000 - 440,000 (all)	All - 42% 46% -	All - 599,100 670,350 -	All - 22% 21% 47%	All - 1.5 mill 1.4 mill 2,9 mill	All 8% 41% 44% -	All 509,250 2.6 mill 2.8 mill -	All 5% 31% 29% 56%	All 582,130 3,5 mill 3,.3 mill 6,4 mill	Hholds 26% 13% 41% -	Hholds 270,570 106,500 232,480 -	Hholds 15% 10% 28% 71%	Hholds 1.3 mill 122,170 346,760 4,5 mill	Hholds 80% 18% 57% 48%	Hholds 282,000 63,000 201,000 2,5 mill

a/ data for 1999/2001; b/ 16-18 years; c/15-18 years d/ with respect to the Economic Active Population; e/for those that are occupied and work more hours than established and receive less than minimum wage (for Guatemala defined as recording earnings in the lowest decile of the earnings distribution); f/ 8-17 years; g/ 12-59 months; h/ all population; i/ male population.

Source: SSNA Reports

- The poor also indicated that they fear natural disasters, and understandably so. During the past ten years Nicaragua has suffered the effects of volcanic eruptions (1992), tidal waves (1992), the climatic alterations caused by El Niño (1996-98), and the devastation caused by Hurricane Mitch (1998). Unfortunately, in the absence of a well funded and developed disaster prevention system, the poor have few options in the face of a natural disaster. Their best coping mechanism is to evacuate the affected areas—sometimes permanently, or until the danger is gone.

Table 5. Nicaragua- Risk Perceptions and Coping Mechanisms Among the Poor		
Risk Perception by the Poor	Coping Strategy	Priority Ranking Assigned by the Poor
Low food consumption . Periods of hunger.	(a) Food rationing, including: - Use of only 1–2 ingredients per meal. - Fewer meals a day. - Some members do not eat three meals - Hunger spells. (b) Barter and work for food.	1
Low access to working capital and low capacity to generate money income . Limited demand for labor.	(a) Diversification of sources of income: - More than one job - Incorporation of women and children into the labor force (b) House-based economic activity (tortillas, food sales) (c) Sale or pawning of household goods (d) Migration (e) Remittances from other family members (f) Illegal activities	2
Lack of legal title to land and/or housing . Insecure property rights.	- Low quality housing. - Build house on squatter land - Housing/land in exchange for work	3
Lack of access to good health care due to (a) long distance to health centers, (b) low quality of medical staff, (c) limited hours of service, (d) lack of equipment and medicines at health centers, (e) high cost of medicines.	- Traditional medicine - Household medicines	4
Low access to good education due to (a) distance to school, (b) private cost of attendance, (c) unavailability of a grade in the school, (d) lack of a teacher, (e) lack of personal safety on the way to school.	- Send children to school only for the first few years.	5
Low access to basic services	- Use of illegal connections to the electric grid - Use of insecure water -- from rivers and streams - Dump trash near home	6
High vulnerability to natural disasters	- Few options to protect persons or assets; evacuation is common at critical times. - Some forms of agricultural risk management among farmers with access to technical assistance.	7
Civil and domestic violence ; street violence and crime; incest; child abuse. Youth gangs in urban areas	- Few or no resources to deal with violence, and lack of knowledge about possible courses of action. - Youth gangs can be neighborhood self defense mechanisms.	8
Lack of trust in communal work and community organizations for fear of losing their property or getting into debt.	- Few or no coping strategies, except among indigenous groups in the Atlantic, where there is a tradition of communal work.	9
High perception of social exclusion .	- Few or no coping mechanisms for physical isolation and lack of information. - Tendency to rely on family network and neighbors whenever possible, but low access to social and communal networks.	10

Source: Nicaragua SSNA, Annex II.

22. In the case of Guatemala, the report presents a detailed analysis of shocks, vulnerabilities and coping strategies. Using quantitative and qualitative data, the Guatemala report analyzes in detail the impact of shocks faced by the population as shown in Table 6. The report concludes that:

- The effects of shocks are multi-dimensional, affecting not only income, wealth and consumption, but also community assets, the psychological and social well being of individuals, families and communities, and health and education.
- The poor are more exposed to natural disasters and agriculture-related shocks than the non- poor.
- The cost of shocks is significant. Economic shocks (e.g., fall in coffee prices or lost of remittances) have larger and more severe impacts than other types of shocks, particularly on the poor.

Table 6. Guatemala- Impact of Shocks, 2000						
% Of households	Total	Wealth Quintiles				
		Q1 poorest	Q2	Q3	Q4	Q5 richest
Reported Shocks						
Natural	28.7	35.4	28.2	32.0	26.7	21.2
Economic	32.8	32.8	31.5	34.7	33.0	31.8
Social	5.7	2.2	3.1	6.4	7.1	9.8
Life-Cycle	12.4	10.8	12.4	11.8	14.2	12.7
Shocks that Reduced Welfare a/						
Natural	18.6	23.0	21.2	22.2	15.9	10.6
Economic	31.7	32.1	30.8	33.6	31.7	30.2
Social	3.7	1.0	1.8	5.5	4.6	5.8
Life-Cycle	11.0	9.8	11.4	11.0	12.0	11.0
Shocks reported during the previous 12 months. Natural shocks include: earthquake, drought, floods, tempests, hurricanes, pests, land slides, fire, forest fire; Economic shocks include: enterprise closure, mass lay-offs, job loss, income losses, bankruptcy, lost remittances, worsened terms-of-trade, lost harvest; Social shocks include: public protests, criminal offense, land disputes, family disputes; Life-cycle shocks include: accident of the breadwinner, death of breadwinner or other, abandonment of breadwinner.						
a/ Income or wealth.						
Source: Guatemala SSNA based on the Household Survey of 2000 (ENCOVI).						

23. The Guatemala report also analysis household strategies to cope with the shocks, as shown in Table 7. The report concludes:

Table 7. Guatemala- Main Coping Strategies, by Wealth Quintiles, 2000						
% of households reporting shocks a/	Total	Wealth Quintiles				
		Q1 (poorest)	Q2	Q3	Q4	Q5 (richest)
Self-Help	35.3	39.4	39.2	31.8	33.6	33.1
Informal/Social Capital	7.4	11.0	8.1	7.4	5.8	5.1
Private Insurance/Credit	12.6	7.7	14.4	13.9	14.7	11.9
Government Assistance	0.2	0.4	0.0	0.2	0.0	0.3
NGO/Int'l Assistance	0.5	0.6	0.5	0.7	0.0	0.5
Reduced Consumption	44.0	40.9	37.7	46.1	46.0	49.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
a/ Households reporting shocks during the previous 12 months. Source: Guatemala SSNA based on the Household Survey of 2000 (ENCOVI).						

- Faced with shocks, households tend to rely primarily on their own assets. The main coping strategies include reduced consumption or self-help. The poor are less equipped than the non-poor to fight shocks, and are more likely to reduce consumption or use existing assets (particularly labor). The non-poor are more likely than the poor to use market-based insurance mechanisms.
- The probability of using market-based coping mechanisms is lower for indigenous people (*ceteris paribus*) than for Ladinos.
- Poverty and vulnerability are primarily chronic rather than transient phenomena, reflecting low average consumption (current and expected) due to low levels of overall assets (e.g., education).

4. Groups-at-Risk

24. Central American countries, with the exception of Costa Rica, are exposed to similar shocks and the populations have similar assets bases and income characteristics. It is expected therefore that the chronically poor populations in these countries are vulnerable to similar risks. Indeed, following the life-cycle approach, all SSNAs find similar groups-at-risk: poor infants who may face malnutrition and lack of development; poor school-aged children, who lack educational opportunities and are forced earlier to the job market (child labor) or to a life of violence (gangs or maras); the working poor, particularly those in low productivity activities such as agriculture, due to low pay and vulnerability to natural disasters; poor households lacking access to basic services or decent housing, water, swage and electricity; rural households living in areas prone to natural disasters; and the poor elderly without pension or health insurance.

25. Estimates of the groups-at-risk as shown in Table 4. Although the estimates are not directly comparable given differences in definitions (i.e., education levels, employment status, etc.), they illustrate the situation of vulnerable groups in each country. In general terms the table indicates that:

- Malnutrition is a serious problem. One-fourth (El Salvador) to one-half (Guatemala) of children under five face chronic malnutrition. Costa Rica is an exception since less than 1% of children suffer from severe malnutrition and 17% from mild malnutrition.
- The majority of the poor children (75% in El Salvador and 97% in Guatemala) still do not attend preschool. In the case of Honduras, the definition of preprimary school includes informal modalities of only 2-10 months instead of the traditional 2-3 years, which brings nominal coverage to 45% of the cohort.
- One in every five poor children does not attend primary school in El Salvador, Guatemala and Nicaragua as dropout continues to be major problems in all countries. Lack of money is often cited as the principal reason for not attending school. Child labor is an important phenomenon in the region (probably with the exception of Costa Rica).
- Teenager inactivity and violence is a growing concern. There is a large number of teenagers that do not attend school and do not work. Teen inactivity rates range from 17% in Costa Rica to 25% in Honduras. These teenagers are joining gangs or *maras* and account for the drastic increase in teen violence in recent years.
- There is a large group of working poor. Since the main asset of the poor is the sale of labor, poverty forces people to take whatever jobs and wages they can get. The phenomena of people working more hours than set officially while getting paid less than the minimum wage, is severe in El Salvador (43% of urban poor labor force) and Honduras (32% of total poor labor force). Low wages, particularly acute in agriculture, results from low productivity, which in turn results from low capital accumulation (education).
- The majority of the poor do not have insurance. Less than 7% of the poor population in El Salvador, Guatemala and Honduras have illness, old age, disability, and death insurance. No country has a formal unemployment insurance mechanism though in each country most nonagriculture, formal sector workers who lose their jobs receive severance payments.

- Basic public services still fail to reach an important number of the poor. Most countries face serious deficiencies of public service delivery, including health, water and sanitation and electricity.
- Natural disaster management capabilities are incipient. Despite being natural disaster-prone, Central America countries still lack the capacity to adopt effective prevention, mitigation and coping strategies in face of recurrent natural disasters.

26. The indigenous population, the overwhelming majority of which is poor, are much more vulnerable to the risks noted above than the ladino population. For instance, the Guatemala SSNA indicates that the risk of unstable income is found mostly among the indigenous groups, which also face discrimination in the work place: the wages of indigenous workers are 50% lower than those of ladinos, everything else being equal. The SSNA for Honduras found that additional risks faced by the indigenous population include: lack of bilingual education; high incidence of diseases such as malaria, HIV/AIDs; land insecurity; and exclusion and isolation. Unfortunately, data on indigenous population are not readily available, as they are not identifiable in national statistics and surveys. The indigenous population of the Nicaraguan Atlantic may face similar predicaments to their Honduran and Guatemalan counterparts.

5. Social Protection Programs

27. Social Protection (SP) includes social insurance (SI) and social assistance (SA) programs. All the Central American countries reviewed have a social security system that covers the risk of illness, disability, old age, and death but none has a formal unemployment insurance. Most countries have a system called labor liability (*pasivo laboral*) in which firms set aside a given amount per employee annually which is disbursed to the employee if the employee is laid-off. This system applies only to formal sector employees with a work contract; employers of temporary workers or in the informal sector do not constitute the *pasivo laboral*.

Table 8. Major Social Assistance Programs

Country	No. of Programs	Observations
Costa Rica	N/a	FODESAF (<i>Fondo de Asignaciones Familiares</i>) including the CEN/CINAI (<i>Centro Integrales de Atencion Infantil</i>) for early childhood development, school welfare programs, housing subsidies. IMAS (<i>Institutio Mixto de Ayuda Social</i>) programs including income support programs, schools vouchers, student transportation and scholarships.
El Salvador	52 programs a/	Programs for infants, child labor, youth, delinquents Schools lunches in kind and voucher-2 school feeding programs: Healthy School-Multiple intervention in primary schools Programs for youth including 3 scholarships programs Programs for infants, child labor, youth, delinquents Basic infrastructure for the poor including housing
Guatemala	34 programs a/	9 social assistance programs PRONADE- community based schooling/ school feeding Scholarships (7 programs) In kind transfers (4 programs) Micro-credit/Disaster management Subsidies (land fund, housing, school transport, electricity)
Honduras	100 programs a/	Programs for infants, child labor, youth, victims/perpetuators of domestic violence, etc. Conditional transfers (PRAF) to families with infants and school age children PROHECO-Decentralized, community-managed education program Scholarships- Disaster reconstruction and Disaster mitigations Programs for the indigenous population: bilingual education; Land titling, credit, organizational strengthening) Our Roots program, PAPIN
Nicaragua	79 programs	Programs for infants, child labor, youth, including education infrastructure rehabilitation and construction Conditional transfers (SSN program) and school lunches Programs addressing health of household, low and unsustainable income, including agriculture programs Basic infrastructure for the poor including housing, including titling Geographic isolation and social exclusion, mostly roads Environment risks and natural disaster

a/ Includes NGOs programs

Source: SSNA Reports

28. Private insurance is used by a very limited group of the wealthy. Social insurance usually covers only workers in the formal sector. Since the majority of the poor work in informal markets or agriculture they usually are not covered. Costa Rica is the only country with non-contributive pension scheme for the poor. The Guatemala SSNA reports that the government has instituted an insurance mechanism for agriculture migrant workers and their families which is being piloted in the Departments of Suchitepéquez and Escuintla.

29. Publicly-provided social assistance programs form the bulk of Central America social protection systems for the poor, as illustrated in Table 8. In the El Salvador, Guatemala and Honduras, the SSNAs also identified key NGO-run programs.

6. Spending on Social Protection

30. A sound social protection system consists of a balanced and integrated set of social insurance and social assistance programs. Social insurance programs require people to save during good times to cover their needs during bad times. These programs should form the principal pillar of sustainable social protection systems. But also, all countries need a second pillar comprising social assistance programs directed at those that cannot afford or otherwise have no access to social insurance.

Table 9. Expenditure Estimates on Social Protection (SP), Social Insurance (SI) and Social Assistance Programs (SA) a/

Country	SP	SI		SA	
	% of GDP	% of GDP	% of SP	% of GDP	% of SP
Costa Rica	5.4	3.7	68.5	1.7	31.5
El Salvador	5.2	4.2 b/	80.8	1.0 c/	19.2
Guatemala	3.0	1.9 d/	63.3	1.1	36.7
Honduras	4.1	1.6 e/	39.0	2.5 f/	61.0
Nicaragua	6.5	5.4 g/	83.1	1.1 h/	16.9
Average CA	4.8	3.4	66.9	1.5	33.1
Argentina i/	5.0	4.1	82.0	0.9	18.0
Brazil i/	10.8	10.3	95.4	0.5	4.6
Mexico i/	4.3	3.2	74.4	1.1	25.6

a/ Social Protection (SP) is the sum of social insurance (SI) and social assistance (SA). Data mostly for 1999/01 period.

b/ Includes contributions to the SAP (US\$ 254 million), ISSS (US\$ 263 million for health and US\$ 12 million for IVM), INPEP (US\$ 32 million).

c/ Excludes remittances received by the poor (0.9% of GDP)

d/ Contributions to the IGSS (IMF estimate)

e/ Includes all spending for old age, disability and health insurance (IHSS, teacher and civil servants insurances schemes) (IMF estimates 1.5% of GDP for 1998)

f/ Includes the FHIS social fund (1.3% of GDP) and other public and nonpublic programs

g/ Contributions to INSS (IMF estimate for 2000)

h/ Estimate provided by Kathy Lindert. The SSNA does not present estimates of SP, SI and SA spending. The SSNA reviewed a large number of programs (equivalent to 7.4% of GDP) that are part of the government's poverty reduction strategy, including many line programs.

i/ Estimates provided by Kathy Lindert based on country reports

Source: SSNAs reports and IMF

31. Table 9 presents estimates of expenditures made on social protection (SP), social insurance (SI) and social assistance programs (SA) in the five Central America countries and three other Latin American countries for which data are available. Table 9 is taken from the government figures presented in the SSNAs, except where noted in the footnotes to the table. Although there are some issues of comparability, some general conclusions can be drawn. The table shows that

Central American countries spend on average (as a % of GDP) on social protection (sum of social insurance and social assistance) more than Mexico and about the same as Argentina. On the other hand, Central American countries spend less on social insurance as a share on total social protection spending (67%) than Argentina, Brazil and Mexico.

32. However within Central America there are marked differences between the countries. Table 10 shows a typology of the countries based on their overall SP and SI spending and the SI/SA spending ratio in relation to the regional average. Two groups of countries emerge. Costa Rica, El Salvador and Nicaragua¹³ are higher spenders on social protection; Guatemala and Honduras lower spenders.¹⁴

Table 10. Typology of Central American Countries SP Systems

Spending Components	Higher Spenders a/	Lower Spenders b/
SP	Costa Rica (1.1) El Salvador (1.1) Nicaragua (1.3)	Guatemala (0.6) Honduras (0.8)
SI	Costa Rica (1.2) El Salvador (1.2) Nicaragua (1.6)	Guatemala (0.6) Honduras (0.5)
SI/SA	Costa Rica (1.0) c/ El Salvador (1.5) Nicaragua (1.7)	Guatemala (0.6) Honduras (0.2)

Note: SP, Social Protection; SI, social insurance; SA, social assistance. In parenthesis are the ratios of the country value to the sample mean. For example, for Costa Rica SI from Table 9 is 5.4 and the SI sample average is 4.8; therefore the ratio is 1.1 which shown in parenthesis in the second column for Costa Rica.

a/ Defined as having SP, SI and SI/SA ratios equal or above the regional average

b/ Defined as having SP, SI, and SI/SA ratios below the regional average

c/ Considers the non-contributive pension plan (RCN) equivalent to 0.3% of GDP as part of SI.

Source: Table 9

33. Table 10 shows that Costa Rica spending on SI and SA is close to the regional average. Costa Rica is the most developed Central American country according to the UNDP's HDI (Table 1). El Salvador is the second country in the HDI regional ranking and also part of the "higher SP

¹³ The inclusion of Nicaragua in the first group results from its relatively high spending in social security (5.4% of GDP). However, Nicaragua social security system is highly inefficient. The SSNA for Nicaragua does not include a discussion of the social security. Nevertheless, the IDB, which is helping reform the Nicaragua social security system, reports that it covers only about 17% of the economic active population (EAP). For comparison, the Costa Rica social security system covers 55% of the EAP and its annual contributions are equivalent to 3.7% of GDP. The Nicaragua system has a large number of non-contributory beneficiaries, including the war veterans who are financed by 1.5% salary contribution of all contributors, and extremely high administrative costs: 15% of pension benefits compared to between 2.5% to 5% in other Latin American countries. (Source: Nicaragua-Support to the Pension Reform Project, Loan Proposal. IDB October 2001, pages 11-12)

¹⁴ Note that it may not always be true that higher spending implies stronger social protection systems. For example, one country may spend more on social insurance (% of GDP) but its coverage of the poor may be low.

spending group”. It spends too little on social assistance relative to the other countries and to the amount spent on social insurance, to which very few poor have access. Honduras is in the lower group of SP spending as well as HDI ranking. It is the country with higher relative spending on social assistance programs and also with the lowest ratio of SI/SA. Finally, Guatemala has the lowest ranking in HDI and of SP spending.

7. Adequacy of the Social Protection Systems

34. The adequacy of the Social Protection Systems has been evaluated by comparing the groups-at-risk with the coverage of the programs that seek to address these risks. This approach has intrinsic limitations that must be kept in mind since often there is no perfect match between the population at risk and the beneficiaries of the programs. Also, the SSNA cannot cover all the programs, particularly those of NGOs and municipalities, so that the coverage of the analysis is imperfect at best. Nevertheless, a comparison between the groups-at-risk and the coverage of programs enables the analyst to identify key gaps in the safety net.

35. Table 11 presents available information on groups-at-risk, the principal programs in execution to address these risks, an estimate of the coverage of these programs, and an estimate of spending. For each country, the principal conclusions that emerge are:

- **Costa Rica** has a well-established social protection system. Its social insurance system has the highest coverage in the region: 56% of the economic active population, including 26% of informal sector workers. Of the poor population over 65 years of age, 26% are covered by the social security system (CCSS) and another 24% by the non-contributory scheme (RNC). It has a large number of assistance programs financed by FODESAF (Fondo de Asignaciones Familiares) including the CEN/CINAI (Centros Integrales de Atención Infantil) for early childhood development, school welfare programs, and housing subsidies. IMAS (Instituto Mixto de Ayuda Social) finances a number of income support programs, schools vouchers, student transportation and scholarships. According to the SSNA, the key challenge in terms of program coverage is to increase Early Childhood Development (ECD) programs as only 6% of the poor children 0-5 years old are covered by existing programs, giving priority to the 83,000 poor children that are not be covered. In addition, there is a need to increase the coverage of the non-

contributive pension system for 7,000 extreme poor people over 65 years that were not covered in 2001.

Table 11. Population at Risk, Principal SP Programs, and SP Spending a/

Age Group/ Principal Risks	Population at Risk				Program Name/ Description	Program Coverage	Spending % of GDP	Spending % of SPS
	% Poor in Age Group	No. Poor in Age Group	% Total in Age Group	No. Total in Age Group				
Costa Rica								
Infants/Children Not in ECD Not in preprimary	0-5 94%	0-5 83,000	0-5	0-5	CEN/CINAI- Childcare and nutrition centers; infants/ mothers School lunches IMAS and other-Direct income support and emergencies; school vouchers, student transportation, scholarships	18,200 (ECD) 92,000 (food support) 470,000 children 6,600 children (ECD)	0.1% GDP 0.2% GDP 0.6% GDP	1.9% SPS 3.7% SPS 11.1% SPS
Teens Not in school Unemployed Inactive	13-18 31% 15% 17%	13-18 38,316 18,787 21,012	13-18	1318				
Young adults Not in school No work or school Unemployment	19-24 84% 21% (14-18) 10%	19-24 57,470 - 6,825	19-24	19-24				
Adults No health insurance	25-60	25-60	25-60 44% (EAP)	25-60 -				
Seniors No health insurance No pension	Over 65 6.8% 49%	Over 65 2,418 17,425	Over 65	Over 65	Social Security: Covers disability, old age, & survival RNC-Non contributive pension plan	CCSS: 858,000 Teacher & other: 54,000 14,000	1.6% GDP 2.1% GDP 0.3% GDP	29.6% SPS 38.9% SPS 5.6% SPS
All Population Bad housing No indoor water	Poor Households - 15%	Poor Households 100,000 25,000	Poor Households	Poor Households				

Note: EAP- Economic Active Population; CEN/ CINAI-Centros Integrales de Atención Infantil; IMAS: *Instituto Mixto de Ayuda Social*; ECD: early childhood development program; CCSS: *Caja Costarricense de Seguro Social*; RNC: Non contributive pension plan
a/ data for 1999/2001.

Table 11. Population at Risk, Principal SP Programs, and SP Spending (continuation)

Age Group/ Principal Risks	Population at Risk				Program Name/ Description	Program Coverage	Spending % of GDP	Spending % of SPS
	% Poor in Age Group	No. Poor in Age Group	% Total in Age Group	No. Total in Age Group				
El Salvador								
Infants/Children	0-6	0-6	0-6	0-6	Programs for infants and mothers		0.1% GDP	1.9% SPS
Malnutrition (chronic)	-	-	23.3%	143,000	ISPM-CBI	6,300 children		
Not in ECD	98.5% (0-3)	334,000	96.2%	574,707	ISPM-CDI	2,000 children		
Not in preprimary	75% (4-6)	207,700	64.8%	304,135	SNF- <i>Nutriendo con Amor</i>	5,185 (persons)		
					MOH- community based primary healthcare	33,969/ 41,518(mother/infants)		
Children/Teens	7-15	7-15	7-15	7-15	Healthy School-Multiple intervention in primary	650,000 children	0.25% GDP	4.8% SPS
Not in school	21%	152,000	17.5%	223,800	schools including schools lunches in kind and voucher			
Working	-	-	18% (8-17)	256,000	5 Programs for the eradication of child labor	6,500 children		
Young adults	16-23	16-23	16-23	16-23	MINED programs for youth- <i>Pais Joven</i>	16,780 students	0.1% GDP	1.9% SPS
Unemployment	-	-	12.5%	79,000 (15-24)	Scholarships programs (3)	900 students		
Inactivity			19%		INSAFORP- 2 training programs	15,000 youngsters		
Adults	24-64	24-64	24-64	24-64	Social Security: Covers formal private and public sector workers, accident , maternity and sickness, disability, old age, & survival Programs for adults, women, physical impaired, occupational safety and seniors	SAP/ISSS/INPEP	4.2% GDP	80.8 % SPS
Low wages b/	43%(urban)	159,734	25% (EAP)	343,686		population covered (19.4%)		
No Social Security	-	-	60% (EAP)	2,471,346				
No medical insurance	93%	2,718,000	80.6%	4,960,000		8 programs	0.3% GPD	5.8% SPS
Seniors	Over 65	Over 65	Over 65	Over 65				
No pension	94%	170,000						
All Population	All Poor	All Poor	All	All	FONAVIPO-Housing loans/subsidies	2,156/ 3,665 families	0.3% GDP	5.8% SPS
No water	42%	599,100	22%	1,543,115	FISDL-Basic infrastructure	1,150 projects		
No sewage	25%	356,965	10%	697,280				
No electricity	46%	670,345	21 %	1,443,340				

Note: EAP- Economic Active Population; ISPM-*Instituto Salvadoreño de Protección al Menor*, CBI- *Centro de Bienestar Infantil* (rural); CDI-*Centros de Desarrollo Integral* (urban); SNF- *Secretaria Nacional de la Familia-Nutriendo con Amor* (early childhood development program); INSAFORP- *Instituto Salvadoreño de Formación Profesional*; MINED-Ministry of Education-*Pais Joven*- program to promote youth extracurricular activities; FONAVIPO-*Fondo Nacional para la Vivienda Popular*, FISDL-*Fondo de Inversión Social para el Desarrollo Local*; SAP- privately administered pension system; ISSS- *Instituto Salvadoreño de Seguridad Social*; INPEP- *Instituto Nacional de Previsión de los Empleados Públicos*.

b/ invisible underemployment—works more hours than established and receives less than minimum wage.

Table 11. Population at Risk, Principal SP Programs, and SP Spending (continuation)

Age Group/ Principal Risks	Population at Risk				Program Name/ Description	Program Coverage	Spending % of GDP	Spending % of SPS
	% Poor in Age Group	No. Poor in Age Group	% Total in Age Group	No. Total in Age Group				
Guatemala								
Infants Malnutrition Not in preprimary	0-5 52% (stunting) 97%	0-5 756,379 1,416,582	0-5 44% 94%	0-5 945,974 2,052,302	Programs covering variety of groups: infants, orphans, youths, young delinquents, breast-feeding mothers, poor rural women, single mothers, poor elderly, victims/perpetuators of domestic violence, etc.	9 SA programs 31,106 children	0.09% GDP	3.0% SPS
Children Not in school Child labor	6-13 22% 18%	6-13 357,962 294,398	6-13 16% 15%	6-13 420,585 387,542	School snack/ breakfast/l lunches-3 School feeding PRONADE- Community-managed education program. Provides primary schooling, school meals, cash transfers, training, TA for construction of classrooms	1,089,869 children 294,041 children	0.10% GDP 0.24% GDP	3.3% SPS 8.0% SPS
Teens Not in school Working	14-17 67% 56%	14-17 410,297 344,399	14-17 54% 51%	14-17 577,502 541,197	7 Scholarships programs- Programs covering students in primary, secondary; focus is on rural areas; some focused on girls	35,000 students	0.01% GDP	0.3% SPS
Young adults Not in school Unemployment Underemployment	18-24 91% 1% 18%	18-24 610,756 8,871 124,149	18-24 81% 2% 17%	18-24 1,104,339 27,488 237,094				
Adults Unemployment Underemployment Low wages No Social Security	25-60 1% 22% 25% 64%	25-60 10,075 379,571 423,077 1,082,284	25-60 1% 22% 18% 63%	25-60 41,031 758,109 627,033 2,207,606	Social Security: IGSS-Covers formal private and public sector workers, including accident , maternity and sickness, disability, old age, & survival TAM:-New pilot program for agricultural migrant workers	N/a 50,021	1.9% GDP c/ N/a	63.3% SPS N/a
Seniors No pension No health insurance	Over 60 96% 95%	Over 60 290,292 288,072	Over 60 88% 86%	Over 60 597,826 854,217	Food for Work; Programs with varying geographic coverage and size	4 SA 11,575 persons	0.02% GDP	0.7% SPS
All Population Poor Housing No water No electricity	All Poor 8% 41% 44%	All Poor 509,251 2,638,151 2,833,552	All 5% 31% 29%	All 582,134 3,524,266 3,282,762	Land Fund and Subsidies (housing, school transport, electricity) Programs to help communities vulnerable to natural and environmental risks and shocks (national coverage)	land: 12,915; housing: 7,623; School transport: 76,374; Electricity: 10.2 million 2 Disaster Management programs	0.55% GDP 0.09% GDP	18.3% SPS 3.0% SPS

Note: PRONADE-Programa Nacional de Autogestión para el Desarrollo Educativo; IGSS- Instituto Guatemalteco de Seguridad Social
c/ IMF estimate

Table 11. Population at Risk, Principal SP Programs, and SP Spending (continuation)

Age Group/ Principal Risks	Population at Risk				Program Name/ Description	Program Coverage	Spending % of GDP	Spending % of SPS
	% Poor in Age Group	No. Poor in Age Group	% Total in Age Group	No. Total in Age Group				
Honduras								
Infants Malnutrition (chronic) Not in ECD Not in preprimary I	0-6 - 98.6% (0-4) 35%(5-6)	0-6 - 667,669 269,346	0-6 33% (12-59) - 31.9%	0-6 300,000 - 338,124	Integral Attention to Infants (MOH/USAID) PRAF- Maternal Infantile/ Nutrition voucher Nutrition, Health and Education (IDB) Improving Children Heath (CARE/USAID) HOGASA- (MOH/CARE/USAID) IHNFA- Community based ECD IHNFA- ECD centers CEPENF- No formal Preschool (4-6) CEIE-No formal Community preschool centers (5-6) Program PRIESS Program Acceso	200,000 (0-5) 58,673 persons/26,246 children 98,347 persons 955 mothers/1,353 children 5,650 mothers/ children 5,644 children 3,135 children 49,358 children 59,965 children 50,000 personas 2 millions (1992/02)	0.2% GDP	4.9% SPS
Children/Teens Not in school Working	7-15 19% 14% (10-14)	7-15 236,807 97,364	7-15 17% 13%	7-15 269,028 112,628	PROHECO-Decentralized, community-managed education Healthy school Program- Integrated interventions PRAF -Bolsón Escolar (school materials) PRAF- School voucher 1st and 3rd grades PRAF- School voucher 4th grade Student voucher Regular scholarships Eradication of child labor	42,933 children 327,000 children (2002) 217,294 children 74,769 children 27,799 children 80,000 students (2002) 6,118 students 6,072 children	0.4% GDP	9.8% SPS
Young adults Not in school No work or school Unemployment Inactivity	16-23 - - - -	16-23 - - - -	16-23 64.4% (16-18) 24.6% (16-18) 6.9% (15-18) 25%	16-23 303,295 115,855 19,736	IHNFA Social Intervention Programs Adolescent Health Programs (MOH) Literacy for youngsters and adults Basic and Vocational Training (USAID)	7,000 persons 21,000 persons 160,000 persons 83,800 persons	0.1% GDP	2.4% SPS
Adults Low wages Unemployed No Social Security	24-59 32% (PEA) 4.9%	24-59 497,663 76,835	24-59 23.1% (EAP) 4.2% 72% (EAP)	24-59 562,507 103,401 1,755,358	Social Security: IHSS-Covers formal private and public sector workers Basic infrastructure for the poor including housing Programs for adults, women, physical impaired, occupational safety and seniors	11% population	1.6% GDP	39% SPS
Seniors No pension	Over 60 95.7%	Over 60 289,105	Over 60 94.5%	Over 60 403,066		15 programs	0.1% GDP	2.4% SPS
All Population Poor Housing No water No electricity	Poor Households 25.6% 13.4% 40.7%	Poor Households 270,567 106,503 232,484	All Households 15.3% 9.9% 28.1%	All Households 1,258,299 122,168 346,759	FHIS Disaster reconstruction and Disaster mitigations Housing and other basic infrastructure Indigenous: bilingual education; land titling, credit, organizational strengthening- Our Roots program, P APIN	1.8 million beneficiaries 6 programs - 10 programs	1.3% GDP 0.2% GDP 0.2% GDP 0.03% GDP	31.7% SPS 4.9% SPS 4.9% SPS 0.7% SPS d/

Nota: EAP- Economic Active Population PRAF- Programa de Asignaciones Familiares; HOGASA- Hogares Gestores de Atención en Salud, Servicios de Salud; IHNFA- Instituto Hondureño de la Niñez y Familia; CEPENEF- Centros de Educación Preescolar No Formal; CEIE- Centros Comunitarios de Iniciación Escolar No Formal PRIESS Programa de Reorganización y Extensión de los Servicios Básicos en Salud; Programa Acceso- Extensión, Profundización y Consolidación del Proceso Nacional de Acceso (MOH/ASDI). d/ Our Roots Program only.

Table 11. Population at Risk, Principal SP Programs, and SP Spending (continuation)

Age Group/ Principal Risks	Population at Risk				Program Name/ Description	Program Coverage	Spending % of GDP	Spending % of SPS
	% Poor in Age Group	No. Poor in Age Group	% Total in Age Group	No. Total in Age Group				
Nicaragua								
Infants/ Children Malnutrition (chronic) Not in ECD	0-6 31% -	0-6 171,000 -	0-6 - 95% (0-3)	0-6 - 438,900	Programs for infants, child labor, youth, including education infrastructure rehabilitation and construction Conditional transfers (SSN program) and school lunches Youth risks and education infrastructure rehabilitation & construction	13 programs 3 programs 5 programs	1.8% GDP 0.4% GDP 0.3% GDP	
Children/Teens Not in school	7-12 21.3%	7-12 95,000	7-12	7-12				
Young adults/adults Unemployment Underemployment	15-59 11% (PEA) f/ 27% (PEA) f/	15-59 - -	15-59	15-59	Social Security: INSS-Covers formal private and public sector workers Programs addressing health of household, low and unsustainable income, including agriculture programs	36 programs	5.4% GDP e/ 3.2% GDP	83.1% SPS
Seniors In poverty (urban) In poverty (rural)	Over 60 12.5% 26.6%	Over 60 34,000 70,000	Over 60	Over 60				
All Population Poor Housing No housing title No water No electricity No waste disposal	Poor Households 80% 61% 18% 57% 26%	Poor Households 282,000 215,000 63,000 201,000 92,000	All Households	All Households	Basic infrastructure for the poor including housing, including titling Geographic isolation and social exclusion, mostly roads Environment risks and natural disaster	12 programs 4 programs 6 programs	0.6% GDP 0.3% GDP 0.9% GDP	

e/ IMF estimate; f/ male

Source: SSNAs reports

- **El Salvador** has reformed its social security system but its coverage is limited to only 6% of the poor. The SSNA identifies 143,000 (23%) rural children under 5 that suffer chronic malnutrition (30% of children 0-5 in rural areas) but the programs directed at this group only cover a fraction of the children in need. There are also 208,000 poor children that do not attend preprimary (75% of poor children age 4-6) and 152,000 poor children that do not receive basic education (21% of poor children age 7-15). The number of children working is 256,000 and programs to address this problem reach only 6,300 children. Programs for teenagers are also lacking, as teenage women account for one in every three pregnancies, youth inactivity rates reach 19% (teens 14-17 years that do not work or study), and youth violence has been on the increase.
- **Guatemala's** public social protection systems, according to the SSNA, fails to reach a quarter of the extreme poor and a fifth of the poor. Virtually all of the poor are excluded from any formal social insurance system. The SSNA recommends the following: strengthen school feeding programs; channel conditional transfers through self-targeted health services; expand well-targeted workfare programs to help seasonal workers, consolidate existing small and poorly targeted scholarship programs; and eliminate inefficient and poorly targeted electricity and school transport subsidies. It also recommends, when budgets and administrative capacity permit, expanding the coverage of social insurance to the poor.
- **Honduras'** social security system is highly inefficient and covers only 28% of the labor force. There are 290,000 poor seniors without a pension (96% of the population over 60). The SSNA identifies 300,000 poor rural children that suffer malnutrition (33% of poor children 12-59 months old) though there is a large number of programs for these age groups including conditional transfers. On the other hand there are 269,000 poor children that do not attend preprimary (35% of poor children 5-6) and 237,000 poor children that do not attend basic education (19% of poor children age 7-15). The number of children working is 112,628 (13% of children age 10-14) and programs to address this problem reach only 6,072 children. The report finds risks faced by the indigenous population to be somewhat unattended, though information is scarce. There are three bilingual education projects and other recent projects targeted to the indigenous (the Honduras Social Investment Fund's Our Roots program and the Program to Support the Indigenous Population, PAPIN).
- **Nicaragua** spends relatively large amounts on its social protection system, but the system is highly inefficient. Regarding social assistance programs, the SSNA identifies 171,000 poor children with chronic malnutrition (31% of poor children 0-6 years old) and high rates of children not in school (21% of poor children 7-12 years old). It concludes that despite the

relative abundance of resources allocated to these programs, coverage of key risks that affect the poor is inadequate for a number of risks categories, particular for children less than 3 years old. For school age children, it notes that there are initiatives to provide demand side subsidies to encourage school attendance. It stresses the need to address the issue of housing titles and strengthen housing programs for the poor and at the same time improve the access to basic services especially in rural areas.

Table 12. Distribution of SP Spending by Program Category and Groups-at-Risk

Program Categories	Type of Programs	Range of Spending % of SPS a/	Population that Remains at Risk
Social Insurance	Covers formal private and public sector workers, including accident, maternity and sickness, disability, old age, & survival	40-83	Over two thirds of the poor are not covered by social insurance b/
Nutrition and early childhood development (ECD)	Childcare and nutrition centers; nutrition support to infants and mothers	3-15	over 95% poor children without ECD
School lunches	School snack School breakfast School lunches	1-4	Over one half of teenagers not in school
Scholarships and other support	Direct income support and emergencies; school vouchers, student transportation, scholarships	0.5-11	One-quarter of teenagers inactive
Programs for Adults/seniors	Programs for adults, women, physical impaired, occupational safety and seniors	1-6	One third to one-half of working poor underemployed
Basic Infrastructure/subsidies	Basic infrastructure for the poor including housing and subsidies (electricity, water, etc)	6-42	Significant gaps in basic service coverage (excl. Costa Rica)
Programs for indigenous population	Honduras: bilingual education; Land titling, credit, organizational strengthening, PAPIN	1 c/	No information available
Disaster management	Disaster reconstruction and Disaster mitigations	3-5	One-third of the population vulnerable (Guatemala)

a/ SPS: Total social protection spending.

b/ higher coverage in Costa Rica where one-half of the poor seniors have no pension; seniors without pension in other countries over 90%.

c/ Honduras' Our Roots program only.

Source: Table 11

36. To give an overview of the SP systems in Central America, Table 12 presents for the group of the five countries a description of the key programs in each program category, an estimate of the range of spending in each category, and an estimate of the population that remains at risk. Table 12 reveals the following:

- Social insurance programs absorb the bulk of SP resources but reach only a small percentage of the poor.
- Infrastructure and subsidies, some of which are not well targeted on the poor, absorb the largest share of social assistance spending.
- Spending on poor infants and school age children absorbs a small share of total spending, compared to the size of the group-at-risk and its potential pay off in terms of avoiding the intergenerational transmission of poverty.
- Just a small fraction of total social protection spending addresses the specific problems of the indigenous population in Honduras.
- Natural disaster management receives less than 5% of total social protection spending.

8. Operational Effectiveness

37. But how well targeted and efficient are the social assistance programs? In a sense, the general answer to the question has been already given in view of the large share of the poor population that remains at risk in most countries. This section reviews the findings of the SSNAs pertaining to the targeting mechanisms used, the incidence of programs, and their cost-efficiency. The section ends with some comments on the monitoring and evaluation systems (M&E).

Targeting

38. Given the tight fiscal constraints facing all countries in the region, programs should be targeted to the most needy. Costa Rica is making significant progress in developing effective targeting mechanisms but it also faces challenges to ensure that the programs reach the poor. Central American countries use a variety of instruments and mechanisms to target social assistance programs to those in need. These include geographic criteria, broad categorical eligibility (e.g., girls in poor rural areas, victims of human rights violations, orphans, poor elderly, landless peasants, breast-feeding mothers, refugees, etc.), poverty maps, household characteristics, means testing, and self-selection.

39. Some countries rely on poverty maps to target benefits.¹⁵ In general, poverty maps are useful instruments to help target program benefits to poor areas, but are particularly useful when

¹⁵ Poverty maps usually present the geographic distribution of the population below the poverty line.

combined with other information on poor households. For instance, the targeting of health/nutrition programs or education programs require a detailed mapping of the household health or education indicators; general poverty indicators are not sufficient to identify the undernourished, or children out of school. In some countries a combination of means-testing and other criteria has been used to identify the eligible families. For instance, the conditional transfer program in Honduras, *Programa de Asignaciones Familiares* or PRAF, uses the following criteria: three poverty deciles; malnutrition; monthly income below 600 lempiras (about US\$ 38) and with more than three unsatisfied basic needs. Also, self-selection criteria have been used in most countries, for example when wages in workfare programs are set below the minimum wage.

40. Costa Rica has developed a proxy means-test system, *Sistema de Selección de Población Objetivo* or SIPO, which it proposes to use as its key targeting instrument. Families are classified by poverty line or by a weighted poverty index, which has been constructed on the basis of selected demographic and socioeconomic variables. The main characteristics of SIPO are that it is uniform and objective, easy to administer, and cost effective. The Costa Rica report recommends that to make the SIPO effective there is a need to: i) pass a normative act mandating the use of the system by all institutions and social assistance programs; ii) develop procedures to update the system; iii) develop a shorter version of the survey to identify the new or transient poor. As the report indicates, not all programs should be targeted using the mean testing system; some programs such as nutrition for children and mothers need other instruments.

41. Nonetheless, the diversity of targeting mechanisms and instruments used in Central America, even for similar programs, has led to inequities, favoritism, duplication of benefits, and in some cases exclusion of those that need the programs the most. In the abovementioned PRAF program, for example, a recent evaluation reported that the poverty targeting results are extremely poor. Most programs also lack exit criteria to terminate benefits, which may lead to significant leakage of benefits. The poor incidence of some programs reviewed in the SSNAs, illustrate the weakness of the targeting mechanisms.

Incidence

42. The need to improve targeting mechanisms is underscored by incidence analysis that seeks to determine what share of program benefits reach the poor. The Costa Rica report indicates that the targeting of some important social assistance programs is highly inefficient (Table 13). For instance in the childcare program, only one quarter of beneficiary children belong to the families in the poorest income quintile; in contrast, the milk program reaches 61% of the poorest families.

Table 13. Costa Rica- Cumulative Distribution of Benefits of Key Programs, 1999

Quintile 1/	School Voucher	School Feeding	Childcare	Milk
1	41	34	24	61
2	76	62	58	85
3	92	82	79	95
4	98	94	96	98
5	100	100	100	100

a/ Cumulative quintiles from the poorest (1) to the richest (5)

Source: Costa Rica report, Table 31, page 52 (volume I)

43. The Guatemala report also presents a detailed analysis of the incidence of the programs. It found that social insurance is highly regressive in both absolute and relative terms (Table 14). That is, the richest receive significantly larger absolute benefits than the poorest; nonetheless, these benefits are relatively more important to the poor than the non-poor. In contrast, social assistance programs are generally better targeted, though targeting outcomes vary significantly by program. For instance, the scholarship programs are very poorly targeted, with the top quintile capturing close to half of all scholarship benefits. Similarly, the top two quintiles receive 83% of all subsidies to school transport. Likewise, 65% of all electricity subsidies accrue to the top quintile. In contrast, the school feeding and the school materials assistance program (*bolsa de utiles escolares*) benefit primarily the middle quintiles.

Table 14 Guatemala: Absolute Targeting Incidence of Social Protection Programs, 2000

(Average transfers received by each group as % of total transfers received by entire population)

	Total	By Quintile					By Poverty Group			By Ethnicity		By Area	
		Q1	Q2	Q3	Q4	Q5	XP	AP	NP	Ind.	Non-Ind	Rural	Urban
All Public SP Programs	100	8	13	15	18	46	6	33	67	25	75	45	55
All Social Insurance (SI)	100	1	3	5	15	76	1	9	91	9	91	20	80
Pensions	100	1	2	4	12	81	1	6	94	9	91	17	83
Survivorship	100	4	4	4	13	75	2	11	89	9	91	16	84
Alimony	100	1	6	10	24	60	0	16	84	10	90	30	70
All Social Assistance (SA)	100	14	21	24	21	20	10	54	46	39	61	66	34
School Feeding	100	16	25	27	20	11	12	63	37	43	57	79	21
Snack	100	13	21	26	26	14	10	55	45	39	61	59	41
Breakfast	100	17	28	29	17	9	12	68	32	43	57	92	8
Powdered Milk	100	30	26	14	16	14	7	65	35	62	38	56	44
Glass of Milk	100	16	29	25	19	12	11	65	35	49	51	75	25
Glass of Atol	100	17	22	25	23	14	13	57	43	42	58	64	36
Scholarships	100	9	4	23	16	48	3	30	70	47	53	28	72
School Materials	100	18	24	24	20	13	14	60	40	35	65	69	31
School Transport Subsidy	100	0	2	15	56	27	0	16	84	8	92	3	97
Electricity Subsidy	100	2	3	9	22	65	1	12	88	16	84	18	82
Other SA	100	13	20	16	17	34	11	48	52	46	54	53	47
All Private Transfers	100	4	8	14	21	54	2	22	78	24	76	41	59
Remittances	100	4	8	14	20	55	2	23	77	24	76	43	57
Local	100	4	8	11	16	63	3	20	80	18	82	31	69
Foreign	100	4	7	16	23	49	2	25	75	29	71	52	48
Charity	100	2	9	13	24	51	2	20	80	22	78	32	68
Public + Private	100	6	10	14	19	50	4	28	72	24	76	42	58
Memo for Comparison													
Share of total population	100	20	20	20	20	20	16	56	44	43	58	61	39
Share of poor population	100	36	36	29	0	0	n.a.	n.a.	n.a.	58	42	81	19
Share of total consumption	100	5	9	13	20	54	4	24	76	24	76	37	63
Share of total income	100	2	7	11	18	62	4	24	76	23	77	35	65

Note: people can receive more than one type of transfer. Quintiles are individual consumption quintiles.

Source: Guatemala SSNA, Table 12.4, page 139

Table 15. Honduras- Early Childhood Development Programs

Program	Institution a/	Type of Intervention	Target Group	Unit Cost
Program of Integral Attention to Infants	MOH/USAID	Attention at institution and community level	Mothers/Children under five	US\$0.85/r children
Improving Children Health	CARE/USAID	Basic health packet	Mothers/Children under five	US\$1.3/ person
Household Managed Basic Healthcare Program (HOGAZA)	CARE/ MOH/USAID	Local health systems, primary health attention and nutrition	Pregnant women, and children under two	N/a
Access Program	MOH/SIDA a/	Decentralized delivery of primary healthcare	Extreme poor	US\$ 0.65/ persona
Reorganization and Extension of the Basic Health Services Program (PRIESS)	MOH/IDB	Delivery of basic packet	Children under 5 and women in reproductive age	US\$ 18/ packet
Voucher for mother and infants	PRAF/GOH	vouchers	Families	US\$35.6/ person
Nutrition, health and education	PRAF/IDB	Vouchers (health and education)	Pregnant women, children under 3, school children	US\$ 62.8/ person

a/ MOH- Ministry of Health; SIDA-Swedish International Aid Agency; PRAF- Conditional Transfers Program (*Programa de Asignaciones Familiares*)' IDB- Inter-American Development Bank; GOH – Government of Honduras; USAID – US Agency for International Development; CARE is an international NGO

Source: Honduras SSNA, Table 5.1

Cost Efficiency

44. All SSNAs found that with the information available, it was not possible to determine the cost efficiency of most programs.¹⁶ Nevertheless, duplication and fragmentation of activities across programs, a myriad of intervention modalities, the never ending piloting of programs, are severe problems in Nicaragua, Honduras and Guatemala, and to less of an extent in El Salvador, which detracts from the cost efficiency of programs. For instance, in Nicaragua there are at least 8 different models of primary health care, 3 programs provide identical school backpacks, 5 programs construct school infrastructure, 3 programs deliver teacher training, and the rural development programs employ 13 different approaches. In Honduras, for some risks there are a variety of modalities of intervention. For example, in primary health care programs there are at least 7 types of interventions with very different unit costs (Table 15); some of these programs are based on the delivery of a minimum package of attention; others on institutional delivery of services; and still others use the voucher mechanism. Some have competing objectives while others are complementary. Honduras still does not have a universally accepted cost effective modality of intervention at primary healthcare, which leads to duplication and dispersion of efforts and inefficient use of the little institutional capacity available.

45. The school feeding program in El Salvador illustrates how different benefit packages and delivery modalities affect cost-efficiency. Table 16 shows that the component of the program financed by the World Food Program (WFP) costs three times more than the component financed by USAID. One of the reasons for the difference in cost is that the WFP component includes meat. On the other hand, the cost per student of the component financed by local funds (FANTEL or the telecommunication privatization fund) delivered through vouchers is less than the USAID component. With the vouchers, the logistic cost associated with the distribution of food in kind is avoided and the school associations buy locally what they need to prepare the meals for the children, thus contributing to the local economy.

¹⁶ The concept of cost-efficiency is straightforward -- two programs that achieve the same outcome, the one that uses less resources is said to be more cost-efficient; nevertheless cost-efficiency analysis is often complex because different projects may achieve multiple outcomes or outcomes that are not strictly comparable and/or resources used may be multiple and some difficult to cost. Techniques to handle these problems have been developed but usually require information that is not readily available in most countries and certainly in Central America. See for instance "Fried, Harold et. Al. *The Measurement of Productive Efficiency*", Oxford University Press, 1993.

Table 16. El Salvador -Healthy School Program- Food Component, 2000

Delivery Modality	Students	Total Cost (US\$000)	Cost per student (US\$/year)	Observations
Food (WFP)	167,415	2,956	17.65	Daily ration (rice, meat, oil, nutritional drink)
Food (USAID)	203,227	1,142	5.62	Daily ration (rice, beans, oil, nutritional drink)
Vouchers (FANTEL)	265,202	1,241	4.68	

Source: El Salvador SSNA

46. Given the tight fiscal constraints facing all countries, it is very important that all assistance programs are not only well targeted to the most needy but also are implemented in an efficient manner. Monitoring and evaluation systems are key instruments to ensure that program objectives are achieved and that resources are used in the most efficient ways possible.

Monitoring and Evaluation

47. All the SSNAs find major deficiencies in program monitoring and evaluation (M&E) systems. The lack of effective M&E is an impediment to ensuring value for the money in social protection spending. The deficiencies identified in M&E in the Nicaragua report apply, in different degrees, to the other countries:

- Basic program information. Programs generate copious information on process variables, but generate almost no information to permit an assessment of program outcomes or impact.
- Information quality. Few programs have adequate controls or verification systems to ensure that the information generated is accurate and complete.
- Availability of information. Programs do not readily share their information with government institutions, similar programs, or the public. As a result, programs lose the opportunity to share with and learn from other programs engaged in similar activities. In addition, central governments rarely have adequate information to enable them to evaluate different programs in order to guide investment and sector strategy decisions.

- Accountability. Since program information is so deficient, and programs are financed from a wide variety of sources, program accountability is weak, a factor which reduces managerial quality and program impact.

48. To develop sound M&E it is necessary to have access to good information systems. Information is needed not only on the number of people covered, their characteristics and costs, but also on the program outcomes and impact. Strict quality controls are also needed. The practice of establishing baselines and measuring outcomes should be routinely implemented in order to draw lessons from experience which can be used to modify programs and improve their effectiveness. Without good M&E systems it is not possible to make institutions and program managers accountable for the use of resources.

49. In this context it is also important to strengthen household surveys. In the last several years the WB has been supporting the statistical institutions of several countries in this respect. For instance, in Nicaragua and Guatemala the WB's Living Standard Measurement Survey is now conducted routinely. Nevertheless, as suggested in the Costa Rica report, to strengthen the capacity of the LSMS to monitor poverty groups and programs there is a need to collect the following information on a routine basis: i) consumption of household and household members; ii) nutrition indicators; iii) coverage of programs for children; iv) incidence and coverage of social protection programs; v) demand and supply issues with respect to preprimary and primary education; and vi) reasons why children are absent from school.

50. Finally, it should be stressed that information on the risks facing indigenous populations is particularly scarce. The situation of the indigenous population is not routinely included in national survey and census efforts. This makes it impossible to know the magnitude of the indigenous groups-at-risks and design programs and monitor their effectiveness. For example in the case of Honduras, it is not known how many indigenous children need bilingual education and therefore it is not possible to plan for the training and hiring of teachers.

9. Institutional Arrangements

51. Weak institutional arrangements are a key impediment for more effective social protection systems in Central America. Program coordination is often weak not only between the central government, local governments, NGOs and the private sector, but also among central government institutions. Even in Costa Rica where social progress has been much faster than in other countries, there is not a unified policy-making body capable of setting a social policy strategy, including detailing the targets to be achieved, and the programs and institutional arrangements to implement the programs and monitor their impact. No functional linkages among institutions or programs have been established which describe their roles and responsibilities and their complementarities and synergies. This produces in Costa Rica, as well as in other countries, duplication and atomization of efforts by institutions, and overlapping of functions and responsibilities.

52. In Costa Rica, Nicaragua, Honduras and Guatemala, there is still a need to clearly define poverty reduction strategies and the role of social assistance programs therein. In all countries there is a need to define clearly the overall social protection strategy including the appropriate balance between social insurance and social assistance and the role of the public and private sector in social protection. Moreover, there is a need to establish clearly the responsibilities for program implementation (including roles of central government institutions, local governments, and NGOs), and monitoring and evaluation of program and strategy execution.

53. In some countries such as El Salvador and Honduras there are social cabinets or similar bodies, but they often meet irregularly and lack authority as well as the instruments to influence policy setting. Economic issues always predominate over social issues. On the other hand, the lack of accountability for social expenditures makes it difficult for the social sector to compete successfully for resources. Social protection policies are to large extent *ad hoc* in nature.

54. Although each country should develop its own institutional arrangements, the establishment of a unified policy making body, with responsibilities for developing a coherent social protection policy, appears to be necessary in all countries. Efficient coordination mechanisms must also be established to integrate the actions of the national government, local governments, NGOs and the

private sector. As suggested in most SSNAs, the social protection policy body will need to be assisted by a technical group that will develop the analysis to help define the social protection strategy and policies as well as the instruments to monitor their implementation.

10. Key Findings and Recommendations

55. The SSNAs reviewed were the first exercises of this type conducted for the five Central American countries. Four reports made use mostly of the risk analysis; the Guatemala report developed a more sophisticated analysis which included an evaluation of the vulnerabilities facing the poor and the strategies to cope with them. The SSNAs reviewed raise some common issues and suggest similar course of action to address them. The key findings and recommendations of this cross-country review are summarized below.

Findings:

- The region spends much more on social insurance than on social assistance. Although the SSNA for Nicaragua does not include an analysis of social security issues and the SSNA for Honduras has only very limited discussion of these issues, the social insurance systems in these two countries as well as in El Salvador and Guatemala provide minimal coverage to the population and excludes the great majority of the poor since the insurance systems usually only cover formal sector employees in nonagricultural jobs and the majority of the poor are in the informal sector or in agriculture.
- Most Central American countries lack a coherent social protection strategy despite having a large share of the population in chronic poverty and being quite vulnerable to economic shocks and natural disasters.
- Guatemala and Honduras spend below the regional average on social protection; Costa Rica, El Salvador and Nicaragua above average. Nicaragua is in the first group because of its relatively high social security spending, but its pension system is highly inefficient. Costa Rica's social insurance and social assistance spending is close to the regional average. El Salvador spends too little on social assistance relative to the amount it spends on social insurance to which very few poor have access. Honduras is the country with higher spending on social assistance programs and needs urgently to reform its social insurance and ensure that the gamut of assistance programs are rationalized and targeted on the poor. Guatemala has the lowest SP spending and needs to strengthen its overall SP policies and programs.

- Social assistance in most countries is fragmented, reflecting the lack of an overall strategy. Institutional responsibility for these programs is dispersed among many agencies and duplications in some types of programs abound, while important gaps in program coverage remain.
- The indigenous population faces all the vulnerabilities facing the poor and some other specific risks. The Guatemala report found that the indigenous population faces wage discrimination; the Honduras report indicates a lack of bilingual education and that the indigenous population is more vulnerable to diseases such as malaria, HIV/AIDS, land insecurity, and exclusion and isolation.
- The social protection systems in the five Central American countries reviewed focus on helping the poor cope with crisis but are not aimed at the prevention of crisis, as exemplified by the lack of response to the ongoing coffee crisis.
- The five Central America countries reviewed use a diversity of targeting mechanisms even for similar programs which have led to inequities, favoritism, duplication of benefits, and in some cases exclusion of those that need the programs the most. The poor incidence of some programs reviewed in the SSNAs illustrates the weakness of the targeting mechanisms.
- Monitoring and evaluation systems are weak or nonexistent. Without these systems it is not possible to evaluate the impact of the programs or make institutions accountable for the use of the resources.

Recommendations:

- **Strengthen Institutional Arrangements.** In all countries there is a need to define clearly the overall social protection strategy, exploit synergies, eliminate program overlaps and reduce coverage gaps; there is a need to establish clearly the responsibilities for program implementation, monitoring and evaluation; and there is a need to improve program coordination with local government, NGOs and the private sector.
- **Define clearly strategic priorities.** Social protection policies should: (i) include a counter-cyclical approach to social protection; (ii) expand mechanisms focused on prevention and mitigation; and (iii) address equity issues in social protection given targeting results. This cross-country review recommends that priority be given to the presently underserved areas and populations to address the inter-generational transmission of poverty and vulnerability, such as:
 - Infant-focused interventions. Given their importance to child development, nutrition and early childhood development programs should receive priority attention.
 - Child and adolescent programs. Conditional-transfer programs (including scholarships) can be quite effective in helping to ease demand-side constraints, keep children in school and avoid the growing phenomena of child labor and teen violence.

- Indigenous populations. There is a need to evaluate in more detail the risks facing this particular group and design specific interventions to minimize these risks.
- Disaster management and relief. Given the disproportionate exposure of the poor to natural disasters and agriculture-related shocks in Central America, these programs should be expanded and strengthened.
- **Expand social insurance coverage to reach the poor.** Governments should seek ways to improve social insurance coverage of the poor. This will require making insurance enrollment rules more flexible and tailored to informal and agricultural sector workers, while preserving the financial soundness of the system, and expanding non-contributory insurance coverage, as fiscal resources permit.
- **Improve the efficiency of social assistance spending.** Given the tight fiscal constraints facing all countries it is imperative that: i) programs that are poorly targeted, inefficient and ineffective be eliminated; and ii) remaining programs be consolidated, rationalized, and their targeting improved with expanded coverage. Better targeting can be achieved using various tools, including geographic targeting via poverty maps, categorical targeting, self-targeting, some form of means testing, or a combination of targeting tools. Self-targeting is an effective modality in some programs such as public workers, and will help to support the transient poor during crisis.
- **Strengthen Monitoring and Evaluation.** Monitoring and evaluation systems (M&E) are key instruments to ensure that program objectives are achieved and that resources are used in the most efficient ways possible. Therefore all SSNAs recommend establishing strong information systems and M&E.

11. Implications for Future Work

56. The review of the SSNAs prepared for five Central American countries indicates that to improve social protection policies in these countries there is a need to better integrate social protection into social policy more generally, broaden the analysis of social protection to include key areas that affect poor groups-at-risk, and substantially improve analytical instruments. The next generation of SSNAs for Central American countries should be based on a broader view of social protection issues relevant for these countries and on more solid analytical instruments. This will require developing and implementing a structured work program with strong participation from government authorities and other key stakeholders in the countries.

57. There appears to be a consensus that SSNAs should include reviews of both social assistance and social insurance programs. On social insurance, the key issue for those countries that have already reformed their social security systems is how to facilitate the enrollment of the poor who are often trapped in low productivity/low wage occupations in the informal sector or agriculture, or to find alternative ways to mitigate the risks they face. Moreover, given that Central American countries are prone to natural disaster, it would also be desirable to include in future SSNAs an analysis of the policies and instruments to deal with natural disasters (including catastrophic insurance, civil organization, and emergency programs to respond in a crisis). Furthermore, the working poor have largely been forgotten in the SSNAs reviewed. The standard recommendation that calls for facilitating access to workfare and other programs in case of job loss and assisting poor workers' families through social assistance programs, must be complemented by an analysis of other instruments such as access to micro credit and other inputs, as well as of issues related to the marketing of small farmer crops. Finally, informal coping mechanisms also require more analysis, including the role of remittances.

58. Although country-specific vulnerability analysis should help determine the emphasis given in the SSNAs to the different areas of analysis, this review of the recent SSNAs indicates that the following are strong candidates to be taken into consideration in the next generation of SSNAs for the region:

a. Social Insurance:

- Social security systems (coverage of the poor and impediments to extending coverage)
- Insurance programs to address the effects of natural disasters (catastrophic insurance)
- Unemployment insurance (severance payments/impediments to formalization of labor)

b. Social Assistance:

- Programs to deal with the vulnerabilities identified in each country case
- Programs for special vulnerable groups: poor children and the elderly, the disabled, indigenous population, and poor AIDS patients
- Programs to mitigate and cope with natural disasters (including civil organization, and emergency programs to respond in a crisis)

c. Programs to build the assets of the poor

- Programs to remove demand constraints in education and health
 - Programs to facilitate the access of the poor to housing
 - Programs to facilitate access to credit (micro finance)
 - Programs to facilitate the access to inputs by small farmers
 - Programs to increase the efficiency of marketing of small farmer crops
- d. Informal family and community-based coping mechanisms

59. To make social protection policies in Central America more effective it is necessary to improve on key analytical instruments, namely survey data and/or panel studies, social protection expenditure reviews, and monitoring and evaluation mechanisms.

60. Vulnerability analysis should become a standard component of future SSNAs since the identification and ranking of vulnerabilities by the potential groups at-risk, as well as an exploration of risk management strategies, would add to our understanding of how best to approach social protection issues. The SSNAs for Guatemala and Nicaragua already included a vulnerability analysis; the SSNAs for Costa Rica, El Salvador and Honduras did not. Therefore for these latter countries, it would be necessary to add a special module to existing household surveys and/or develop panel studies. For Guatemala and Nicaragua, it might be useful to revisit the design of existing survey questionnaires. Questions to be included in the questionnaires should help identify: i) key vulnerabilities; ii) groups at risk; iii) risk management strategies; and iv) the impact of existing programs. Within risk management strategies, special attention should be paid to informal mechanisms including remittances, in view of their great importance in Central America. The periodicity of the surveys is also an issue that deserves attention to ensure that vulnerabilities associated with natural and macroeconomic shocks can be captured.

61. Social Protection Expenditure Reviews should be conducted in all countries as part of Public Expenditure Reviews. Although estimates of social protection expenditures and their use for international comparisons raise conceptual difficulties, such estimates are key to keeping track of the relative efforts of each country and to promoting sound competition among Central American countries to improve their safety nets. To ensure that the comparisons are meaningful, it would

be desirable to establish a common framework that could be agreed upon with the key actors in the countries. Agreement must be reached, among others things, on the following:

- Which types of programs to include: public, municipal, NGOs, Private Sector?
- Within the previous categories, which programs to include?
- Should remittances be part of the SP expenditure estimates? All remittances or only those received by the poor?
- How to account for the programs that are on stand-by/ simmering state?
- Which period should the SP spending estimates cover: one year, average of last three?
- How to address accounting issues in Social Insurance programs, particularly pensions?

62. The lack of monitoring and evaluation (M&E) systems precludes in an overwhelming number of cases the analysis of operational efficiency, impact and incidence of the programs. Therefore, a pro-active approach must be devised to help correct this problem, at least for the major social assistance and insurance programs, if the quality of Central American countries' social protection systems are to be improved in the future.