

# Social Development

## Strategy Document



**Inter-American Development Bank**

Washington, D.C.  
August 2003

**Cataloging-in-Publication provided by the  
Inter-American Development Bank  
Felipe Herrera Library**

Social development : strategy document.

p. cm.

“The strategy document was favorably reviewed by the IDB Board of Executive Directors on July 23, 2003”—t.p. verso

1. Social planning—Latin America. 2. Inter-American Development Bank. I. Inter-American Development Bank. Sustainable Development Dept.

361.25 M284 —dc21

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The strategy document (GN-2241-1) was favorably reviewed by the IDB Board of Executive Directors on July 23, 2003.

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# Foreword

In response to the challenges facing Latin America and the Caribbean, the various commitments established in recent Summits including the Millennium Development Goals, and the need to ensure development effectiveness, the Inter-American Development Bank (IDB) has elaborated a renovated strategic framework. This is consistent with the Institutional Strategy and the mandates of its most recent Capital Replenishment. Sustainable Economic Growth, and Poverty Reduction and Promotion of Social Equity are defined as the two overarching goals of the Institution. These two goals are advanced through four priority areas of comparative advantage for Bank activity: Modernization of the State, Competitiveness, Social Development, and Regional Integration. In addition, the Environment is considered as crosscutting and is addressed in each area in order to ensure the sustainability and preservation of the natural capital.

To make this new framework operational, the IDB has prepared an integrated and consistent set of seven new strategies (two for the overarching objectives, four for the priority areas, and one for the Environment). Each strategy defines priority lines of activity, which will help to focus Bank actions, enhancing its developmental impact. The strategies take into account the Bank's leverage and comparative advantages in the region, as well as the lessons learned from past experiences and the current situation of the countries of Latin America and the Caribbean. This renewed strategic framework proposes actions to improve the well being of the region's people, placing special emphasis on the poorest. It does so within the framework of democratic governance, global competitiveness, social inclusion and cohesion, the new regionalism, and mainstreamed environmental sustainability. The Bank's comprehensive efforts recognize the double causality between poverty reduction and sustainable economic growth, and the many interrelationships between the priority areas of action being addressed, highlighting the importance of an integrated approach.

The Social Development Strategy included in this document is one of the seven new strategies. Its objective is to help countries accelerate social progress, by fostering human and social environments conducive to the well being of the population, with special emphasis in the reduction of poverty and inequalities in opportunities.

The strategy proposes four priority lines of Bank action: customize social sector reforms; advance human development with a life-cycle perspective; promote social inclusion and prevent social ills; and advocate the delivery of integrated services with a territorial focus, to advance in well-being and to combat the multiple disadvantages of the poor and excluded.

The strategy addresses the recent pledge the member countries have made to achieve the Millennium Development Goals, particularly in the areas of poverty reduction, education, health, and gender equality.

For the elaboration and coordination of the new strategies, an Inter-Departmental Working Group was conformed including the Office of the President, the Office of the Executive Vice President, the Regional Operational Departments, the Strategic Planning and Budget Department, the Integration and Regional Programs Department, the Private Sector Department, the Research Department and the Sustainable Development Department (Chair). In turn, for the preparation of each sector strategy document, a specific team was established. In the case of this new Strategy for Social Development, the team was coordinated by the Social Programs Division of the Sustainable Development Department (SDS/SOC) and had extensive public consultation.

The implementation of the new strategies offers valuable opportunities to tie with the Country Strategies and with other initiatives seeking to increase development effectiveness. The aim is to fulfill the Bank's mandates, addressing current challenges and contributing to the development of Latin America and Caribbean Countries.

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# Executive Summary

## OBJECTIVE

The IDB's Eighth Capital Replenishment and the Institutional Strategy have identified social development as a key element of the Bank's commitment to fight poverty and inequality, promote growth and improve well-being in the region. The Social Development Strategy heeds these calls as well as the recent pledge countries have made to fulfill the Millennium Development Goals (MDGs).

The objective of the strategy is to help countries accelerate social progress by fostering human and social environments conducive to the well being of the population, with special emphasis in the reduction of poverty and inequities in opportunities, especially inequities based on gender, ethnicity, race and disability, among others. It seeks advancements in the well being of all and greater proportional advancements in the well being of the poor and excluded.

## DIAGNOSIS

Gauged by tracking the performance of social indicators, the region's social progress is decidedly mixed. The message is one of notable gains in average scores, indicated in the region's high score in UNDP's Human Development Index and in progress towards achieving the Millennium Development Goals of universal primary schooling and gender equality in schooling, among others. The message, however, is also one of lingering problems reflected in the markedly unequal distribution of these scores among and within countries. The region has made little advancement in reducing comparatively high maternal mortality rates; its low performance in secondary education is a great obstacle to increasing competitiveness in the global economy; and more than half of all households in poor countries and one third of those in countries with high incomes reside in inadequate housing. The region's historically high levels of inequality,

closely related with intergenerational poverty and social exclusion, explain the skewed distribution of scores and limit progress in social indicators.

The nineties witnessed a renewed commitment to social development, perhaps best reflected in the higher budget shares governments assigned to social expenditures, which also rose as proportion of GDP. There were improvements in the delivery of social services, growing decentralization of government functions, and progress in the design of social programs, among others. Notwithstanding these gains, problems of efficiency, effectiveness and low coverage of the poor and excluded continued to affect social sector reforms in health, education and housing. Social policies focused insufficiently in prevention and early intervention, transitions in the life cycle of individuals and families, promoting inclusion, and fostering cross sector synergies and coordination.

## LESSONS LEARNED

Lessons learned from Bank and countries' action inform the strategy. Among these are that: (i) the obstacles to advancing social development in the region are deeply rooted in the interconnected problems of inequality and structural poverty; (ii) the reforms in health, education and housing need to address pending implementation issues; (iii) despite recent progress in social action, countries continue to experience the problem of responding with partial, sector specific solutions to complex social problems that have multiple causes, are interrelated and have intergenerational consequences; (iv) social exclusion and social ills hamper economic growth and social well-being and need concerted action informed by gender, ethnic and race concerns, among others; (v) poor and excluded territories need more integrated efforts; and (vi) one of the main comparative advantages of the IDB, grounded in both its substantial social lending record and

familiarity with the region, is assisting countries in meeting the challenges posed by social development. This assistance needs to be in close coordination with that of other donors.

## AREAS FOR BANK ACTION

Based on the analysis of the region's social development challenges and the lessons learned, including client's views, the Social Development Strategy proposes four sets of actions to help countries accelerate social progress and the MDGs. They are: A) customize the implementation of reforms in health, education and housing; B) implement a human development agenda over the life cycle; C) promote social inclusion and prevent social ills; and D) deliver integrated services with a territorial focus.

Underlying these proposals is the conviction that a cross-sector approach to social development is essential and that together they provide a strategic framework for the Bank's dialogue with the countries. These proposals do not, however, identify, ex-ante, priority actions for individual countries that clearly require case-by-case consideration and close donor coordination. The Bank should take a leading role in fostering this coordination.

**A. Health, education and housing reforms.** The Bank will continue assisting countries in promoting reform processes, aimed at the goals of universal and more equitable access to social services. In doing so, it will be guided by the following precepts: understand the politics, seek consensus, use local talent, set realistic objectives and time frames, tailor reforms to incorporate cultural diversity, measure results, promote good management practices and provide financing options.

*Reforming health.* Bank action will phase health reforms according to country possibilities, emphasize specific health objectives, incorporating the MDGs, and raise the profile of public health. The Bank will assist countries in: promoting the efficiency of public resources expended in health; reducing health gaps between rich and poor; promoting community based health sys-

tems and decentralization of health services; reducing inadequacies in human resources, infrastructure and supplies; and achieving a better balance between disease prevention and control.

*Reforming education.* The Bank will assist countries in fulfilling the MDG of universal completion of primary schooling and the Summit of the Americas target of secondary school coverage for at least 75 percent of young people, emphasizing two overriding objectives: equity and quality tailored to conditions at the country level. It will promote schools as the locus of reform; advance quality inputs; and explore new options for post-secondary and higher education.

*Reforming housing.* To further the attainment of the MDG of reducing the population living in slums, the Bank will continue supporting housing reform to improve the living conditions of low-income households; enhance sector effectiveness; and promote sector-wide allocative efficiency of housing and related markets. Bank interventions will stress the need to solve the shelter problems faced by low-income populations as part of a coherent system that improves the existing housing stock and urban services, expands the production of affordable new houses, and ensures solutions to other socio-economic groups that also need housing.

**B. Human development agenda over the life cycle.** The Bank will assist countries in implementing a human development agenda using a life cycle framework. It will privilege successful transitions between key stages in the life cycle of individuals and families paying special attention to disadvantaged ones, and define and track the performance of outcome indicators. Basic principles include: invest in human capital accumulation early and continuously; target critical life cycle transitions, for example, adolescence; emphasize a gender lens; integrate institutions to support successful transitions; and promote equality of opportunities for all. The Bank will help countries in their efforts to banish hunger, reduce malnutrition and enhance early opportunities; develop inclusive employment systems; and promote comprehensive and sustainable pensions.



**C. Social inclusion and prevention of social ills.** The Bank will assist countries in increasing their capacity to fight social exclusionary practices and social ills. It will emphasize strengthening data acquirement capabilities; and foster partnerships between the public and the private sectors, NGOs, religious and grass root organizations, and the media.

*Promote social inclusion.* The Bank will promote the social inclusion of all individuals who, because of features such as age, gender, race and ethnicity, disability, or migration status, lack access to a wide range of opportunities. It will assist countries in making public investments designed to correct imbalances.

*Prevent social ills.* The Bank will assist countries in the reduction of social ills including child labor, HIV/AIDS, and domestic as well as social violence. It will privilege cost-effective prevention including early intervention; social as well as context-specific prevention strategies; epidemiological risk assessments; and the design of integrated responses.

**D. Integrated services with a territorial focus.** To provide effective responses to the multiple disadvantages of the poor and excluded, the Bank will assist countries in the implementation of integrated interventions in specific territories. Frequently, poverty is concentrated in spatially segregated territorial areas –either in low-income slums or rural municipalities. A spatial focus facilitates diagnosing specific community needs, tailoring services, executing actions and assessing impacts. Urban neighborhood upgrading and integrated (rural and urban) community development projects take advantage of the synergies of combined interventions, amplifying their impact and reducing the fragmentation and duplication of policies common to many social assistance programs.

#### **OPTIONS FOR BANK SERVICES AND IMPLEMENTATION GUIDELINES**

The Bank will place emphasis in the strengthening of the following areas:

*Project preparation:* increase the use of research, seminars and social policy dialogues in establishing social priorities during the pre-programming and programming phases of the project cycle, and strengthen the diagnosis of social issues in Country Strategy Papers (CSP); mainstream discussion of cross-cutting social development issues, such as gender and social inclusion, into CSP and all relevant dialogues with the country; and implement a programmatic, country focus which fosters donor and lending coordination, tying disbursements to achievements in reforms, social expenditures and indicators linked to the MDGs.

*Project design and implementation.* At the design stage, ensure that social projects more adequately reflect local realities and incorporate local resources, more so than in other sectors. During implementation, provide technical assistance for project execution and, without sacrificing accountability, develop more appropriate, simplified mechanisms for social sector project execution.

*Financial products for social projects needs.* Develop financial instruments that are more agile and appropriate to the social sectors, including increased use of multi-phase and innovation projects and the development of new programmatic instruments.

*Technical assistance for social projects and activities.* Expedite response to requests for new diagnostic tools as well as for evaluating and monitoring social programs and increase the pool of grant funds for technical cooperation operations in the social sectors.

#### **MONITORING, EVALUATION, AND PERFORMANCE INDICATORS**

The strategy adopts a results-oriented approach, which implies the ability to monitor and evaluate the Bank's actions in the countries. This task will be supported by the work currently being carried out by the Bank to improve the measurement of the development effectiveness of operations (i.e., consolidation of each phase of the project cycle; programming and design of

projects with a goal-oriented focus; and results-based project execution). The monitoring of the strategy's implementation will be performed, in principle, through indicators to measure outputs, outcomes, and impacts. Among output indicators are: the number of grant funds for social projects and the proportion of innovation, multi-phase and new programmatic loans in social sectors. Outcome indicators will be obtained from project evaluations. To adequately assess the outcomes of Bank action it is necessary to carefully evaluate Bank social sector projects. These evaluations should help fine-tune the design and

execution of social projects over time, strengthening their contribution to the region's development. Therefore, the Bank shall improve evaluation components in social projects. Among the many impact indicators are: infant mortality rates, school enrolment rates, youth in labor intermediation programs, and rural elderly women with pension coverage. For the most part, the implementation of the strategy will depend on the priorities established by the countries, the circumstances affecting them, and the resources available. The evaluation of the strategy will be carried out five years after its approval.

# Objective

The IDB's Eighth Capital Replenishment and the Institutional Strategy have singled out social development as a key support of the Bank's commitment to promote growth, improve well being, and fight poverty and inequality in the region. The present strategy heeds these calls as well as the recent pledge countries have made to fulfill the Millennium Development Goals (MDGs). It fits into a package of seven mutually reinforcing strategies, of which two respond, respectively, to the overarching goals of sustainable economic growth and poverty reduction, and the others to four priority areas—modernization of the state, competitiveness, regional integration, and social development—in support of these goals. The package also includes environment, as a cross cutting area.

There is no consensus on the scope of the term “social development.” For the purpose of this document, social development comprises investments in human and social capital for advancing people's well being. It includes actions in health and nutrition, education, housing and labor markets, which expand individual capabilities and opportunities, as well as actions in promoting social inclusion and combating social ills, which enrich the social fabric needed for human development.

The evidence shows that social progress speeds growth while social ills slow it down. In reciprocal fashion, sustainable economic growth also provides a conducive environment for social progress. Similarly, social progress can be expected to nurture democratic institutions and vice-versa.

The objective of the strategy is to help countries accelerate social progress, for its own sake, for poverty reduction and for growth promotion. It meets this objective by fostering human and social environments conducive to the well being of all, with special emphasis in the reduction of poverty and inequities in opportunities, espe-

cially inequities based on gender, ethnicity, race and disability, among others. It seeks advancements in the well being of all and greater proportional advancements in the well being of the poor and excluded.

The principles of *universality*, *solidarity*, *efficiency*, and *sustainability* inform and guide the strategy. *Universality* signifies that no one should be denied the opportunity to satisfy basic needs, within the constraints imposed by the productive dimensions of the economy. Targeting, by favoring those who are poor and excluded in the allocation of public resources, is an instrument for pursuing universal access. Similarly, “tailoring,” which calls for modifying service delivery to respond to the user's social and cultural environment, is a tool for furthering universal access in ethnically and culturally diverse societies. Movement towards the goal of universality fosters greater participation and social cohesion.

The closely related principle of *solidarity* prescribes shared responsibility by the public and private sectors for financing social programs. One of its manifestations is an effective and equitable tax system. Solidarity builds on the notions of fairness and, in contrast to the notion of charity, on enlightened self-interest. Solidarity motivates redistributive measures, including the more equitable distribution of government social expenditures, to correct inequalities that result from market failure. Solidarity also underlies the corporate social responsibility of firms. The allocation of public resources should heed the principles of *efficiency*, whereby the best possible results are achieved in terms of desirable outcomes of social policies (such as transparency of programs as well as coverage, quality and feasibility of social services) for given allocations of resources. Lastly, the *sustainability* of social action requires broad domestic support for and ownership of social policy. Citizen consultation in the design of social policy and broad dis-

semination of factual information on policy results fosters transparency, empowers citizens, and insures sustainability.

The strategy builds on the following issues: (a) that the obstacles to advancing social development in the region are deeply rooted in the interconnected problems of inequality and structural poverty; (b) that the reforms in health, education and housing need to address pending implementation issues; (c) that despite recent progress in social action, countries continue to experience the problem of responding with partial, sector specific solutions to complex social problems that have multiple causes, are interrelated and have intergenerational consequences; (d) that social exclusion and social ills hamper economic growth and social well-being and need concerted action informed by gender, ethnic and race concerns, among others; (e) that poor and excluded territories need more integrated efforts; and (f) that one of the main comparative advantages of the IDB, grounded in both its substantial social lending record and familiarity with the region, is assisting countries in meeting the challenges posed by social development. This assistance needs to be in close coordination with that of other donors. Being the largest source of multilateral lending in the region, the IDB is well

placed to take a leading role in fostering this coordination.

In response to these principles and issues, the strategy proposes four lines of priority actions: (a) customizing social sector reforms; (b) advancing human development with a life-cycle perspective; (c) promoting social inclusion and preventing social ills; and (d) advocating the delivery of integrated services with a territorial focus to combat the multiple disadvantages of the poor and excluded. The strategy provides a framework and a menu of options for the Bank's work in social development. It must be underscored, however, that the region is very heterogeneous and that the selection of country-specific priorities within this framework should emerge from the dialogue with the country and be shaped by particular country circumstances. Country dimensions that should affect the definition of specific priorities include the level of economic development; the stage of demographic transition; the ethnic and racial composition of the population; and the size of both the rural population and the informal sector, among others. These dimensions should be highlighted in the specific Country Strategic Papers. The next section identifies social challenges by analyzing trends and patterns in social indicators and in the conduct of social policies.

# Diagnosis

## SOCIAL INDICATORS

Gauged by tracking the performance of social indicators, LAC's social progress is decidedly mixed. The message is one of notable gains in average scores and lingering problems reflected in the markedly unequal distribution of these scores among and within countries.

The region's good performance in average social indicators is well captured in the UNDP's widely used Human Development Index (HDI). The population-weighted aggregate HDI for the region, which combines life expectancy at birth; literacy of people over 15; school enrolments in primary, secondary and post-secondary; and GDP per capita (in constant 1987 PPP), rose from 0.66 in 1975 (for 21 countries) to 0.76 in 1999 (for 26 countries). Only the set of developed countries show a higher average HDI score than LAC, and the gap in rates between them has narrowed over time. The region's pace of progress, after adjusting for its level of economic development, has been slightly better than worldwide averages for basic indicators of health (life expectancy and infant mortality), literacy and primary enrolment. However, compared to world patterns, LAC has underperformed in reducing maternal mortality rates and in raising secondary school enrolments and the number of years of schooling of the adult population.

A complementary yardstick to track LAC's social gains is its progress towards the Millennium Development Goals (MDGs). The MDGs directly related to gains in social development are: i) achieving universal primary education; ii) promoting gender equality and empowering women; iii) reducing child mortality; iv) improving maternal health; v) combating HIV/AIDS, malaria and other diseases; and vi) ensuring environmental sustainability by im-

proving access to safe drinking water and the lives of slum dwellers.

The gains to date with respect to these MDGs are summarized in Box 1. The region as a whole has performed comparatively well in achieving universal primary education, gender equality in schooling, reducing child mortality, access to safe drinking water, and control of HIV/AIDS and other infectious diseases. Especially notable is the progress concerning gender equality in school enrolments, where the goal set for 2015 has already been met and exceeded. Good overall performance, however, masks large between and within country differences and it does not ensure that most goals will be met by the target dates. In particular, there are large numbers of urban slum dwellers and rural populations in several countries without access to safe drinking water. There is high prevalence of HIV/AIDS in specific subregions (Caribbean and Central America) and deep concern regarding the generalization of the epidemic. The containment of malaria, TB and dengue is an ongoing challenge as well.

These and other important challenges (detailed in Box 1) bearing on the MDGs clearly remain. Among them, the goal of reducing maternal mortality rates, where the region has made little progress in the past decade, and the continuing disadvantages women face in the labor market, which stand in stark contrast to their schooling gains. These disadvantages are especially severe for poor women of indigenous or African descent and women with disabilities.

Given LAC's high levels of development and urbanization compared to other underdeveloped regions, countries may wish to adjust the MDGs accordingly. In particular, this strategy incorporates the goal of secondary school coverage for at least 75 percent of young people by the year 2010, agreed in the Quebec (2001) Summit of

the Americas. The region's low performance in secondary schooling is a major stumbling block for increasing its competitiveness in the world economy. Less than 50 percent of the cohort of children who start secondary schooling, complete the cycle leading to low schooling levels of the labor force. In rural areas, rates are dismally low, rarely exceeding 10 percent.

Inadequate housing can also reduce human and social capital formation and has a negative impact on growth. Conservative estimates indicate that in the year 2000 more than half of all households in low-income countries and a third in high income ones, totaling more than 21 million households, lived in inadequate housing.

The region's historically high levels of inequality are closely related, both as cause and effect, with "structural" poverty that is passed from parents to their children across generations. Social exclusion is often another feature of structural poverty and, along with its intergenerational dimension, helps to explain the skewed distribution evident in the social indicators data—the significant progress for some, the lack of progress for others. The region's overall poor economic performance in recent years and the often severe recurrent economic shocks, together with the occurrence of natural disasters, have also contributed mightily towards entrenching poverty and exclusion, thereby further limiting the aspects of social progress captured by the indicators.

Children (0 to 17) bear the brunt of poverty. Almost 44 percent of all children (compared to 27.7 for adults and 28.6 for the elderly) live in poor households, using a US\$2 per person per day poverty line, on a 1985 PPP basis, for a sample of 18 countries. The higher fertility of low income families, combined with the low educational level and meager income earning opportunities of parents, especially mothers, are chief determinants of child poverty and provide critical links in its transmission across generations. Particularly concerning is the situation of unpartnered mothers and their children, which constitute a growing proportion of poor families in the region.

Disadvantages cumulate over the life cycle, hampering children's human capital formation today, which in turn diminishes their productivity and subsequent income as adults. Despite improvements, by the year 2000 between 20 and 60 percent of children in the lowest income quintile in different LAC countries suffered from malnutrition. In the region, disadvantages accumulate quickly. Thus, by age 18 almost half of the 0 to 18 cohort has experienced some basic developmental "failure," reducing these children's odds of ever joining a globally competitive work force and escaping poverty.<sup>1</sup>

Social exclusion is a heavy drag on several aspects of social development. Socially excluded populations by reasons of gender, age, race and ethnicity, disability and other features attributed to people constitute a sizeable (although still not reliably counted) segment of the population in the region.

While these populations have their unique histories and group identities, they have certain common features: they constitute a large proportion of the poor, suffer multiple and cumulative disadvantages, stigma and discrimination, and rank consistently lower in indicators measuring progress towards the MDGs. For instance, in Brazil, Bolivia, Guatemala and Peru, the incidence of poverty is twice as high for indigenous and Afro-descendent groups than for the rest of the population. Child mortality among indigenous groups in Guatemala is 79 for 1,000 live births, compared to 56 for the rest of the population. Maternal mortality rates are higher among indigenous than nonindigenous women, and indigenous women in Guatemala get substantially less schooling than nonindigenous women (and indigenous men) and also earn significantly lower incomes for the same level of schooling.

The inability of the poor to break out of the poverty trap has also been adversely affected by persistently weak labor markets in the region,

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<sup>1</sup> Developmental "failure" was defined as the accumulated shares of those dying before the age of five; those 8 to 11, 12 to 14 and 15 to 16 year olds not enrolled in school; and those youth ages 17 to 18 unemployed and not in school (data for 12 countries).

characterized by high levels of underemployment, informality and unemployment. Weak labor markets, especially for underskilled workers, choke potential opportunities for inclusion and mobility. A further characteristic of weak labor markets is the weak observance of core labor standards promulgated by the ILO: the prohibition against forced labor, child labor and discrimination, and the right to free association and collective bargaining.

The percentage of workers without access to health and unemployment coverage through social security, healthy and safe work environments and pension systems is very high and continues to rise. In some countries as high as 85 percent of all workers may lack social security coverage. The growth of informal sector employment and rising survival rates of older people, especially women with a history of work in domestic nonmarket production, have contributed to lower social security and pension coverage ratios.

The HDI and the MDG indicators are useful gauges of social progress but naturally fail to capture some important social problems. Very notably, they do not reflect the rising crime and violence in the region, which, among other distressing consequences, obstruct social and economic progress, affect the poor most severely, and exacerbate the region's high-income inequality. Regionwide, homicide rates, the second highest in the world, doubled from the mid-eighties to the mid-nineties, and continue to soar. Where data are available, the incidence of domestic or intrafamily violence is also very high. In some countries up to a quarter of all adult women and more than a third of all children suffer physical violence in the home. Unsurprisingly, crime and violence are consistently mentioned as prime sources of concern in opinion polls.

Social progress depends importantly on the institutional capacity of countries and the performance of governmental and nongovernmental actors in the social sectors. Recent overall trends in social sector indicators that are more closely associated with social policies and programs are discussed next.

## SOCIAL POLICIES AND PROGRAMS

The nineties witnessed renewed international and national attention to social development. The UN convened a series of global conferences on social issues, including topics on women, population, social development, racism, housing and human settlements and, more recently, the UN oversaw the international agreements on the MDGs and sustainable development. Other international agencies as well as multilateral and bilateral donors followed suit and devoted increasing resources to social issues. Within the region, national commitment was best reflected in a sharp rise in government social expenditures.

Governments assigned higher budget shares to social expenditures, which also rose as a proportion of GDP. Social expenditures include expenditures in health, education, social security and welfare, housing and community services (mainly, water and sewage). In a sample of 23 countries in an IMF data set, social expenditures by the central government climbed from 7.7 percent of GDP in 1970 to 12.3 percent in 1999, as Figure 1 reveals. An ECLAC data set comprising 17 countries, but one that includes central as well as sub-national government outlays, shows that social expenditures rose from 10.4 percent of GDP in 1990 to 13.1 percent in 1999. Per capita social spending rose by 50 percent in the IMF data set and by 56 percent in the ECLAC data set in this ten-year period. Most of the increase in social expenditures over the nineties was due to the fiscal priority given to these expenditures rather than to the growth in public resources.<sup>2</sup>

Along with greater commitment and rising budgets, there was growing decentralization of government functions and improvements in the delivery of social services. Thus, schools are better today than a decade ago. More children attend school, begin earlier, stay longer, complete higher levels and represent all socioeconomic and

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<sup>2</sup> Economic Commission for Latin America and the Caribbean. 2001 "El gasto social en América Latina: Balance de una década." In *Panorama Social de América Latina 2000-2001*. ECLAC: Santiago.

ethnic backgrounds. Health reforms during the nineties, despite many problems, reduced pressures for increased public expenditures and enhanced the efficiency of public health systems. New and recast housing programs were put in place by governments that adopted enabling policies and mobilized private sector resources.

There was progress in the conceptualization and design of social assistance and social protection programs as tools for investing in human capital and managing risks. In particular, demand-side interventions such as Bolsa-Escola (Brazil) and PROGRESA (Mexico) were shown to play a crucial role in promoting the human capital accumulation of the poor. Targeting mechanisms were refined, and more attention was given to monitoring and impact evaluations. A visible achievement was the increased involvement of civil society actors in framing social policy and social programs. This participation has moved well beyond the contribution of voluntary labor of earlier decades. Governments can take credit for devising new mechanisms for seeking wider societal consensus in the design of social policies.

Notwithstanding these gains in social programs, the reforms in health, education and housing have not overcome implementation problems nor succeeded in expanding needed access to quality basic health, education and housing services to the poor, thereby leaving many effectively excluded. Citizens' participation in the processes of social sector reform and, more generally, in the formulation and implementation of social policy, remained inadequate to insure ownership of social objectives and continuity of social reform. In addition, donors' increased interest in social development has not translated into greater coordination and synergies.

The social expenditure growth varied markedly among countries. Needing to provide pension benefits to a larger and older formal sector labor force, spending on social security grew faster in the richer countries, while spending on health

and education grew more in the poorer ones. The former spending, however, did not significantly increase social security coverage. In addition, in some cases spending went to support pensions for special professional categories that provide actuarial benefits larger than paid contributions financed by general taxpayers. Several Asian countries show better results in health and education despite lower per capita expenditures, suggesting that there is much room for improvement in the efficiency of the region's social expenditures, implying considerable potential for expanding coverage of the poor at current levels of resources.

There is great diversity in patterns of expenditure across countries and over time. Yet, throughout the region, social sector public spending needs to increase the share of resources directed to the poor and improve its targeting. This, together with a pro-cyclical trend in social expenditures suggests that there is ample room for improving redistribution and poverty reduction outcomes for the resources being spent. The latter is particularly important since the economic stress in large parts of the region since the turn of the century is causing a severe retrenchment in aggregate fiscal expenditures.

While social development calls for early and coordinated intervention, social policies and programs have focused insufficiently in prevention of social ills and in key transitions in the life cycle of individuals and families. Also, strategies capitalizing on powerful synergies that can be tapped by cross social sector interventions remain the exception. And programs fall short in combating exclusion. Yet, there are enough examples of successes in all these areas—in institutional reforms, building early on the life cycle, combating exclusion, preventing social ills, and providing integrated services—that they provide firm grounding for the recommendations in this document. The lessons learned from Bank and country experiences in each of these areas inform the priorities in this strategy. They are briefly summarized next.



# Lessons Learned

## REGIONAL EXPERIENCE

### The Implementation of Social Sector Reforms

As noted earlier, lack of access to basic social services of quality by the poor, especially in the areas of health, education and housing, is at the core of inequality and poverty. Effective reforms of these services are means to create an institutional environment to achieve social development goals and should, therefore, be a priority in government social policy. It is essential that the formulation, execution and evaluation of public policies take place in an institutionally solid and democratic governance environment. Two decades of experience in the region show that such reforms share distinctive implementation difficulties, particularly: i) *difficulty in monitoring performance*, since reform outputs are hard to trace and measure; ii) *political factors* skewing benefits towards those who are ahead, powerful and influential, thereby *undermining the equity goal* of social sector programs; iii) *strongly centralized systems* that exacerbate the problems of serving poor clients with limited ability to demand fair treatment by service providers and provide feedback; and iv) the mismatch between politically defined financial resources and social objectives, such as the provision of universal services, *and the reality of severe constraints on implementation capacity*.<sup>3</sup> Beyond sector specific lessons for health, education and housing reforms, summarized in Box 2, recent experience offers additional lessons, which can be translated into criteria for more effective implementation.

*Reform does not happen overnight.* To take hold, reforms require long gestation and continuity in policy focus. Reforms are long-term processes that extend beyond political and project cycles.

Since they rarely offer immediately visible social benefit, while entailing high up-front economic and political costs, the reform process often derails before reaching its objective.

*There are winners but also there are losers.* Not all changes brought about through reforms in the social sectors are win-win and the policy package seldom rewards all players. Reforms involve and affect diverse stakeholders with diverging perspectives and interests. Finding the right political formula and managing it deftly is as important as ensuring technical and financial viability.

*Reforms are difficult to explain and sell.* The complexities of consequential social reforms, including elements of up-front costs and delayed results, long gestation periods, and winners and losers, make them difficult to sell to the public. Phasing reforms into discrete, more achievable and understandable objectives and tasks, and using effective communications and social marketing, are often indispensable for success.

*Good management practices matter.* Effective reform requires effective, adaptive and strategic management, features which have been largely absent in social sector organizations. There is need to develop and motivate a group of leaders willing to affect organizational change and lead the management teams which will carry out sustainable reforms.

*Results can be easily undone.* As in other spheres of development, economic and fiscal crises as well as changes in governments often reverse progress of established reforms. Macroeconomic stability is an important factor for success, and broad support among social and politically vocal groups increase the chances of reforms surviving over different government administrations.

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<sup>3</sup> See "Supporting Reform in the Delivery of Social Services: A Strategy," IDB 1997.

*Consultations and social dialogues nurture reform efforts.* Citizen participation (“voice”) and ownership increase the viability of social reforms. Constructive consultations and social policy dialogues, however, require time, specific objectives, clear rules, resources and open and inclusive processes. One-shot dialogues do not work.

*Customized responses work best.* There is no one-size-fits-all model for reforming the social sectors. Whereas the goal of any reform may be expressed in very general terms, the design and implementation of specific reforms need to be carefully tailored to meet the characteristics of the clients and the peculiarities of local circumstances —political, social, institutional, cultural and economic.

*Bringing in the private sector can help.* Evidence is mounting that there is an important role for the private nonprofit and for-profit sector in providing and financing social services. Where this has happened, the role of government has changed from one of full responsibility to one in which it is shared with private parties. The “enabling approach” to social policy, whereby governments establish clear rules under which both the public and private sectors operate to design and deliver services, has been particularly successful.

### **Programs that Build Human Capital Early**

The inter-generational transmission of poverty (ITP), the process by which disadvantage is passed between generations, is a root cause of structural poverty in the region. By diminishing opportunities for the children of the poor to build their human capital, ITP hobbles their future productivity, as well as countries’ productivity and growth prospects. But ITP can be halted, and early intervention pays off.

a) *Families matter for poverty reduction.* Family related factors influence early human capital formation, lifetime prospects, and deserve greater attention in driving demand for poverty reduction policies and programs.

b) *The life cycle is an underutilized policy tool.* Predictable stages and transitions in the life cycle of families and individuals offer opportunities to build policies that seek to break the ITP by providing comprehensive support to poor families and supplementing parental investment in their children.

c) *Start early for success and savings.* Prenatal care and childhood nutrition and health, as well as early stimulation and social learning, are critical from social development and educational perspectives. Investments in early childhood care and development and preschool can lower the cost of primary schooling, especially for low-income children who normally come unprepared, and oftentimes additionally impaired, by physical and mental development to learn in first grade. By raising readiness to learn, learning expectations in schools also rise, producing significant improvements in overall teaching, student performance, and student flows in later cycles. Targeted early childhood development also reduces inequity, improves health, and, by improving educational outcomes, it can be expected to have a long-term impact on increased employability and reduced delinquency.

d) *Children thrive with empowered mothers.* Ample evidence supports the finding that increasing poor women’s access to and control over resources pays off in terms of greater child well being. Innovative demand-side programs aimed at combating ITP already exist in LAC (for instance, in Brazil, Honduras, Mexico and Nicaragua) and positively build on women’s empowerment and mothers’ preference for investing in children by, among others, having women as the recipient of conditional transfers to participating households that comply with school attendance and other program requirements.

e) *Food security is not enough.* In addition, appropriate feeding practices are fundamentally important to the survival, growth, development, health and nutrition of infants and children. Nutrition education, food supplementation and fortification with essential

micronutrients are as important as food security in fostering the healthy development of children.

### **Recent Experiences in Fighting Exclusion and Combating Violence**

Inclusion policies, which channel public investments to remove barriers to access by certain groups to quality services and productive resources, are of recent vintage and systematic information on what works, how it works, and how much it costs is largely absent. Tentative lessons, nevertheless, can be gleaned from some budding cases.

- a) *If it is not identified and counted, it does not exist.* The numerical invisibility of excluded groups in official statistics reflects and reinforces their exclusion. It impedes designing appropriate targeting mechanisms, monitoring project implementation, and assessing project impacts.
- b) *Tailoring services is viable.* Increasing access of excluded groups to basic services by modifying design features, such as adapting infrastructure to meet the needs of the disabled or including indigenous preferences in health service infrastructure and delivery, is feasible and not necessarily unaffordable (in the U.S., where data exists, universal design for the disabled adds less than 1 percent of total costs in new infrastructure projects).
- c) *Preferential policies can work.* The actions of a number of LAC governments, some of which are described in Box 3, suggest that well-designed specific interventions, including using labor market intermediation tools and preferential treatment through incentives and quotas, can help expand access and opportunities, sparking little or no adverse public reaction.
- d) *Good policies and mandates are not enough.* Anti-discrimination and other affirmative legislation, as well as policy mandates, are necessary but not sufficient in themselves to combat exclusion. Societal attitudes and dif-

ferences in power underlie and perpetuate exclusion.

- e) *Inclusion and assimilation are not the same.* As past work with indigenous peoples show, projects fail when they do not recognize the cultural characteristics and values of excluded groups. Inclusion needs to respect diversity and build on cultural identity. Diversity is an asset that enriches the social fabric and, if properly managed, projects outcomes as well.

Increased levels of crime and violence are exacting a large toll in terms of foregone economic growth and social development. Lessons learned from experience with crime and violence control programs in the Americas include:

- a) *Crime and violence can be reduced.* There are well-documented examples of cities in the region (e.g. Bogota and Cali), which have significantly reduced homicide rates by designing interventions based on epidemiological risk assessments and by seeking active partnerships between government and citizens.
- b) *Impunity matters.* The probability of capture and conviction are important determinants of economically motivated crime. Thus, actions to professionalize the police and judiciary can have significant impacts on crime rates. At the same time, naïve “get tough on crime” responses do not work: simply putting more police on the streets and lengthening prison sentences has been shown to be a particularly ineffective and expensive response which utilizes resources that could more efficiently be employed elsewhere.
- c) *Prevention is more cost-effective than control.* Despite evidence demonstrating its relative cost-effectiveness, crime prevention tends to be underutilized, in part because prevention initiatives that change individual behaviors and attitudes frequently produce results only in the medium term. There are, however, prevention measures that produce quick results by producing environmental changes to make violent or criminal behav-

ior more difficult, more risky, and/or less rewarding. These situational prevention measures can complement more long-term social prevention strategies.

- d) *Violence begins at home.* Intra-family violence, particularly against women and children, generates other types of violence as children imitate the behavior of parents and learn at an early age that violence is an appropriate way to “solve” conflicts. Children who are victims of violence in the home or are mere witnesses are much more likely to become juvenile delinquents, for example, than those who are not.
- e) *Programs should focus on a limited number of risk factors in order to remain manageable.* While the risk factors for crime and violence are numerous, programs that attempt to address too wide a range of risk factors become unwieldy; programs should focus on a limited number of risk factors for the types of violence, which are of highest priority.

### **Programs that Integrate Services**

The resurgent interest in integrated programs is largely driven by demand from local governments and communities for new ways of dealing with the multidimensional problems of poverty and social exclusion. Interventions can be integrated by projects either providing an integrated package of investments and services in a defined territory or by sector programs, which are designed and implemented in close temporal and territorial coordination. Lessons learned from a new generation of integrated interventions in areas such as early childhood development, violence reduction, social protection, neighborhood upgrading, integrated watershed management projects and community development projects for ethnic and racial groups include:

- a) *Targeting territories works.* Defining the area of operation of social programs to specific territories facilitates coordination and enhances targeting since increasingly hardcore poverty and exclusion are concentrated in territorial areas. Universal service provi-

sion, which avoids potential selection errors and political costs of individual targeting mechanisms, is often feasible in demarcated territories. Moreover, there are potent synergies to be reaped when certain antipoverty interventions converge on a disadvantaged household, which is easier to do when targeting territorially.

- b) *But beware of segregation.* Though much less so than income-targeted anti-poverty programs, even those that are targeted to all households in a territory are susceptible to segregation and even stigmatization of beneficiaries. They need to be compensated by sector interventions that reduce segregation.
- c) *Professional providers and empowered clients.* Transparent and efficient governance, a management by results orientation, and participation and empowerment of the beneficiaries increase the success of integrated interventions. Participation of implementers early on (in project design), a common sense of purpose, flexibility and simplicity maximize successful interagency coordination required in integrated interventions.

### **Recent Changes in Social Development Financing**

Among donors there has been growing debate on increasing access to grant funds as opposed to loans, for addressing pressing social development issues. Global grant making mechanisms for the environment, HIV/AIDS, and education have or are being developed. The availability of these grant funds could reduce the demand for loans. The Bank needs to ensure that the range of services it offers is relevant in this changed environment for development financing.

The strategic priorities defined in this document build on these lessons as well as on lessons from the Bank experience with its social sector portfolio, including staff insights from managing this portfolio and clients’ views on the Bank’s performance. They are described in the section that follows.

## RECENT BANK ACTION

### Lending Trends and Issues

Between 1994 and 2001, social lending which includes “traditional sectors” (health, education, sanitation, housing and urban development, and social investment loans) and “emerging social sectors” accounted for 39 percent of total volume and 37 percent of total number of IDB loans. It is important to note that when other loans for equity and poverty reduction are added to social sector operations focused on equity and poverty, the Bank performed above the 8<sup>th</sup> Replenishment goal of channeling 40 percent of the total volume of lending to operations addressing social needs, equity and poverty reduction (SEQ) between 1994 and 2001. However, in terms of number of operations over the same interval, SEQ loans made up 46 percent of aggregate approvals, still short of the 50 percent cumulative target. Changes in the composition of the social lending portfolio featured reductions in lending for investment projects and social investment funds while the shares of sector and emergency loans expanded.

Operations in the traditional social sectors have grown and diversified, notably including support of sector-wide reforms in health, education and housing. Lending in emerging social sectors supported projects in social protection, early childhood care and development, youth, neighborhood and slum upgrading, and the promotion of peaceful societies, among others.<sup>4</sup> The Bank’s classification system for social sector operations is largely outdated, and needs revision, especially for capturing patterns in these emerging areas of Bank lending.

In a larger number of countries, Social Investment Funds (SIFs) are responsible for a significant proportion of the Bank’s portfolio in the sector. On one hand, they have proven to be effective implementation mechanisms, with expedited procurement practices, fast disbursement

cycles and concrete and measurable results. However, they need to be better integrated with the remaining governmental social institutions, in order to avoid duplicating efforts with the traditional social services. At the community level, the drawbacks in the SIFs are the lack of participation of local governments in the decision-making process and missed opportunities for strengthening their technical capacity by involving them more in the implementation process.

During the period, more than one thousand grants (non reimbursable technical cooperation - TCs) totaling over \$400 million were approved for the social sectors, representing 57 percent of all nonreimbursable TC funds. Half of these grant funds went to social development activities, including operations bearing on children, youth, women and other priorities of the 8<sup>th</sup> Replenishment, attesting to the importance of grants for social development and project preparation in the social sectors. The use of grants instead of loans for these 8th Replenishment priorities responds to several factors, including characteristics of the loan portfolio of individual countries and the perception that some of these issues are not “bankable,” at least in the short term.

There has been considerable progress in mainstreaming issues of gender, ethnicity and race in operations, although the precise extent of this progress is uncertain owing to the dearth of reliable indicators of the result of mainstreaming efforts. This is especially the case for gender issues. Roughly, about 28 percent of all Bank projects mainstream gender issues and 10 percent attend indigenous concerns. The percentages are much higher for social sector and poverty targeted projects. Among the latter, those featuring geographical targeting have been often used to incorporate interventions favoring indigenous peoples. More recently, the concerns of Afro-descendants have been addressed through an internal Bank action plan. As a result, there are a growing (but still low) number of projects focusing on this population. Only a handful of operations include measures to increase access of persons with disabilities to social infrastructure and services. From designing

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<sup>4</sup> See Charles McDonald’s “Social Strategy Input Paper” that addressed the Bank Lending History 1994-2001 in Social Sectors. Unpublished paper. IDB: Washington, D.C. 2002

and managing this social sector portfolio, the following additional lessons emerge:

*Institutions must be better understood.* Well-designed and financed social sector projects fail to be implemented as planned when insufficient attention is given to institutional factors. Indeed, available evidence (e.g., the Project Performance Monitoring Reports) finds that delays and problems during implementation usually relate to weaknesses in the institutional capacities of executing agencies. In addition, project related training that professes to strengthen these capacities is in many cases inadequate and poorly evaluated. Institutional analyses deserve more attention in project preparation, as does project-related training.

*Too little and too little rigor in evaluation.* Well-designed evaluations, especially of institutional reforms, are very few. Accordingly, reliable information on the performance of the Bank's social sector investments is largely absent. Moreover, lack of rigor in the evaluation of institutional components and project impacts is particularly troubling.

*The predicament of executing units.* Projects create executing units mostly to overcome weaknesses in ministerial bureaucracies. However, the problems associated with executing units are widespread, and the experience suggests that they guarantee neither efficient nor smooth execution. Across the region, high staff turnover in executing units hampers project implementation.

*The procurement and contracting conundrum.* The administrative requirements of Bank loans are often at odds with the institutional capacities of clients along a broad swath of countries and sectors, but the problem can be especially acute for social sector projects, where small private sector agencies increasingly execute project components. Procurement rules and contracting regulations, designed originally for large bureaucracies, often delay project implementation and do not necessarily guarantee accurate accounting, transparency and efficient use of resources. In addition, these rules contradict the underlying logic of lending modalities designed

for quick disbursement and flexible implementation.

*Mainstreaming requires more than mandates and technical competence.* While the emphasis has focused on beefing up internal IDB mandates, accountability and technical competence, successful mainstreaming of cross-cutting social issues—such as gender and inclusion—depend as well on larger, contextual factors. Thus, the composition of the Bank portfolio influences the probability of mainstreaming, since emergency and sector loans provide fewer opportunities for mainstreaming than regular investment operations, while a portfolio weighted towards social sector and poverty operations provide more opportunities. The priority that borrowing member countries give to these issues (which, in turn, affects the countries' institutional capacity), the strength of the advocacy movements and corresponding influence on policy are also major factors.

## **Clients Views**

The Bank sought opinions of its operations in the social sectors from telephone interviews with a sample representing 274 clients directly involved with Bank projects in 26 member countries and complemented this analysis with face-to-face interviews with close to 50 clients in four countries. In addition, some of the same questions were asked in an anonymous survey to Bank operational staff in the social sectors.<sup>5</sup>

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<sup>5</sup> The universe of the telephone poll by Gallup included a list of 274 clients from 26 Bank member countries divided between government leaders and civil servants (70 percent), civil society and private sector (15 percent) and others. Sixty five percent were men. Clients represented education (18 percent), health (15 percent), other social sectors (31 percent), economy and finance (16 percent), political leadership (7 percent) and others. The telephone poll was conducted on a random sample of 150 names from this universe (with an 8 percent sampling error). The face-to-face interviews were done in Bolivia, Jamaica, El Salvador and Venezuela. 41 Bank social sector specialists, half of them in the Country Offices, answered the anonymous survey.

Overall, perceptions of IDB's performance concerning financial and nonfinancial products were positive, especially in social infrastructure and education in relation to other areas of Bank lending. Respondents expressed that providing continuity of reforms and mediating among different actors competing for scarce resources were important functions of the Bank. There was high regard for the Bank's technical assistance, new financial instruments and the availability of grants for social development. Grants were seen as critical to finance innovations, studies, institutional strengthening and stimulate participation, and there was concern with reductions of grant funding.

Respondents strongly welcomed more "customized" projects, using more local talent and knowledge in project preparation, and desired full partnership with the Bank in customizing reform processes that respond to particular country features and needs. Projects should have longer time frames. Interventions should be

flexible. Large projects were unsurprisingly perceived as difficult to execute and there were calls for more help with innovative social projects.

A majority felt that Bank procedures for social sector operations were complex (74 percent) and time consuming (67 percent), thereby hindering performance and highlighting the importance of revising procedures. Sixty seven percent considered that impact evaluation was very weak and needed reinforcement. These issues are addressed in section 5 of this document.

In addition to obtaining clients' views, the areas of Bank action mentioned below benefited from face-to-face consultations with, among others, indigenous women leaders, labor union representatives, civil society organizations<sup>6</sup> and governments. Consultations were held with the World Bank, ECLAC and European donors, underscoring the importance this document places in donor coordination.

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<sup>6</sup> There was a regional meeting as well as additional consultations in Brazil, Chile, Costa Rica, Jamaica, Mexico and Paraguay.

## Areas for Bank Action

Based on the foregoing analysis of the region's social development challenges and the lessons learned, the Bank proposes four sets of priority actions to help countries accelerate social progress in supporting the attainment of the MDGs. They call to:

- A. Customize the Implementation of Reforms in Health, Education and Housing;
- B. Implement a Human Development Agenda over the Life Cycle;
- C. Promote Social Inclusion and Prevent Social Ills; and
- D. Deliver Integrated Services with a Territorial Focus.

In line with the strategy's objective, these actions will pay special attention to enhancing the capabilities and opportunities of the poor and excluded for reasons, among others, of gender, ethnicity, race and disability.

Underlying these proposals is the conviction that a cross-sector approach to social development is essential and that together they provide a strategic framework for the Bank's dialogue with the countries. These proposals do not, however, substitute for sector-specific strategies and guidelines, nor do they identify, ex-ante, priority actions for individual countries that clearly require case-by-case consideration. This document offers directives to establish country-specific, measurable social priorities in the IDB Country Strategy Paper and the country programming process. These country priorities should be implemented guaranteeing adequacy of social expenditures; transparency of procedures; evaluation of outcomes; and social participation. They also presuppose that effective policies for sustainable economic growth and comprehensive poverty reduction are in place. Annex 1 summa-

rizes the links between these four priority actions and the overarching objectives above mentioned.

Importantly, these proposals need to feed into country-driven comprehensive national poverty reduction strategies, including the poverty reduction strategy papers (PRSP) prepared within the context of the HPIC initiative and Country Poverty Papers, and be closely coordinated with those of other donors.

The Bank will actively promote a country programmatic focus, where donor actions in social development are coordinated in support of: (i) a common agenda of social sector reforms for social development; (ii) priority recurrent (non salaried) public goods expenditures and investments; and (iii) a parsimonious set of result and impact indicators, linked to the MDGs, which can be monitored on a periodic basis. Donor disbursements, then, would be conditional on achievements in these three categories: reforms, social expenditures and result and impact indicators. The Bank will further assist countries in developing a set of suitable social indicators to measure progress towards the MDGs, in coordination with ECLAC, UNDP and other international agencies.

### **A. CUSTOMIZE THE IMPLEMENTATION OF REFORMS IN HEALTH, EDUCATION AND HOUSING**

The Bank will continue assisting countries in reform processes, particularly those aimed at the goals of universal and more equitable access and that feature the MDGs as key objectives for the reforms. In doing so, it will be guided by the following precepts:

*Understand the politics.* The principles presented in the Bank's 1996 *Strategy for Support-*



*ing Reform in the Delivery of Social Services* remain sound and the Bank will continue to promote them. They are: getting the incentives right (by clarifying objectives, encouraging multiple sources of supply, rewarding favorable outcomes, and approaching decentralization with caution); taking into account the politics of bureaucracies in assessing reform readiness; paying attention to implementation; and including social marketing components. Within this frame, the Bank will emphasize institutional and political analysis of the factors bearing on the reforms at the country and local levels.

*Seek consensus, use local talent, and set realistic and explicit objectives and time frames.* Among other actions, the Bank will help design consultations and social dialogues among key stakeholders to help shape the objectives and tracking mechanisms of the reforms, and also build political consensus and long-term support for them. (For more details on best practices in social dialogues, see Box 3). It will break down complex reform processes into more manageable tasks or stages and will define measurable, realizable objectives for each stage. It will set realistic time frames and rely on local talent and knowledge as much as possible to define and implement these objectives. Measurable objectives will guide designs, with more flexibility on intermediate steps. Measurable intermediate objectives will be clearly linked to final efficiency, effectiveness and equity objectives. Objectives and results will be widely disseminated to the public to promote transparency and accountability.

*Tailor reforms to respect and include cultural diversity.* Health, education and housing reform objectives as well as service provision need to be tailored to incorporate the cultural richness of diverse ethnic and racial communities throughout the region with a view to increasing both access to and utilization of quality services by these communities.

*Promote good management practices.* The Bank, through INDES and other training instruments, will continue to support the development of sound, strategic management practices and to develop leadership in organizational change in

key government and nongovernment organizations.

*Provide financing options.* Countries vary widely in their distance to the goal of universal coverage of basic social services and in the mechanisms for financing them. Both public and private resources must be tapped in country and sector-specific suitable mixes need to be promoted. The Bank will assist countries in designing financing options and in seeking broad national consensus on the public financing of social services as well as on the nature and financing of social insurance and pension mechanisms. Importantly, the Bank will seek to mobilize public resources by promoting effective tax systems. It shall also encourage countries to increase the efficiency of social expenditures and both enhance the portion of social expenditures benefiting the poor and protect these expenditures in periods of crises and fiscal retrenchment. In addition to these general recommendations, the Bank will also promote sector specific activities:

***Reforming Health.*** The Bank will emphasize health reforms linked to country specific health needs and objectives, incorporating the MDGs. It is important to underline that health reforms are not end in themselves, but only instruments to achieve health goals. Considering the country's epidemiological profile, this approach will stress either injuries, noncommunicable or communicable diseases. In countries where communicable diseases predominate, the Bank will focus attention on maternal mortality; infant mortality and morbidity; and communicable diseases, especially AIDS, malaria, dengue, TB and other infectious diseases, emphasizing a gender perspective in service delivery and utilization. This approach should also improve coordination with other Ministries

*Phase health reforms according to country possibilities.* Each reform needs to be tailored and phased according to the social, institutional and financial possibilities of the country. Consensus building as a key element to launch reforms deserves greater effort.

*Raise the profile of public health.* The Bank will help to increase the effectiveness of reforms on

the public health system in preventing and control the above-mentioned health conditions and improve its relationship to the health delivery system. It will promote rising the role and visibility of public health and primary care, improving health risk prevention and the promotion of health and healthy lifestyles as a national policy.

In addition, the Bank will assist in: (a) *promoting the efficiency* of public resources expended in health, increasing the efficacy and effectiveness of health budgets. (b) *Reducing health gaps* between rich and poor using public resources to target basic health needs, tailoring services to increase access and utilization, and monitoring implementation to raise quality of service provision. (c) *Promoting community based health systems*. (d) *Promoting decentralization of health services*, through more autonomous local management. (e) *Reducing inadequacies in human resources, infrastructure and supplies*, by supporting suitable policies and placing more emphasis on reforming human resources training and linking it to the overall health reform process. (f) *Achieving a better balance between disease prevention and control*, by better inclusion of risk factors in the financing arrangements, and addressing costly unhealthy behaviors, such as obesity, sedentary life, tobacco and alcohol consumption, which are increasingly important challenges to the health status of LAC population

**Reforming Education.** The Bank will assist countries in fulfilling the education MDGs mentioned in this document emphasizing *the objectives of equity and quality tailored to conditions at the country level*. In supporting education reforms across the region, the Bank will tailor its approach to country realities, including the timing of reform, the capacities of responsible institutions, and prevailing economic and educational conditions. Attention will be given to ensuring sustainable financing of the most cost-effective mixes of inputs, processes and incentives to raise student achievement and retention in school, as well as on increased equity through targeted interventions, including pre-schooling. The Bank also will act to strengthen assessment systems, statistics, and coordination with other donors to leverage, target and maximize scarce

resources for reform at the country level. More specifically, the Bank will:

*Support secondary without abandoning long-standing commitment to primary.* In regions at risk of not meeting the primary schooling MDG, the Bank will work to enfranchise marginalized populations by expanding access to and permanence through the primary level. For secondary education, it will assist countries in meeting complementary development goals of coverage of secondary schooling for 75 percent of youth. It will fund capital costs for expanding access emphasizing quality improvement, increased equity and efficiency, sustainable financing and better school management. Given the constraints on additional public funds to education, the Bank will explore options to leverage and bring the resources of the private sector to bear on education, provided equity considerations are met. The Bank should also support the capacity for public oversight to guarantee standards of high quality in public and private provision.

*Promote schools as the locus of reform.* In line with country conditions, the Bank will focus on reviving the school as an active sphere of management, innovation and social responsibility through increased autonomy, intense community participation and judicious decentralization and local government involvement. The Bank will encourage school autonomy and processes that give more decision-making power, financial and pedagogic, to schools.

*Advance better quality inputs.* The Bank will increase support to the pre-and in-service training of teachers by focusing on innovative and cost-effective programs. It also will support incentives to attract higher quality teachers and analytical work and programs to improve teacher incentives and accountability at the school level. The Bank will also support a prudent but intense application of the potential of technology to expand coverage and improve quality, especially through the radio and television, as well as through pilot programs in the use of computers and the Internet.

*Explore new options for higher education.* The Bank will support ongoing efforts to diversify

the supply of tertiary education; make its delivery more efficient; and reassign educational budgets in favor of and increase access for previously excluded populations. On one hand, the Bank will support the modernization and streamlining of internal structures in the region's public and private universities and work with them to strike a balance, different for each institution, between teaching, research and the provision of services to constituencies (e.g., productive sector) beyond the walls of academe. On the other hand, the Bank will support efforts at the tertiary nonuniversity level (e.g., along the lines of community colleges) that are well aligned with the market's demand for skilled labor contributing to increasing competitiveness and achieving greater economic growth.

***Reforming the Housing Sector.*** To further the attainment of the MDG of reducing the population living in slums, the Bank will continue supporting housing reform to improve the living conditions of low-income households, enhance sector effectiveness and promote sector-wide allocative efficiency of housing and related markets. Bank interventions will stress the need to solve the shelter problems faced by urban and rural low-income populations as part of a comprehensive system that ensures solutions to other socioeconomic groups that also need housing. Given the significant economic impacts of the sector, the Bank will promote a *two-pronged approach that simultaneously seeks to improve the existing housing stock and the urban services available to them and expand the production of affordable new houses.*

***Improve the existing housing stock.*** The Bank will assist in upgrading substandard low-income settlements and support progressive housing construction. This calls for a comprehensive approach that package a variety of interventions—infrastructure, tenure regularization, technical and financial support for home improvements, and expansion of social services in urban neighborhoods and rural communities.

***Expand affordable housing by improving the operations of mortgage markets, land markets and the efficiency of the construction industry.*** (a) To ensure adequate financing, the Bank will

promote mortgage issuers to go down market and develop second tier mechanisms for housing finance. It will promote innovation in credit finance, such as housing microfinance—small, short-term loans for a wide variety of low-cost housing solutions and improvements—to meet the needs of the low/moderate-income majority, who generally cannot afford high-cost finished housing solutions. It will pay special attention to the needs of female-headed households and ethnic and other excluded groups. (b) The Bank will promote actions to strengthen the operations of land markets and facilitate the production and sale of affordable urban land. Among others, it will seek to expand investment in urban infrastructure to increase the supply of serviced land; establish public-private partnerships to develop land; promote the rehabilitation of deteriorated urban areas and the recycling of empty urban land; promote greater transparency in land markets; and introduce land use and subdivision regulations to develop low-cost and environmentally sound residential land. The Bank will also support government efforts to improve technology and capacity in the construction industry.

***Promote the efficient use of public funds to support of the housing sector.*** Bank sponsored operations will consider that the use of public funds to provide subsidies (up-front, transparent, budgeted, and targeted to households in need) is a policy tool suitable after other means of attaining the objective of facilitating housing access to low-income households have been explored and proven insufficient to reach the low income groups. Public funds may also be used to improve the regulatory environment of the building industry, develop efficient land market regulations and improve the transparency of land markets. These uses may be more effective than direct subsidies in attaining the objectives and, more importantly, in ensuring that they are sustainable after public resources are exhausted.

## **B. IMPLEMENT A HUMAN DEVELOPMENT AGENDA OVER THE LIFE CYCLE**

***Promote a life cycle perspective.*** The widespread human developmental failures noted in the diagnosis section have serious consequences

both for the growth and competitive prospects of countries and for efforts to reduce poverty. In response, the Bank will assist countries in implementing a human development agenda using a life cycle framework. This agenda is closely linked with and should further strengthen the reforms in health, education and housing by providing concrete reform objectives and stimulating synergies between the reform processes. It will privilege successful transitions between key stages in the life cycle of individuals and families and define and track the performance of outcome indicators. Basic principles include invest in the accumulation of human capital early and continuously; emphasize a gender lens; target critical transitions; integrate institutions to support successful transitions; promote equality of opportunities for all; and measure results.

In particular, the Bank will pay special attention to supporting and following the life trajectories of *disadvantaged individuals and families*. It will assist countries in devising social indicators—disaggregated by age, gender, race and ethnicity—that can measure the combined impact of interventions. It will encourage countries to collect panel data using household surveys and administrative records to track progress towards successful transitions.

*Insure successful transitions between life cycle stages.* Interventions to insure successful transitions are especially important in the following six stages in the life cycle of individuals: pregnancy and birth; infancy through preschool; from early to middle childhood (and transition into primary school); adolescence (and transition to secondary school); transition to adulthood (and both family formation and the workplace); and the post-retirement years. Similarly, there are critical transitions in the family life cycle for which low income households, in particular, need support: from single individuals in parental households to family formation (access to housing); through family growth (home expansion and improvement) and migration; and to family reduction (housing contraction). The Bank will assist countries in providing the infrastructure and incentives needed for institutions to increase successful life cycle transitions. While the combination of supply-and demand-side interven-

tions will vary according to the particular requirements of the country, the Bank will promote a package of quality services to help ease the transition between life cycle stages with the aim of universalizing service provision and reducing the inequality of opportunities created by failed transitions. Table 1 suggests some basic components of this package. Among these, reduction of malnutrition, labor training and pension systems are further elaborated below.

***Banish hunger, reduce malnutrition and enhance early opportunities.*** Within national frameworks of poverty reduction and economic growth, the Bank will support countries in their efforts to eliminate hunger, improve food security and develop appropriate feeding practices for high risk populations, children in particular. These support measures could include, although would not be limited to, conditional transfers; nutrition education; institutional strengthening; community based interventions; epidemiological surveillance; micronutrient supplementation and fortification; and impact assessments. Interventions for infants and small children should be designed using an early childhood development framework.

***Develop inclusive and continuous employment and training systems.*** Life cycle transitions can only be supported within the context of more comprehensive national systems that allow workers to move easily between the worlds of work, education and training. In more global and changing economies, learning is not a one-time acquisition but a continuous process where skills and income can be increased overtime by a strategic combination of education, training and learning in the workplace. The Bank will assist countries in developing national systems of education and employment, which require, to start, *reform of training systems and institutions*. The Bank will assist with the implementation of labor intermediation systems that improve the speed and the match of workers to better jobs, paying particular attention to the access of women, excluded groups and youth to intermediation services. The elements of the reform of training and labor intermediation systems are detailed in the Competitiveness Strategy. The Bank should also promote the development of

comprehensive national skill standards that are readily used by employers and by training and secondary-vocational education institutions. These standards are a powerful tool for promoting inclusion of excluded groups; they also increase firms' competitiveness by lowering the search costs for new employees.

*Strengthen labor ministries.* The Bank should promote more vigorously the reform and strengthening of labor ministries to enable them to lead and advance effective national labor market policies. Modern labor markets require labor ministries that can provide accurate labor market information and promote policies to continue to modernize the workplace as well as training and education systems. Labor ministries should be reinforced, changing the perception that their role is simply to manage labor conflicts.

*Give more systematic attention to core labor standards.* The Bank should give more attention to the commitments of member states to the core labor standards (CLS) (prevention of forced labor, child labor, and discrimination and the right to free association and collective bargaining) advanced by the International Labour Organization (ILO). Support for these standards can contribute to the achievement of the Bank's development and poverty reduction agendas, especially in the areas of reducing income inequality and inhumane working conditions. The Bank should develop best practices or guidelines regarding the CLS. They should include a discussion of the role of the CLS in Bank-sponsored policy dialogues, programming, projects, procurement, and both poverty reduction and competitiveness strategies.

*Support healthy working environments.* The Bank should support the implementation of ILO recommendations on *occupational and safety health*, helping countries develop better institutions for regulating, monitoring and delivering services to prevent injuries and deaths in the workplace and diseases related to labor.

*Promote comprehensive and sustainable pension systems.* Providing adequate pensions is essential to improve equity and complement

short-term social protection. In addition to the challenges imposed by demographics and the growing informalization of work, the systems in place have serious inadequacies. "Pay-as-you-go systems" are prone to funding shortfalls that often exacerbate fiscal deficits, reduce the value of pensions or both. Compulsory capitalization systems are often over-regulated, entailing high administrative costs that sap net investment returns. In addition, they can be quite vulnerable to violent swings in net asset value in volatile financial markets. The Bank should, therefore, assist countries in designing comprehensive and sustainable pension systems. It should pay particular attention to gender issues, given both the different nature of women's and men's work and the differential mortality rates between them, as well as coverage of the lowest income workers in agriculture and the informal sector.

*Tailor pension reforms to local socioeconomic and institutional features.* The Bank will support suitable tailored reforms to expand coverage to the working poor and protect the rights of individuals who contributed to pension systems. Options need to be tailored according to countries' socioeconomic and institutional features. These options could combine basic pensions sustained by fiscal budgets, for the poorest workers, with feasible and self-sustained contributive systems for those in the formal labor market. They could also consider adopting "pay-as-you-go" or capitalization systems (based on collective funds or individual accounts), tailored to particular fiscal and institutional country features. Independently from the option adopted, general recommendations should be followed such as fiscal sustainability, transparency and efficiency, reflected in low administrative and transactional costs. Special attention needs to be paid to pension systems based on privilege. To avoid unfair and unsustainable situations, the Bank will promote the actuarial balance of all public funded "pay-as-you-go" systems, so that they do not generate pressures on public debt.

*Enhance pension coverage for the elderly poor, especially in rural areas.* The Bank, observing fiscal sustainability criteria, shall promote the creation of noncontributive pension systems especially in rural areas. These pensions should be

particularly relevant for rural women, who most often have spent their working lives in unpaid agricultural production or the informal rural sector. Given higher mortality rates for males, many elderly women become heads of rural households without adequate means for survival.

*Promote flexibility in regulations.* Pension systems boost socioeconomic development by promoting social inclusion, protecting the elderly, and financing of long-term investment. To further these objectives, the Bank will promote shaping state regulations that avoid rigid investment portfolios on pension funds and increase flexibility on the size of contributions and benefits on the “pay-as-you-go” systems. This will avoid future deficits and maintain the long-term sustainability of the overall system.

*Support the intergenerational feasibility of social policies.* The Bank will assist countries in using accounting methodologies, which incorporate intergenerational effects to cost the financial requirements of a social agenda with a life cycle perspective. It will also assist countries in generating broad societal dialogue and consensus for such policies, looking for the linkage between short-run social needs and their long term financing. This broad discussion should include the nature, coverage and financing of social security and pension systems.

### **C. PROMOTE SOCIAL INCLUSION AND PREVENT SOCIAL ILLS**

The Bank will assist countries in increasing their capacity to fight social exclusionary practices and social ills. The Bank will emphasize strengthening the required data management capabilities; encourage partnerships between the public and the private sector, including businesses, NGOs, religious and grass root organizations, and the media; and play a leading role in coordinating with other donors working in these areas.

*Promote Social Inclusion.* One of the key failings of social and economic policies has been their inattention to excluded populations. The Bank, thus, will promote the social inclusion of all individuals who, because of features such as

age, gender, race and ethnicity, disability, or migration status experience a structural lack of opportunities. It will assist countries in making public investments designed to correct imbalances in access of excluded groups to quality services and productive resources (land, capital, and technologies). The Bank should be cognizant, however, that patterns of exclusion, especially those based on race and ethnicity, are linked to particular historical and cultural circumstances which can vary between countries or subregions.

*Make the invisible visible in statistics and research.* The Bank will assist national statistical institutes and other entities responsible for national censuses and household surveys to collect and share information on excluded groups, in consultation with representatives of these groups. The Bank will promote policy analysis of race, ethnicity, gender, disability and migration, and the use of this analysis for the design of social policies. This includes policy research on the impacts of stigma and discrimination on individuals, families and communities.

*Promote legislation, incentives and other instruments to combat stigma and discrimination.* The Bank will assist countries in the analysis and technical development of civil rights and affirmative actions to promote diversity, prohibit discrimination, give preferential treatment based on merit and provide access to land titles and property, including security of land tenure and regularization of land titling, among others. These initiatives include laws and civil protection, as well as incentives aimed at broadening opportunities and addressing discrimination. (See Box 3 for examples of country initiatives in this area). The Bank will promote media and social marketing campaigns to alter cultural stereotypes, combat stigma and promote diversity and solidarity.

*Strengthen institutions.* The Bank will seek to increase the institutional capacity of agencies in the public and NGO sectors to foster social inclusion. It will assist in incorporating social inclusion in policy analyses and national plans for social development and poverty reduction.

*Emphasize inclusion through labor markets.* The Bank should design a new generation of labor market operations that place greater emphasis in increasing the labor market opportunities of excluded populations, including youth, women, indigenous peoples, afrodescendants and persons with disabilities, among others.

*Tailor social and labor market services* to increase access of excluded groups to quality services and jobs. The Bank will use social and cultural analysis in the design and provision of services to diverse groups paying special attention to increasing women's labor market opportunities; it will tailor labor market intermediation and training to increase these groups' access to quality jobs and reduce labor market discrimination, as well as insure that training programs effectively reach and target excluded populations.

*Enhance corporate social responsibility.* The Bank will engage the *private sector* more forcefully as an important partner in promoting, assisting and financing the social inclusion agenda. This includes efforts to use private and NGO providers, as appropriate, to deliver social services; work with private sector firms in expanding access of the excluded to work opportunities; engage the private sector in national campaigns to address labor market discrimination and participate in national dialogues on social inclusion; and seek partnerships with innovative private firms to promote corporate social responsibility more widely in the private sector (in consistency with the Competitiveness Strategy.)

***Prevent Social Ills.*** The Bank will assist countries in the reduction of social ills including child labor, crime and violence and HIV/AIDS. More cost-effective prevention will be privileged over control and remedial measures (cognizant, however, that prevention and control are two ends of a continuum rather than mutually exclusive categories). It will privilege early intervention; social as well as situational prevention strategies; epidemiological risk assessments; and the design of integrated responses, which consider phasing responses in stages and acting on more malleable factors first.

*Reduce child labor.* Investments should include: (i) supply-side interventions which decrease the supply of child labor, such as targeted scholarships for school attendance, waivers of school fees, school-work combinations that provide for skill acquisition, and microcredit financing for families conditional upon school attendance; and (ii) demand-side interventions which discourage firms from employing child labor, such as product labeling, voluntary codes of conduct, and industry-wide councils. Special attention will be paid to eliminating exploitative and hazardous forms of child labor.

*Prevent domestic and social violence.* The Bank will assist countries in the prevention of *domestic and social violence* by: (i) *developing information systems* that allow for the tracking of trends and the design of policy. These systems will be geo-referenced and will involve the participation of important stakeholders such as police, justice, and health sectors. The Bank will also support the development of the analytical capability necessary to make effective use of the data produced by these information systems; (ii) *financing primary and secondary prevention initiatives* in education, health, and the media. These initiatives will be designed to change behaviors and attitudes that promote violence and, in cases which it has already emerged, the violent behaviors themselves. Examples of interventions include teaching peaceful conflict resolution skills in primary and secondary schools, screening for victims of violence in health care settings, and enlisting the media as an ally in transmitting pro-social messages; (iii) *promoting situational crime prevention initiatives.* These initiatives include modifications to physical environments such as the redesign of streets and public spaces, increased street lighting, and video surveillance; (iv) *financing domestic violence prevention and treatment services* to ensure quality and coverage and reduce prevalence; (v) *promoting preventive policing,* including problem-oriented and community policing. Problem-oriented policing has been shown to be effective in reducing crime rates in the cities in which it has been implemented. Community policing has been able to reduce residents' fear of crime and their willingness to collaborate with police forces.

*Reduce the spread of HIV/AIDS:* The Bank will assist countries by: (i) supporting policy research on key areas, for example, resource needs and financing, stigma and discrimination, trends in adolescent sexuality, and best practices for prevention in excluded populations. These research findings will be used to raise awareness of HIV/AIDS issues among policy makers; (ii) developing prevention interventions that support the MDGs focus and the recommendations from the Johannesburg Sustainable Development Conference on reducing HIV incidence among youth, in particular between the ages of 15 to 24 years. The Bank will actively support work place interventions and HIV/AIDS initiatives aimed at indigenous and afrodescendent populations; (iii) developing initiatives that reduce the stigma of HIV/AIDS and the discrimination experienced by persons living with HIV/AIDS. Stigma and discrimination have been shown to weaken the thrust of prevention and care interventions; and, (iv) supporting increased access to treatment and care. The Bank should finance the purchase of anti-retroviral medications and the strengthening of the laboratory infrastructure needed to monitor drug effectiveness. The Bank should collaborate with specialized regional and international agencies in these efforts.

#### **D. DELIVER INTEGRATED SERVICES WITH A TERRITORIAL FOCUS**

To provide effective responses to the multiple disadvantages of the poor and excluded and the many risk factors behind social ills, the Bank will assist countries in the implementation of integrated interventions in specific territories. Poverty is commonly concentrated in spatially segregated territorial areas—in either low-income slums or rural municipalities with high levels of unmet basic needs. A spatial focus facilitates diagnosing specific community needs, tailoring services, executing actions and doing impact assessments. Because these are a “new generation” of projects that aim to upscale successful local development initiatives, the Bank will include adequate monitoring and evaluation components and assess both potential benefits (lower administrative costs, improved targeting, strengthening social capital, empowerment, and improved transparency) and potential drawbacks

(high up front project preparation and consultation costs, high opportunity costs for local leaders and time costs for women participants, and capturing of project benefits by elites).

*Programs with basic features.* Based on accumulated experience, the Bank will promote integrated programs that: (i) *invest in multiple sectors*, including basic infrastructure and social services and offer a menu of services that can be tailored to the needs and aspirations of individual communities (ii) *give attention to governance and organizational issues*, including adopting results-based management, so as to ensure transparency in decisions, accountability and adequate inter-institutional coordination mechanisms; (iii) *empower the beneficiary communities*, through their active participation in decision making regarding project design, as well as in implementation and supervision; and (iv) undertake appropriate *socio-cultural assessments* of potential beneficiaries to identify the different stakeholder groups, including the more invisible ones. (v) In addition, the Bank will seek to *maximize successful inter-agency coordination*, striving for simplicity, among others, by reducing the number of collaborating agencies, using multi-phase operations, and dividing implementation phases among agencies..

*Promote complementary national policies.* When implementing projects with a spatial focus or target, the Bank will be aware of, and guard against, potential further segregation and stigma derived from targeting the poor. The Bank will encourage complementing the delivery of comprehensive interventions in a territory with national policies that address the structural determinants of the poverty of excluded groups by expanding their access to economic opportunities and protecting their rights.

*Support urban neighborhood upgrading projects.* The Bank will enhance its assistance in the provision of integrated services to informal settlements or slums, which comprise between 20 and 50 percent of the urban population in the region. Through these interventions, it should seek to integrate the *informal to the formal city*, promoting citizenship and social integration of



neighborhoods by providing residents with the same services available to the rest of the city.

Bank projects will implement a *minimum package* of key physical infrastructure, including water supply, sewerage, street systems, drainage, environmental protection, property regularization and land titling, which can produce important improvements in the quality of life for the neighborhood. In addition, projects will provide social services such as day care centers, services for vulnerable or at risk groups, professional training, support for the management of productive units, continuing education for work, and income promotion. Merging urban infrastructure and social services create synergies that maximize project impact.

***Support integrated community development projects.*** Because of geographic isolation, cultural and linguistic barriers, and values and priorities that may be different from those of mainstream society, indigenous people and afro-descendants have special difficulties in negotiating equal participation in society at large. In response to these barriers, the Bank will continue to support community-driven, integrated development projects in rural areas and marginal neighborhoods in urban peripheries as a vehicle to both raise the productivity of marginalized territories and enhance excluded groups' opportunities to negotiate with and participate in mainstream society. Food security, security of land tenure and regularization of land titling should be important components in these interventions.

# Options for Bank Services and Implementation Guidelines

The Bank has a variety of lending and nonlending instruments to address social development issues. The lending portfolio includes financial products such as investment loans (traditional, innovation, multi-phase), sector loans and emergency loans. In addition, the Bank uses technical cooperation projects using grants or reimbursable funding to support smaller activities. In the social sectors, grant or nonreimbursable technical cooperation has been used to highlight new and emerging issues, support studies and consensus building as part of project preparation, and develop implementation experiences.

The nonfinancial products can be grouped under two main headings: (i) *technical assistance for developing analytical tools* such as situational analyses, social data management, social surveys, research papers, pilot studies and development of evaluation mechanisms for social indicators and (ii) *training and consensus building for the implementation of social policies*, including seminars for dissemination and discussion of social policies; social policy dialogues; training in managing social policies and in the analysis of social issues; and best practices.

Many of these instruments were designed prior to the expansion of the portfolio. With the growth of this portfolio and corresponding experience, the Bank has come to further recognize the complexity of the region's social development issues, including some that the IDB and other development agencies had not explicitly considered. Social exclusion, racism, domestic violence and HIV/AIDS are clear examples of topics that have only recently been systematically addressed.

To successfully implement the present strategy, the Bank's approach to social projects must be strengthened in six aspects: project preparation; project design, implementation and evaluation; financial products for social projects needs;

technical assistance; research, development and promotion of best practices; and resources to support work on innovative new social development issues.

## PROJECT PREPARATION

The principles and recurrent themes promoted in the strategy should imply re-thinking the Bank's modus operandi in the social sectors and strengthening cross-sector approaches already being used. For example, in many cases, the life cycle perspective cannot be accommodated within a single project but suggests a more comprehensive framework where one or more projects consider the various stages of human development and focus on synergies across sectors or projects.

Country Strategy Papers (CSP) guide the thrust of the Bank's lending program and nonlending activities at the country level. During the nineties, they mainly focused on the macroeconomic aspects of country assistance. Analysis of social development issues was limited, and, therefore, the CSP did not provide an adequate platform for sufficient agreement with governments on social actions. In addition, country strategies were commonly set without significant participation of stakeholders in the respective countries. The Bank is improving the CSP preparation to fill these absences and the present strategy should support this effort.

To support this process, operational procedures should be enhanced by: (a) making the CSP the core instrument to strengthen the treatment of social development issues; (b) increasing the background research done in social sectors for the CSP as well as the use of seminars and social policy dialogues that involve relevant social actors to help establish social priorities during the pre-programming and programming phases of the project cycle; (c) strengthening the diagnosis

of social issues and corresponding agreements with governments by more extensively incorporating the substantive findings from research, social policy dialogues and seminars in the CSP; and (d) mainstreaming discussion of cross-cutting social development issues, including gender, social inclusion and core labor standards, into CSP and surrounding dialogues with the country regarding the development of the country portfolio.

## **PROJECT DESIGN, IMPLEMENTATION AND EVALUATION**

*Design.* Projects seeking social progress must conform to local realities and incorporate local resources far more than in other sectors. Many of the common setbacks in the implementation of social projects can be traced to failure to heed these precepts, especially at the design stage. The strategy entails a wider use of participatory vehicles to gather information on local conditions and greater use of local consultants to assist in the formulation of activities and implementation arrangements.

*Implementation.* Counterparts in borrowing countries and Bank social sector specialists agreed on the Bank's important role in providing technical assistance for project execution. It is noteworthy that respondents singled out its assistance concerning compliance with Bank procedures. Indeed, clients and Bank staff agreed that the Bank's many rules are in part responsible for delays and lost opportunities in project execution. These are seen to be particularly daunting respect to procurement protocols originally designed for large infrastructure projects. To effectively work with social sector implementing agencies in the public and private sectors requires adapting procurement and disbursement rules to better fit their particular organizational features, strengthening rather than sacrificing accountability. The Bank should consider these issues in the ongoing overall review of Bank procedures.

Social Investment Funds (SIFs) should be mainstreamed into the governments' line social programs, insuring that their operations are coordinated to line ministries and that governments

increasingly assume their financing. This is intended to guarantee their sustainability and demonstrate the government's commitment to the activities and modes of operation successfully introduced by the funds. Considering that a great number of works and services financed by the SIFs are municipal in nature, Bank operations shall emphasize decentralizing of project implementation, transferring resources for local governments to execute projects and involving beneficiaries in the decision-making and supervision of SIF projects.

*Evaluation.* Evaluating the impact of social development activities is not easy. The desired outcomes often entail long-term processes. Some of the issues addressed are difficult to operationalize and measure, for example stigma and discrimination associated with race, ethnicity, disability or HIV/AIDS status. Moreover, previously noted obstacles to the implementation of social projects result in more resources and attention being paid to initiating and sustaining activities than to evaluating their impact. However, evaluation remains a *sine-qua-non* condition for a successful portfolio of social development projects, particularly those seeking to improve the well being of people rather than the physical infrastructure of, say, clinics or schools.

To improve the quality and number of evaluation studies, the strategy proposes: (i) increasing data collection prior to project interventions including the use of baseline and rigorous social evaluation methodologies; (ii) defining output, outcome and impact indicators during project preparation; (iii) strengthening evaluation capacity for social development projects, (iv) improving the monitoring of project progress; (v) strengthening the evaluation capability of national agencies; and, (vi) disseminating an evaluation culture through training activities sponsored by specialized units such as INDES and LRN.

## **FINANCIAL PRODUCTS**

The Bank needs financial products that are better suited to the proposed social agenda. Successful social reforms require that the proposed innovations be tested before scaling up implementation.

And since they entail long-run processes, the initiatives need to be phased, monitored and closely evaluated. Moreover, reform processes must be highly resilient to changing political and economic environments over long periods of time. Many Bank current operations in support of social programs do not meet these conditions in their design, thereby carrying high risks of failure during project implementation.

In the last decade, the Bank created new instruments to accommodate countries' changing needs, including multi-phase and innovation projects. They have yet to be extensively used for social operations, although sector and emergency loans have been increasingly used for social sector projects. As suggested by Bank clients and social sector specialists, multi-phased and innovation projects should be used more often for social operations because they conform to the pace of reform processes and their achievement of long-term development goals. In addition, the Bank should seek to actively develop other programmatic instruments for social sector operations.

In special contexts, emergency loans can help to ameliorate the impact of crises on social conditions or keep social services working during socioeconomic crises or natural disasters, as has been the case with the social expenditures protection components of some of these loans. Sustaining institutional reforms and protecting essential services for vulnerable groups are two important contributions that emergency loans can make to social development. In implementing these loans it is important, however, to ensure that both objectives are met. To verify the achievement of these objectives, given the fast disbursement nature of these operations, the strategy recommends the adoption of a simplified set of indicators, based on information already available and verifiable on shorter periods, i.e. monthly or quarterly. Yet, investment loans remain a principal vehicle for supporting social development goals and changes in social policies.

## TECHNICAL ASSISTANCE

During the last decade, the Bank has increased the number of nonreimbursable technical cooperations (TCs) to address social issues. Nevertheless, the Bank still has few means to respond quickly to social sectors needs for the design of new diagnostic tools and the evaluation and monitoring of social programs. Bank TCs have shortcomings in their lengthy approval process, their limited flexibility in using consultants and firms, and, above all, the limited availability of grant funds. Especially at the country level, there are limited funds and instruments available for the Bank to rapidly respond to demand for support of innovative or pilot social development initiatives.

The successful implementation of a social project depends heavily on the quality of the diagnosis, the skills of the project team, the strength of the information system and the mechanisms for social dialogue and consensus building. Most of these aspects need to be present during project preparation and many countries, particularly the poorest, cannot provide these inputs. Greater access to grant funds from technical cooperations is needed to facilitate these initial steps.

The Eighth Replenishment of the Bank's resources (paragraph 2.64) supported the establishment of a Technical Cooperation Fund that would: (a) facilitate efforts to attract additional resources and consolidate the funding and programming of technical cooperation operations; and (b) harmonize the utilization of the various sources of technical cooperation. The exploration of a possible fund for social projects could build on this recommendation and provide additional support for the social sectors.

The possible fund could complement existing Bank technical assistance instruments for social development by adding features currently absent, such as faster grant approval that can give more timely response to project preparation needs, including studies, social diagnosis, social dialogues, consensus building, and social project evaluation mechanisms.

## RESEARCH AND BEST PRACTICES

On many of the social development issues emerging in the region, there is an insufficiently developed research literature; best practices are not always known or recorded; and access to what limited data is available is difficult, particularly for those living in the region. This strategy supports the conduct of applied research to improve project design and the identification of best practices. It also supports longitudinal evaluation research studies to assist the Bank in identifying the impact of its lending activities on social progress.

Equally important is the dissemination of research findings in the region and their incorporation in social policy dialogues and program planning. The Bank should continue to actively support dissemination of information on social development projects, and explore new Internet options for increasing access to information relevant to social development issues. The Bank will continue to utilize seminars, conferences and social policy dialogues as a means of building consensus on key issues.

## ACTION PLAN

The Plan of Action proposed to implement the social development strategy can be summarized in the following points:

- a) Increase the use of research, seminars and social policy dialogues as part of the process to define social priorities in the countries during the pre-programming and programming phases of the project cycle;
- b) Strengthen the diagnosis of social issues in the Country Strategy Papers, supported by a wider use of participatory methodologies, and include clear actions for the social sectors.
- c) Promote donor and lending coordination in support of a programmatic focus, absent in current practice, tying disbursements to achievements in reforms, social expenditures, and indicators linked to the MDGs.
- d) Mainstream cross-sector and new social development issues (i.e., gender, social inclusion, and core labor standards) from the early stages of dialogue and programming.
- e) Support the more widespread use of local collaborators and consultants, including community representatives, to assist in the identification of activities and design of implementation arrangements during project preparation.
- f) Stimulate the design of multi-sector social projects cognizant, however, of the need to devise mechanisms to facilitate and simplify implementation, by promoting a greater level of integration among complementary sector perspectives provided by the various functional divisions in the Bank.
- g) Increase the use of baselines and social evaluation methodologies and define process and impact indicators during project preparation. Encourage the collection and analysis of data with sufficient disaggregation to support targeted social policy.
- h) Strengthen evaluation and monitoring capacity in Country Offices and increase the budgets allocated for evaluation of social development projects during the preparation and execution phases.
- i) Review the Bank's procedures for social project execution and develop new approaches to address relevant questions such as contracting services, bidding and financial and accounting procedures; as well as the support for ongoing training to Country Office staff on social project execution.
- j) Increase the use of multi-phase and innovation projects and develop new programmatic instruments for social operations.
- k) Increase access to grant funds from technical cooperations for project preparation and to support the development of social country strategies; conduct applied research; improve project design; identify best practices; support dissemination of information on so-

cial development projects; and explore new Internet options for increasing access to information relevant to social development issues.

- l) Strengthen the evaluation capability of national and sub-national governments and disseminate an evaluation culture in training

programs offered through Bank units such as INDES and LRN.

- m) Establish an ad-hoc working group to analyze a possible fund for social projects to respond to countries' needs for grant assistance in the social sectors.

## Monitoring, Evaluation and Performance Indicators

This section provides suggested indicators to gauge progress in achieving the strategy's priorities. These indicators evaluate the impact of Bank projects in the social sectors as well as expected outputs and outcomes from Bank operations, and are linked with the MDGs. Outcome indicators should be based on OVE's evaluation of Bank's projects and TC. With the exception of the MDG's, for which there are world targets, quantifiable goals or values (percent changes) for impact indicators need to be established on a case by case basis.

### OUTPUT INDICATORS

The indicators track the actions the Bank needs to undertake to help countries meet the social development challenges identified in this document. It is important to underscore that the establishment of causation between outputs, outcomes and impacts is fraught with methodological difficulties arising from the fact that a complex set of variables influence Bank outcomes as well as impacts. It is easier methodologically to attribute the effect of Bank outputs on outcomes than to measure the Bank's impacts.

Among others, the following output indicators are suggested to assess how well Bank procedures comply with the strategic directions in this document:

- a) *Weight of Bank lending for social development*, both in terms of percentage of total loan volume and in terms of percentage of number of loans. As mentioned above, social lending represented 39 percent of total volume and 37 percent of the total number of loans during the 1994-2001 period. During the implementation of this strategy, within this social lending portfolio there should be a rise in both the volume and the number of loans which are linked directly to the four main strategic priorities presented in

this document as well as the achievement of the MDGs.

- b) *Increase in grant funds for social projects*. Nonreimbursable technical cooperation funds have been shrinking at the Bank in recent years, a trend that inhibits the Bank's ability to promote innovations in the social sector. This trend should be reversed using, among other efforts, possible new funds for social projects.
- c) *Proportion of innovation, multi-phase and new programmatic instruments in the social sectors*. Another important tool for promoting innovation and sustaining reforms in the social sector is the use of innovation multi-phase and other novel programmatic instruments. By 2005, Bank lending should exhibit an increase on the share of these operations in the social sectors.
- d) *Increased discussion of social development issues in Country Papers*. Since Country Papers establish Bank priorities at the country level, it is vital that social issues are analyzed and discussed in these documents. The Bank should, therefore, increase significantly the share of country papers that address substantial social issues.

### OUTCOME INDICATORS

To adequately assess the outcomes of Bank action it is necessary to carefully evaluate Bank social sector projects. These evaluations will permit fine-tuning of social projects over time and ensure that they are institutionalized and making the greatest possible contribution to the development of the region. Therefore, the Bank shall:

- a) *Improve evaluation components in social projects*: In the context of the current work

on Development Effectiveness and after the approval of this document, a representative sample of social projects in the Bank should include sound evaluation instruments, such as baselines, surveys, case-control experiments and impact indicators.

- b) *Project results monitoring*: An evaluation methodology should be designed which specifically targets the evaluation of social sector loans and technical cooperations.

### **IMPACT INDICATORS**

The Bank's actions should support the achievement of the Millennium Development Goals for reducing infant and maternal mortality; completing primary schooling, promoting gender equality and empowering women; halting the spread

of diseases such as malaria, tuberculosis, HIV/AIDS, dengue; and increasing access to safe drinking water, improved sanitation and secure tenure. Bank-sponsored initiatives should also have an impact on the broader panorama of social development issues addressed in this strategy, including reducing the prevalence of domestic and social violence and child labor; increasing the inclusion of socially excluded populations; improving the quality of the housing stock, particularly for the urban and peri-urban poor; and fostering the social development of marginalized territories. Given the wide variability of conditions in the region, country-specific impact indicators need to be developed for each of the goals mentioned above.

An evaluation of this Strategy will be done five years after it is approved.



## Annex 1

### Areas of Action for the Bank and their Relation to the Sustainable Economic Growth and Poverty Reduction Strategies

AREAS OF ACTION	LINK TO THE SUSTAINABLE ECONOMIC GROWTH STRATEGY	LINK TO THE POVERTY REDUCTION STRATEGY
<p><b>A. Customize the Implementation of Reforms in Health, Education and Housing</b></p>	<p><b>Social progress (Education, Health and Housing) as condition to economic growth</b></p>	<p><b>Reduction of inequities to access health, education and housing services</b></p>
<p>Objective: Support social reforms; speed up social progress and reduce inequities to access social services.</p> <p>Subsections:</p> <ul style="list-style-type: none"> <li>a) Health</li> <li>b) Education</li> <li>c) Housing</li> </ul>	<p>Objective: Social Progress highlighting the Millennium Development Goals.</p> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Efficacy, coverage and quality on social services emphasizing primary health care.</li> <li>• Promote universal primary education and strengthen secondary and post-secondary education.</li> <li>• Expand and improve housing stock.</li> </ul>	<p>Objective: Increase access for social services to the poor.</p> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Health goals linked with poor and excluded needs.</li> <li>• Extend coverage and quality of education to the poor.</li> <li>• Promote housing opportunity to the poor.</li> </ul>
<p><b>B. Implement a Human Development Agenda Over the Life Cycle</b></p>	<p><b>Reduce barriers to human capital development</b></p>	<p><b>Equal opportunities for all during the life cycle phases</b></p>
<p>Objective: Human Capital Development to families supports critical transitions over the life cycle.</p> <p>Subsections:</p> <ul style="list-style-type: none"> <li>a) Promote a life cycle perspective</li> <li>b) National employment and training systems</li> <li>c) Sustainable pension systems</li> </ul>	<p>Objective: Human Capital Development.</p> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Improve successful transitions.</li> <li>• Improve linkage between labor markets, education systems and training institutions.</li> <li>• Improve efficiency, coverage, fiscal and financial balance for pension systems.</li> </ul>	<p>Objective: Social protection for vulnerable groups during life cycle.</p> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Create social infrastructure to support the poor and vulnerable groups transitions.</li> <li>• Create training institutions; labor intermediation systems and child care facilities to poor workers.</li> <li>• Improve the social protection against economic risks and loss of labor capacity to poor workers.</li> </ul>

AREAS OF ACTION	LINK TO THE SUSTAINABLE ECONOMIC GROWTH STRATEGY	LINK TO THE POVERTY REDUCTION STRATEGY
<p><b>C. Promote Social Inclusion and Prevent Social Ills</b></p> <p>Objective: Social Capital Development and Social Inclusion of the excluded groups</p> <p>Subsections:</p> <ul style="list-style-type: none"> <li>a) Information</li> <li>b) Legislation</li> <li>c) Institutions</li> <li>d) Labor markets and exclusion</li> <li>e) Prevent social ill</li> </ul>	<p><b>Social Capital Development</b></p> <p>Objective: Social Capital Development</p> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Promote information, research and policies to attend discrimination.</li> <li>• Develop legislation to combat stigma and discrimination.</li> <li>• Incorporate social inclusion in policy analysis and national plans.</li> <li>• Promote efficient labor markets intermediation.</li> <li>• Reduction of economic losses generated by social ill.</li> </ul>	<p><b>Social Exclusion elimination by the generation of social capital</b></p> <p>Objective: Integrate the excluded for better social development opportunities</p> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Monitor progress among excluded groups.</li> <li>• Guarantee access to opportunities for the poor and excluded.</li> <li>• Strengthen institutions to promote social inclusion.</li> <li>• Integrate labor markets with social and cultural features for excluded.</li> <li>• Prevent social and domestic violence and the spread of HIV/AIDS in poorest groups.</li> </ul>
<p><b>D. Deliver Integrated Services with a Territorial Focus</b></p> <p>Objective: Integrate Social Development Programs at Local Levels.</p> <p>Subsections:</p> <ul style="list-style-type: none"> <li>a) Neighborhood upgrading</li> <li>b) Integrated community development projects</li> </ul>	<p><b>Local levels, Local economics and Social Development</b></p> <p>Objective: Social and economic development at local areas.</p> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Improve infrastructure for urban population.</li> <li>• Promote integration of isolated communities.</li> </ul>	<p><b>Local and territorial levels as locus for poverty reduction</b></p> <p>Objective: Target interventions to the poor at local level.</p> <p>Actions:</p> <ul style="list-style-type: none"> <li>• Integrated packages of physical infrastructure for the poor neighborhoods.</li> <li>• Increase social economic development of indigenous, afrodescendants and rural communities.</li> </ul>

## Box 1: LAC's Achievements and Challenges in Attaining Selected MDGs

GOAL	ACHIEVEMENTS	CHALLENGES
I. Ensure that, by 2015, children will complete primary schooling, and eliminate gender disparity in primary and secondary education.	Primary completion rates rose to average of 82%, with a 4% average gain per country since 1990. Repetition declined from 29 to 16% (14 countries). <sup>1</sup>	Eighteen percent of the Region's youth do not complete primary education and 16% repeat. (14 countries) <sup>2</sup>  Less than 50% of secondary enrolled students complete the cycle. Only 10% do so in rural areas. <sup>3</sup>
II. Promote gender equality and empower women	Close to 60% of women are enrolled at the secondary level and 19% at the tertiary level; for men, these figures are 54% and 17%, respectively. <sup>4</sup>  Share of women in the non-agricultural sector rose from 38% to 41.2% (1990-99). <sup>5</sup>  The gender wage gap narrowed from 25% to 17% average in last decade (17 countries) <sup>7</sup>  Share of women in Senate increased from 5 to 17%; in lower chamber, from 9 to 13% (26 countries) <sup>9</sup>	Labor market segregation rates by gender is highest (0.44 in the Duncan Index) in the world in early nineties <sup>6</sup>  In the 90s, women's unemployment and underemployment rates were 3% and 8% higher than those of men, respectively (12 - 19 countries). <sup>8</sup> Eighty-three percent of senators and 87% of lower chamber representatives are men (26 countries). <sup>10</sup>
III. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.	Infant and child mortality was reduced by 30% and 26%, respectively (1990/2000). <sup>11</sup>	In year 2000 infant mortality was 29 per 1000, and child mortality rose to 36.7 per 1000. <sup>12</sup>
IV. Reduce maternal mortality (3/4 between 1990-2015)	Coverage of hospital deliveries improved from 70.8% of all births in 1990/95 to 86.5% in 1997/2000. <sup>13</sup>	The regional average maternal mortality rate for 1995 was still 190 (per 100,000 live births), compared to 140 for East Asia and the Pacific and 36 for Europe and Central Asia. <sup>14</sup> The regional adolescent fertility rate in 1999 was 73 (births per 1,000 women ages 15-19), well above the levels of Middle East and North Africa, East Asia and the Pacific, and Europe and Central Asia. <sup>15</sup>
V. Detain and reverse the spread of HIV/AIDS, malaria and other diseases	The overall regional incidence of HIV/AIDS is less than 1% of the adult population aged 15-49. <sup>16</sup>  Incidence of malaria appears to have stabilized. The lowest number of cases since 1997 was reported in 2000 (1.14 million). <sup>20</sup>	There are 1.9 million people in LAC and the Caribbean living with HIV/AIDS. Prevalence is 2% in the Caribbean -- the second fastest growing in the world. (7 countries studied) <sup>17</sup> Prevalence of HIV/AIDS of over 5% has been recorded in high-risk populations (i.e. intravenous drug users, commercial sex workers and men who have sex with men). <sup>18</sup> Women are now an important risk group, with 23% of all cases. <sup>19</sup> In 1999 there were more than 1.2 million cases of malaria; the Region also recorded more than 3 thousand cases of P Falciparum (15 countries) <sup>21</sup> TB cases went from 195.7 to 220.5 thousand in the last decade. <sup>22</sup> The number of cases of dengue in the Americas has gone from 66,011 in 1980 to 700,000 in 2002. <sup>23</sup>
VI. Increase access to safe drinking water (halve the proportion of people without access)	Safe drinking water coverage increased almost 10% in the last decade, with a current average coverage of 84.6%, and an urban coverage above worldwide average. (16 countries) <sup>24</sup>	The overall safe drinking water coverage rate for the Region's rural areas remains below 65% coverage. <sup>25</sup>
VII. Increase access to improve sanitation and secure tenure (improve the lives of slum dwellers by 2020)	The average of sanitation coverage in the Region during the last decade was 75.7%. (16 countries) <sup>26</sup>  Large countries have reached more than 90% sanitation coverage of total population in the last decade, while small countries have reached close to 85%. <sup>28</sup>	Conservative estimates indicate that by year 2000 more than 17 million households shared shelter with others and 21 million lived in inadequate housing. <sup>27</sup> One-third of the households in higher income countries have inadequate conditions, while more than half of the households of low-income countries do so. <sup>29</sup>

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## Box 2: Social Sector Reforms: Lessons Learned

Health.<sup>1</sup> The health system is complex and politically very sensitive; reforming takes time, and requires both adaptation to local conditions and effective political dialogue. Experience with reform has shown that:

- Institutional analysis and adequate incentives are needed to address conflicts between alternative options and divergent interests of different agents.
- Implementation should be in stages with measurable results.
- The reform process should foster transparency, trust, political will and realistic expectations.
- Large-scale training of human resources is needed for success.

Education.<sup>2</sup> While the effectiveness of the decade-plus systemic reforms remains an issue of debate, the activism that has taken place in the education systems has produced useful lessons:

- More access can lead to better education.
- Increasing access is not sufficient, however. Access without quality can stunt competitiveness.
- Equity enhancing programs targeted towards the poor are needed to level the playing field of educational opportunity.
- Targeting supply- and demand-side interventions are needed.
- With the right policies in place, no significant tradeoff may exist between quality and equity in the current conditions of educational development in the region.
- In order for technology to improve educational access, equity and quality, it needs to be structured with a clear understanding of educational goals and objectives.

Housing.<sup>3</sup> Government programs that build finished housing have been unable to meet the needs of the majority of low-income people. Similarly, government-sponsored finance mechanisms providing subsidized loans are unsustainable. In response, several governments adopted enabling policies to mobilize resources of communities and the private sector for housing production and finance. Lessons from this experience include:

- The enabling approach to housing reform leads to better results after several years of sustained efforts, underscoring need for long term perspective and political commitment.
- A two pronged strategy for improving both the flow and the stock of houses is required.
- Innovative low-cost solutions are needed to expand housing for low-income families.
- It is important to pay more attention to factor markets and promote entrepreneurship.

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### **Box 3: Features of Successful Policy Dialogues<sup>1</sup>**

Social policy dialogues seek to insure, through broad-based consensus, citizen ownership and sustainability of social policies. While there is no “one-size-fits-all” model, and dialogues have to be tailored to specific social and political circumstances, recent experience shows that constructive dialogues have the following common features:

- ❑ Are conceived as long-term processes. One-shot dialogues do not work.
- ❑ Have clearly defined, attainable objectives.
- ❑ Receive financial resources to insure inclusive and equal participation.
- ❑ Insure all actors have equal voice in the process.
- ❑ Processes are inclusive, insuring coverage both of excluded regions and groups.
- ❑ Climate of trust is fostered by clear and consistent rules on procedures and conflict-resolution modalities, which cannot be unilaterally changed mid-course.
- ❑ Rules sanction participants’ ability to differ.
- ❑ Transparency is fostered by reliable, full information, available to all participants equally.
- ❑ Themes discussed are carefully sequenced, from the easier to more controversial ones.
- ❑ The government does not own the process, but is fully committed to it, and assigns financial, technical and human resources.
- ❑ Participants include representatives from the legislative branch of government and political parties as well as the executive branch.
- ❑ International agencies serve as facilitators and coordinate their support to the process among them.
- ❑ Agreed social policies have specific measurable objectives, assigned resources, implementation schedules, and follow-up mechanisms.
- ❑ Along with the dialogue, there is institutional strengthening of appropriate social sector agencies.

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#### Box 4. Government Initiatives to Combat Exclusion

In recent years, Latin American and Caribbean countries have launched a number of bold new measures designed to advance progress for traditionally excluded groups. They provide examples of the range of “tools” that are being tested in the region to address stigma and discrimination, and include among them:

- ❑ *Political Representation in Argentina:* Nine countries have followed *Argentina's* lead and have instituted quotas in political party lists to increase women's representation in the legislatures. In part as a result of quotas, women's presence in congresses rose in the late nineties by more than 50 percent. In *Argentina*, it went from 5 % in the Lower House of Congress to 28% after the law was passed in 1991.<sup>1</sup>
- ❑ *Education and Diversity in Brazil:* The government of *Brazil* provides afrodescendants with, among others, scholarships for higher education and preparatory courses to enter the Foreign Service.<sup>2</sup> A number of *Brazilian* public ministries have enacted quotas to ensure diversity in hiring of women, afrodescendants and persons with disabilities, both among public employees and public contractors.<sup>3</sup>
- ❑ *Land Tenure and Public Sector Hiring in Colombia:* *Colombia* has enacted quotas to ensure that women fill at least 30% of top decision-making positions in all three branches of government (legislative, judiciary, and executive branch) and local and regional offices.<sup>4</sup> *Colombia's* law 70/93 on “Collective Land Tenure Rights” recognizes the rights of afrodescendant and indigenous communities to collective and community ownership of land.<sup>5</sup>
- ❑ *Indigenous Land Titling and Disability Benefits in Chile:* *Chile's* Law 19253 authorizes the State to transfer of land title to indigenous peoples in order to develop their communities. Under the law, the State assumes the responsibility of restoring unjustly expropriated land to indigenous peoples.<sup>6</sup> Law 19284 establishes, among other benefits, that the State will give priority to persons with disabilities when assigning subsistence/subsidiary benefits.<sup>7</sup>
- ❑ *Equality in Property Ownership in Costa Rica:* *Costa Rica's* Law 7142 establishes that all real property or goods, achieved or granted through social development programs, must be made in the name of both spouses and regardless of the type of marital union (e.g. includes common law marriages).<sup>8</sup>
- ❑ *Anti-Discrimination Legislation in Mexico:* An independent *Mexican* commission is working on anti-discrimination legislation that would be among the most comprehensive in the region, including provisions for, among others, people with disabilities, women, indigenous populations, and sexual minorities.<sup>9</sup>

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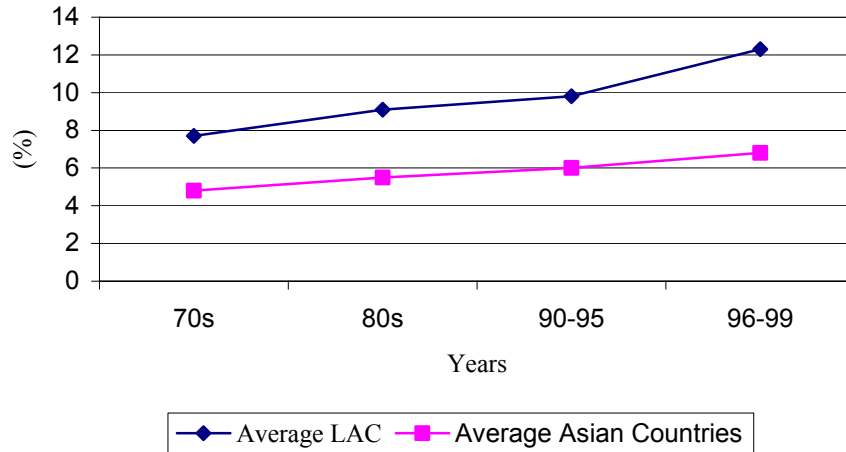
**Table 1**

**Ensuring Successful Transitions: Some Key Interventions in the Life Cycle**

Stage	Services to be Promoted
<i>I. Pregnancy and Birth</i>	1. Improve access to and demand for quality reproductive health
	2. Improve access to and demand for quality maternal and child nutrition
	3. Seek the integration of reproductive health and MCH services
<i>II. Infancy through preschool</i>	1. Expand access to nutrition and early childhood care and development interventions
	2. Work towards universalizing preschool education
	3. Foster the coordination of services directed to infants and young children
<i>III. Early to middle childhood</i>	1. Ensure successful completion of primary schooling by all children
	2. Increase quality and reduce gaps between poor and non poor
	3. Ensure adequate nutrition for poor children
<i>IV. Adolescence</i>	1. Work towards the successful completion of secondary schooling for all
	2. Improve quality and reduce gaps between poor and non poor
	3. Promote training in conflict management skills, life coping and social skills, with special emphasis in gender issues
	4. Promote after school youth programs, emphasizing community activities and sports
<i>V. Transition to adulthood</i>	1. Facilitate successful transition between school and work with effective skills training and labor market information and intermediation services, with special emphasis on women
	2. Implement life long learning initiatives that help move adults easily between work, education and training
	3. Support responsible parenthood
	4. Ensure quality child care arrangements for working mothers
	5. Design innovative health and savings/social insurance mechanisms tied to workers rather than jobs
<i>VI. Post retirement years</i>	1. Promote productive aging
	2. Design gender-friendly social insurance and pension systems that expand coverage and build in long term financial viability

Sources: Furstenberg, F. 2002. Human Development Through the Life Course: An Institutional Perspective. Background paper for the Social Development Strategy, Inter-American Development Bank, Washington, D.C.

**Figure 1**  
**Trends in Social Expenditures**  
**as % of GDP, 1970-99 \***



\* Includes 23 LAC and 7 Asian countries with broadly comparable economies.

Source: Calculations from Tarsicio Castañeda, author, with expenditure data taken from Government Finance Statistics Yearbook, IMF, 1981-2000, and GDP from The World Economic Outlook Database, IMF, December 2001.