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Overview of Chilean and Peruvian social policies: Impressions from a study tour

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OVERVIEW OF CHILEAN AND PERUVIAN SOCIAL POLICIES: IMPRESSIONS FROM A STUDY TOUR¹

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1 INTRODUCTION

This report follows a study tour undertaken on 5–16 October 2014 by a team of experts from the Planning Institute of Jamaica (PIOJ), who sought to gain practical knowledge on the operational and institutional aspects of Chilean and Peruvian social programmes and policies. The study tour took place due to collaboration with the UNDP Country Offices and the stakeholders involved in social policies in these countries. It also received support from the IPC-IG in terms of both organising the agenda for the visits and providing the PIOJ team with a researcher/specialist to provide additional analytical inputs to contextualise and make critical sense of the policies and programmes observed.

The role of the IPC-IG in the study tour included identifying core social programmes that could be of interest to the Jamaican team in light of the concerns and agendas they expressed. It also included synthesising the information accumulated throughout the study tour in a report that draws on additional bibliographical research to link the different programmes and policies while at the same time contextualising the existing institutional arrangements within the particular realities of each country.

1. The authors are grateful for the opportunity to work on such topics and for the valuable opinions and contributions received from the members of the Planning Institute of Jamaica, who participated in the study tour to Chile and Peru: Ms. Collette Robinson, Ms. Shelly Ann Edwards, Dr. Annicia Gayle-Geddes and Ms. Elsa Marks-Willis. We are also extremely thankful for the logistical support provided by the UNDP Country Offices in Jamaica, Peru and Chile. The logistical support and informal opinions expressed by Mr. Ignácio Morandé (UNDP, Chile) were crucial for the elaboration of this paper and the overall success of our study tour, which also enjoyed a warm reception from the Resident Representative of the UNDP in Chile, Mr. Antonio Molpeceres. We would also like to express our gratitude to Mr. Simone Cecchini (Economic Commission for Latin America and the Caribbean—ECLAC), for his important and constructive critiques of earlier version of this text. Since we met many stakeholders in Chilean and Peruvian social programmes and policies, we would like to collectively thank all of them for their warm and honest reception. Finally, the authors are grateful for the support provided by Ms. Alicia Spengler (IPC-IG/UNDP) and for the editorial work performed by IPC-IG's intern, Mr. Matheus Magalhães.

2. International Policy Centre for Inclusive Growth (IPC-IG/UNDP).

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This report, therefore, is the final product to be delivered under the IPC-IG assistance to the study tour, and it has five chapters. The first chapter discusses the available mechanisms and tools for estimating incidence of national poverty and extreme poverty, tracking national vulnerability profiles and ensuring a focused and efficient delivery of social policies and programmes. The second chapter presents the existing national health systems, as well as the social policies more directly related to the health agenda. The third chapter discusses the available social security systems in these countries, while the fourth chapter deals with the educational systems and related social policies and programmes. Finally, the fifth chapter discusses the main cash transfer programmes in Chile and Peru.

Overall, the different subjects (e.g. poverty research instruments; health; social security; education; cash transfers) and comparative overviews for Chile and Peru are contextualised by analysing appropriate and comparable World Bank data indicators as well as key moments in the institutional history of related policies and programmes in each country. Country-specific analysis, in turn, is more concerned with understanding the endogenous (political, economic and institutional) contingencies of each particular country's initiatives. Therefore, the country-specific analyses are not limited to inter-country comparable data. Thus, on several occasions our country-specific analyses are based on very recent data provided by the government institutions themselves, including information only recently made public by means of presentations made to our team, which have been made available online by the IPC-IG with due permission from their authors.

The report mostly covers the endogenous processes of each country in regards to their thematic social programmes and policies. The comparison among countries *per se* is rather limited. This reflects a methodological choice for exploring how the institutional and operational set-ups relate to the overall economic, social and political endogenous contexts of each country. In this sense, the report largely sets out to track a historical institutional trajectory of the programmes and policies analysed. Towards the ultimate purpose of providing a worthy contribution for the PIOJ team to learn from Chilean and Peruvian experiences, this study decided to highlight the historical and contextual institutional possibilities throughout the history of Chile and Peru, instead of simply describing their currently successful set-ups as rigid prescriptions to be reproduced in Jamaica or elsewhere. We hope that this approach can provide the Jamaican team and the readers at large with a comprehensive understanding of the policymaking choices for social policies, rather than merely supporting the reproduction of static views of this process.

It must also be highlighted that the sample of programmes under analysis is not exhaustive regarding the leading social initiatives in the two countries. Even though all programmes and policies analysed are central to Chilean and Peruvian social protection networks, there are naturally other initiatives that could have been analysed but which we have not had the opportunity to visit or to gather enough background and bibliographical information for this study. The same sort of limitations, as well as the fact that (due to logistical factors) our study tour provided more interaction with Chilean policies than with Peruvian ones, also forced us to present an analysis at times richer in details (and analytically deeper) for the Chilean initiatives than the Peruvian ones. This report will possibly be updated in the future to include more policies and perhaps to include Brazilian and Jamaican initiatives in the comparative analysis.

2 PUBLIC TOOLS FOR ESTIMATING AND FIGHTING POVERTY AND VULNERABILITY

Both Chilean and Peruvian social protection networks rely on important tools for estimating and characterising poverty, extreme poverty and vulnerability factors in those countries. Such tools allow them to establish dynamic and precise profiles regarding the challenges to be tackled by their social policies, thus informing their strategic set-ups.

To that end, the indicators and methodologies can vary radically, though both Chile and Peru use similar approaches to set their poverty and extreme poverty thresholds: both countries have extreme poverty lines based on an expected minimum income that enables individuals and households to have access to a basket of staple foods. Thus, both countries have continuous national surveys to monitor the customer price level of certain basic products, as well as continuous household surveys that allow inferences regarding their potential access to such products. Chile has different thresholds of poverty and extreme poverty for rural and urban areas (Ministerio de Desarrollo Social (MDS), Chile 2015), whereas Peru has specific thresholds for each of the country's administrative units (De Los Ríos 2014).

In Chile the survey used to define poverty and estimate its incidence at the national level is called the *Encuesta Caracterización Socioeconómica Nacional (Encuesta CASEN)*, whereas in Peru it is called the *Encuesta Nacional de Hogares (ENAHOG)*. Since 1985 the *Encuesta CASEN* has been conducted by the Ministry of Social Development (which used to be the Ministry of Planning) once every two or three years (Cáceres 2014). The *ENAHOG* has been conducted by the Instituto Nacional de Estadística e Informática (INEI—Institute of Statistics and Computing) annually since 1995.

For both countries, until 2014 the most recent survey round dated back to 2013, and, in both cases, there had been substantive methodological changes to the surveys throughout the years. In that regard, the changes to Peru's survey were somehow more radical, since it was fully revamped as part of the measures taken to strengthen INEI after the legitimacy crisis it went through between 2005 and 2007. This crisis involved transparency and quality aspects, the last of such being mostly related to problematic methodologies and due to the outdated use of data from 1997 as a reference for adjusting data on population structure, consumption patterns, nutritional requirements and overall household expenditures (INEI 2014a).

This strengthening of INEI's governance and methodologies, mainly through the creation of an advisory committee, was widely supported by the World Bank, and resulted in a very efficient and precise research methodology for the *ENAHOG* rounds of 2010, 2011, 2012 and 2013. In its current format, the *ENAHOG* works with a sample representative of all the pockets of poverty identified by the 2007 census (ibid.; Comisión Consultiva para la Estimación de la Pobreza 2014).

The *CASEN* survey and the *ENAHOG* both count on panel components, which allow for longitudinal analysis. *CASEN*'s panel (see Universidad Alberto Hurtado 2011) has a larger fixed-sample component than the *ENAHOG*, which is comprised of rotating samples that are observed over a period of five years. Whereas fixed samples allow for longitudinal analysis over a longer period, rotating samples can allow for a more sensitive analysis of new challenges and vulnerability factors.

Although the poverty lines and the consumption monitoring surveys do not determine the selection of beneficiaries for targeted social policies themselves, they work as references for measuring the precision and progressivity of the selection criteria and instruments available for programmes and policies. They also provide access to certain information that enables the impact of social policies and programmes to be monitored and evaluated.

In both countries, although programmes have some autonomy to define their targeting of intended beneficiaries, there are standardised administrative datasets which support them to make their selection in an objective, non-discretionary way.

The main targeting instrument for Chilean social policies is the *Ficha de Protección Social (FPS)*, which is part of a wider socio-economic information system established along with the MDS in 2011: the *Registro de Información Social (RIS)*. The FPS derives from the *Ficha de los Comités de Asistencia Social (Ficha CAS)*, originally created in 1979, and which underwent several changes; these were mostly towards promoting a more active search for beneficiaries and potential beneficiaries, as well as expanding the coverage towards a larger number of vulnerability factors. These changes also had the purpose of increasing the capacity for validating the information declared by individuals and households aspiring to become beneficiaries, mostly regarding income (Clert and Wondon 2002; Larrañaga 2005).

Equipped with the means to validate people's income, the latest version of the FPS no longer needs to collect information regarding people's possession of consumer goods as a proxy for their actual income. According to the Chilean government, this improvement of the FPS has led to a reduction in inclusion errors, as well as to a better understanding of its selection criteria by the general population. To improve even further, there are ongoing discussions about curbing inclusion errors that still exist. Such improvements could lead to overall higher scores for families (meaning they would be considered less vulnerable than they currently are), consequently placing them beyond the current thresholds for eligibility and leading to either a reduction in coverage or an increase in the vulnerability thresholds.

Peru, in turn, counts on the *Sistema de Focalización de Hogares (SISFOH)* to target its social programmes. The SISFOH is rather recent, and even though it was created in 2004, it has been in operation only since 2011 (Llanos and Rosas 2010). Besides collecting information on individuals requesting enrolment in existing social programmes and policies, it also promotes active searching through means of household visits in the poorest areas identified by the 2005 census. To some extent, using the 2005 census contrasts with the fact that the ENAHO determines its sample based on the 2007 census⁴

By operationalising the selection of potential beneficiaries of social programmes and feeding a unified registry with social information on vulnerable persons, the SISFOH is also a tool for strategic planning, since it allows for an accurate estimation of the country's poverty profile. Its interaction with the ENAHO allows for the characterisation of poverty even at the district level, as accomplished by the *Índice de Rezago Social* by cross-checking 2012 and 2013 data from the SISFOH and the ENAHO (De Los Ríos 2014).

3 HEALTH

During President Pinochet's rule (more precisely, from 1979 onwards), the Chilean public health system underwent liberalising reforms, with budget cuts in public health and the introduction of out-of-pocket costs for public services. Parallel to that, two health insurance schemes were created, one of them private (*Instituciones de Salud Previsional*—ISAPRE) and the other public (*Fondo Nacional de Salud*—FONASA). The public health insurance scheme required a contribution equal to 7 per cent of a person's wages, and its benefits were limited to services offered by an increasingly fragile public network, while the private option—ISAPRE—saw its contributory income skyrocket between the 1980s and 1990s. By the end of the 1990s, costs to its users were substantial, even those charged by public hospitals, and around 12 per cent of the population did not have any health insurance coverage that might mitigate these costs (Barría 2007; Ministerio de Salud, Chile 2010; Robles Farías 2012).

From 2004 onwards, and mostly since the approval of the *Plan de Acceso Universal a Garantías Explícitas (AUGE)*, *Garantías Explícitas en Salud (GES)* in 2013, a list of treatments to be offered without incurring any out-of-pocket costs was presented to the beneficiaries of FONASA and ISAPRE. It was also established that, for other treatments, the beneficiaries of those schemes would not incur any expenses, in addition to their regular contribution, in excess of 20 per cent of each procedure they might have to undergo (ibid.).

In addition, there are specific child health care systems in Chile, including a segment of perinatal social assistance dedicated to monitoring perinatal health (from pregnancy until the first four years of the child's life): *Chile Cresce Contigo*. This programme, which operates at a national level, offers a range of services, from general campaigns about good health practices for children to more focused initiatives for the distribution of items to mothers in public hospitals, and even the distribution of a cash transfer to mothers during the perinatal period. All of this is carried out concomitantly with the monitoring of mothers and their babies by social workers, who operate based on pre-established directives and profiles, supported by an online monitoring and evaluation tool for the appropriate strategies to be adopted for each household (MDS, Chile 2014).

Peru had a similar problem to Chile's up until 2009, regarding insufficient funding for public health services. After that year, however, two public health insurance schemes were established—in addition to public hospitals—to alleviate costs to beneficiaries. The first of them, EsSalud, has a contributory nature and is mandatory for all formal workers, while the second one, SIS, is geared towards the poor and vulnerable population and is, therefore, free of charge (Alcalde-Rabanal, Lazo-González and Nigenda 2011).

Up until 2011, the big issue with the Peruvian health system, in addition to historically low funding levels, was the inefficiency of the financing system of the two aforementioned schemes, given that the financing of health institutions by one of them would preclude the possibility of receiving resources from the other, therefore preventing the users of one scheme from accessing health institutions associated with the other. However, since 2011, beneficiaries have been slowly gaining access to institutions linked to both schemes, and the ensuing costs are annually shared between the two, sparing the users themselves from any extra expenses. In addition, the budget for the public non-contributory scheme has increased by almost 150 per cent since that year (Sara 2014). Even so, despite these public and private schemes, over 30 per cent of the Peruvian population are not covered by any

health insurance (ibid.), which signals the need for a more efficient, active search for potential beneficiaries of the non-contributory public scheme.

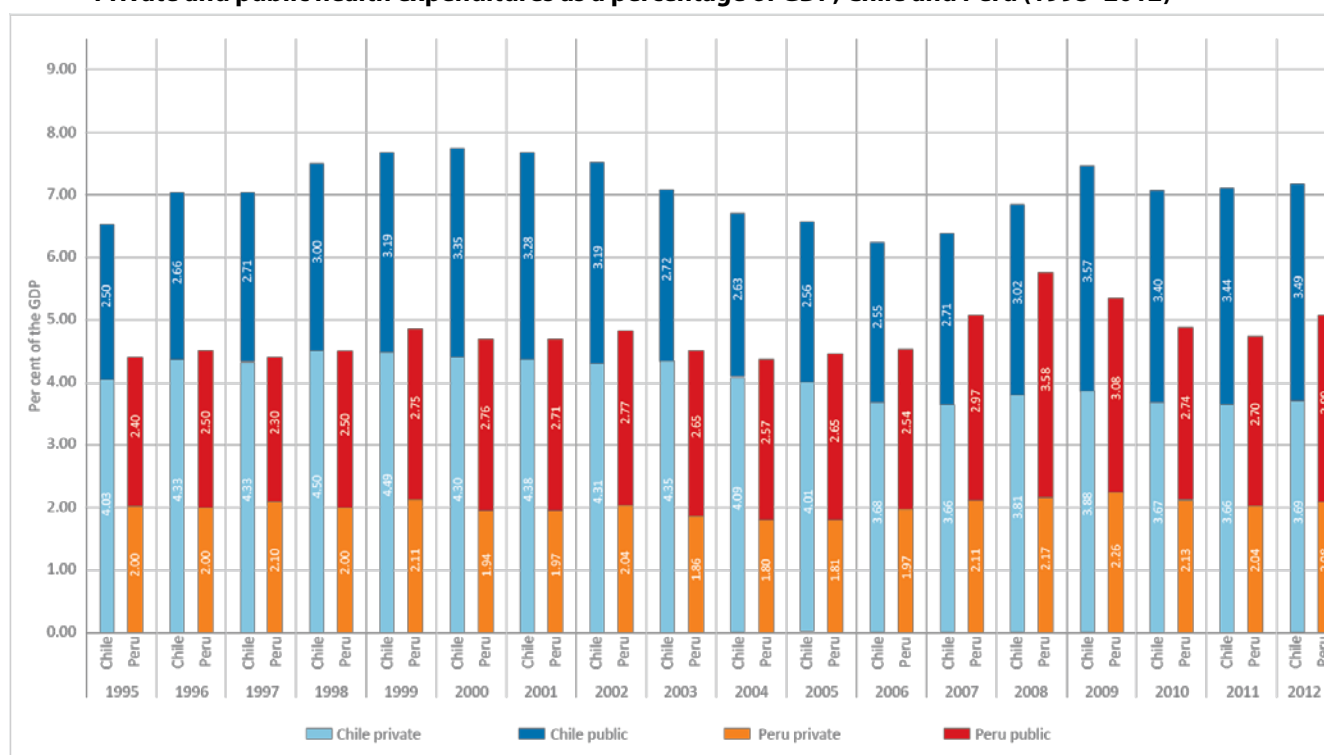
In the following paragraphs we will compare some health indicators for Chile and Peru.

3.1 HEALTH EXPENDITURE AS A PROPORTION OF GROSS DOMESTIC PRODUCT

In terms of health expenditure as a percentage of gross domestic product (GDP), although Chile has presented seasonal variances since 1995, it still invests around 7 per cent of its GDP in the health sector. Up until 2006, overall spending in the private sector was around 1.5 percent of the GDP times over what was spent in the public health sector. However, since then this investment pattern has been reversed, and since 2012 the expenditures in public and private health as a percentage of GDP are almost equal (around 3.5 per cent). Peru, in turn, invests around 5 per cent of its GDP in the health sector, and, with the exception of a few selected years, the tendency is that public health expenditure accounts for a slightly larger share of GDP than private health.

FIGURE 1

Private and public health expenditures as a percentage of GDP, Chile and Peru (1995–2012)



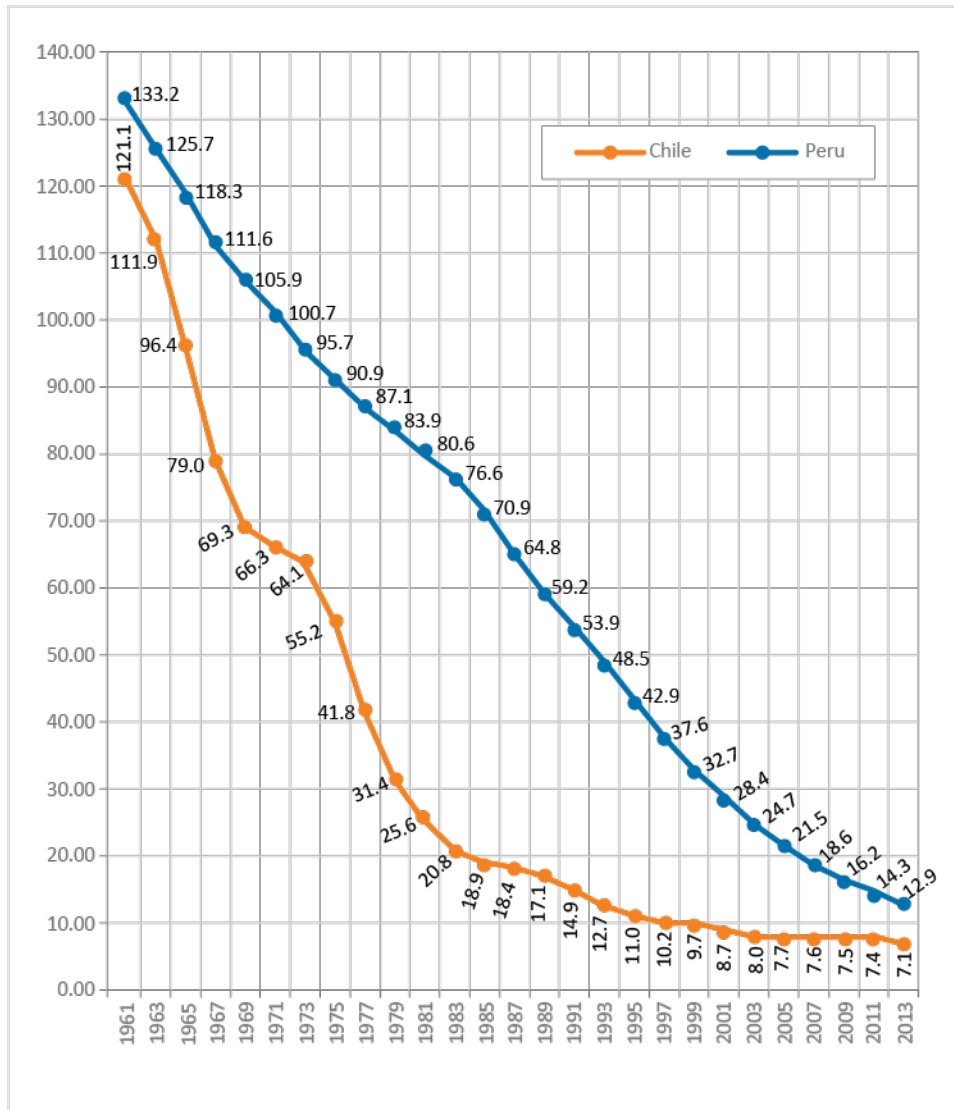
Source: Authors' elaboration from World Bank data.

3.2 CHILD AND MATERNAL MORTALITY, AND MALNUTRITION RATES

Over the long term, Chile and Peru have demonstrated a significant reduction in child mortality rates. It is worth noting that Chile achieved the goal of 20 child deaths per 1000 live births in 1980, while Peru was only able to accomplish the same feat in 2005.

FIGURE 2

Infant mortality rate (per 1000 live births), Chile and Peru (1961–2013)



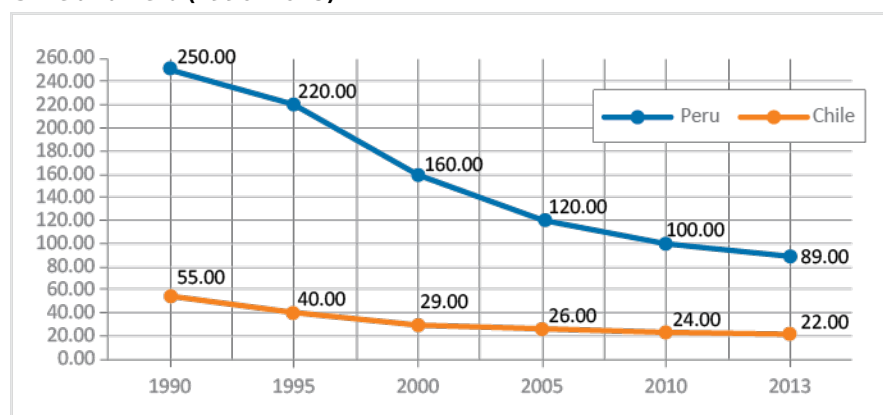
Source: Authors' elaboration from World Bank data.

3.3 MATERNAL MORTALITY

Regarding maternal mortality rates, Chile has had very low historical levels, which are now a quarter of those observed in Peru, which have decreased from a much higher level in 1990. It is worth noting that Chile is one of the few developing countries that managed to achieve Millennium Development Goal (MDG) 5.1: reducing maternal mortality to values lower than 35 deaths per 100,000 births (Departamento de Estudios, Extensión y Publicaciones 2005).

FIGURE 3

Maternal mortality rate (modelled estimate, per 100,000 live births), Chile and Peru (1990–2013)



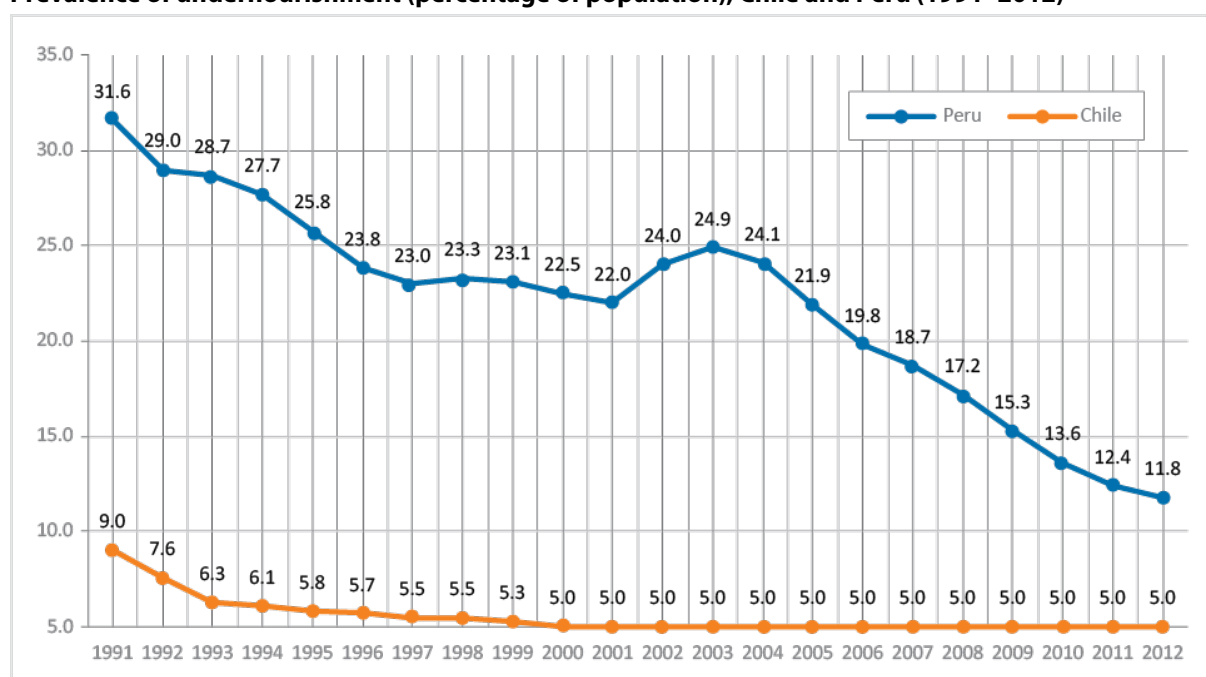
Source: Authors' elaboration from World Bank data.

3.4 POPULATION WITH A BELOW-MINIMUM LEVEL OF DIETARY ENERGY CONSUMPTION

Chile has had very low historical levels of the proportion of the population with a below-minimum level of dietary energy consumption; they have stabilised at around 5 per cent since 2000. On the other hand, Peru, which exhibited high levels of malnourishment in 1991, has shown a sharp decrease in this indicator over the past two decades. Now that the incidence of malnourishment is below 12 per cent, the country will have to make greater efforts to maintain a decreasing tendency and bring it below 5 per cent.

FIGURE 4

Prevalence of undernourishment (percentage of population), Chile and Peru (1991–2012)



Source: Authors' elaboration from World Bank data.

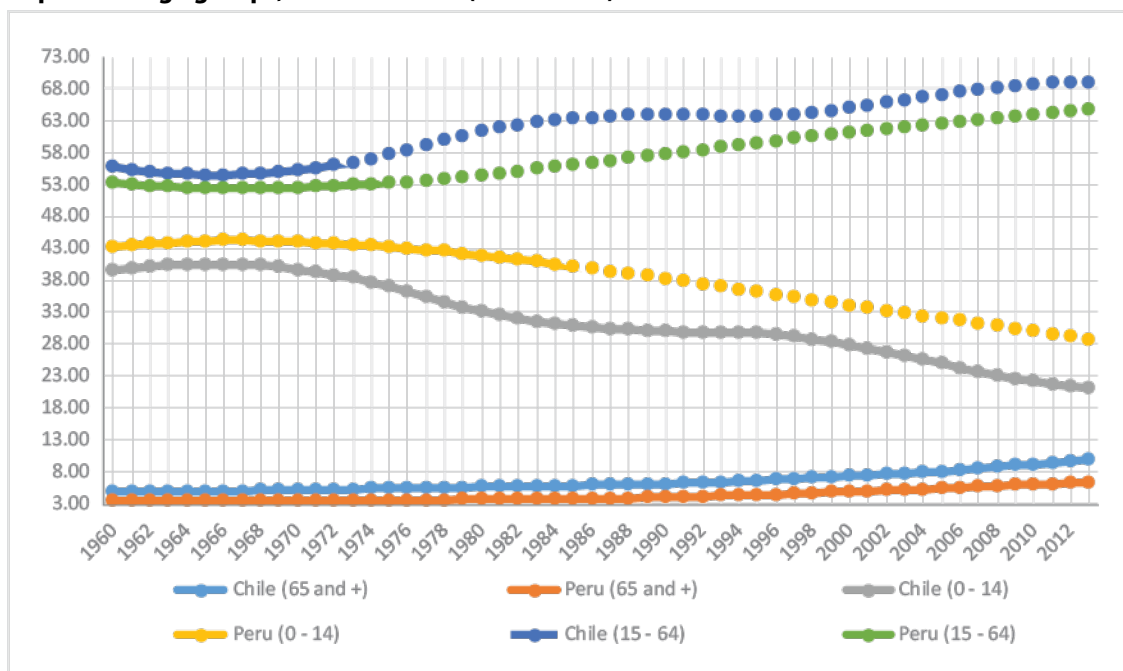
4 SOCIAL SECURITY

Over the past 50 years (especially since the 1970s), Peru and Chile, in particular, have experienced an increase in their working-age population, despite both countries having experienced an increase in their elderly population relative to their overall population. In both cases, this increase in the working-age population could be explained as a result of a reduction in the proportion of young children which is higher than the proportional increase of the elderly population. This phenomenon can be more easily observed in the case of Chile, where the reduction in the child population and the increase in the elderly population were both more pronounced than in Peru (see Figure 5).

If, on the one hand, the smaller child populations in both countries contribute towards their current demographic dividend, on the other hand, we must consider the implications of a narrowing base of the population pyramid and the effect they will have on the elderly populations over the next decades. According to the overall trend observed in countries with a similarly rapid development profile, Chile and Peru's large working-age population will turn into a large elderly population in the future, who will predictably rely on a social protection network which will be financially threatened given that the current child population is not large enough to fully replace the working-age population in the near future. As can be inferred from the demographic pyramids of both countries, this potential demographic transition towards a scenario with a larger economically dependent population seems to be occurring more rapidly in Chile than in Peru. The current Chilean demographic pyramid is already exhibiting a significant narrowing of its base, while the base of the Peruvian pyramid is still wider than the rest of it.

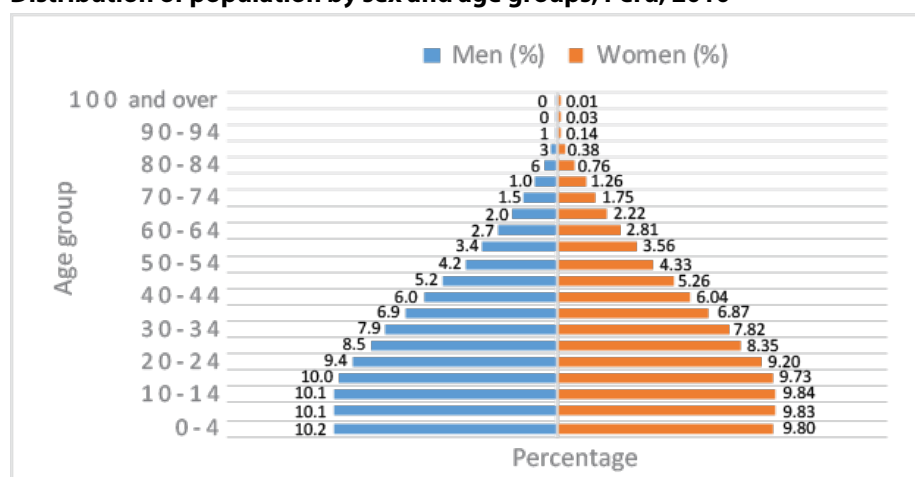
FIGURE 5

Population age groups, Chile and Peru (1960–2012)



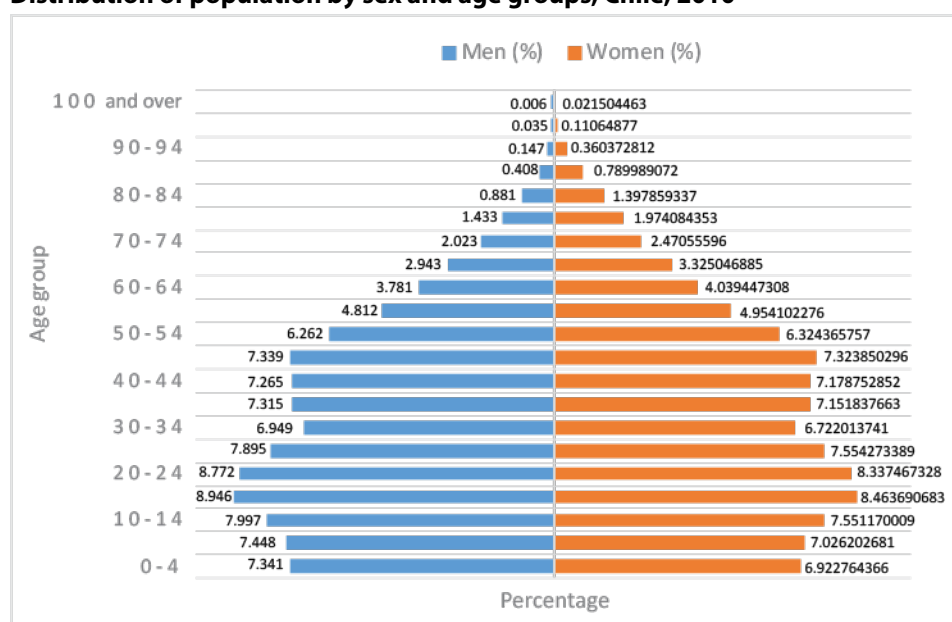
Source: Authors' elaboration based on World Bank data.

FIGURE 6

Distribution of population by sex and age groups, Peru, 2010

Source: Authors' elaboration based on World Bank data.

FIGURE 7

Distribution of population by sex and age groups, Chile, 2010

Source: Authors' elaboration based on World Bank data.

Naturally, this is a simplified demographic analysis which does not take into account a number of potentially highly influential factors which could mitigate the challenges intrinsic to the maintenance of social protection networks for elderly people in the future. Such factors include: immigration, gender inclusion, technological advances, and behavioural changes that determine consumption, fertility and production levels. All of these aspects could play a relevant role in altering both countries' demographic profiles and projected tax burdens. Therefore, they have the capacity to create more favourable environments for the maintenance and even improvement or expansion of the social protection systems geared towards the elderly population.

In this context, the main elements of social protection for elderly people are the public and private social security schemes and programmes which, as will be discussed in greater detail further on, deal with these potential intergenerational challenges through diverse institutional and financial arrangements. In Chile, for instance, regulatory public policies related to social security schemes can be traced back over 100 years (*ibid.*), whereas Peru's social security initiatives had been largely non-regulated and fragmented up until 1973; they were basically restricted to armed forces employees and high-ranking public bureaucrats, despite extensive public financing (Lavigne 2013).

In both countries, the first significant social security schemes had mandatory enrolment and contribution requirements for formal workers and were financed by the 'pay-as-you-go' (or PAYGO) method; in other words, contributors would finance payments for those beneficiaries who had already retired, counting on the guarantee of receiving fixed pensions when they themselves retire, which would be financed by contributions from the working-age population of the following generation.

The fledgling social security systems in both countries faced natural challenges, mainly regarding ways to increase their allure so that those with a higher capacity to contribute would be encouraged to actually do so, to ensure these systems' sustainability in a likely future scenario supporting higher dependency rates. In Peru's case there were—and, indeed, still are—many challenges associated with the paralysing effect that pre-1974⁵ social security schemes ended up having, as a consequence of being immune to fiscal adjustments related to expected contributions and guaranteed benefits, leading to dramatic financial losses and compromising the progressiveness of these schemes.

Faced with such challenges, Chile and Peru's political choices took place over very distinct trajectories, although more recently the social security systems in those countries have been brought relatively closer because they are both multi-pillar systems. In simple terms, Chile privatised its social security network in the 1980s, and after its re-democratisation it was forced to create non-contributory schemes to mitigate the private systems' lack of coverage, as well as baseline guarantees to increase the private scheme's appeal (Robles Farías 2012). Peru, in turn, kept and strengthened its PAYGO pillar, but in parallel it also instituted an optional, private individual capitalisation scheme and, as in Chile's case, later had to create a scheme to guarantee minimum pensions to stimulate contributors, as well as a completely non-contributory scheme for those without any contributory capacity (Lavigne 2013; Gutiérrez et al. 2012).

In his analysis of social security systems in Latin America, Mesa-Lago (1995) characterises Chile's historical social security model as being substitutive (in which the private system substitutes the public one), while Peru is characterised as being an example of a parallel model (in which the PAYGO and private capitalisation schemes coexist in parallel). In a similar effort, Barrientos (1998) characterises the Chilean and Peruvian models as unitary and dual, respectively. Although both characterisations had been suggested before the inclusion of guarantees for a minimum pension to contributors and the creation of non-contributory schemes, they are still relevant—aptly illustrating the fact that Chile gave up on its PAYGO system and Peru developed its individual capitalisation scheme without having to necessarily let go of its own PAYGO system.

In 2011, around 30 per cent of Peru's economically active population were enrolled in some kind of private capitalisation scheme, around 15 per cent were enrolled in a PAYGO system, and over 50 per cent were not affiliated to any scheme whatsoever. Meanwhile, 21.9 per cent of elderly people received transfers from the contributory system, and 11.3 per cent from a non-contributory

scheme (Asociación de AFP 2014; International Labour Organization 2015). In Chile's case, around 60 per cent of the economically active population contributed towards a private pension scheme in 2012, and around 75 per cent of the elderly population were covered by a social security scheme (almost 30 per cent under private schemes, and the remaining 45 per cent under non-contributory schemes or pensions remaining from the pre-1980 system) (*ibid.*). Naturally, Chile and Peru's social security indicators must be interpreted within their respective contexts, which are quite different from each other, especially regarding labour market formality—for example, around 70 per cent of Chile's labour market is formal (MDS, Chile 2012), whereas around 70 per cent of the Peruvian labour market is informal (INEI, 2014b).

As mentioned previously, Chile ended up migrating, during the 1980s, from the PAYGO system to an individual capitalisation system, to privatise its entire pension system in the aftermath of the military coup. On the other hand, Peru insisted, during the 1990s, on improving its own PAYGO system by increasing its required contributions and by creating a private pension system which was complementary to the public option, for those with a higher contributory capacity and who sought larger benefits from private capitalisation schemes (Vidal 2010).

Although the transition from a PAYGO system to an individual capitalisation system in Chile is commonly celebrated as a success story, mitigating damages to its population during the process and dramatically reducing public costs regarding social security debts (Kritzer 2008), the fact is that those costs were largely paid for by the privatisation of public goods and, to a certain extent, led to the disarray of state capacity in the area of social security. In addition, the private scheme was gradually taken over by a select few financial institutions, leading to negative effects on wealth and capital distribution in the country (Guardia, Clark and Martner 2007).

Furthermore, Chile's private pension system was never able to generate its promised level of average pay-out to its contributors, although certain specific contributor profiles have received even higher earnings. Finally, it is worth mentioning that the liberal model implemented during the 1980s has proved to be less attractive to those with low contributory capacity and/or volatile income, who feared they might not be able to contribute enough to be eligible for any pay-out.⁶

It is quite true that this last problem—the unattractiveness of the pension system in general—is not specific to private capitalisation systems, as can be observed by the fact that Peru had to adjust its PAYGO system during the early 2000s to ensure a minimum pay-out to contributors with limited or more volatile contributory capacity.⁷ In Peru, however, this unattractiveness seems to be more due to the fact that two thirds of its labour market is informal (INEI 2014b) and, therefore, not required to contribute, or does not have a certain level of income regularity to satisfy programme pre-requisites to receive benefits. In Chile the complete opposite is the case, with two thirds of its labour market being formal (MDS, Chile 2012), suggesting that its low adherence rates are a reflection, to a large degree, of the average contributor's scepticism towards the advantages of the private individual capitalisation scheme.

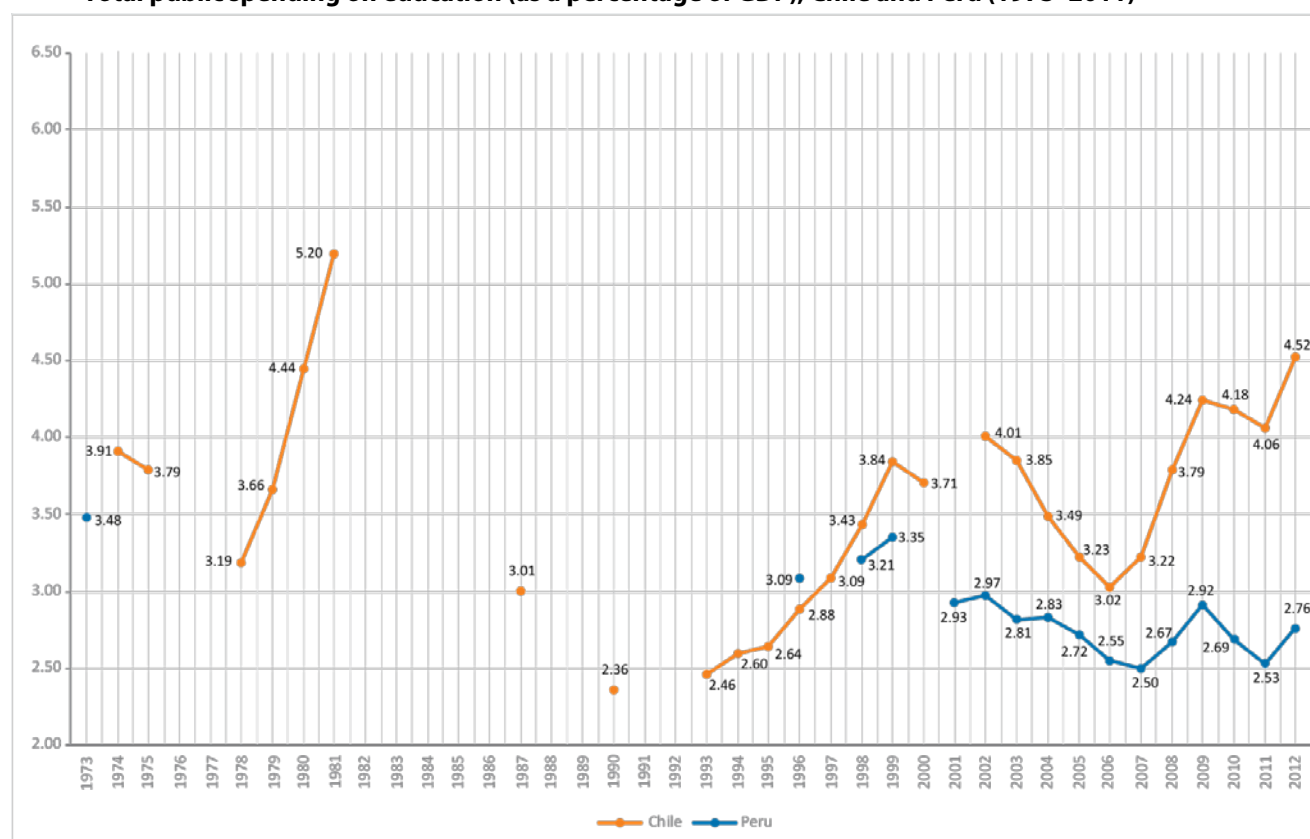
Similarly to what happened in Peru in the early 2000s, in 2008 the Chilean government ended up creating a system (of an arguably mixed nature) in which the State would guarantee at least a baseline benefit to contributors unable to fully meet their contribution requirements (Robles Farías 2012). In addition, both Chile and Peru went on to create completely non-contributory pension schemes, wholly funded by the State, to cover those with no contributory capacity whatsoever (*ibid.*).

5 EDUCATION

Data from the World Bank point towards a reduction in public expenditures on education in Chile by the end of Pinochet's administration (1973–1990). The level of roughly 4 per cent of GDP being invested by the State in education, as was the case before the coup, would only be reached again in a sustainable manner from 2007–2009 onwards. In Peru's case, public investment in education, even though it represents the country's second largest social expenditure, has always been historically low, at around 3 per cent of GDP.

FIGURE 8

Total public spending on education (as a percentage of GDP), Chile and Peru (1973–2011)

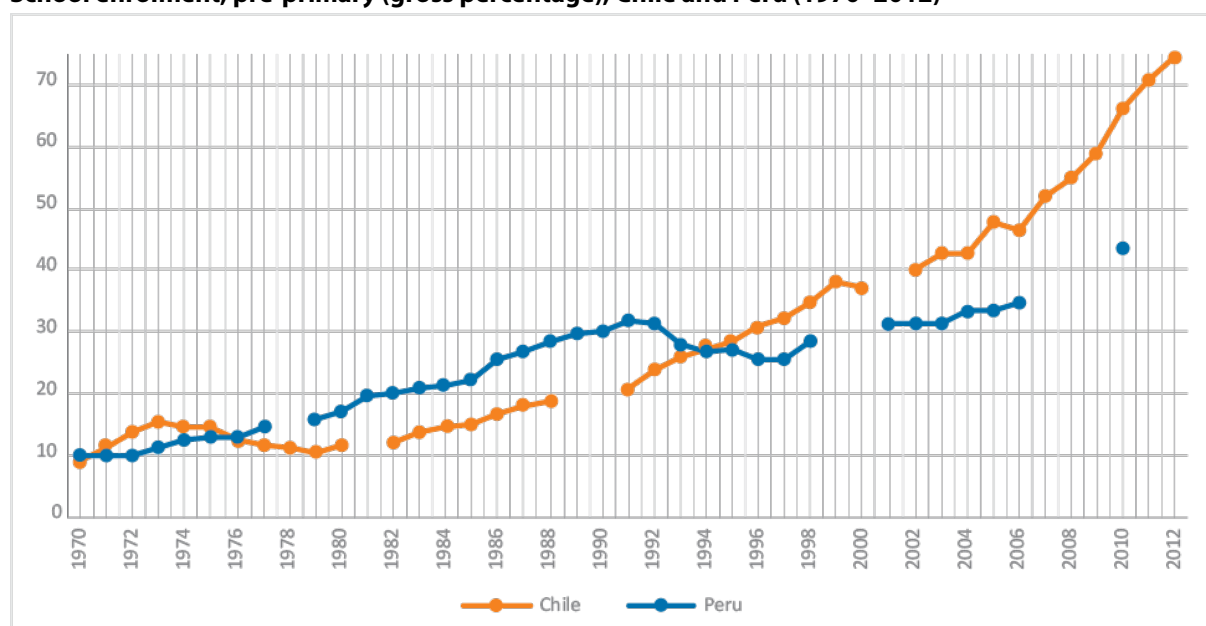


Source: World Bank data: <<http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>>.

Regarding enrolment rates, World Bank data show that Chile and Peru have shown improvements in their pre-school enrolment rates, while their primary education enrolment rates—which are significantly high—have been decreasing slightly since 2008. In any case, over the past three decades both countries have been displaying primary education enrolment rates above what is required by MDG 2.1: net enrolment ratio in primary education higher than 80 per cent.

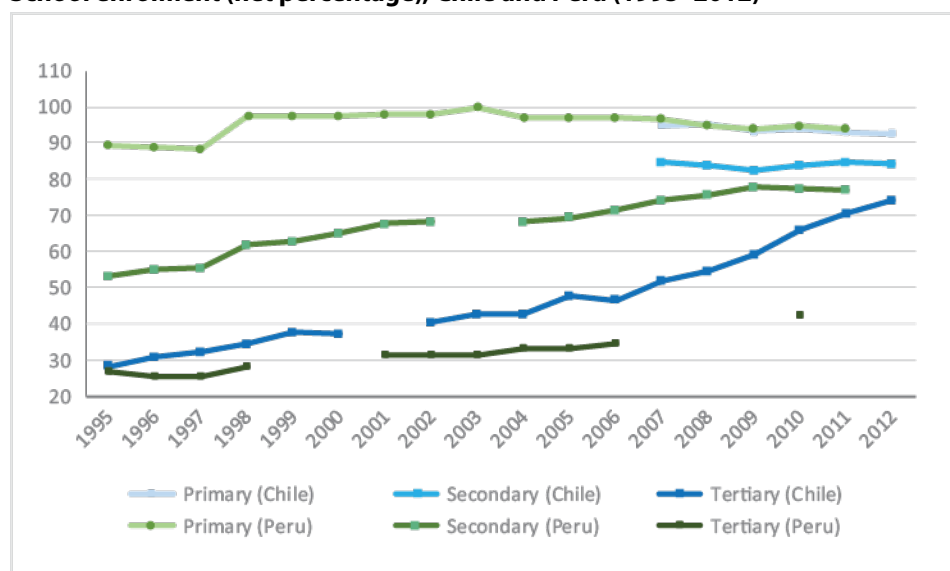
Data from the World Bank on the enrolment rate for secondary education are limited to the past 20 years and reveal some degree of stagnation regarding Chile's secondary education enrolment rates between 2007 and 2012, as well as Peru's between 2008 and 2012, therefore going against the historical increase that the countries were displaying until that point. It is worth noting that enrolment rates in tertiary education continue to rise significantly in both countries.

FIGURE 9

School enrolment, pre-primary (gross percentage), Chile and Peru (1970–2012)

Source: World Bank data.

FIGURE 10

School enrolment (net percentage), Chile and Peru (1995–2012)

Source: World Bank data.

5.1 SCHOOL FEEDING PROGRAMMES

Both Chile and Peru possess significant national programmes for food distribution to public school students. In Chile, the main such programme is the *Programa de Alimentación Escolar (PAE)*, which is one of several programmes targeting vulnerable students, provided by the *Junta Nacional de Auxilio Escolar y Becas (JUNAEB)*, which was created in 1964 with the goal of

expanding and improving programmes for providing breakfast to students, which had been carried out since 1908. Currently around 60 per cent of JUNAEB's budget is allocated to the PAE, with the remaining 40 per cent spent on school vaccination programmes, extracurricular activities and re-schooling grants. The PAE covered around 2 million students in 2014 (Ministerio de Educación, Chile 2014). In Peru, the main school feeding programme is the *Qali Warma*, which is overseen by the Ministry of Development and Social Inclusion (*Ministerio de Desarrollo e Inclusión Social*—MIDIS). It has existed since 2012, replacing the *Programa Nacional de Asistencia Alimentaria (PRONAA)*. It is expected that the programme will reach around 3.8 million children in 2016, of which around 2.7 million are already covered (Goldmark, Lodesani, and Gestión 2013; MIDIS 2013).

Unlike the Peruvian programme, which indiscriminately benefits all public school students, the PAE benefits only public school students who are considered vulnerable. However, the PAE's food offer is more substantial, given that it provides lunch and snacks, even during vacation and holidays, while *Qali Warma* provides only breakfast on schooldays. Furthermore, the PAE covers students at all public schools with the exception of universities, while *Qali Warma* covers only pre-schools and primary schools.

Until 1986/87, school directors made the final decision regarding which students would be considered vulnerable and thus eligible for the PAE programme, but since then the JUNAEB has developed its own vulnerability calculations. The JUNAEB's vulnerability lines differ from those of the *FPS* in the following ways:

- the *FPS* focuses on the household, while the JUNAEB considers each student's individual situation;
- the *FPS* is very focused on living conditions, while the JUNAEB also considers psychosocial aspects; and
- the JUNAEB favours wider coverage than would be offered using *FPS* vulnerability parameters.

Both, the Chilean and Peruvian school feeding programmes operate as public–private partnerships, in which the State and civil society organisations arrange procurement, while appointed private companies deal with the stocking and distribution of food.

More than an economic and logistical problem, the lack of control over those operations can become a serious political problem, with local leaders using such programmes for personal or political interests. Therefore, both Chile and Peru have their own structures to monitor the execution of their school feeding programmes.

Up until 1980, the *PAE* was carried out through the purchase, stocking and distribution of foodstuffs by the JUNAEB itself, but from that year on those activities were outsourced, and to this day the programme continues this practice of outsourcing and contracting private companies to monitor agreements; these are contracted by the State and the designated representative for each school, who is a teacher and does not receive any extra income for performing the role. In Peru, the monitoring of the private sector is left to local organisations, comprised of members of civil society and school representatives.

It can be argued that monitoring and control arrangements that allow for more local participation are not only more likely to curb leaks and fraud but also more likely to trigger a virtuous effect favouring the consolidation of informal safety nets and the empowerment of local structures for political participation.

In Chile's specific case, it is important to note that a likely result of the privatisation of the operations which finance the *PAE* was a reduction in the programme's coverage until the end of Pinochet's rule (when it benefited roughly 400,000 pupils). Only through re-democratisation did it become possible to resume the coverage seen in 1972 (when it benefited roughly 1,500,000 pupils) and, from 2007 onwards, to increase it to the previous levels (now reaching over 2 million beneficiaries) (Ministerio de Educación, Chile 2014).

Another important aspect of school feeding programmes in Chile and Peru regards the provisions for purchasing from local smallholders and including local food in the menu. Unlike their neighbour Brazil, neither Chile's nor Peru's school feeding programme has to buy from local smallholders as a way of stimulating family agriculture. In Peru the purchasing requirements do not necessarily mean buying locally, even though the menu favours local goods. In Chile there is no standardised menu or any law favouring the purchase of local foodstuffs. In any case, however, that seems to occur depending on the interests of the schools and local authorities involved in the process. In both countries, the main purpose of the dietary composition of the meals is to ensure the safety and health of the students.

6 CASH TRANSFER PROGRAMMES

The main cash transfer programmes (CTPs) in Chile and Peru are sophisticated and ambitious and strive to reduce poverty, stop intergenerational poverty and promote the expansion of public services. As will be explored further and in depth, both countries use their CTPs not only to correct bottlenecks presented by health, education and social security programmes and policies, but both countries' CTPs are instrumental in guiding the expansion of these other services in a progressive manner, so that public efforts can focus on the most important causes of poverty and extreme poverty.

CTPs in both countries are instrumental in the dissemination of tools to measure and establish poverty, extreme poverty and vulnerability profiles. They generate a virtuous institutional inertia which favours the universalisation of these instruments and strategies together with other programmes and policies. Moreover, Chile and Peru's CTPs, through their progressivity and proactivity in their search for beneficiaries, serve as gateways to a broad range of other services and initiatives for fighting poverty and vulnerability which are often not able to reach their target population.

In Chile's case, *Chile Solidario* (which has been operating since 2004) and the *Ingreso Etico Familiar* (since 2012) are the instrumental CTPs of the *Sistema Intersectorial de Protección Social* (SIPS—Intersectoral Social Protection System). Both programmes offer personalised services according to the specific needs of households and individuals, as well as by the multisectoral offers for assistance to overcome poverty and extreme poverty. These initiatives are also based on decentralised execution and continuous learning processes, leading to reforms regarding the expansion and improvement of the programmes that comprise the system.

Objectively, the *SIPS* involves, at the central government level, the Ministries of Health, Education, Culture and Housing, and the *Ministerio de Desarrollo Social* (MDS—Ministry of Social Development), which holds executive command. At the regional level, the system is operated through the regional representation for the MDS, the *Secretaría Regional Ministerial de Planificación y Coordinación* (SERPLAC—Ministerial Secretariat for Planning and Coordination). Operation at the municipal level is coordinated by FOSIS (an autonomous agency linked to the MDS), in partnership with local governments and other programmes with a municipal operating infrastructure, such as the JUNAEB, Junta Nacional de Jardines Infantiles (JUNJI), Fundación Integra, Instituto de Previsión Social, Servicio de Vivienda y Urbanización (SERVIU), Servicio Nacional del Adulto Mayor (SENAMA), Servicio Nacional de la Mujer (SERNAM), primary health care centres, hospitals, civil registry offices, schools etc. (Ministerio de Planificación y Cooperación (MIDEPLAN), Chile 2009; Requena 2012).

Peru's main CTP, the *Juntos* programme (launched in 2005), fits within the context of the *Estrategia Nacional de Desarrollo e Inclusión Social 'Incluir para Crecer'* (National Strategy for Development and Social Inclusion 'Include to Grow'). This strategy was created jointly with the Ministerio de Desarrollo e Inclusión Social (MIDIS—Ministry of Social Development and Inclusion) in 2012 and is managed by this same agency at the central government level, although it counts on the collaboration of dozens of more decentralised institutions for its operation at the municipal level. In simple terms, the strategy broadly focuses on achieving intergenerational gains, especially in the fight against the intergenerational reproduction of poverty. To this end, the strategy includes, in addition to the *Juntos* programme, over 25 programmes targeting children up to five years old, and over 30 programmes targeting the productive inclusion of youth and adults, as well as five initiatives tailored to elderly people.

Generally, all of the services mentioned previously in the chapters on health, social security and education are part of the national strategy for development and social inclusion. Among the most significant vulnerability factors with a potential impact on the intergenerational reproduction of poverty in Peru are the high rates of malnutrition and anaemia, and as such the national strategy combines the *Juntos* programme with other actions emphasising food security—especially during the first five years of a child's life. In this context, the programme prioritises rural households headed by women, whose inhabitants speak some native language and which belong to the lowest income quintile (estimated from consumption data). To promote the decentralisation of implementation without compromising effectiveness, the strategy is guided by clear, previously defined objectives which are systematically monitored throughout their duration (MDIS, Peru 2012).

6.1 CHILE (*PUENTE, CHILE SOLIDARIO AND THE INGRESO ÉTICO FAMILIAR*)

As mentioned previously, Chile had high growth and poverty reduction rates between the 1980s and 1990s, with a stagnation between 1997 and 2000 and a subsequent mismatch between a significant recovery of economic growth from then on, followed by a slight reduction in poverty and extreme poverty between 2000 and 2002 (De La Guardia, Hojman, and Larrañaga 2011). Since the 1990s, the country has approved a number of fiscal reforms which made the tax system more progressive and, therefore, significantly increased the national budget available for the government to invest in political and social activities (Martorano and Sanfilippo 2012).

As such, the early 2000s presented the Chilean government with the need to achieve another significant reduction in poverty and extreme poverty, which already had low incidence rates (5 per cent and 1 per cent, respectively, according to World Bank thresholds, or 14 per cent and 5 per cent, respectively, according to local criteria), in an extremely favourable context of economic growth and the availability of public resources for investment.

As the country's macroeconomic situation at the time was favourable, the government realised that to reduce the incidence of poverty, it would be necessary to launch strategies specifically targeting vulnerable groups, to whom the country's economic gains were not affording the means to overcome poverty and extreme poverty. This realisation led to an increase in the offer of social programmes, as well as the creation of a flagship programme, *Chile Solidario*, which had the aim of integrating and complementing previously existing initiatives, whose impacts were limited by institutional bottlenecks and a fragmented *modus operandi*.

Programmes for fighting poverty through one-time or continuous transfers of cash and/or goods and services have existed since the country's re-democratisation. An exercise performed by MIDEPLAN (2003), for example, identified 134 existing anti-poverty programmes in the country in 1999 and that, in 2002, as an immediate effect of the initiatives to bring together the resumption of economic growth and poverty reduction, that number grew to 142. However, the same study demonstrated that these programmes functioned in a very sector-specific and fragmented manner and, therefore, yielded underwhelming results. In 1999, for example, the 134 programmes were implemented by 25 different agencies, and in 2002 that number grew to 33. Other studies commissioned by the executive branch revealed that there remained progressivity issues in these programmes, which ended up marginalising extremely poor populations (Barrientos 2010).

Despite the efforts to expand the offer of social programmes, which were renewed and intensified between 2000 and 2002, institutional challenges still remained pertaining to integrating this network of programmes so as to avoid the duplication of effort, promoting long-term guarantees and focusing the actions of the State on the most significant causes of poverty and, especially, extreme poverty.

Faced with these challenges, and parallel to increasing the number of social programmes available in the country, there was also a series of efforts to overcome the institutional limitations of these initiatives and integrate them in the context of a national strategy of fighting poverty and, especially, extreme poverty (Galasso 2011).

The following four studies were conducted by the Chilean government and partner international organisations between 1999 and 2002, which ended up leading to the creation of the *Puente* programme in 2002 and its subsequent integration with *Chile Solidario*, which was created in 2004:

- 1999: Analysis of the public supply of basic services directed at priority groups for social policies, led by the *Comité de Ministros da Área Social* (MIDEPLAN—Committee of Ministers of Social Issues);
- 2000: Elaboration of a strategy of an integral/comprehensive intervention which favours families in a situation of extreme poverty, led by MIDEPLAN;

- 2001: Analysis of the situation of social protection for poor people and families, led by the Budget Office of the World Bank; and
- 2002: Pilot programme for comprehensive family care for families living in a situation of extreme poverty, led by FOSIS.

6.2 CHILE SOLIDARIO

On top of two years of psychosocial support provided by *Puente*, *Chile Solidario* provides a cash benefit during this period, and for the subsequent three years (the *Egreso* phase) this value gradually decreases to stimulate the household's autonomy. This integrated *Puente* and *Chile Solidario* strategy was designed to focus the actions of the State on the most significant causes of vulnerability in the country, to enable the efficient integration of various social programmes and to complement the offer of existing programmes with essential services to sustainably overcome poverty. More than a new offer of social programmes, *Puente* and *Chile Solidario* were instruments for the combined, unified and strategic implementation of various other pre-existing programmes in the country, to promote inclusive growth capable of reducing the incidence of poverty in the country even further.

To put it simply, *Puente* endeavoured to provide psychosocial support to families through the establishment of an individualised action plan for each one, and by meeting certain conditionalities related to each individual strategy. Observing the agreed conditionalities ensures access to a monthly cash stipend (*Bono de Protección Social*) according to the beneficiaries' vulnerability profile. In addition to this basic benefit there is a premium paid during the first six months of a household's participation in the programme, and at the end of each step of *Chile Solidario* (the two years of combined *Puente* and *Chile Solidario* plus the three years of the *Egreso* phase). There is also a one-time subsidy to pay for issuing identity documents, and a subsidy for the payment of water and sewage bills.

More than providing benefits of their own, *Puente* and *Chile Solidario* are important ways to provide priority access to other programmes at both national and local levels. Among the national programmes whose access is prioritised to beneficiaries of *Puente* and *Chile Solidario* are:

- the *Subsidio Único Familiar (SUF)*, a cash benefit for families with dependent children under 18 years old;
- the *Pensión Básica Solidaria (PBS)* for elderly people and people with disabilities;
- the *Vínculos*, *Calle* and *Caminos* programmes, which ensure special financial and psychosocial assistance to vulnerable people in the following categories: elderly, homeless and dependents of institutionalised (incarcerated) parents, respectively; and
- the flagship housing and smallholding rural productive inclusion programmes, respectively: *Habitabilidad* and the *Programa de Producción Familiar para el Autoconsumo*.

In broad terms, the *Chile Solidario* programme operates in five-year cycles. Up until 2012, the influx of new beneficiaries was over 50,000 families per year (Raczynski 2008; Martorano and Sanfilipo 2012). In 2009, when the first wave of programme beneficiaries was completing its five-year cycle, *Chile Solidario* covered 306,000 households (around 1.3 million people or 7.6 per cent of the country's population) (Cecchini, Robles, and Vargas 2012). In 2012, the last year

before the launch of the programme which would eventually replace *Chile Solidario*, 482,558 families (around 2 million people) had already completed their five-year stay in the programme (this excludes the 5.6 per cent of the targeted population who had not completed the full five-year term and the 2 per cent who refused to join the programme even though they were eligible) Camacho et al. (2014).

During the two years *Chile Solidario* operates along with *Puente*, beneficiary families receive intensive socio-familiar monitoring (21 visits, 14 of which during the first six months). To allow families to meet the minimum requirements of the programme's seven standardised dimensions (identification, health, education, family dynamic, housing conditions, work and income) and its subsequent 53 observable conditionalities, a timetable strategy is established by the social assistant and the family. Ideally, by the end of the first two years the family will have met all or most of these requirements.

On the other hand, the three-year *Egreso* phase has a lower number of psychosocial visits, mainly because its goal is to verify that the conditionalities met at the end of the first two years do not become neglected and to stimulate families to carry on without depending on the psychosocial and cash support. This is why the cash benefit provided during this phase (*Bono de Egreso*) decreases gradually.

In their recent paper, Camacho et al. (2014) point out that a single family counsellor (*Puente* and *Chile Solidario*'s social assistants) works with between 60 and 100 families simultaneously. Barrientos (2010) states that the programme operates with a goal of at least 70 per cent of the families who benefited from the *Puente* programme fulfilling all of the 53 conditionalities after the two-year period. The study by Camacho et al. (2014) points out that less than 6 per cent of the families who sign a commitment with social workers give up on the *Chile Solidario* programme (therefore, over 94 per cent of these families conclude both years of *Puente* as well as the three additional years of *Egreso*). Even so, older studies, such as by Santibañez (2006), suggest that 75.3 per cent of families actually comply with most of the conditionalities, which is already more than the programme's target, but there is still room for improvement. Barrientos (2010) points out that this percentage has declined over time, and Larrañaga et al. (2009) state that compliance with the 53 conditionalities after the *Puente* period tends to diminish in the long term.

Institutionally, the *Chile Solidario* programme is managed and strategically planned by the former Ministry of Planning and Cooperation, which was turned into the MDS by a recent reform as a means to highlight its capacity for managing social programmes. MDS management is also influenced by a Social Office, also comprising the Budget Management Office of the Ministry of Finance (DIPRES)—which has a say in the programme's budget management—and FOSIS, which is an autonomous institution linked to the MDS, acting on supporting the execution of MDS programmes as well as the direct execution of those managed by FOSIS itself. In fact, the creation of the *Puente* programme is largely attributed to FOSIS, which managed the pilot stage of the project between 2002 and 2004 (Organization of American States 2006). Currently, FOSIS continues being the central government institution responsible for monitoring implementation of the programme at the local level.

Implementation of the programme at the local level involves the registration of potential beneficiaries, the psychosocial monitoring of families and offering the means for fulfilling the conditionalities that were agreed on. To accomplish such tasks, beyond the presence of FOSIS there is constant interaction between decentralised offices belonging to MIDEPLAN, the so-called

Serplac offices (Secretarías Regionales de Planificación—Regional Planning Bureaux) and the institution responsible for the granting of social services at the municipal level, the Direcciones Comunes de Desarrollo (DIDECOS—Communal Boards of Development). In simple terms, Serplac acts together with the DIDECOS to ensure that the municipalities fulfil their duties as the implementing agents of *Chile Solidario* and as providers of basic social services so that the conditionalities can be met. The fulfilment of such conditionalities by the beneficiaries, in turn, is monitored by data sharing at the municipal as well as federal levels by the Ministries of Health, Education, Housing, Employment, Justice, MDS and FOSIS (Palma and Urzúa 2005).

Despite its success in establishing itself as the benchmark programme in the fight against poverty at the national level, *Chile Solidario* still exhibited some gaps which ended up being filled by a surrogate programme which was created in 2012: the *Ingreso Ético Familiar* (IEF—Ethical Family Income). One of the main bottlenecks in *Chile Solidario* relates to the low values of its cash benefits (the average monthly per capita values fluctuate between USD6.8 and USD15.7). Another one regards its coverage, which is very focused on poor and extremely poor households but ends up not reaching those with volatile income which oscillates between an average monthly wage and poverty. Furthermore, the fact that the cash benefit made available by *Chile Solidario* is entirely contingent on the fulfilment of conditionalities is criticised, since it can lead to the exclusion of families whose poverty situation is too extreme and does not permit them to meet such conditionalities due to not only behavioural reasons but also structural ones (Cechini, Robles, and Vargas 2012).

TABLE 3

Selected evaluations of *Chile Solidario*

Impact	Exposure time	Sources
<ul style="list-style-type: none"> Increases participation in job training programmes, but has no effect on employment rate or income in the short term Increases participation in housing programmes Increases school attendance Slight increase in the use of health services 	2003–2004	Galasso (2006; 2011)
<ul style="list-style-type: none"> Increases employment rate Increases housing index Reduces autonomous income 	Between 15 and 48 months of intervention	Larrañaga, Contreras, and Ruiz (2009)
<ul style="list-style-type: none"> Increases psychosocial welfare Increases take-up of subsidies and social programmes Increases the number and percentage of workers in the household, and the employment rate of the head of the household 	2003–2006	Hoces de la Guardia, Hojman, and Larrañaga (2011)
<ul style="list-style-type: none"> Reduces poverty and destitution in rural areas Increases use of health care systems and participation in programmes of training and intermediation for labour Positive effect on the beneficiaries' self-esteem and self-efficacy dimensions 	2003–2006	Galasso and Carneiro (2008)
<ul style="list-style-type: none"> Largest impacts for families that were previously not accessing services Larger impact when the expansion of the supply of social services is effectively implemented Impact on employment outcomes only when met by an increase in the supply of training and employment programmes 	Cohorts participating between 2002 and 2006; impact measured up to 2009	Carneiro, Galasso, and Ginja (2014)

Source: Camacho et al. (2012).

Regarding its mechanisms of data monitoring and management, Cechini, Robles and Vargas (2012) point out that the programme does not possess an institutional design specifically geared towards impact evaluation (excepting quasi-experimental designs, mainly based on Propensity Score Matching), which makes this type of study particularly hard. Even so, a number of impact evaluations have been performed, and their main results are listed in Table 3.

In another impact evaluation, Martorano and Sanfilippo (2012) posit that *Chile Solidario* leads to a decrease in individual labour time of about an hour, which is, however, compensated for by a larger participation in the labour market by the other members, therefore revealing a subtle positive effect both in the household's participation in the labour market and in family income. Regarding the cases where there are disincentivising effects on labour, Fiszbein et al. (2009) propose that it might be due to the inelastic labour supply of the poor households targeted by the programme, rather than to any inherent institutional flaw within the programme itself.

6.3 INGRESO ÉTICO FAMILIAR

As mentioned, bottlenecks in *Chile Solidario* related to results and institutional arrangements led to a new cash transfer and psychosocial support programme, *IEF*, which targets poorer families than those covered by *Chile Solidario* and lasts for only two years. To a large extent, the *IEF* was even a way of institutionalising supplements which were being incorporated into *Chile Solidario* to mitigate the effects of the 2008 economic crisis (Robles Farías 2012). One such supplement was the *Bono de Apoyo a la Familia* (Family Support Voucher), a benefit paid between 2009 and 2010 to *Chile Solidario* beneficiaries and other vulnerable groups.

With the new government instated in 2010, these contributions were institutionalised as a new cash transfer, *Asignación Social* (Family Allocation), launched in 2011, which would later be incorporated as part of the *IEF*—a larger initiative created in 2012 with the objective of replacing *Chile Solidario* through more robust psychosocial monitoring and ensuring a larger cash benefit, comprised of contributory and non-contributory components, as well as performance premiums. Just like *Chile Solidario*, the *IEF* also promotes priority access to other social programmes at both national and local levels.

In practice, the *IEF* operates in a similar way to *Chile Solidario*, through collaboration between the MDS, FOSIS, DIDECOS and Serplac at the municipal and regional levels. The *IEF*'s selection criteria are the same as those for *Chile Solidario*, although it is more targeted at extreme poor households.

The *IEF*'s stated objectives are the eradication of extreme poverty by 2014 and poverty by 2018; at the time of its creation, this meant that the programme had a target audience of around 170,000 families. There are still no publicly available data which would enable the verification of whether this goal was met or not in 2014, but it is worth pointing out that this number was small even in the aftermath of the programme's launch (people living in extreme poverty represented only 0.8 per cent of the population in 2013). Therefore, it is quite likely that the first part of the goal has been reached. Gradually, *Chile Solidario* beneficiaries have been migrating to the *IEF*, and it is expected that *Chile Solidario* will be terminated soon (Cechini, Robles, and Vargas 2012).

To avoid the exclusionary impact that a conditional cash transfer programme can have on certain families under more extreme conditions of vulnerability, the *IEF* breaks up its benefits into three pillars: *Dignidades* (Dignities), *Deberes* (Duties) and *Logros* (Achievements). The Dignities pillar provides a cash benefit to each household and, in addition, to each person in the household, unconditionally. The Duties pillar makes an additional cash benefit available

through conditionalities regarding health (medical monitoring of the development of children) and education (children's and adolescents' school enrolment and attendance rates). Finally, the Achievements category offers rewards for good school performance and for women who join the labour market. Currently, children and adolescents in the programme whose school performance is among the top 15 per cent in their classes receive a cash premium, and those who are among the next 15 per cent receive a proportionate fraction of that premium. There is also a premium for students who are able to complete middle school (ibid.).

Data from 2011 reveal that the values of the benefits which comprise the *IEF* were between two and six times higher than similar benefits made available by *Chile Solidario*. While the value of per capita benefits paid by *Chile Solidario* varied between 6 and 32 per cent of the poverty and extreme poverty lines in Chile (which, as already seen, vary between urban and rural areas), the per capita benefits paid by the *IEF* represent values fluctuating between 13 and 158 per cent of these same lines. It is worth noting that the *IEF*'s basic benefits must cover at least 85 per cent of the per capita extreme poverty gap estimated by proxy means test (ibid.).

Regarding psychosocial monitoring, this component was expanded and reformulated through the *Eje* programme, which is part of the *IEF*. In addition to the traditional *Chile Solidario* monitoring, *Eje* promotes the negotiation, together with families, of goals related to the professional training and labour insertion of its beneficiaries, through subsidies paid to both employees and employers. There has also been the inclusion of strategies for psychosocial monitoring specifically geared towards the promotion of well-being in old age.

Despite the undeniable advances brought by the *IEF*, it must be noted that the selection of its beneficiaries continues to be driven by a static portrait of poverty, in which only recent income is considered. This means that households with variable income could be unfairly rejected by the programme's proxy means testing.

Concerning the monitoring period for beneficiaries, the brevity of which was already criticised for *Chile Solidario*, there was a reduction from five years to 24 months at most (extendable to 48 months in the specific case of subsidies for the employment of women belonging to *IEF* beneficiary households).

Finally, it is worth pointing out that the *IEF* consumes relatively few public resources (0.18 per cent of GDP in 2012, for example). Although this is a higher amount than the 0.11 per cent of GDP which *Chile Solidario* consumed in 2009, for instance, there is still some criticism stating that the government should devote a larger budget to this programme due to the situation of economic prosperity the country is going through, as a means to use it as a more decisive instrument in the fight against poverty, extreme poverty and income inequality (ibid.).

6.4 PERU (*PROGRAMA JUNTOS*)

Juntos is a conditional cash transfer programme that assimilates the social and poverty reduction policies of the Government of Peru. The programme was created on 7 April 2005 by the *Decreto Supremo* (Supreme Decree) No. 032-2005-PCM, which defines its objectives, sources of funding and operational structure. At a later date, this decree was complemented by DS No. 062-2005-PCM, which altered its organisational structure. Initially, the programme was managed by a ministerial body directly linked to the President's Office and, from 2011 onwards, it was passed on to the MIDIS.

Through Law No. 29.792—pertaining to the creation, organisation and duties of MIDIS—*Juntos* is attached as an Executive Unit for the MIDIS. This shift of the programme to the MIDIS

and its joining with other social programmes corresponded to new policies, with the objective of articulating and strengthening social interventions to promote development and inclusive growth, ensuring that the investment of resources is efficient and leads to greater impacts in the fight against poverty. Its work is carried out jointly with many ministries which deal with social matters, such as the Ministry of Health, the Ministry of Education and the Ministry of Women and Vulnerable Populations. This allows for *Juntos* beneficiaries to be connected to the myriad of public benefits offered by each of the ministries.

The programme consists of a cash transfer, whose value in 2011 fluctuated between a minimum of USD7.7 and a maximum of USD36 per family. Families are covered by the programme for four years, renewable only once. If, after the fourth year, the families are still eligible, they enter a second four-year stage in which the value of the benefit decreases gradually. In 2011, the budget totalled almost USD300 million, having been fully financed by the State (Lavigne 2013).

The programme focuses mainly on rural areas where poverty is most prevalent. Its objectives are related to the reinforcement of human capacities and, specifically, to improve:

- the health of children under five years old and pregnant or lactating women, through assistance with participation in regular medical examinations;
- the nutritional state of children between six months and three years old, through participation in the Food Supplements for High-Risk Groups Programme (PACFO);
- the schooling of children between six and 14 years old, with a requirement to reach at least 85 per cent school attendance; and
- the enrolment of children in the *Mi Nombre* (My name) programme, to acquire an identification card (UNDP Peru 2008).

Juntos coverage has increased considerably since its creation in 2005. At first, the programme was restricted to specific areas (110 districts in the Andina region and the departments of Apurímac, Ayacucho, Huancavelica and Huanuco); however, by 2011 it had already covered the entire country. The number of beneficiaries increased from 124,025 people in 2005 to 2,765,521 in 2011, constituting around 7.6 per cent of the Peruvian population and 21.2 per cent of the population living in extreme poverty. The strengthening of the programme led to a twenty-fold increase in the number of poor rural families covered, from 22,550 families in 2005 to 471,030 in 2011, comprising 33 per cent of all poor households in the country (Machuca 2013).

6.5 ELIGIBILITY

The selection of beneficiary families is carried out in three steps:

- Selection of eligible districts: Participating districts are selected based on five criteria; exposure to violence; poverty level; poverty gap; level of child malnutrition; and the presence of extreme poverty.
- Selection of eligible families in eligible districts: The INEI carries out a census of all the households in the specified districts during the first step; the eligibility of families is determined based on poverty; and, from that group, only the families with children below 14 years old or pregnant women are selected.

- Community validation exercise: Following the first two stages, the inputs are derived from community members, local authorities and representatives of the Ministries of Health and Education, with the goal of minimising inclusion and exclusion errors (Abhimanyu 2011).

6.6 PAYMENT AND CONDITIONALITIES

After the three-step process that determines eligibility, the selected families are informed about the conditionalities they need to fulfil to receive the cash transfer. The programme provides a fixed and uniform monthly transfer of PEN100 (around USD30) to eligible households (in other words, it is independent of any household characteristics such as number of children, elderly members, profession etc.). However, to receive this monthly transfer, families must comply with certain conditionalities, which vary between families and according to the age of the children in the households. These are detailed as follows:

- Families with pregnant and lactating mothers: Mothers must obtain pre- and post-natal care. The focus is to provide adequate vaccination to the mothers, such as tetanus and anti-parasitic shots, as well as health supplements such as folic acid and iron.
- Families with children below the age of five: To avoid malnutrition, children are made to undergo frequent nutritional and health check-ups which guarantee a complete round of vaccinations, iron supplements, vitamin A and parasitic control. These check-ups also involve the periodic monitoring of children's height and body weight.
- Families with children between the ages of six and 14, but with incomplete basic schooling: Children in these households are required to attend school for at least 85 per cent of the school year. Given that children belonging to this age group have a higher probability of being involved in child labour due to their poor domestic circumstances, the goal is to provide families with sufficient money so as to allow children to go to school instead of working (Alcazar 2011).

Beyond these age-specific conditionalities, the women in participating households are also required to frequent sensitisation programmes to support their children's physical and social development. The objective here is to disseminate information about the government's other social security initiatives.

6.7 IMPACT EVALUATIONS

One of the main and most complete impact evaluation studies on the *Juntos* programme was performed by the World Bank (Perova and Renos 2009), based on a non-experimental methodology and mixed data from the *ENAH*O, administrative records from the programme and the *Registro Nacional de Municipalidades* (*RENAMU*—National Registry of Municipalities). This study points out that the programme has significant and positive effects in the comparison between both beneficiaries and control groups as well as between beneficiaries that have been part of the programme for a longer period of time and those who are more recent.

The positive effects revealed by this study are significant increases in consumption and income levels, with a subsequent reduction in the incidence and intensity of monetary poverty. It also shows positive impacts on the enrolment rates for the first two years of basic

schooling, in the number of medical consultations and the fulfilment of the vaccination calendar in the case of children under five years old and mothers in the perinatal period. The same study, however, does not point to significant effects on student school attendance or on child nutrition (the noted nutritional impacts are for adults only), and it highlights that the *Juntos* programme does not cause undesirable effects on the labour market or on conspicuous consumption, a sharp increase in birth rates or other such variables.

Later, Sánchez e Jaramillo (2012) performed a new impact evaluation for the Banco Central de Reserva del Peru (Central Reserve Bank of Peru), in which an alternate database was employed, the *Encuesta Nacional Demográfica y de Salud (ENDES—National Demographic and Health Survey)* for 2008, 2009 and 2010, which allowed them to identify positive impacts of the *Juntos* programme on child nutrition. Both the 2009 and the 2012 evaluations corroborate the effects suggested in the monitoring report for the *Juntos* programme that was published by Aramburú (2010).

7 CONCLUSION

This study briefly presented the main social policies in Chile and Peru, covering aspects of health, education, cash transfers and social security, as well as the tools used as a basis for the formulation and monitoring of such policies. The study was based on the premise that, to discuss and plan policies, it is essential to understand the unique institutional history and endogenous contingencies of each country. This premise was largely confirmed, as the evidence we found suggested that, rather than orienting themselves according to abstract ideal models, the social policies of these countries have reached their current form to respond to and promote changes in the endogenous contexts and contingencies throughout their history. In that sense, the best practices and institutional designs that we highlight for Chile and Peru should only feed into policymaking elsewhere to the extent that the challenges being faced and objectives being pursued are somehow similar to those that characterised the Chilean and Peruvian experience. Thus, despite the informative potential of this paper for policymaking elsewhere, we also urge readers to be aware of the gradual process that culminated in the institutional designs that these countries came to acquire over the course of their historical processes.

A striking conclusion that can be drawn from our historical overview of the institutional set-ups of social policies in Chile and Peru refers to the distinct challenges that those countries currently have to face as a consequence of their past. In Peru, overall political instability made it hard to consolidate institutional projects in the past; therefore, the country is just now able to count on a number of important administrative tools, and it is also a relatively recent phenomenon that social policies have started operating as state policies rather than political-party-related, localised policies. As we have seen, even the legitimacy of some fundamental national surveys was compromised until less than a decade ago. In Chile, the situation is somewhat the opposite, since the country inherited solid and mature neoliberal set-ups from Pinochet's dictatorship, though the current struggle points to the need to reform these institutions to enlarge and democratise their reach, as well as to reacquire state ownership over such processes.

Starting with the mechanisms and tools for estimating poverty and extreme poverty, as well as for tracking national vulnerability profiles, we have seen that both Chile and Peru have continuous surveys to track consumer price indexes, which are the guidelines for their national poverty and extreme poverty lines. Chile works with rural and urban lines, whereas Peru has specific poverty and extreme poverty lines for each of the country's administrative units. Both countries also count on country-wide representative and continuous household surveys that,

among other things, allow for the estimation of the incidence of poverty by both means and—mostly—proxy means assessments. Chile even counts on a multidimensional poverty index of its own. It is also crucial for the coordinated and progressive activities of the several policies of these countries that both Chile and Peru count on focusing criteria and tools that are related to those parameters for measuring and estimating poverty and extreme poverty. This allows for the planning of policies, largely based on household poverty surveys, to be in sync with the implementation of such initiatives.

In Chile, its targeting mechanism—the *FPS*—is the instrument for the selection of beneficiaries for most social programmes, whereas its peer in Peru, the *Ficha Socioeconómica Única*, is meant to promote a similar effect but is not yet as universal, even though it is the selection mechanism for the main Peruvian cash transfer programme—*Juntos*—as well as for other major national initiatives. It must be noted, however, that Peru’s targeting mechanism is a relatively recent political device available for social policies in the country, whereas the Chilean instrument derives from the 1979 *Ficha CAS*, which underwent major changes over the past 40 years until it finally evolved into today’s *FPS*. These changes were mostly towards increasing the capacity to assess people’s income derived from wages and to estimate their total income based on assets rather than on consumer goods, which are arguably easier to defraud. Overall, the changes in Chile’s targeting tools denote an institutional effort to curb inclusion errors (when beneficiaries do not strictly fit the policy or programme’s target audience).

The trajectory of these countries in regards to their health, educational and social security policies and programmes is very elusive, due to the different challenges each of these countries currently faces as a result of their past history. In Chile, the supply of such services was largely privatised during the Pinochet years, but with the re-democratisation the limitations of this model were made clear in terms of the lack of coverage, excessive burden on the poorest families, and the overall proliferation of inequalities that ensued. In Peru, the universal public supply of such services has had a long tradition, though serious quality bottlenecks and a scarcity of resources have led the government to facilitate complementary supply from private institutions, as well as to tailor distinct schemes of contributions and benefits to different population groups.

Chile’s health care system, which was public and universal until 1973, underwent a privatisation process, subsequently resulting in an increase in health insurance costs at the same time as service coverage became less attractive, which caused a significant increase in the proportion of people without coverage. The educational system transferred responsibilities to subnational government and also became very dependent on privately funded public education, whereas social security was fully privatised (except for the remaining beneficiaries of the old pension system). With the re-democratisation of Chile, however, new rules imposed a minimum set of guarantees to be honoured by health insurance policies, as well as a limitation on the contributions requested of the beneficiaries, and a non-contributory health system for the poorest people. The budgeting for education started benefiting schools with a higher number of students below a given threshold of vulnerability (which happen to be mostly public schools), and additional comprehensive programmes, such as *Chile Crece Contigo*, were established to provide income benefits as well as priority health, education and psychosocial care for the poorest children and their families. In addition, the Chilean school feeding programme received a massive increase in its budget; in broad terms, these initiatives operate in tandem so that families identified as being below certain thresholds of vulnerability gain access to services they cannot afford and are also guided by psychosocial care services to benefit from other available programmes and initiatives. The social security system, in turn, was forced to incorporate semi-contributory and non-

contributory pillars, as well as to take active steps to ensure basic benefits even for those who were unable to contribute regularly throughout their productive age.

Peru's health care system has traditionally counted on a public offer suffering from serious quality and financial bottlenecks, which led the government to create two separate public health insurance systems in 2009 (contributory and non-contributory), besides stimulating the private offer. A structural problem with the country's public health insurance systems is the administrative incapacity to provide services from the two different systems for contributing and non-contributing beneficiaries without distinction, which leads to the inefficient allocation of resources for public health services. This problem, however, has recently been tackled and is gradually being resolved. The supply of public education in Peru, despite being the government's second largest social expenditure, is still below the regional average, and should be expanded and better managed to promote more efficient impacts in terms of coverage and quality. However, the recent nationalisation of the school feeding programme, *Qali Warma*, shows that the central government realises it can play an active role in improving the country's educational situation.

Interestingly, the Peruvian social security system has become somewhat similar to the current one in Chile, in the sense that they now both have multiple pillars. The Peruvian trajectory was, however, very different from the Chilean one, as the expansion of private pension funds was stimulated in Peru as a strategy to alleviate—not terminate—the publicly provided PAYGO system. More recently, Peru has also launched important non-contributory and semi-contributory pension systems that try to cover the members of the population who are served by neither the public PAYGO nor the private individual capitalisation schemes. A lesson to be learned from Peru pertains to the burdens that early pension systems lacking progressivity and fiscal sustainability can have on the State. Even today, the country has to bear extremely heavy public expenditures to maintain contributory systems for the higher echelons of the army and public bureaucrats, which are neither progressive nor financially sustainable.

Both countries count on cash transfer programmes that not only provide some compensatory benefits to those who have been traditionally unable to reach the universal public health and education systems, but also serve as instruments for the active search for these people so that they can access those very services. In both cases, the beneficiaries are expected to fulfil a set of conditionalities. Unlike the Peruvian *Juntos* programme, however, the Chilean one operates with a rather comprehensive set of conditionalities which are undertaken by the families according to their particular situation through a process that involves active psychosocial care with multiple visits. Chile's traditional CTP—*Chile Solidario*—is gradually giving way to its successor, the *IEF*, which intensifies the psychosocial care focus on protecting elderly people and promoting labour market participation. The *IEF* also increases the cash benefits while also guaranteeing a portion of the stipends, irrespective of conditionalities; another share remains conditioned to beneficiary compliance, and the last one is paid as a premium bonus for extraordinary achievements (e.g. women finding formal employment, students performing among the best in their class etc.).

Finally, it should be noted that this paper is a first report following a study tour, during which we had a larger exposure to Chilean experiences than Peruvian ones; thus the biased nature of the text, discussing significantly more Chilean initiatives than Peruvian ones. Added to that is the inherent challenge of analysing such a vast set of social policies; this paper presents several debates but does not come close to exhausting the arguments regarding any of them. We do hope to eventually continue the discussions introduced here and to expand this first version into a more comprehensive analysis.

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NOTES

4. As there were problems of overestimation related to the total size of the population in the 2005 census, a new census was carried out in 2007 (INEI 2015).

5. In 1974 the *Cedula Viva* decree was an attempt to limit the previous social security regime only to public servants hired up to 1962. Despite this, the number of beneficiaries of this system increased until the 2000s, turning it into—even today—one of Peru's social protection system's worst problems. It drains the resources of upwards of 50 per cent of the on-lendings made to the universal, public pay-as-you-go system (the *Sistema Nacional de Pensiones*—*SNP*). Its coverage, which is regressive, is almost two thirds lower than that of the *SNP*, with lower contributions than those demanded by the *SNP* and, consequently, a larger amount of public financing both in relative and absolute terms (Rofman 2006).

6. In 2006, for instance, 33 per cent of the active population did not contribute to the social security system, and around half the contributors probably could not reach the minimum contributory level to be eligible for a pension fund when they retired (Robles Farías 2012).

7. Realising that many people contributed irregularly and ended up not qualifying to receive retirement pensions, or only for pensions of very low value, in 2001 the *Pensión Mínima de Vejez* was established, which guarantees a supplementary income so that those who have contributed towards any scheme for 20 years can reach a minimum benefit equal to USD160 per month. This initiative also sought to encourage people to register for a private social security system. These same motivations drove the creation by the government, in 2008, of a subsidy to the capitalisation system, geared towards vulnerable groups, whose contributions were limited to a maximum of 4 per cent of the country's minimum wage, to be paid at least over 300 months, while the State would finance the rest (Lavigne 2013).



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