Appendix A

History of Social Safety Nets at the World Bank

Social safety nets (SSNs) have a long history as a protective mechanism for the poor that can be traced back as far as Ancient Egypt and the Roman Empire. However, in the context of the Independent Evaluation Group (IEG) evaluation, the history of SSNs at the World Bank began in the 1980s following global and Bank events that influenced the SSN agenda.¹

In the 1980s Latin America suffered the most severe crisis in its history. The crisis led to a considerable drop in incomes, economic growth stagnated, unemployment soared, and inflation reduced the buying power of the middle class. To help address the crisis, the International Monetary Fund (IMF) and the World Bank proposed and financed structural adjustment and stabilization programs throughout the region. Under these programs, countries implemented market-based reforms in exchange for financial assistance. The stabilization programs and the crisis itself had a high social cost. In 1987, to cushion the adverse effects of the stabilization and structural adjustment programs on the poor, Bolivia, with the support of the Bank, put in place the first Emergency Social Fund (ESF) aimed at providing emergency relief by creating temporary employment and improving income. After the ESF, a wave of social funds spread to more than 60 countries.

In the 1990s, the dissolution of the Soviet Union and the East Asia financial crisis highlighted the importance of sound SSN systems. After the break-up of the Soviet Union, Eastern and Central Europe suffered economic and political instability, with high social cost. The World Bank stepped in to provide assistance to eastern European countries to build SSN programs. In 1993, the 47th Development Committee meeting of the joint World Bank-IMF recognized the importance of SSNs for mitigating major transitory adverse effects of economic reform on vulnerable groups and to enhance the political viability of reforms.

In 1994, two events helped shape the thinking on SSNs, the Mexican crisis (Tequila Crisis) and the transition of South Africa into a democratic nation. The Tequila Crisis set the stage for the first cash transfer program to the poor, and the new South African government extended social pensions and child support to all its citizens, without regard to race. The same year, the World Bank published Averting the Old-Age Crisis: Policies to Protect the Old and Promote Growth, which recommended a three-pillar approach to pension reform: a mandated, publicly managed, unfunded, defined-benefit pension; a mandated, funded, privately managed, defined-contribution scheme, and voluntary retirement savings.

In 1995, the first conditional cash transfer (CCT) programs were launched in Brazil: the Bolsa Escola program in the Distrito Federal on January 3, 1995, and the Guaranteed Minimum Family Income Program (PGRFM) was launched by the mayor in the Campinas Municipality on January 6, 1995. These programs became a model that multiplied in many municipalities and states in Brazil and led to the current program Bolsa Família.

In 1996, the Bank created the Social Protection and Labor Sector as a part of the Human Development Network, recognizing the importance of social protection in development. The
same year there was a major shift in Bank policies toward financing food expenditures. Food expenditures were allowed to be financed, on an exceptional basis, in poverty alleviation, health and nutrition, and SSN programs that provided temporary compensatory measures during fiscal and economic reform programs.

In 1997, Mexico launched its CCT program *Progresa*, now known as *Oportunidades*. The program used conditional cash transfers to help reduce short-term poverty, while giving households incentives to invest in the human capital of their children. *Oportunidades* had a series of impact evaluations that showed intermediate outcomes in human development and consumption smoothing. CCTs now have been expanded in more than 30 countries.

In 1998, the global financial crisis hit East Asia and then the Russian Federation and Brazil. SSNs were created, scaled up, and used as a mitigation measures. Indonesia, for example, started SSN programs that now cover a large portion of the poor population.

In 2000, the World Development Report (WDR), *Attacking Poverty: Opportunity, Empowerment, and Security*, highlighted the need to develop national programs to prevent, prepare for, and respond to macro shocks—financial and natural. In particular, it stressed the need for permanent safety nets that could serve a counter cyclical role when countries are hit by a shock. The same year the Bank launched its first social safety net core course. That course has been fundamental to the learning and knowledge exchange agenda on SSNs.

In 2001, Argentina entered an economic crisis causing the destitution of the De La Rua Administration leading to high social costs. The same year, the Bank published its strategy paper “From Safety Net to Springboard,” setting the conceptual foundations of the Social Protection and Labor sector strategy. The SP&L strategy placed particular emphasis on risk and risk management. It also articulated the efficiency motive for SSN to help households manage risk, help households invest, and help governments reform other sectors. 2001 was also the first time the Bank provided financing for a CCT program (Colombia, Jamaica, and Turkey). An interpretation of the Bank bylaws was necessary as it was not clear if the Bank could finance cash transfers. The human development argument was crucial for the legal department to consider cash transfers a development investment.

In 2002, Ethiopia suffered a major drought that left 13 million people in need of food aid. The crisis shifted the country emergency response from a system dominated by humanitarian aid to a donor-coordinated, predictably financed, productive and development-oriented safety net to address the urgent needs of chronically food insecure households. Currently, the Ethiopia Productive Social Safety Net Program is one of the largest in Sub-Saharan Africa (covering 5 million people).

In 2003, the Bank’s SSN portfolio increased considerably, when the *Jefes del Hogar* (Heads of Household) Project received $600 million (total cost $1.9) billion as a response to the Argentinean crises.

In 2004, the Bank’s OP 8.60 operational policy for development policy operations (DPLs) recognized that DPL operations can have distributional effects. Consequently, it required an evaluation of poverty and social impacts, as well as mitigation measures when needed.
In 2005, a new Bank publication on pensions, *Old Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform* recognized the central role of social pensions in countries’ social protection systems.

In 2008, the food and fuel crises hit developing countries, 36 countries were in crisis as a result of higher food prices. The Bank established the Food Crisis Response Program with an initial line of credit of $1.2 billion, giving priority to the most fragile states. The available funds were increased to $2 billion. The same year, the first ministerial conference on social development in Africa was held in Namibia. Ministers and senior officials from the African Union’s 53 member states participated. African Union members agreed to develop social protection schemes for disadvantaged groups such as children, elderly, and people with disabilities, by, among other things, introducing and extending public-financed non-contributory cash transfer schemes.

In 2009, the financial crisis reached emerging economies. Sixty-four million more people dropped below the $1.25 day poverty line (extreme poverty) and 40 million more people went hungry as a consequence of the food, fuel, and financial crises. The Bank established the Rapid Social Response Program (RSR) to respond to the crises, leveraging the Bank’s own resources through IBRD and IDA ($12 billion for SSNs and other social protection programs in health and education), and donor resources ($65.22 million). The Bank’s SSN lending portfolio hit a record $3.4 billion, with a single operation (Mexico’s *Oportunidades* program) of $1.5 billion.

As of October 2010, $71 billion (IBRD/IDA) has been disbursed to countries in need of financial assistance as a consequence of the crises—including $21 billion to the world’s 79 poorest countries. SSNs represented 9 percent of the total Bank disbursements post-crisis ($6.3 billion).

Twenty years ago, SSNs were put in place to cushion against the adverse effects that stabilization and structural adjustment programs have on the poor. Now, SSNs fill a greater role: reducing inequality and extreme poverty; helping households prevent, prepare, and respond to shocks—macro or idiosyncratic—so they can better manage risk; and helping households invest/improve their livelihoods.
# Appendix A
## Social Safety Nets’ History

### Table A1. Timeline

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<tr>
<th>Year</th>
<th>World Events</th>
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<th>Bank-Wide Events</th>
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| 1971 | Employment Guarantee Scheme (EGS) India  
• The EGS pilot launched in 1965. It was subsequently expanded, precipitated by an extended drought in 1971. This culminated in the EGS Act and its 1979 implementation in Maharashtra.a  
• With the implementation of EGS, India was one of the few countries in the developing world to implement a public works program (PWP)  
• 31 percent of the FY00–10 SSN portfolio had a PWP component. b |  |  |
| 1980 | Chile invents the Proxy Means Test (PMT)  
• PMT is an alternative method to Verified Means Testing in developing countries that have a high degree of informality in the labor market. c  
• If designed and executed correctly, PMT can have a high degree of accuracy, while also being cost efficient and transparent.  
• 53 percent of the countries with a conditional cash transfer (CCT) program use PMT as a target method. d |  |  |
| 1982 | Latin America Debt Crisis  
• The 1982 debt crisis was one of the most severe in Latin America’s history: incomes dropped, economic growth stagnated, unemployment rose to high levels, and inflation reduced the buying power of the middle class.e |  |  |

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a. Source: Image of India
b. Source: World Bank

c. Source: Chile

d. Source: Latin America

e. Source: United States

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<td>1987</td>
<td>• The crisis made social assistance and targeting priorities on the agendas of the World Bank and state governments.</td>
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<td>First Bank loan for social costs of adjustment • Bolivia’s Emergency Social Fund (ESF) was established to cushion the adverse effects on the poor of the economic crisis and the subsequent stabilization program of the 1980s, as well as to facilitate transition through the phases of structural adjustment. • After ESF, a wave of social funds (SF) began, quickly spreading to 50+ countries. SFs have been used, in the context of SSNs, primarily to fund PWP.</td>
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<td>1991</td>
<td>Dissolution of the Soviet Union • Eastern and Central Europe started a transition period, introducing market liberalization policies.</td>
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<td>1992</td>
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<td>First Bank SSN operation in ECA • Post-dissolution of the Soviet Union, the Bank provided assistance building SSN systems for the first time to Albania.</td>
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<td>1993</td>
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<td>Social Security Reforms and Social Safety Nets Report</td>
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| 1994 | **Tequila Crisis (Mexico)**  
• December 1994, one of the worst economic crises in Mexican history began with the sudden devaluation of the Mexican peso. The crisis had ramifications for the Southern Cone.  
• 50 percent of the Mexican population fell into poverty.  

**South Africa democratic elections**  
South Africa transitioned from apartheid to constitutional democracy. The new government modified the social pensions and child support systems, raising benefit levels of blacks to the level of whites. The social grant system, which primarily | presented at the 47th meeting of the joint World Bank-International Monetary Fund Development Committee meetings. Helped shape thinking and work program on safety net programs. Recognized the importance of SSNs for mitigating major transitory adverse effects of economic reform on vulnerable groups to assist the poor and enhance the political viability of economic reforms. Analytical work on SSN increased considerably because of the support of the development community to SSNs.  

**Averting the Old-Age Crisis: Policies to Protect the Old and Promote Growth (Report)**  
• The report recommended a three-pillar approach to pension reform: a mandated, publicly managed, unfunded, defined-benefit pension; a mandated, funded, privately managed, defined-contribution scheme, and voluntary retirement savings.  |
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<td>1995</td>
<td>CCT programs started</td>
<td>Two CCTs were launched in two Brazilian municipalities (representing two different political parties): the “Bolsa Escola” program was launched in the Distrito Federal (Brasilia) and the “Guaranteed Minimum Family Income Program (PGRFM) in the Campinas Municipality. These programs were the origin of the current program Bolsa Familia.</td>
<td>Creation of the Social Protection and Labor Sector</td>
<td>Bank financing of food expenditures was permitted for poverty alleviation, health and nutrition, and to improve targeting and effectiveness of projects with SSN components that provided temporary compensatory measures during fiscal and economic reform programs.</td>
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<td>1996</td>
<td>Mexico’s CCT program started</td>
<td>• Mexico initiated its incentive-based poverty reduction program, called Progresa in response to the 1995 crisis. Progresa, now known as Oportunidades, uses conditional</td>
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supports children, has expanded coverage from 2.5 million beneficiaries in 1999 to over 13 million in 2009 and it has influenced thinking in the region.\(^k\)
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<td>1998</td>
<td>Global financial crisis hit East Asia then Russia and Brazil • The global financial crisis resulted in the implementation of large-scale social protection measures with World Bank assistance (for example, Indonesia).</td>
<td>cash transfers to help reduce short-term poverty through transfers, while giving households incentives to invest in the human capital of their children and thereby reduce poverty over the long run.</td>
<td>WDR 2001 Attacking Poverty: Opportunity, Empowerment, and Security • The report highlighted the need to develop national programs to prevent, prepare for, and respond to macro shocks—financial and natural. In particular, the need for counter-cyclical safety nets to be permanent and ready to be deployed when countries are hit by a shock.</td>
<td>First Social Safety Nets Core Course: The Design and Implementation of Effective Safety Nets • The SSN core course has been delivered for 10 years now, and has been fundamental to the learning and knowledge exchange agenda on SSNs.</td>
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<td>2000</td>
<td>Argentina Crisis • The Argentine crisis hit its worst point when massive numbers of people began withdrawing money from the Bank, causing a run on the banks. The government then enacted a set of measures that effectively froze all bank accounts for twelve months, allowing for only minor sums of cash to be withdrawn.</td>
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<td>2001</td>
<td>World Bank Social Protection Strategy Paper: From Safety Net to Springboard. • This paper set the conceptual foundations of the SP&amp;L sector strategy • It put particular emphasis on risk and risk management:</td>
<td></td>
<td>First time Bank lends for CCT • The WBG starts lending programs to support CCTs in Colombia, Jamaica, and Turkey. • The Human Development argument was key to getting legal clearance for CCTs.</td>
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<td>the Social Risk Management (SRM) framework complemented social protection’s more traditional emphasis on equity and basic needs, and recognized the demands and consequences of the rapidly changing global economy. • Articulates efficiency motive for SSN to: – help households manage risk – help households invest – help governments reform other sectors.</td>
<td>1st International Conference on CCT Programs (Mexico) • The conference, first in its kind, provided a forum for government officials and other main stakeholders to share experiences—both successes and challenges—on CCT programs.</td>
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<td>2002</td>
<td>Ethiopia drought crisis 13 million people required emergency food aid due to a severe drought. The government of Ethiopia shifted from a system dominated by emergency humanitarian aid to a productive and development-oriented safety net to address the urgent needs of chronically food insecure households.</td>
<td>1st time that the Bank lends more than half a billion dollars for a project containing SSN components • As a response to the Argentina crisis, the Jefes del Hogar (Heads of Household Project) received $600 million. The total cost of the project was $1.9 billion.</td>
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<tr>
<td>2003</td>
<td>World Development Report 2004: Making Services Work For Poor People • The WDR 2004 dealt with</td>
<td>First time that the Bank lends more than half a billion dollars for a project containing SSN components • As a response to the Argentina crisis, the Jefes del Hogar (Heads of Household Project) received $600 million. The total cost of the project was $1.9 billion.</td>
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| 2005 | Indian National Rural Employment Guarantee Act (NREGA)  
  - The scheme provides a legal guarantee for 100 days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage of Rs.100 per day.  
  - Rights-based approach to social protection.  |  | the crucial role of transfers and social services.  
  - OP 8.60, operational policy for development policy operations (DPLs) recognized that DPLS operations can have distributional effects. Consequently, it requires an evaluation of poverty and social impacts.  | income Africa.  |
|      | Old Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform (Report)  
  Modified the conceptual framework for the Bank’s pension work, adding the following pillars:  
  - “zero pillar” — (social pension, or general social assistance typically financed by the local, regional or national government), fiscal conditions permitting, to deal explicitly with poverty-alleviation objectives in order to provide the elderly with a minimal level of protection.  
  - “first pillar” — contributory pension, linked to (and intended to replace) part-time earnings;  
  - mandatory “second pillar” — individual savings accounts;  
  - voluntary “third pillar” — |  |  |  |
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| 2006 | Livingstone Call for Action— A Transformative Agenda for the 21st Century: Examining the case for basic social protection in Africa  
Ministers and senior representatives from 13 African countries (Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Rwanda, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe) together with Brazil, development partners, UN agencies, and NGOs participated  
• Called for more “social transfer” programs, more capacity building, and long-term funding commitments;  
• Sets schedule for developing local plans and bi-annual south-south conference. | World Bank WDR: Equity and Development  
• Re-establishes within the World Bank the equity motive for safety nets  
• Safety nets now seen as having both protection and promotion as goals.aa | Third International Conference on Conditional Cash Transfer Programs (Turkey)  
• Formation of the LCR learning circle. |
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<td>2008</td>
<td><strong>Food and Fuel Crises hit</strong>&lt;br&gt;• High volatility in food prices threatened to further increase food insecurity and exacerbate the hardships faced by the poor.&lt;br&gt;• 36 countries in crisis as a result of higher food prices.\textsuperscript{bb}&lt;br&gt;&lt;br&gt;<strong>First ministerial conference on social development in Africa (Namibia): “Towards a Sustainable Development Agenda for Africa.”</strong>&lt;br&gt;Ministers and senior officials from the African Union’s 53 member states participated Commitment at the ministerial level to develop social protection schemes for disadvantaged groups such as children, elderly, and people with disabilities. Measures included:&lt;br&gt;• Extending existing social insurance schemes (providing subsidies for those that cannot contribute)&lt;br&gt;• Setting up community-based or occupation-based insurance schemes on a voluntary basis&lt;br&gt;• Providing social welfare services and employment guarantee schemes&lt;br&gt;• Introducing and extending public-financed non-contributory cash transfer schemes.\textsuperscript{cc}</td>
<td></td>
<td><strong>Food Crisis Response Program (FCRP)</strong>&lt;br&gt;• On May 29, 2008, the Board of Executive Directors approved a $1.2 billion rapid financing facility to address immediate needs arising from the food crisis, including $200 million in grants from IBRD surplus targeted at the vulnerable in IDA countries. This program had the mandate to give priority to the most fragile states.</td>
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| 2009 | **Food and Fuel Crises**  
- Although food grain prices declined from their peaks in 2008, major food grain prices are still above average.  
**Financial Crisis hits**  
- Crisis spreads rapidly through the United States and European financial sectors. Major banks draw back on financing for trade and foreign investment.  
- Crisis begins to hit emerging economies.  
  
Countries borrowing for the first time for a project of SSNs  
- As a result of the food, fuel and financial crises, increased attention was given to SSNs: 17 new countries borrowed from the Bank for SSNs.  |
|      | **FCRP**  
- On April 2009, in response to high demand, the Bank increased the GFRP ceiling to $2 billion.  
**Rapid Social Response Program (RSR)**  
- The RSR was established in response to the triple wave of food, fuel, and financial crises. The RSR Program leverages the Bank’s own resources through IBRD and IDA, and donor resources (Norway, the Russian Federation, and the United Kingdom for a total of $65.22 million).  
- 72 percent of the funds were used in SSN activities.  |
|      | Bank SSN commitments dramatically increased  
- The Bank announced that its investments in SSNs and other social protection programs in health and education are projected to triple to $12 billion over the next two years in order to protect the most vulnerable people from the worst effects of the global economic crisis.  
**First time the Bank lent more than a billion dollars for a single project focusing on SSNs (Oportunidades-Mexico)**  
- As a response to the crises, the Bank lent $1.5 billion to support the Oportunidades program. The total cost of the project was $6.3 billion.  
- The Bank’s SSN portfolio hits lending record of $3.4 billion  |
| 2010 | **Impact of the food, fuel, and financial crises on the poor**  
- The Bank estimates that 64 million more people are living in extreme poverty (below $1.25/day) in 2010 and 40 million more people went hungry in 2009 due to the crises.  |
|      | Bank commitments  
- The Bank has committed $138 billion to its members since the crises began. As of October 2010, $71 billion (IBRD/IDA) has been disbursed, including $21 billion to the world’s 79 poorest countries.  
- SSN represented 9 percent of the total Bank disbursements post- crises ($6.3 billion).  
- Oportunidades received $1.2 billion in additional financing, hitting a record of $2.7 billion project.  |

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b. SSNs Portfolio Review.
c. Larrañaga Osvaldo (2005), El Sistema CAS en Chile, World Bank.
d. SSNs Portfolio Review.
h. SSNs Portfolio Review.

t. SSNs Portfolio Review.
v. SSNs Portfolio Review.
x. SSNs Portfolio Review.